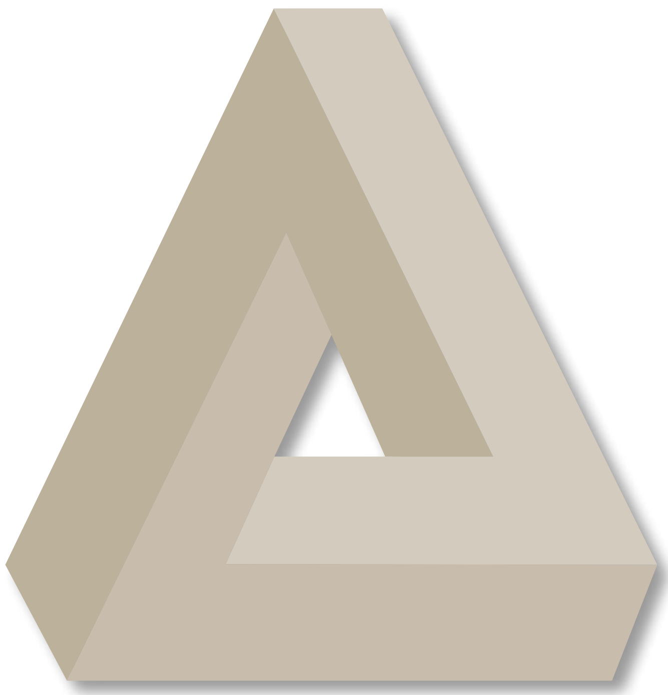
AKSA

Annual Report 2017



AKKÖK
HOLDİNG

CONTENTS

THE LARGEST ACRYLIC FIBER PRODUCER IN THE WORLD, THE FOREMOST BRAND IN TURKEY AND A LEADER IN INNOVATION....

acryluna acrysole acrylusion acryterna

THE WARMTH OF WOOL BY YOUR SIDE...

ORDINARY GENERAL ASSEMBLY AGENDA

AGENDA FOR THE 2017 ORDINARY GENERAL ASSEMBLY MEETING OF AKSA AKRİLİK KİMYA SANAYİİ ANONİM ŞİRKETİ

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

2. Reading and discussing the 2017 Annual Report prepared by the Board of Directors,

3. Reading the Auditors' Report for the year 2017,

4. Reading, discussing and approval of the Financial Statements for the year 2017,

5. Releasing the members of the Board of Directors individually with regard to the Company's activities in 2017,

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

7. Determination of remuneration for the Board Members and Independent Directors,

8. Submitting the selection of the Independent Auditor for approval pursuant to the Turkish Commercial Code, the 'Communiqué on Independent Auditing Standards in Capital Markets' issued by the Capital Markets Board of Turkey, and the decision of the Board of Directors on the matter,

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

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

11. Pursuant to the Capital Markets Law, informing the shareholders about the donations and aid made by the Company in 2017,

12. Pursuant to Article 12 of the Communiqué on Corporate Governance, informing the shareholders about the sureties, pledges, mortgages and guarantees given by the Company in favor of third parties and on the income and benefits acquired by the Company in 2017.

Message From the Chairman of the Board of Directors

Dear Shareholders,

As in the rest of the world, 2017 was unsettled in Turkey. Central banks, elections, politicians and the strong performance of the US Dollar against other currencies played a determining role in the global markets. We entered the year with Donald Trump becoming the US president, and we soon felt the effects of his radical decisions. Other highlights of 2017 were the spike in commodity prices, the rise in interest rates in the US, which in turn impacted on interest rates in other markets, and the exchange rate escalation of the US Dollar against the Turkish Lira.

While the government's measures to support economic growth in Turkey had a concrete impact, the rise in unemployment, inflation and foreign exchange rates were some of the most discussed and distressing issues of the year. 2017, which started with a referendum, soon felt the effect of the surge in the US Dollar exchange rate.

However, despite the uncertainties in the markets in 2017, for Aksa, the year was rich with developments that made us proud, both financially and in terms of our corporate culture and ethical values. Once again, Aksa won first place in the eighth Corporate Governance Awards, organized by the Turkish Corporate Governance Association.

Aksa Acrylic came first for the second time in the competition which assesses companies listed in the Borsa Istanbul Corporate Governance Index, and advanced its corporate governance rating from 95.98 to 96.32, thereby creating an example and an inspiration.

Furthermore, our sustainability work was rewarded with three awards by Mercomm Galaxy and LACP Spotlight, two of the world's leading programs. Aksa Acrylic won the gold medal at the Spotlight award program, organized by the League of American Communication Professionals (LACP), and was 30th on the list of the World's Best 100 Communication Materials. Our sustainability report received a bronze medal in the Online Sustainability Reports category of the Mercomm Galaxy Awards.

Another accolade was to be included on the highest rungs of the İSO 500 list. Our company, the largest acrylic fiber producer in the world, achieved 44th place on the list of Turkey's 500 Largest Industry Institutions. Aksa also came 96th on the Fortune 500 list, which lists companies according to their net sales.

OUR COMPANY, THE LARGEST ACRYLIC FIBER PRODUCER IN THE WORLD, ACHIEVED 44TH PLACE ON THE LIST OF TURKEY'S 500 LARGEST INDUSTRY INSTITUTIONS.

"No matter what the market conditions, we do not forgo our solution-oriented approach, and we strive to keep our strategic capability at the highest level possible, together with our products and services."

Mehmet Ali Berkman
Chairman of the Board of Directors

Another achievement that lefts its mark on 2017 was the selection of Aksa as the winner of the Platinum Awards, presented as a result of the research carried out by the Istanbul Textile and Raw Material Exporters Union (İTHİB) to companies with exports over US$25 million.

Despite all the uncertainties in 2017, we realized that we needed more flexible and short-term decision-making structures in all our businesses. We, the Aksa family, believe this is more than just a requirement but also the new order of a healthier business structure, and accordingly we constantly aim to improve our corporate governance work. No matter what the market conditions, we do not forgo our solution-oriented approach, and strive to keep our strategic capability at the highest level possible, together with our products and services. I would like to thank all our employees, who are the architects of our success, our shareholders, customers, financiers and all our stakeholders, and wish them another year full of success.

Sincerely,

Mehmet Ali Berkman
Chairman of the Board of Directors

A Message From the General Manager

Dear Aksa Family,

There were positive developments despite the elections and problematic challenges in the global economy, which heralded 2017 with political and geopolitical uncertainties. Despite protective foreign trade policies, the growth in world trade volume continued. The annual growth rate of developing economies rose to 5.4%, the highest figure in the last four years.

In the Eurozone, 2017 was a year with balloting and separatist discourse in the political arena. In spite of cautious monetary policies, economic recovery and expectations were positive. While the inflation data was moderate both in the developed and developing economies, in our country in 2017 the main items on the agenda were rapidly rising inflation and foreign exchange rate volatility. The Turkish economy completed the year with strong growth, but the Consumer Price Index revealed an inflation rate of 11.92%, and created a negative atmosphere in all sectors.

We continued creating added value with the positive effects of the Credit Guarantee Fund loans to our customers, and with our exports and rich product portfolio in 2017, we completed a successful and profitable year. Our consolidated turnover was TRY 2.8 billion, TRY 515 million EBITDA, and TRY 295 million net profit. At the end of 2017, our company had assets equal to TRY 3.4 billion and equity of TRY 1.4 billion.

The International rating agency JCR Eurasia Rating, determined Aksa's Long-Term International Monetary Rating as BBB- (Investible) and Long-Term National Rating as AA (Highly Investible). With such data, we demonstrated the efficiency of our risk elimination strategies and the strength of our financial structure.

What lies behind these financial successes is obviously the value we place on our expert human resources, creative information, and our investments towards sustainable change. In addition, we once again received the highest award at the eighth Corporate Governance Awards from the Corporate Governance Association of Turkey, yet another achievement in 2017. This award highlighted Aksa Acrylic's fair, transparent, accountable and responsible practices.

Aksa Acrylic, which obtained R&D Center Certification from the Ministry of Science, Industry and Technology, strives towards developing new usage areas and new products for acrylic fibers. There are currently eleven innovative and qualified R&D Projects at the Center, administered with operational perfection and in line with our vision of sustainability. At the same time, our efforts in obtaining patents for newly developed products and technologies continue.

Another area that generated excitement in 2017 was the investment incentives received.

> WE INTRODUCED FILAMENT YARN TO THE MARKET UNDER THE ACRYLUSION BRAND AND ATTRACTED GREAT INTEREST, ESPECIALLY IN THE WOVEN CARPET SECTOR, DUE TO ITS SILKY SOFTNESS AND HANDLING. THE REQUISITE INVESTMENTS WERE MADE TOWARDS ENHANCING CAPACITY BASED ON HIGH DEMAND FROM THE CARPET SECTOR.

"Our new product and technology investments will continue to be one of the most fruitful ways of improving our success rate."

Cengiz Taş
General Manager

General investment incentive certification was obtained for locally supporting the development of our new product investment, continuous filament, and for modernization in our product lines.

We introduced Filament yarn to the market under the Acrylusion brand and attracted great interest, especially in the woven carpet sector, due to its silky softness and handling. The requisite investments were made towards enhancing capacity based on high demand from the carpet sector.

In line with Turkey's targets of manufacturing value added products and improving exports, Modacrylic Fiber Polymer was included in strategic product financing, and with the approval of investment incentive certification, we took the first step towards realizing a crucial dream. Our new product and technology investments will continue to be one of the most fruitful ways of improving our success rate.

As we welcome in a new year, I would like to thank all our employees, one of the reasons why the Aksa Acrylic brand is always mentioned together with strength and reliability, our loyal customers and our business stakeholders, in whose trust we strive to be worthy.

Sincerely,

Cengiz Taş
General Manager

WE SERVE APPROXIMATELY 300 CUSTOMERS IN MORE THAN 50 COUNTRIES ON 5 CONTINENTS...

KEY INDICATORS

EBITDA(*)(Thousand TRY)

2017	515.150
2016	389.654

Aksa boosted its EBITDA by 32%, reaching TRY 515 million.

(*) Earnings Before Interest Taxes Depreciation and Amortization

32%

Dividend (TL)

2017	185.000.000
2016	157.250.000

Aksa dividends paid to shareholders in 2017 rose by 18% to TRY 185 million.

18%

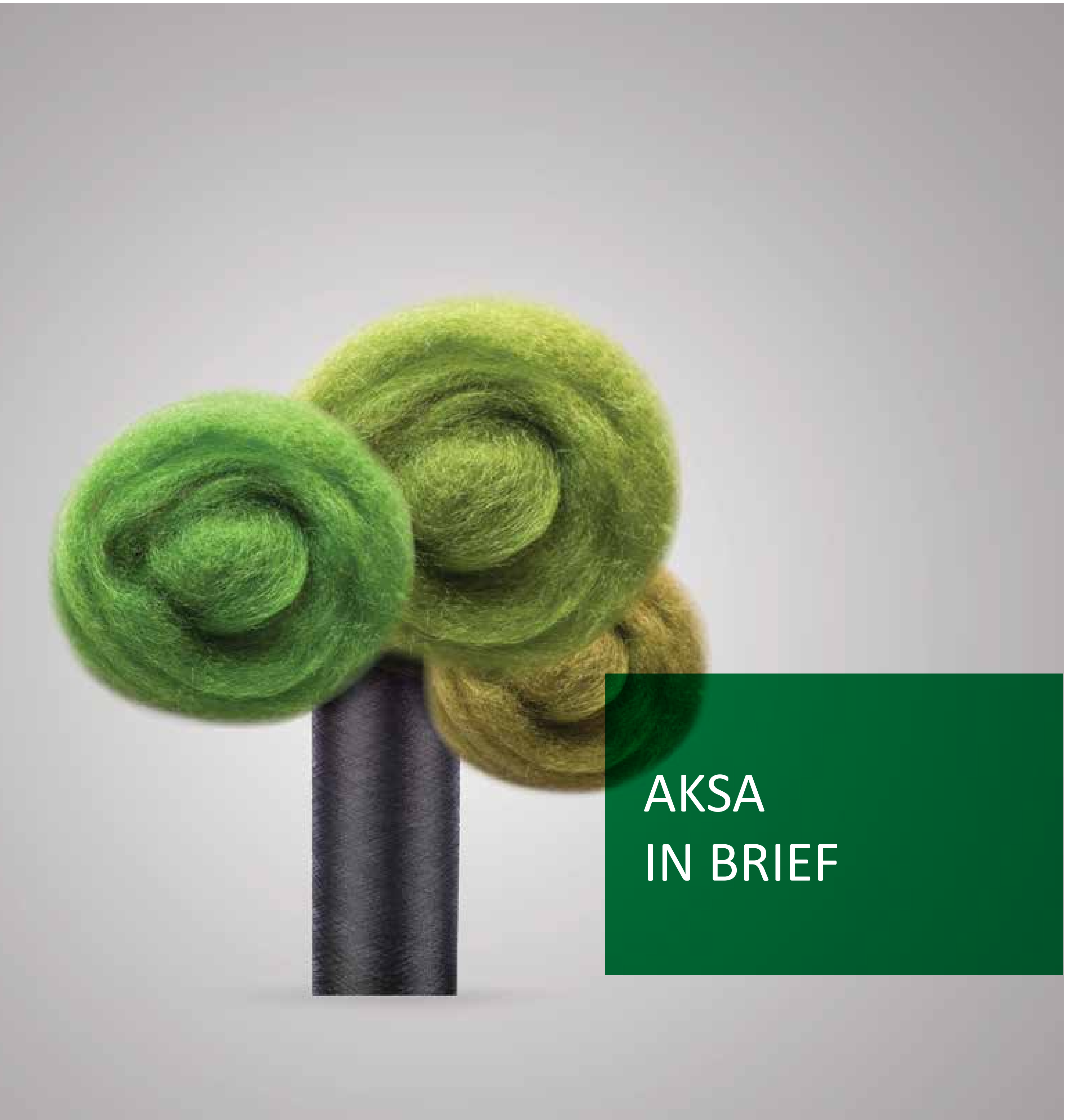
Company Value (Thousand TRY)

2017	2.377.250
2016	1.539.200

Aksa company value, calculated by Borsa İstanbul, rose by 54% to TRY 2.4 billion in 2017.

54%

WE SET OUT IN 1971 WITH A CAPACITY OF 5,000 TONS/YEAR, AND TODAY WE HAVE REACHED A CAPACITY OF 315,000 TONS/YEAR…



AKSA IN BRIEF

Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa" or "Company"), affiliated to Akkök Holding, commenced operations in Yalova in 1971, with an annual capacity of 5,000 tons, to meet Turkey's acrylic fiber need. It became the world's largest acrylic fabric producer, through constant growth and by developing its own technology. Aksa Akrilik was responsible for 1/6 of the world's acrylic fiber production last year.

With a headcount of more than 1,200, Aksa is established on an area of 502,000 square meters. It is the world's largest and Turkey's only acrylic fiber producer, with an annual capacity of 315,000 tons. Focusing on active marketing activities in the domestic market throughout the year, Aksa Akrilik managed to maintain its market share and sales volume, owing to its 98% capacity utilization rate. As of 2017 year-end, the Company has a share of 17% in the global market, and 69% in the domestic market.

Aksa Acrylic manufactures 850,000 kilograms per day, producing enough fiber to provide knitwear for two million people. The company has an energy production license with a capacity of 145 MW, which is powerful enough to generate energy for itself and for the group companies in Yalova.

Aksa exports to more than 300 customers in no less than 50 countries on 5 continents. 63% of 2017 sales were made to the domestic market, and 37% were made to foreign markets.

Aksa as a result of research and development activities entered the carbon fiber market in 2009. Subsequently in 2012, the Company established DowAksa as a 50% joint venture with Dow Europe Holdings B.V., a subsidiary of the Dow Chemical Company. Today, the Company carries out carbon fiber production under the roof of DowAksa, with an annual capacity of 3,500 tons.

Major Developments in 2017

ONCE AGAIN, THE BLUE RIBAND IN CORPORATE GOVERNANCE GOES TO AKSA ACRYLIC

At the eighth Corporate Governance Awards organized by the Corporate Governance Association of Turkey, Aksa Acrylic improved its Governance Rating from 95.98 to 96.32, and once again came first. With fair, transparent, accountable and responsible practices, Aksa Acrylic enhanced its Corporate Governance Rating to 96.32, thus putting us among the top fifty companies in the Borsa Istanbul Corporate Governance Index.

This award once again demonstrated Aksa Acrylic's fair, transparent, accountable and responsible practices. The award confirmed that Aksa Acrylic observes the interests of share and stakeholders fairly, carries out disclosure and transparent activities at the top level, that the structure and operation of its Board of Directors is one of the best practices, that it established management and internal control mechanisms effectively, and that it actively determines and manages all corporate governance risks.

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

Corporate Governance Rating: 9.63

Main parts: App. 96,32

Sub-Categories	Rating Obtained	Rating Allocated
Shareholders	0.25	9.73
Public Disclosure and Transparency	0.25	9.84
Stakeholders	0.15	9.85
Board of Directors	0.35	9.32

AKSA ACRYLIC , HIGHLY INVESTIBLE

• Credit Rating Score

Aksa Acrylic achieved phenomenal success and earned its place among highly investible companies by JCR Eurasia Rating. JCR Eurasia Rating determined our Long-Term National Credit Rating AA (Trk) and our prospect as Stable. Our Long-Term International Foreign and Local Currency Rating and prospect was determined as BBB-, and the country ceiling as Stable.

It was emphasized in the written announcement by JCR Eurasia Rating that Aksa Akrilik Kimya Sanayii A.Ş., which started production in Yalova in 1971, has power in both the global market and in Turkey. In the announcement, the reasons for Aksa Acrylic to be considered as highly investible were listed as below:

The Company's strong position in the market, its international trade network, dynamic cost structure, which can also be reflected to customers, low indebtedness, good solvency, R&D activities, strong corporate governance structure, prudent financial management, its legal conformity level with its developed operational risk management and mitigation systems, diversified product range, foreseeable cash flow, value potential of DowAksa initiative and new product series are the reasons for the Company receiving the Long-Term National Rating of AA (Trk) / Stable. Its working capital and liquidity structure, the contribution of ongoing capacity and renewal investments to cash flow, the contribution of new product lines to the sales performance and indebtedness profile, replacement product market effect and the long-term global advancement in the acrylic market will continue to be observed by JCR Eurasia Rating.

• Three Prestigious Awards for Aksa's twelfth Sustainability Report

Aksa Acrylic won three awards at prestigious world competitions with its twelfth Sustainability Report.

Since its foundation, Aksa Acrylic has acted with the principles of efficient use of resources and respect for the environment, and its 2016 Sustainability Report won three awards from Mercomm Galaxy and LACP Spotlight.

The largest fiber manufacturer in the world, Aksa Acrylic won the gold medal at the Spotlight award program, organized by the League of American Communication Professionals (LACP), and also came 30th on the World's Best 100 Communication Materials List. Aksa's twelfth Sustainability Report received a bronze medal in the Online Sustainability Reports category of the Mercomm Galaxy Awards.

Other Developments

• Investment Incentive to Aksa from the Ministry of Economy

The incentive application, filed by Aksa Acrylic for continuous filament and modacrylic products manufactured as a result of the company's R&D efforts, was submitted to the Republic of Turkey, Ministry of Economy, General Directorate of Incentive Practices and Foreign Capital, and was approved.

With our vision of technological investment in order to achieve the highest level of operational perfection, and the creation of new, sustainable, profitable areas for acrylic fiber, Aksa created filament and modacrylic products. As a result of years of R&D efforts, the products met the related criteria of the Ministry of Economy and obtained the financing incentive.

In this respect, modacrylic was included in strategic product expenditure by the Ministry, and filament received regional incentives for a complete new investment in spinning and wrapping machines, and the auxiliary equipment for this machinery.

• Aksa Acrylic received R&D Center Certification

The R&D Center, established in Yalova by Aksa Acrylic, was awarded with a R&D Center Certification by the Ministry of Science, Industry and Technology. Registered as the 432nd active R&D Center, we strive to develop new usage areas and products for acrylic fibers. Currently there are eleven innovative R&D Projects being carried out at the R&D Center, focusing on operational perfection and sustainability. In addition, there are ongoing efforts for obtaining patents for the development of new products and technologies.

• Platinum Award for Aksa Akrilik

The Istanbul Textile and Raw Materials Exporters Union, awarded members with the highest export figures in 2016 at the ceremony, with the theme; Turkey's Exporters are Our National Strength. Aksa Acrylic came first out of forty-two companies competing for the Platinum Award, granted to companies with exports equal to or higher than US$25 million.

• Aksa Acrylic reached 44th place on the İSO 500 List

Aksa Acrylic reached 44th place on the List of Turkey's 500 Largest Industrial Institutions. Entering the list with net sales of TRY 1,981,963,090 in 2016, Aksa Acrylic is the largest producer of acrylic fiber in the world, with more than 1,200 employees, a production area of 502,000 square meters, annual capacity of 315,000 tons, and the sole producer in Turkey.

• Aksa Acrylic was Awarded with Green Port Certification

Continuing its investments while acting in the interests of the environment and its employees, Aksa Acrylic successfully passed the audit within the scope of the Green Port/Eco Port Project, and Aksa won the Green-Eco Port certificate.

• Aksa Acrylic came 96th on the Fortune 500 List

Aksa Acrylic entered the Fortune 500 list in 96th place. It attained its place among the giants of industry with net sales of TRY 1,954,385,000 in 2016.

• Aksa Acrylic registered Suitable Production for Human Health and Environment

Aksa Acrylic registered its reliability once again by renewing its OEKO-TEX® 100 Standard certificate, which approves products that are manufactured to standards that observe human health and the environment.

Capital and Shareholding Structure

OPERATIONAL EXCELLENCE, PROFITABLE INVESTMENT.

Aksa accepted the registered capital system outlined in the provisions of Law No. 2499, and on the basis of Permission No. 90 granted by the Capital Markets Board on February 20, 1992, the Company adopted this system. The Company's registered capital is TL 425,000,000 (valid for 2016-2020), and its paid in capital stands at TL 185,000,000.

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

Capital and Shareholding Structure

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

(*) 37.19% of Aksa's shares are traded on BİST, de facto, as of December 31, 2017, and 5.43% of the shares are owned by Somerset em.mar.d.v.ge.f, established in Britain.

Subsidiaries

Subsidiaries Title	Country	Operation	Subsidiary Amount(*)	Subsidiary (%)	Dividend Amount 2015	2016	2017
Fitco B.V.	The Netherlands	Foreign Investment	7,150,069	100.00	-	-	-
Aksa Egypt Acrylic Fiber Industry S.A.E.	Egypt	Textile	13,150,273	67.17	6,592	-	-

Joint Venture	Country	Operation	Subsidiary Amount(*)	Subsidiary (%)	Dividend Amount 2015	2016	2017
DowAksa Advanced Composites Holding B.V.	The Netherlands	Foreign Investment	346,439,128	50.00	-	-	-

(**) These are the registered values in the books subject to Tax Procedure Law.

"The international rating institution, JCR Eurasia Rating, determined our rating as 'investible'."

Erdinç Kazak
Director of Financial Affairs

Companies, the shares of which are owned indirectly

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

Aksa Akrilik Kimya Sanayii A.Ş.	2017
Market Value	2,377 million TL
BIST Trading Ratio	37.19%
Foreign Investor Shares(*)	58%

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

AKSA'S VISION ESTABLISHED WITH ELEVEN CURRENT, INNOVATIVE R&D PROJECTS AT THE AKSA R&D CENTER

AKSA VISION MODEL

Mission
Why do we exist?

To direct the sector that we lead and to create value for our stakeholders

High Targets
Where will we go?

In order to attain sustainable profitability:

- To achieve the highest level of operational excellence by investing in technology,
- To create new end-uses for acrylic fiber,
- To grow by way of new products or strategic collaborations.

Core Values
What are the values that determine our stance?

- Health, Safety and Environment
- Compliance with Ethical Values
- Team Work and Cooperation
- Customer Oriented Approach

Main Qualifications
What are our best qualifications?

- Participative Management
- Open to change and development.
- Simple, effective thinking
- Experience and know-how
- Willing, Loyal, Result Oriented Employees

Milestones

THIS IS A NEVER-ENDING SUCCESS STORY...

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

1969
- A license agreement was signed and executed with the Italian acrylic producer company Chatillon (now Montefiber), and the Monsanto technology was acquired by Aksa. Construction of the Aksa plant commenced in Yalova.

1971
- The plant founded in Yalova began to operate with an annual capacity of 5,000 tons to produce staple fiber and tops.

1974
- Capacity was enhanced for the first time.

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

1977
- In addition to staple fiber and tops, tow was also offered to the market.
- The Company opened up to foreign markets with AKSA® products, and first export was made to Italy.

1978
- Technical assistance agreement with Chatillon ended. Aksa started to develop its own technology, supported by independent foreign consultants.

1982
- Online Control System was established for the first time in Turkey, and the entire processing system monitored from a single centre.

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

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

1991
- Conducted the first CCE steam generation in Turkey.

1992
- The Fiber Pilot Plant and the R&D Lab were established to promote polymer research, and to develop new products.

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

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

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

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

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

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

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

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

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

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

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

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

2014
- Aksa's Corporate Governance Rating, which is calculated as a result of evaluating the company as per CMB Corporate Governance Principles, was determined at 9.22, and the Company was included in the Corporate Governance Index.
- Aksa ranked second in Turkey, and FIRST among the Borsa Istanbul and Industry Sector, obtaining TS ISO 31000 "Risk Management System Verification Certification".
- Working efficiently and in tune with the environment since its establishment, Aksa carried its implementation level to Level B, with its 9th Sustainability report published to date, as a model for the sector by means of practices based on a voluntary approach.

2015
- Upon recent modernization and efficiency projects and investments, Aksa's annual production capacity of 308,000 tons reached 315,000.
- Aksa's Corporate Governance Rating, which is calculated in consequence of the assessment as per the CMB's Corporate Governance Principles, was updated to 9.5 and the Company took 3rd place in the BIST Corporate Governance Index as of year-end.
- Yalova Composite and Chemical Expertize Improvement Organized Industrial Zone, the founders of which are the Acrylic Based Composite, Advanced Materials and Technology Producers Association, including Aksa, as well as Yalova Provincial Special Administration, Taşköprü Municipality and Yalova Chamber of Trade and Industry, was established in Yalova's Çiftlikköy district, within the boundaries of Taşköprü, on an area of 113 hectares, with registration number 308, by the Ministry of Science, Industry and Technology, on July 6, 2015.

2016
- Aksa's CMB Corporate Governance Rating, which is calculated according to the assessment as per the CMB's Corporate Governance Principles, was updated to 9.6, and the Company won an award as the "Company with the Highest Rating" in the BİST Corporate Governance Index as of year-end.
- A world-leading acrylic fiber producer, with nearly 50 years experience and a customer-focused approach, Aksa Akrilik introduced customers to four new brands that touch every aspect of life in the last activity year.

2017
- The Corporate Governance Rating, calculated by evaluating Aksa in terms of Corporate Governance Principles of the Capital Markets Board, was upgraded to 9.63, and we became the company with the Highest Corporate Governance Rating on the BIST Corporate Governance Index.
- Aksa Acrylic achieved a place among other highly investible companies carried out by JCR Eurasia Rating. The JCR Eurasia Rating determined our Long-Term National Credit Rating AA (Trk) and our prospect as Stable. Our Long-Term International Foreign and Local Currency Rating and prospect were determined as BBB-, and the country ceiling as Stable.
- The R&D Center, established by Aksa Acrylic, was awarded with the R&D Center Certificate by the Ministry of Science, Industry and Technology. With this certificate, our R&D Center was registered as the 432nd active R&D Center.

Akkök Holding in Brief

PIONEER OF INNOVATION AND GUARANTOR OF QUALITY, A WORLD BRAND BORN IN TURKEY

Founded in 1952 by the late Raif Dinçkök, and with deep know-how spanning 66 years, Akkök Holding ranks among the most well established industrial groups in Turkey. The Group conducts operations in the fields of chemicals, energy and real estate, with 18 commercial and industrial enterprises, one of which is overseas, and with 18 production plants. By closely following the trends in the world's markets and in its operating industries, Akkök Holding aims to catch up with the global competition, and achieve world-class standards together with all the companies under its roof.

Aksa Akrilik Kimya Sanayi A.Ş. was founded in Yalova in 1968 to meet Turkey's acrylic fiber requirement, and started production in 1971 with a capacity of 5,000 tons/year. Now, the largest acrylic fiber producer in the world with its investments and innovations, Aksa is a global giant with approximately 300 customers in 50 cities on 5 continents. With 1,200 employees, a production area of 502,000 square meters and annual capacity of 315,000 tons, it is the largest acrylic fiber producer in the world and the sole producer in Turkey.

Along with its success in production, Aksa is also a leader with implemented management systems, environmental practices and social responsibility projects, and thanks to its extensive product range it supplies textiles and technical textile raw materials to various industries. Improving its new and unique product portfolio with an innovative approach, Aksa initiated outdoor fiber production in 2001, and has become more ambitious in the technical fiber industry with products such as flock tow, homopolymer and filament thread. In 2009, after improving its technology infrastructure, Aksa commenced production of carbon fiber, which is considered one of the most vital raw materials of the 21st century.

DowAksa was established in 2012 as a joint venture of the Dow Chemical Company and Aksa Acrylic San A.Ş., with the aim of providing a wide range of products and technical services to the global composites industry, whose raw material is carbon fiber. Thanks to Dow's knowledge and experience in resins, and Aksa's infrastructure, which allows for growth, today DowAksa is one of the strongest companies vying for leadership in the production of carbon fiber and carbon fiber intermediate materials market. Moreover, DowAksa is the first and only Turkish company in the carbon fiber industry. DowAksa provides carbon fiber composite solutions to industrial sectors, namely the energy, transportation, defense and infrastructure sectors. The Company develops solutions aiming to reduce total costs, and offers a wide range of products to the fast-growing carbon fiber composite sector. With the support of technical service, DowAksa expanded its product range, and the Company also conducts global scale business development activities.

Turkey's pioneer chemicals company Ak-Kim was established in Yalova in 1977, and over time it expanded its production activities in various locations around Turkey. Producing basic and performance chemicals, Ak-Kim, serves the cleaning, chemistry, textile, paper, water treatment, food, metal, agricultural pesticide, energy, building, mining, plastic and paint industries. The Company is a market leader in many products in the basic chemical field, and grows by developing products and services for different areas. It produced advanced technological water treatment systems for the water treatment sector with an investment in ultrafiltration, and became the first and only supplier of this product in Turkey. Ak-Kim acquired Gizem Frit, one of the largest enamel and ceramic frit producers in the world in 2015, and thus entered another market. Serving in 70 countries abroad, Ak-Kim has acquired Dinox, a chemical sales and marketing company in Germany, in order to get closer to its customers and continue its growth in Europe. In November 2017, the Company acquired 100% of the shares of Akferal, which it had founded with a 50% partnership with Feralco in 2013, and immediately afterwards acquired Dostel.

Opening its Adapazarı Göktepe factory in 1979, Gizem Frit continues its operations at the second Organized Industry Zone in Sakarya's Hendek district. Gizem

Frit produces frit and pigment used as intermediate materials for decorating and protecting materials such as sheet metal, stainless steel, aluminum, molding, ceramic tiles, sanitary ware, porcelain, medical porcelain and glass. It is the second largest producer in the global enamel frit market, and leader in both the enamel and ceramic markets in Turkey. Gizem Frit acquired one of the most prominent players in the ceramic sector, Megacolor, in Spain at the end of 2017.

Akkök Holding's company in the real estate sector, Akiş Gayrimenkul Yatırım Ortaklığı A.Ş. implements projects that improve regional quality of life. The Company runs Akbatı Shopping Mall and Life Center, as well as the Akasya projects, and it is also developing street retail projects on Bağdat Street as an alternative to shopping mall investments. Akiş REIT has cooperated with Beymen for Uşaklıgil Apartments in its first high street retail project, and the store opened its doors to visitors in September 2017. The Company aims to issue periodic dividends to its shareholders with regular rental income from these investments.

Following the merger with SAF REIT on January 18, 2017, Akiş REIT became one of the most significant players in the sector. Monitoring constantly changing sector trends and socio-economic developments closely, with projects creating new trends at the right time and in the best location, the company will continue its operations in the real estate sector. KidZania Istanbul in Akasya Shopping Center is a prime social location, aiming to teach while entertaining children.

Akmerkez, a leader in investing in the future and creating new values, has been one of the most popular meeting points in the city since it opened, and a venue for happy experiences with its elegant brands and shops, entertainment and food areas. Akmerkez adds dynamism to the social life of the city, and value to the lives of its visitors with innovations such as the Concierge service. The Triangle Terrace is the new breath of the city, and the latest meeting point for creative young people is the Young Lions Zone.

Achieving a first in Turkey by winning the Best Shopping Center in Europe award in 1995 and the World award in 1996, presented by the International Council of Shopping Centers (ICSC), Akmerkez improves itself constantly with new value added projects.

Starting its activities as an auto-producer group in the Akkök Group of Companies in 1989, Akenerji has been operating as an independent power generation company since 2005. The Company, a 50:50 strategic joint venture of Akkök Holding and ČEZ Group, Europe's leading energy company with total installed capacity of 1,224 MW.

Sepaş Enerji, the strategic partnership between Akkök Holding and ČEZ Group, supplies electricity to the whole of Turkey, but mainly Bolu, Düzce, Sakarya and Kocaeli.

Sakarya Elektrik Dağıtım A.Ş. (SEDAŞ), supplies electricity to 1.6 million consumers in Sakarya, Kocaeli, Bolu and Düzce.

SURROUNDING YOU WITH DAZZLING COLORS...

2017 ACTIVITIES

“Having set out on the road with a vision of new business and new products, we expanded our product range with the addition of modacrylic and acrylusion products.”

Sabri Arca
Marketing, Sales and New Business Development Director

Marketing and Sales

The domestic market in 2017 started with uncertainties from the previous year of critical internal and international political and economic developments. The most positive for the sector at the beginning of the year was the requirement for goods in all of our supply chains. In addition, financing was vital, and the government Credit Guarantee Fund met this need. These factors prepared the ground for high customer demand.

In terms of raw materials, the lack of supply at the end of the first quarter was reflected in fiber prices, which subsequently affected sales.

Consequently, as of February, there was a substantial rise in requirements in the domestic market. This precipitated the end of the stockpiling of raw materials, which returned to normal by the middle of the year. However, the bottleneck at the end of the 3rd quarter, and the reflection of this paucity on pricing, fueled demand at the beginning of the last quarter.

When the sub-sectors are considered, demand in the knitwear sector was quite buoyant in 2017. Customers who produce threads for the knitwear sector worked at full capacity throughout the year. Demand for knitwear from export markets rose due to advantageous exchange rates, and sales were also strong in the domestic retail sector. We have high expectations for the knitwear sector in 2018.

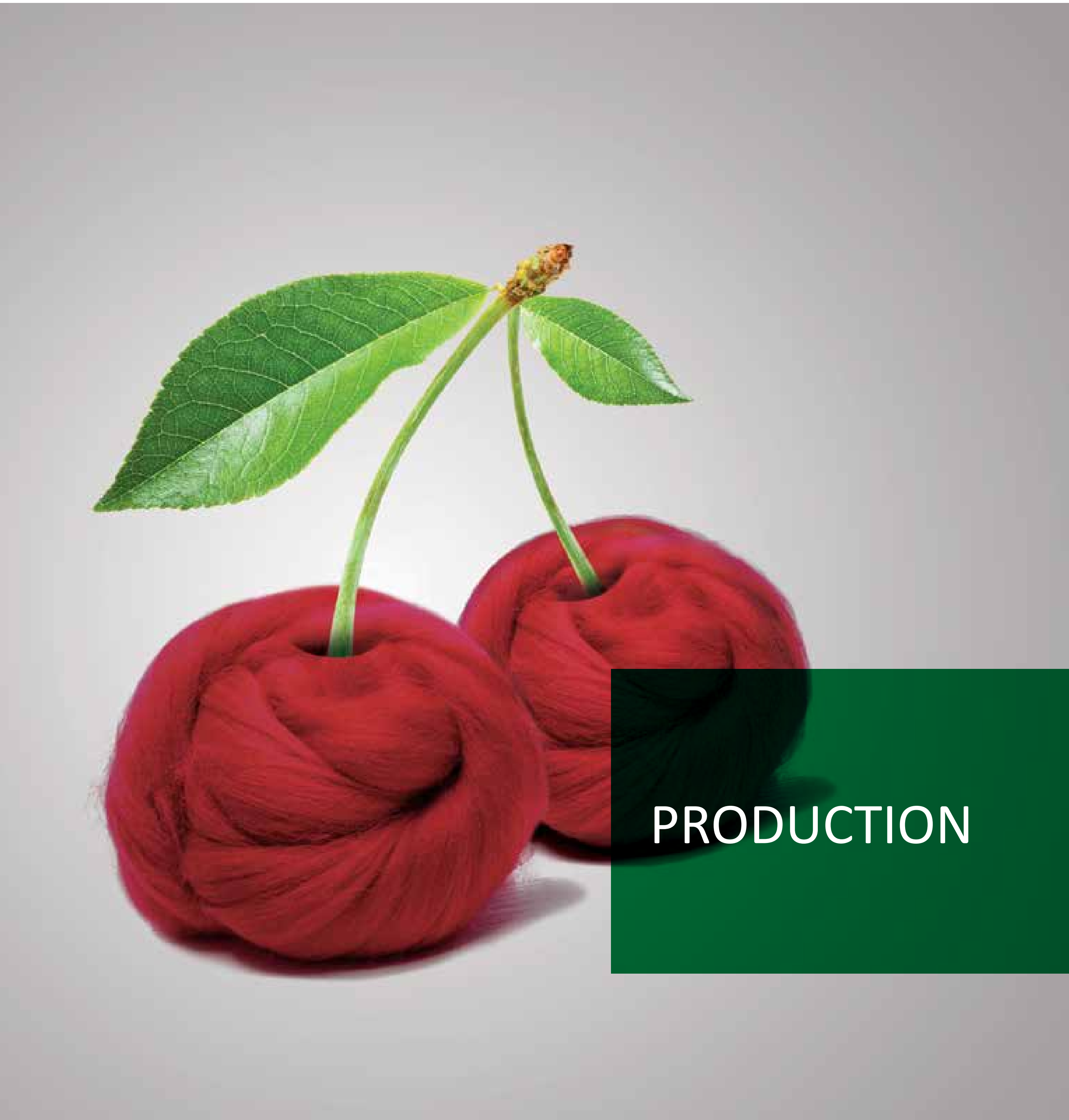
In the carpet sector, the positive expectations at the beginning of the year were not fulfilled in terms of demand for acrylic carpets in the domestic market. Carpet producers directed their production toward the European and US markets, more energetic markets with better payment maturities and warranty systems. This led to a drop in the requirement for acrylic thread in the carpet sector. On the other hand, the need for carpet thread in the Iranian market, unable to be met by Iranian producers both in terms of quality and quantity, offered an alternative to carpet thread producers who lacked the demand in their domestic market. Due to these developments and competitor fibers expanding into the carpet market, our expectations for the carpet thread sector are not so positive for 2018.

In 2017, global markets started the year excitedly with high acrylic fiber sales. The Chinese market was especially buoyant until the middle of the year. However, in the second half of the year, fluctuations in prices in the Far Eastern markets, and a decline in demand, resulted in capacity downsizing at many acrylic fiber production factories. As a consequence, these factories became involved in a competitive pricing struggle towards the end of the year. The antidumping taxes applied by China diverted Far Eastern producers to the Turkish and Iranian markets. In addition, due to the drop in requirements, Chinese producers started aggressive export sales campaigns.

The American and European markets reported losses in 2017 when compared to the previous year, and demand for acrylic fiber fell. The only growth in sector sales in 2017 was in Iran. Triggered by the expansion in carpet production, demand rose in the import of acrylic fiber and acrylic thread, as a consequence of limited Iranian acrylic fiber production. However, this dynamism was lost in the final quarter of the year due to economic problems in the county and their political implications.

In a year in which the domestic market in Turkey and the Iranian market were strong, Aksa worked at full capacity due to its service capacity, market vicinity, product quality and sales policies.

COLORS ADDING JOY TO LIFE ALL AROUND YOU...



PRODUCTION

"In addition to creating new areas of use for acrylic, efforts towards the diversification of acrylic continue."

İsmail Murat İnceoğlu
Deputy General Manager - Technical

Production, New Product Development and R&D Operations

Aksa ended 2017 with high capacity production and preserved its number one position in the market.

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

We carried out R&D works for modacrylic, a highly flammable material produced by few companies in the world, and completed investments for production of 1,000 tons/year. Meanwhile, several studies have been conducted to enhance it in tune with environment and ecological life. Industrial-scale production supply will commenced in 2017. Modacrylic, a high added value product, can be primarily used in protective work uniforms, the plastic sector, and artificial hair production. Procedures regarding market demand will be executed in 2018.

In addition to creating new areas of use for acrylic, work on the diversification of acrylic continues. Laboratory research has been undertaken in order to use the warmth and comfort of acrylic for underwear and performance sports products. Efficiency tests have been carried out with world-renowned firms, with good results. Production will commence in 2018 with leading sports brands for products in 2019 collections.

Thanks to filament yarn's silky softness and feel, Acrylusion has been a sought-after product, especially in the hand-woven carpet sector. Regarding high demand in the carpet sector, the required investments have been planned for capacity growth. Stands were operated at Domotex Germany and in the Iranian carpet exhibitions, where carpets were offered to producers with positive feedback.

Energy

Aksa generates electricity energy and process steam, meeting its own energy need, and also sells the surplus. With our new turbine investment, we were able to deactivate the high production cost gas turbine. With projects realized at the coal plant and thanks to operational optimization, plants were operated in the most economical and productive manner, which resulted in a significant reduction in energy generation costs.

At the end of 2017, the new turbine investment was completed and the new turbine was commissioned. A 15% rise in total energy generation is expected without any significant increase in oil consumption.

DURABILITY IN SUNLIGHT GIVES YOU YEARS OF USE...

INVESTMENTS

"As a result of our R&D work on Continuous Filament and Modacrylic Fiber products, and factory modernization investments, a certificate of incentive worth TRY 290 million in total was issued by the Republic of Turkey Ministry of Economy, General Directorate of Incentive Implementation and Foreign Investments."

Ceyhan Arık
Investment Director (Deputy)

Investments

Aksa focused on productivity and improving quality in line with its operational optimization strategy and has continued the modernization and standardization of its current production machinery.

Our investment projects, equaling TRY 361 million in 2017, are as follows:

Project
Infrastructure - Facilities - Maintenance
R&D Projects
Projects Oriented To Enhance Energy Efficiency
Warehouse Material and Port
Process and Product Development Investments
Seveso Investment
Textile Investment
Renewal Modernization Projects
New Product Investments

In the reporting period, along with operational optimization, in order to create new areas of use for acrylic fibers;

- A polymer plant with annual capacity of 1,000 tons to offer modacrylic fiber to the non-flammable fiber and artificial fiber sector.
- In order to expand capacity in the filament thread sector, 4-filament production machines, each with a capacity of 800 tons/year, were put into use.

As of the end of 2017, for the supply of greater quantities and more reliable electricity with the same boiler conditions, a new 100 mW steam turbine was activated, which will improve cycle costs and enhance capacity.

Aksa will continue investing in modernization in line with its operational optimization, sustainable growth and profitability strategies. In this respect, an increase in polymer capacity, initiated in 2017, is expected after the renewal of current polymer units.

ALONGSIDE YOU IN MORE THAN 10,000 COLORS...

SUBSIDIARIES

"Our R&D Center has been registered by the Ministry of Science, Industry and Technology."

Gürcan Koman
Chemical Director

DowAksa Carbon Fiber

With the aim of offering an extensive product range and technical service to the global composite sector, which uses carbon fiber as raw materials, DowAksa was established as a joint venture between the Dow Chemical Company and Aksa Akrilik San. A.Ş. in 2012. With Aksa's flexible infrastructure and Dow's experience and expertise in resin, DowAksa is one of the most powerful companies, heading to the top in carbon fiber and carbon fiber intermediate materials production. At the same time, it is the only Turkish company operating in the carbon fiber sector.

Carbon fiber is a high value added, strategic product, providing innovative solutions to the most significant problems faced by the world, by enhancing the energy generation volume of wind turbines, reducing fuel consumption in automobiles, and reinforcing and prolonging infrastructure and buildings.

Aksa Egypt

Aksa Egypt is a key subsidiary for Aksa as it expands the Company's North Africa operations, primarily in Egypt. In 2017, Aksa Egypt utilized its high capacity usage, one of the most critical performance criteria, and became one of the leading players in the Egyptian market. We project that the monetary markets in Egypt will continue to be stable in 2018, and continued high capacity production is expected.

Fitco

Fitco is the direct investor of Aksa Egypt at a rate of 32.67%, and no change was observed in its 2017 operations.

RIGHT BY YOUR SIDE INTO THE FUTURE ADDING VALUE TO TOMORROW...

SUSTAINABILITY

“The OEKO-TEX® 100 Standard certificate, which endorses that products are manufactured by observing human health and the environment, was renewed.”

Haydar İnan
Textile Director

Spread of Vision and Strategies

Having systematically conducted its strategic planning activities for more than a decade, Aksa develops new approaches that improve implementation performance in the area each year. In this respect, in order to improve awareness regarding Aksa’s vision, Strategy Expansion Workshops were organized under the leadership of senior management.

These workshops were completed by the end of September 2017 and Aksa’s model vision, high targets, core values and main characteristics were explained by reaching out to all expert and executive level employees. Projects and works that will accomplish the Company’s strategic targets were discussed. In order to expand this issue to all employees, our General Manager, heading the representation council, explained the projects that will take us to our strategic targets.

Corporate Communication Projects

AKSA ACRYLIC, COMBINING ALL SOCIAL RESPONSIBILITY ACTIVITIES TOWARDS SUPPORTING THE PERSONAL DEVELOPMENT OF CHILDREN AND TEENAGERS UNDER "DEVELOPMENT WORKSHOP WITH AKSA", INTRODUCED STUDENTS FROM YALOVA TO WORLD-RENOWNED PERCUSSIONIST, OKAY TEMİZ.

Aksa Acrylic and Okay Temiz collaborated, children from Yalova enjoyed the tunes

Aksa Acrylic, which combines all its corporate social responsibility activities for supporting the development of children and young people under the Development Workshop with Aksa, introduced students from Yalova to percussion master Okay Temiz at the Rhythm Workshop. He gave percussion lessons for three months to students from Şehit Ömer Halisdemir Secondary School in Çiftlikköy and Hürriyet Secondary School in Altınova. Twenty-five 11-13-year-old students from each school, a total of seventy-five students, attended the Rhythm Workshop with Okay Temiz.

Students, selected with the support of music teachers and guidance teachers, took the stage before an audience that included their families at a ceremony in the Raif Dinçkök Culture Center on June 6, 2017. Together with Okay Temiz, the young musicians showed their talent and put on a great performance, combining classical jazz and traditional Turkish rhythms.

Yalova Deputy Mayor Jülide Güner, District National Education Branch Manager Halil Dal, Aksa Acrylic Human Resources, Corporate Development and Purchasing Director Fethi Baytan, and Aksa Acrylic employees also attended the performance, which drew great appreciation from the audience. The concert received a standing ovation and a group picture was taken.

In order to ensure the sustainability of the project, Aksa Acrylic gifted the darbukas, maracas, tambourines, rhythm sticks, agogo bells and arbanes used in the workshop. In order to introduce children from Yalova to music and provide them with opportunities to use their energy in a creative field, Aksa will continue the project with various events each year.

Children from Yalova celebrated April 23 with Aksa Acrylic

Aksa Acrylic celebrated April 23rd, National Sovereignty and Children's Day, with children from Yalova, and held a free movie event and an Acryluna Fiber Workshop. In total, 1,300 children attended the Development Workshop with the Aksa social responsibility project.

With Aksa, bottle tops become chairs

Aksa Acrylic is supporting the Spinal Cord Paralytics Association of Turkey's (TOFD), Let there be Bottle tops project. Employees leave plastic bottle tops they have collected at Aksa production plants and their homes at collection points. With the recycling of bottle tops collected through this campaign, battery powered and manual wheel chairs are purchased and distributed.

Aksa continues welcoming visitors

Aksa Acrylic continued to host hundreds of students who expressed interest in receiving information and various training about our production processes from a variety of educational institutions in 2017. Students had a chance to see production processes closely during visits arranged according to their departments and special requirements. Within the scope of our Open Door Visits, as well as students, non-governmental organizations, locals, customers, comparison teams and visitors from Turkey and abroad were hosted.

Aksa Acrylic supports Forestation through ÇEKÜL (The Foundation for the Promotion and Protection of the Environment and Cultural Heritage)

Aksa Acrylic started supporting the Seven Tree Forests Project in cooperation with ÇEKÜL as part of its corporate social responsibility projects. Aksa Acrylic donates saplings in employees' names on their birthdays and presents the donation certificates.

AKSET (AKSA Social Events Team)

Aksa Acrylic organizes social events for employees together with AKSA employees. AKSET consists of AKSA employees who volunteer to organize parties, concerts, tours, courses, seminars and other events. A special budget is assigned to AKSET each year by the Company, and AKSET volunteers organized various events throughout the year according to the requests of employees.

Training, visits, parties and tournaments organized by AKSET.

Events Carried Out in 2017 and ongoing

- Diving Training
- Kidzania Trips
- Pilates training at lunchtime and after work
- Aksa Runners Team
- Tennis Lessons
- Welcome Summer Party
- Goodbye Summer Party
- New Year Party
- Backgammon Tournament
- Guitar Lessons
- Drum Lessons
- Solfeggio Lessons

Charitable Donations and Social Welfare

Aksa is keenly aware that sustainable social development can only be achieved with young generations who are well educated, well-qualified and well-cultured; who are environmentally and socially sensitive; and who are able to take the initiative. The Company's corporate social responsibility activities earned Aksa additional prestige whenever they were mentioned in 2017.

The details of Aksa's "Charitable Donations and Social Welfare" expenditure in 2017, mainly in the areas of education, culture, arts and sports are as follows:

Charitable Donations and Social Welfare	Amount (TL)
Associations, foundations and municipalities	60,000
Other	16,507
Total	**76,507**

Corporate Memory and Information Security Management System Works

Today's innovations in communication and information technologies entail the need to protect and reinforce information sources, and to manage corporate information capital in the most efficient possible manner. With a fifty-year history, Aksa continues its Corporate Memory and Information Security Management System project, started in 2015, in order to manage data accumulated over the years.

The risk assessment results regarding accessibility, integrity and privacy were also made live by being made accessible on the electronic system. Accordingly, any actions taken beyond acceptable risk levels could be monitored on the same system. Control criteria for risk and subsequent reviews have been set in place and employee awareness has been augmented with the implementation of internal and external training.

Work will continue on creating corporate memory within newly designed processes, and to include this collective memory into our corporate culture.

Stripped-Down Six Sigma Practices

Within the scope of six sigma schemes carried out over a considerable time, a green belt training project for new engineers and experienced staff was initiated in 2017. The outcomes of strategies for process and energy efficiency, standardization and product conditions will be monitored in 2018.

Environmental Sustainability

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

On every job, we strive to be respectful to the environment and smart in the use of resources. As for our Health, Security and Environment performances, we display a transparent approach for our stakeholders. Holding the ISO 14001 Environment Management System Certificate since 1997, Aksa ensured its continuity in 2017, and our environmental performance even exceeded full compliance with the rules determined by the laws and regulations, implementing exemplary practices for the sector.

Our sustainability work, which we prioritize, was rewarded by three awards by Mercomm Galaxy and LACP Spotlight, two of the leading programs in the world.

Aksa Acrylic won the gold medal at the Spotlight award program, organized by the League of American Communication Professionals (LACP), and came 30th on the list of the World's Best 100 Communication Materials.

Aksa's 12th Sustainability Report won a bronze medal in the Online Sustainability Reports category of the Mercomm Galaxy Awards.

Approximately 65% of our annual water consumption was from water reclaimed from our Reverse Osmosis plant. Thus, we contributed to the current water resources and environmental balance of the region.

Management of Water

Ensuring the sustainability and efficient use of natural resources and taking the necessary measures are paramount issues for the entire world today. One of the most fundamental of all natural resources, the critical importance of water use and water management comes to the fore even more with the impact of climate change.

Based on our sustainable production approach, we adopted an integrated water management approach, covering the diversity of water sources, efficient consumption of water, and the state of sewage water reaching the environment. Within this scope, in 2017 we worked to enhance the performance of the Reverse Osmosis and Common Refining Plant, which we implemented in 2015 with the aim of ensuring sustainability in water resources and production.

Approximately 65% of our annual water consumption was from water reclaimed from our Reverse Osmosis plant. Thus, we contributed to the current water resources and environmental balance of the region.

Waste Management

As a production company, we sustain our operations with full awareness of the conscious management of the wastes created by our processes. Wastes emerging from our activities are managed in accordance with the waste management hierarchy. Wastes are reduced, collected separately, and disposed of in compliance with the regulation for that waste type. 96% of our waste is recycled, and utilized as raw material additive in other sectors.

Energy Efficiency and Climate Change

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

In accordance with our process, the efficient use of energy is as fundamental as continuous energy supply for the continuity of our operations. With systematic energy management, supply, efficiency, climate change and other related environmental impacts are managed together. Aksa evaluates climate change within the framework of risks and opportunities, and maintains its operations along with legal applications.

Our greenhouse gas emissions were audited by BSI as part of ISO 14064-1, and certified with comprehensive assurance. Within the scope of our annual legal liability, the reports and audits required under the Regulation on Monitoring Greenhouse Gas Emission were completed in 2017.

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

THE LIFECYCLE OF OUR PRODUCTS ARE DESIGNED TO BE IN HARMONY WITH THE LIFECYCLE OF OUR WORLD. PRODUCTS MANUFACTURED AND USED BY CONSIDERING THE SAFETY OF OUR EMPLOYEES, CUSTOMERS, SOCIETY AND THE ENVIRONMENT CARRY THE SIGNATURE OF AKSA.

Responsible Production

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

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

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

On the other hand, in accordance with the Regulation for Chemicals Registration, Evaluation, Authorization and Restriction (KKDİK-REACh), applications in Europe and Turkey are closely monitored, and customer demands are answered so as to determine the limitations of chemicals for the safety of human health and the environment.

Green IT Applications

We carried out almost 56,000 flows in 2017 with the applications developed on eBA (Electronic Document Flow) software, enabling us to carry many transactions found as hard copy into the computer environment (i.e. Project Management, Incoming and Outgoing External Correspondence, Meeting Notes, Announcements, Unit Work Permits, Business Tracking Systems, etc.) and it helped with paper saving.

Occupational Health and Security

We consider the creation of a healthy and secure working environment for our employees as our fundamental responsibility, and we demonstrate efficient Occupational Health and Security management, in which risks related to our operations are periodically analyzed, preventive precautions are taken, and action plans are created for prospective emergency situations. We constantly enhance our performance in OHS, which is among our fundamental sustainability priorities, and we implement pioneering applications covering all stages of our value chain.

Seveso

2017 was a key year for the implementation of the Seveso projects. Under the Amendment of the Regulation on Preventing Large Industrial Accidents and Mitigating Their Effects, dated July 18, 2017 and no. 30127, while the Security Report deadline was postponed to December 31, 2018, Aksa submitted its security report in 2017. With both ongoing and future work, Aksa carries its security level one step beyond basic requirements, and aims to reach international standards in this respect.

THE WARMTH OF WOOL ALWAYS BY YOUR SIDE...

WE WILL ROOT OUT ACCIDENTS IN AKSA!

Accident Prevention Culture (APC)

Our slogan summarizes our philosophy: "We will Root Out Accidents in AKSA!"

Aksa, aims for operational excellence in its activities. When we began this journey, we determined our greatest strength as our employees, rather than our technological facilities spread across extensive areas, and we will continue to do so. All employees wish to work in healthy environments and return safely to their families. In this respect, alongside our focus on production and productivity, our project for the adoption and implementation of the safest practice in the most secure environments continues at full speed. We take firm steps on our "zero accident" mission, leveraging Safe Working culture to top levels. Occupational health and safety are naturally integrated into the main operations of our company, and these parameters guide our decisions.

In 2015, the KÖK (Accident Prevention Culture) project, which focuses on safe employee behaviors, began along with the world-renowned Behavioral Science Technology (BST). First of all, a questionnaire was conducted to analyze the current status as part of the project. The questionnaire achieved a considerable participation rate of 92%. AKAT (AKSA Accident Mitigation Team) was established through training and preparation. B In parallel with these works, a process was put into operation, including another questionnaire (LDI) and coaching interviews, to ensure that our Leader personnel are included in the system.

The questionnaire was hugely successful, with a 91% return. These features that we are rightly proud of are confirmed by the results of questionnaires. Items that need to be improved are identified, and swift action is taken.

Together with the project, our Labor Safety Leader, AKAT, deployed its works to sites, and the answer to the question, "How can we work more safely?" was sought in a positive environment based on mutual trust. With the resulting observations, we mutually evaluated the problems they faced at work by contacting the employee or the team.

In 2017, 23% of AKSA employees became observers. Our monthly connection rate has started to reach all our employees. The scheme in the second period of the year, focused on obstacles determined during observations and improvements, was initiated to support a safe work environment in all departments.

Within the scope of the project, 300 AKAT Observers monitor the environments of 1,500 projects and make more than 1,000 observations.

"Best Place for Safe Work"

- **More OBSERVERS means more OBSERVATION.**
- **More OBSERVATION means more CONTACT with our employees.**
- **More CONTACT means more SAFE WORK.**
- **More SAFE WORK means more CULTURE CHANGE.**
- **Less RISKY BEHAVIOR means fewer ACCIDENTS.**

Our main target for 2018 will be expanding the scope of AKAT procedures to remove obstacles

EVERYWHERE, THE VIVID COLORS OF NATURE SURROUND YOU...

HUMAN RESOURCES

"Our 12th sustainability report was rewarded with three awards from Mercomm Galaxy and LACP Spotlight, two of the leading programs in the world."

Aydın Fethi Baytan
Human Resources, Corporate Development and Purchasing Director

Human Resources

Aksa's main human resources policy is to bring together responsible, creative, participatory, self-confident, self-developing and happy employees, who will serve the fundamental targets of the Company. Applications shaped within the framework of this policy, and investments made in human resources, support Aksa's main strategies and facilitate the attainment of the targeted business results.

Our Human Resources Directorate focused on organizational development, improvement of electronic systems in HR processes, employee loyalty, workplace culture, talent management, training and development programs, with applications developed in 2017 in line with long-term targets.

Modifications were carried out, which will contribute to our organizational development and be implemented as of January 2018. In this respect, the Chemistry, Energy, Textile and Investment Directorates were linked to the General Manager. A Marketing, Sales and New Business Development Assistant General Managerial Directorate was established, a Marketing and Sales Directorate (Acrylic Fiber), Marketing and Sales (Technical Fibers) and New Business Development Directorates were established and allied to the Assistant General Manager. A Marketing and Sales Directorate (Acryluna) and a Commercial Marketing Management were established within the Marketing and Sales Directorate (Acrylic Fiber) and a Raw Material Supply and Sale Operation Management was linked to this directorate. A Marketing and Sales Directorate (Modacrylic), a Marketing and Sales Directorate (Acrysole), a Marketing and Sales Directorate (Acrylusion) and a Marketing and Sales Directorate (Other) were established under the Marketing, Sales (Technical Fibers) and New Business Development Directorate. Our Energy Operation Directorate was restructured as the Energy Operation and Auxiliary Operations Directorate and the Auxiliary Operations Directorate was connected to this directorate. Subcontractor Management was established and linked to the Human Resources, Corporate Development and Purchasing Directorate.

With our belief in nurturing leaders within our company, in line with our organizational requirements, eight of our current employees were promoted to managerial /next level positions. Twenty-five employees were deemed satisfactory in their roles as next level experts, twenty of our operators were promoted to next level operator roles as a result of applications to our Assessment Center. Eleven experts or higher-level employees and twenty-five operational employees were transferred to different departments. As of January 2018, nineteen employees will be promoted to managerial /next level management roles.

WE BELIEVE IN NURTURING THE LEADERS WE ARE SEEKING WITHIN OUR COMPANY, AND PREPARE EMPLOYEES SERVING AKSA FOR THE SUCCESS OF THE FUTURE

We emphasized perception-image engagements in our personnel selection process, in accordance with the goal of deploying the right person to the right job, and we continued to visit universities in 2017. Within the scope of our Long-Term Internship Program, we provided internships to eleven students and two successful candidates joined Akkök.

As of the year end, the total headcount reached 1,307, and 140 new personnel joined the Aksa Family in 2017, composed of 1 executive level, 22 specialist and engineer level, and 117 operational level staff. Our Filament and Modacrylic investments have played a key role in the growth of our employee numbers.

In order to effectively monitor Human Resource systems in an electronic environment, and from end to end, transition to the Oracle Cloud system continued in 2017. The Core HR, Performance Management System and the Talent Management modules went live in this period, and the infrastructure for Hiring and Training modules was completed.

Education Level	Distribution %
PhD	0.2
Master's Degree	2.8
Undergraduate Degree	15.5
Associate Degree	26.4
Vocational high School	32.5
High School	13.4
Elementary School	9.2

Discipline Regulations were revised according to the current codes and staff regulations and the working principles of the Ethics Board and Disciplinary Board were arranged. Within the scope of the Corporate Memory project, the disciplinary processes normally followed on paper were carried to the electronic medium. Accordingly, all duties and disciplinary pasts of employees who are referred to the disciplinary board, their fines if any, meeting notes of the disciplinary meeting, and approvals regarding the decisions taken, are now executed electronically.

Subsequent to the Project Management System, Energy Management System, Information Security Management System and Work Ethics Principles training, together with the contents of the Environmental Code, our employees have to complete each year in line with the regulations prepared for an electronic learning environment and offered to all our employees over our portal.

Based on feedback from general assessments of new employees within the scope of the orientation program, the Aksa Glossary of Terms, containing general and special terms used at Aksa, was completed by all departments and offered for the use of all our employees over the portal.

During our Best Place to Work project and our employee loyalty questionnaire implemented in 2015, twelve project groups established in order to implement action that will improve our working environment have completed their analysis, and ninety-two procedures, including large-scale work and applications were implemented. Within the scope of this work, rotation for experienced staff and management position career maps at operational level, a talent management application for determining critical roles, expansion of the model employee concept, appreciated actions such as planting trees on the birthdays of our employees and similar activities have been created and carried out.

In order to improve communication for our employees with Human Resources, chats were organized. Fourteen sessions of From Me to Us events, including all our employees, were organized to supporting inter and intradepartmental communication, collaboration and cooperation. Our employees had an enjoyable time all together at planned outdoor activities.

Our Executive Handbook, which will serve as a guide to new executives, was prepared in order to ensure that executives have fast access to frequently asked questions, to turn general applications within the Company into standards, and to uniformly communicate with all our colleagues.

In 2017, in order to determine our cultural elements and improve our interaction and communication with our employees in line with the dynamics of our culture, we initiated the Aksa Culture and Internal Communication Project.

Within the project, more than one hundred documents have been reviewed on internal operations and applications that impact on our employees. In order to ascertain the perception of our employees regarding the Aksa culture, and to establish how we can empower our communication, sixteen one-on-one meetings were carried out, nine focus groups were established, and thirteen managers, twenty-five executives, thirty experts and one hundred and six operation level employees were interviewed. In line with the elements determined for our culture and internal communication, in 2018 current HR processes and applications will be reviewed, and a HR communication plan will be created.

In January 2017, the shift order of the Textile Directorate was changed and four shifts were created throughout the factory, which ensured integrity and employee satisfaction.

During the Star Akkök Reward Process, which took place for the second time in 2017, the Aksa team was awarded with the Operational Perfection reward for recognizing and acknowledging success, bringing exemplary competencies and behavior to the fore, improving internal and intercompany solidarity, employee loyalty, motivation and productivity, and revealing and extending best practices.

In accordance with the great significance we place on the Talent Management process, employees' competencies and improvement areas are identified by means of modern human resources methods, continuous development of employees is supported, and engagements are conducted to shed light on employees' career development. In 2017, the feedback of the 360-degree assessment process was completed, and the assessment center practice continued.

With our belief that employees who have gained experience and expertise in different positions throughout their careers can contribute both to personal development and the development of positions they are responsible for, we have decided to establish a system that supports mobility within the Company. In line with this decision, a rotation system that enables the best evaluation of the potential of experienced employees and managerial staff, and that ensures their assignment to different positions within the Company and improves their development, was established in 2017. The rotation system aims to enrich our work through different perspectives, explore other environments, make the Company more dynamic, agile and sustainable, enhance the satisfaction and motivation of employees, and to retain talent by creating career opportunities within the organization.

The operational level talent management process, which was initiated in 2016 by creating career maps showing career paths, continued this year. The pass criteria for paths on these career maps were determined and published to ensure transparency of the system in 2017.

Experienced and managerial level back up plans were extended to operational level in 2017, and they were developed by establishing the backup system for critical roles at this level.

Within the scope of our Mentor - Mentee and coaching practices, a 1-year term Mentor - Mentee relationship was established between our Mentors, composed of our General Manager, Director and Managers, as well as 15 Mentees from Executive level.

The Technical Competency-Training Matrix containing the required training for developing solid and comparable technical competencies for experienced staff and executive level positions, was completed with department managers in 2017. This Matrix contains guidelines for training requests and development planning schemes for our expert and management level employees.

Our employees at and above the roles of specialist prepared their improvement plans in line with the feedbacks they received from their executives, and their improvement needs, to ensure their continuous development. By considering the requirements of orientation, development plans, code requirements and professional development requirements, thirty-six training sessions were organized in 2017.

2017 Training	Man*Hour	%
Internal Training	29,112	64.2
External Training	14,629	32.3
E-Learning Training	1,391	3.00
Abroad Training	222	0.5
Total	**45,354**	**100**

Within the scope of leader development, twenty-four executives participated in the Giving Effective Feedback Program, thirty-four first-level executives in Multidimensional Leadership Training, and two executives in the Turquality Executive Development Program. In addition, the executive development programs Bumerang-HR Executives, Winning Talent Starts with the Interview, Leadership at the Speed of Trust, Working at the Speed of Trust, Managing Today's Businesses and the Akkök Orientation Program were organized within Akkök.

The Aksa Institute program was designed to consist of courses determined by individual departments to enable experienced and executive level employees to access knowledge of the processes in other departments.

Aksa Human Resources conducts monthly audits of the legality of employee related applications at subcontractor companies, which are Aksa's responsibility, and the necessary referrals are made.

COMFORTABLE SOFTNESS RIGHT BESIDE YOU....

ACTIVITIES OF THE INVESTOR RELATIONS

AKSA BECAME THE NUMBER ONE COMPANY IN 2016 WITH THE HIGHEST CORPORATE GOVERNANCE RATING SCORE OF 9.63 AND CAME IN AGAIN AT NUMBER ONE IN THE CORPORATE GOVERNANCE INDEX IN 2017.

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

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

Major Developments in 2017

1- Corporate Governance Rating

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

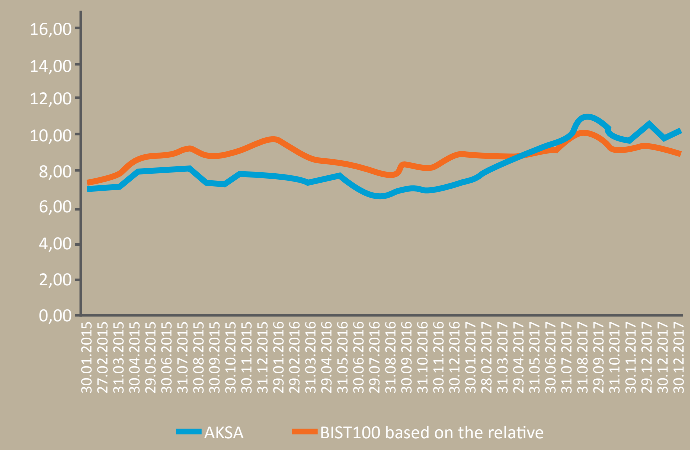
This report, which rates the Company's alignment with Corporate Governance principles, was prepared based on the current methodology, benefiting from the results obtained from detailed reviews made by Saha at our Company.

The Company's Corporate Governance Rating was updated at 9.63 out of 10, and the ratings of the sub-headings were identified as Shareholder 97.32, Public Disclosure 98.43, Stakeholders 98.51 and Board of Directors 93.16 out of 100. Aksa became the company with the highest Corporate Governance Rating with a score of 9.63. Our Company, which was number one in 2016, came in again at number one in 2017 in the Corporate Governance Index of 50 companies, which was awarded on January 18, 2018 by the Corporate Governance Association of Turkey.

2- Share Performance

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

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



Activities of the Investor Relations

Company share certificates have been traded on IMKB (Istanbul Stock Exchange) and BIST (Borsa Istanbul) since 1986. Performance of the share certificates of the last five years summarized in the table below:

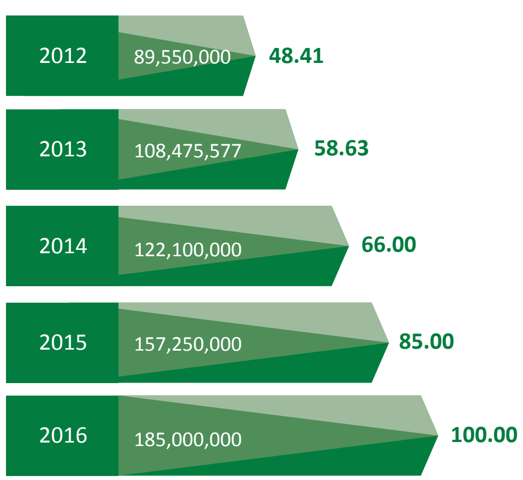
Share	2013	2014	2015	2016	2017
Lowest Price (TL)	3.25	4.83	5.74	6.47	8.33
Highest Price (TL)	6.29	6.1	9.97	9.13	14.42
Closing Price (TL)	5.68	5.78	8.72	8.32	12.85
Issued Capital (thousand TL)	185,000	185,000	185,000	185,000	185,000
Market Value (thousand TL)	1,050,800	1,069,300	1,613,200	1,539,200	2,377,250

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

3- Dividend

The dividend distribution for the period 2016 was approved during the Ordinary General Assembly on April 3, 2017, and it was paid in cash to the Company shareholders on April 5-7, 2017.

Gross dividend amounts distributed within the past five (5) years, and gross dividend amount distributed per share (kurus), are as follows:



4- General Assembly

The Ordinary General Assembly Meeting of the Company for the year 2016 was held on April 3, 2017 at the Yalova Factory. Shareholders representing 76.82% of the Company's shares attended the meeting.

5- Other Activities within the Year

It was aimed to answer questions from the Capital Markets Board completely and accurately, to provide documents and information swiftly, and to establish accurate and efficient communication with the Board. Activities of the Investor Relations were conducted within this scope.

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

STRATEGIC THINKING AND EFFECTIVE COMMUNICATION ARE THE MAIN TARGETS OF OUR INVESTOR RELATIONS DEPARTMENT. AWARE OF AKSA COMPANY STRATEGIES, OUR KNOWLEDGE AND ANALYSIS AIMS TO COMMUNICATE BY EFFECTIVE METHODOLOGY AND CREATE A POSITIVE DIFFERENCE.

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

- Fourteen (14) press releases and thirty-seven (37) material disclosures on the Public Disclosure Platform,
- Five (5) teleconferences with domestic and foreign investors,
- Face-to-face or telephone interviews with approximately one hundred (100) local and foreign investors/analysts
- One (1) factory site visit for investors and analysts

Investor Relations Department Information:

Name Surname	Title	Phone	License Document	Document No	E-Mail
Erdinç KAZAK	Financial Affairs Director(*)	0(226) 353 25 45 / 41400	Capital Markets Activities Level 3 Corporate Governance Rating Expertise	205781 700753	erdinc.kazak@aksa.com
Erdem TATBUL	Accounting and Reporting Manager	0(226) 353 25 45 / 41500	Capital Markets Activities Level 3 Corporate Governance Rating Expertise	208881 701742	erdem.tatbul@aksa.com
Nurcan YAŞAR ATLI	Investor Relations and Reporting Manager	0(226) 353 25 45 / 41410	-	-	nurcan.yasar@aksa.com

(*) As of January 1, 2018, they were promoted to the Financial Affairs Directorate from their positions in Budget and Cost Accounting Management.

Investor Relations Department Contact information:

Phone : (226) 353 25 45
Fax : (226) 353 33 07
E-mail : ir@aksa.com
Address : Merkez Mah. Yalova-Kocaeli Yolu Cad. No:34 Taşköprü, Çiftlikköy/Yalova

Other Developments Within the Period

Aksa Egypt Capital Payment

The Company decided on May 4, 2017 to use $3.7 million to raise further capital for Aksa Egypt Acrylic Fiber Industry, owned 0.5% directly and 99% through Fitco B.V., in consideration of its requirement for investment and working capital.

DowAksa Capital Payment

In line with Article 2, Additional Capital Funding, of the Side Agreement to the Subscription and Shareholders Agreement dated June 29, 2012 between our Company, Dow Europe Holding BV (“Dow”) and DowAksa Advanced Composites Holdings BV (“DowAksa”), and in consideration of the investment expenditures of DowAksa included in its strategic plan, the Company decided to pay $5 (five) million, our share out of the total cash capital increase of $10 (ten) million to be paid to DowAksa as a result of the discussions between our Company and DowAksa on April 28, 2017.

Company Headquarters Change

In line with the decision passed in the Ordinary General Assembly meeting for 2016 held on April 3, 2017, the address of the Company’s headquarters was moved from Gümüşsuyu, Miralay Şefik Bey Sokak, Akhan, No. 15, Beyoğlu, Istanbul to Merkez Mahallesi Yalova-Kocaeli Yolu Caddesi No. 34, Çiftlikköy, Yalova.

The amendment of Article 4, “Headquarters and Branches”, and Article 14, “Meeting Venue”, of the Articles of Association was registered and announced on the Official Trade Bulletin dated 17.04.2017 no. 9307.

CORPORATE GOVERNANCE

CV of the Board of Directors

Mehmet Ali Berkman
Chairman of the Board of Directors

Born in Malatya in 1943, Mehmet Ali Berkman graduated from Middle East Technical University, Faculty of Administrative Sciences, Department of Industrial Management. After wards, he obtained an MBA in Operations Research from Syracuse University (USA). Mr Berkman joined Koç Group in 1972, and assumed the role of General Manager in MAKO, Uniroyal, DÖKTAŞ and Arçelik respectively. Subsequently he worked as Head of Strategic Planning, Human Resources and Industrial Relations, and left the Group on December 31, 2003 due to the Group's retirement policy. In September 2005, he assumed the position of Member of the Board of Directors and Chairman of the Executive Board of Akkök Holding A.Ş. He also served as Member and Chairman of the Boards of Directors of other Group companies. On January 1, 2013, Mr. Berkman stepped down from his position as Chairman of the Executive Board, and he continues to serve as a Board Member in Akkök Holding and Akkim, Board Chairman in Aksa, Akenerji, Akiş, Aktek and Akcez, and Vice Chairman of DowAksa, in addition to his Akkök Holding Executive Board Consultant duty. A member of the Turkish Industrialists' and Businessmen's Association and the Kalder and Turkish Education Volunteers Association, Berkman also continues to be a Member of the Istanbul Erkek High School Foundation, the Turkish Education Foundation Board of Trustees, the Turkish American Business Council and the Turkey Czechia Business Council.

Raif Ali Dinçkök
Deputy Chairman of the Board of Directors

Born in Istanbul in 1971, Raif Ali Dinçkök graduated from Boston University (USA), Department of Business Administration in 1993, and subsequently started working at Akkök Holding. He worked in the Purchasing Department of Ak-Al Tekstil San. A.Ş. between 1994 and 2000, and later served as Coordinator at Akenerji Elektrik Üretim A.Ş. from 2000 to 2003. Raif Ali Dinçkök has been a member of the Board of Directors in many Akkök Group divisions, including Aksa Acrylic, Akenerji, Akiş REİT and Akkim Chemical, has acted as Chairman of the Board of Directors of Akmerkez REİT, Ak-Pa and Dinkal, and is currently a member of the Board of Directors and Assistant Chairman of the Executive Board at Akkök Holding A.Ş.

Nilüfer Dinçkök Çiftçi
Member of the Board of Directors

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

Ahmet Cemal Dördüncü
Member of the Board of Directors

Born in Istanbul in 1953, Ahmet C. Dördüncü, graduated from Çukurova University, Department of Business Administration. Later, he pursued his postgraduate studies at Mannheim and Hannover Universities. Mr. Dördüncü began his professional career at Claas OHG Company in Germany, and after returning to Turkey, he worked at Mercedes Benz A.Ş. between 1984 and 1987. He joined Sabancı Group in 1987, and assumed several positions at Kordsa A.Ş. until 1998. Mr Dördüncü served as General Manager/President at DUSA South America, and later at DUSA North America in 1998. After working as Group President of Strategic Planning and Business Development at H.O. Sabancı Holding A.Ş. in 2004, he assumed the position of Chairman of the Executive Board of Sabancı Holding from 2005 to 2010. Mr Dördüncü has served as Chairman of the Executive Board of Akkök Holding since January 2013. He also serves on the Boards of Directors at various Holding companies, as well as at Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca-Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayii A.Ş., and International Paper Co.

İzer Lodrik
Member of the Board of Directors

Born in Istanbul in 1971, İzer Lodrik graduated from Northeastern University (USA), Department of Economics. Subsequently, he started working at Emboy Yuntaş Tekstil Sanayi ve Ticaret A.Ş. Mr Lodrik currently serves as Chairman of the Board of Directors of Emniyet Ticaret ve Sanayi A.Ş., Emboy Yuntaş Tekstil Sanayi ve Ticaret A.Ş., Eryapı Gayrimenkul A.Ş. Additionally, he is a Member of the Board of Directors of Akkök Holding Companies.

Cengiz Taş
Member of the Board of Directors - General Manager

Born in Bursa in 1966, Cengiz Taş graduated from the Industrial Engineering Department at Boğaziçi University in 1989. He began his career at Kordsa as an Investment Planning Engineer in 1989. He joined Akkök Holding Companies in 1991 as a Budget Expert at Ak-Al Tekstil Sanayii Anonim Şirketi and acted respectively as Budget Chief, Budget Manager, Production Coordinator, Assistant General Manager in Charge of Planning and as General Manager between 2004 and 2011. As of February 1, 2011, he became a member of the Board of Directors and General Manager. Taş, a member of the Executive Board of Akkök Holdings is also on the Board of Directors of other Akkök Group Companies. A member of various associations, Taş is also the Second Chairman of the Turkish Textile Industry Employer's Union, as well as being a Board Member and Consultancy Board Member.

Dr. Mehmet Abdullah Merih Ergin
Independent Member of the Board of Directors - Member of the Early Detection of Risk Committee - Member of the Corporate Governance Committee

Born in 1983 in Istanbul, Dr Ergin received his BSc in Textile Process Engineering from the Department of Textile at the University of Leeds (United Kingdom), and received a PhD from the same university. He undertook various duties for the Sabancı Group. By the end of 2008, Ergin had worked as General Manager and Chairman of the Board of Directors at Ak-Al Tekstil Sanayii Anomin Şirketi, one of Akkök Group's companies. He later served as a member of the Board of Overseers at FMV Işık University, and Chairman of the Board of Directors at Kabataş High School. Not included in the Executive Board, Ergin holds an independent membership according to the CMB Corporate Governance Principles. The services he has provided over the last decade are briefly explained above. Regarding his services for the past five years, he has had no relationship with Aksa Akrilik Kimya Sanayii A.Ş. and its related parties.

Av. Başar Ay
Independent Member of the Board of Directors - Member of the Corporate Governance Committee - Member of the Audit Committee

Born 1965 in Amasya, Başar Ay graduated from the Law School of Ankara University in 1989. He began working at the Turkish Textile Employers' Association in 1991 as Legal Counsel. Mr Ay was appointed Deputy General Secretary in 2005, and General Secretary in 2007 in the same organization, a position he still holds today. He is also a member of the TCEA Microneurosurgery and Reconstruction Foundation, and observer member of the International Textile Manufacturers' Federation (ITMF), International Labor Organization (ILO), and the Turkish Employers' Delegation. Holding no executive position, Başar Ay is qualified as an independent member in accordance with the Principles of Corporate Governance of the Capital Markets Board. He has held no association with Aksa Akrilik Kimya Sanayii A.Ş. or its related parties during the past five years.

İlknur Gür Uralcan
ndependent Member of the Board of Directors - Member of the Early Detection of Risk Committee - Member of the Audit Committee

Born in Ankara, İlknur Gür Uralcan graduated from the Chemistry Department at Boğaziçi University. She began her career in 1993 at Degere International Trading as Chemical Materials Sales Representative, and transferred to Kordsa's Sabancı Talent Pool Program as a Sales Representative in 1996. In 1998, Uralcan became Customer Executive in the Istanbul office of GE Plastics and then served as Country Leadership Regional Manager for Central Europe, Turkey and Israel, and General Manager of Developing Countries and General Manager of European Countries at GE Plastics / Sabic Innovative Plastics. Uralcan continues her Presidency at Wilsonart LLC in Eastern Europe, the Middle East and Africa. Uralcan is not included on the executive board but is an independent member according to the Capital Markets Board Corporate Governance Principles. Her roles over the past 10 years are explained above and she does not have any connection to Aksa Akrilik Kimya Sanayii A.Ş. or its related parties.

Declaration of Independent Membership of the Board of Directors

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

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: II, No: 17.1) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

a) There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,

b) I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and/or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,

c) I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,

d) I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,

e) I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,

f) I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,

g) I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,

h) I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,

i) I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi. Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : BAŞAR AY
Date : 05.03.2017
Signature :

Declaration of Independent Membership of the Board of Directors

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

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: II, No: 17.1) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

a) There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,

b) I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and/or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,

c) I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,

d) I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,

e) I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,

f) I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,

g) I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,

h) I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,

i) I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi. Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : MEHMET ABDULLAH MERİH ERGİN
Date : 04.03.2017
Signature :

Declaration of Independent Membership of the Board of Directors

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

Pursuant to the Communiqué Regarding the Determination and Implementation of Corporate Governance Principles (Serial: II, No: 17.1) issued by the Capital Market Board, Articles of Association, and the criteria set forth in related legislation, as a candidate for independent membership of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi, I hereby declare that:

a) There is no employment relationship between myself, my spouse, relatives by blood or by marriage up to the second degree and Aksa Akrilik Kimya Sanayii A.Ş., any partnerships of which the Company holds or significantly affects management control, or shareholders who hold or significantly affect the management of the Company, or any legal entities of which these shareholders hold the management control, at a managerial position to undertake major duties and responsibilities in the last five years, and that I do not have, together or alone, more than 5% of the Company's capital or voting rights or privileged shares, and I do not have a business relationship of significant nature,

b) I have not served as a partner (5% and above), at a managerial position to undertake major duties and responsibilities and/or as a board member in any companies, particularly those conducting the auditing (including tax audit, legal audit and internal audit), grading and counseling of the Company, to which the company has sold or purchased a significant amount of products or services in the framework of the agreements, during the periods of selling or purchasing products or services, in the last five years,

c) I have the requisite professional training, knowledge and experience in order to fulfill the tasks that I will assume in the Company as an independent member of the Board of Directors,

d) I will not work in public institutions and organizations, other than academic positions at universities, provided that it is appropriate to their relevant legislations, on a full-time basis, after being elected as a member,

e) I am considered as a resident in Turkey according to the Income Tax Act (I.T.A.) dated December 31, 1960 and numbered 193,

f) I possess the requisite strong ethical standards, professional reputation and experience to contribute positively to the Company's activities, to maintain my objectivity in conflicts of interest between the company and the shareholders, and to decide freely in consideration of stakeholders' rights,

g) I will spare enough time for the Company's affairs in order to follow-up the functioning of the Company's activities, and to fully meet the requirements of the duties that I will assume,

h) I haven't served as a member of the Company's Board of Directors for more than six years during the last ten years,

i) I haven't served as an independent member of the Board of Directors in more than three companies whose management is controlled by the same person, Company or shareholders holding the management control of the Company, and in more than a total of five companies traded on the exchange,

I will therefore act as an independent member of the Board of Directors of Aksa Akrilik Kimya Sanayii Anonim Şirketi. Pursuant to the related legislation, I also declare that should a situation arise that removes my independence, I would communicate this to the Board of Directors in order for it to be announced to the public, and that I would resign on principle.

Sincerely,

Name and Surname : İlknur GÜR URALCAN
Date : 03.03.2017
Signature :

Corporate Governance Principles Compliance Report
SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

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

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

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

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

"Referring to principle number 3.1.3 of the "Corporate Governance Communiqué", except for material disclosures and postscripts, the financial statements, which should be disclosed to the public in accordance with Capital market regulations, are presented on the Public Disclosure Platform in Turkish and English simultaneously. They are also submitted for the information of the investors on the website in English as well as in Turkish. Explanations in English are prepared in an accurate, complete, direct, comprehensible, and adequate manner, and are consistent with the Turkish original of the explanation, to help people who will benefit from the disclosure to make decisions. Announcements have been made in both Turkish and English on the Public Disclosure Platform since 2018.

• According to Article 4. 3. 9 of the Corporate Governance Notification, there are currently two (2) female members on the Board of Directors. A written policy is being prepared for there to be a minimum 25% female members on the Board of Directors with an aim to raise the number of female members in the future.

• Referring to "Corporate Governance Principle" No. 4.6.5, wages paid and all other benefits provided to the Members of the Board of Directors and the senior executives are disclosed to the public through the annual report on the basis of expenses. The announcements made are not personal, and separate the Board of Directors Members and executives. The remuneration policy has been issued in writing and is added as an agenda item to the General Assembly meeting. In the current situation, personal salary information will not be disclosed.

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

SECTION II - SHAREHOLDERS

2.1 Investor Relations Department

2.1.1. The "Investor Relations Unit", which was established alongside the Company's departments pursuant to legislation, operates under the Director of Financial Affairs and plays an effective role in protecting shareholder rights, primarily the right to information, and the facilitating of its usage. The questions addressed to the Unit within this scope, with the exception of confidential information and trade secrets, are answered either by phone, or else in writing after consulting the highest authority in relation to the topic.

2.1.2. Contacts for Investor Relations at the Company:

Name Surname	Title	Phone	License Document	Document No	E-Mail
Erdinç KAZAK	Financial Affairs Director(*)	0(226) 353 25 45 / 41400	Capital Markets Activities Level 3 Corporate Governance Rating Expertise	205781 700753	erdinc.kazak@aksa.com
Erdem TATBUL	Accounting and Reporting Manager	0(226) 353 25 45 / 41500	Capital Markets Activities Level 3 Corporate Governance Rating Expertise	208881 701742	erdem.tatbul@aksa.com
Nurcan YAŞAR ATLI	Investor Relations and Reporting Manager	0(226) 353 25 45 / 41410	-	-	nurcan.yasar@aksa.com

(*) As of January 1, 2018, they were promoted to the Financial Affairs Directorate from their positions in Budget and Cost Accounting Management.

Investor Relations Department Contacts:

Phone : +90(226) 353 25 45
Fax : +90(226) 353 33 07
E-mail : ir@aksa.com

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

The Investor Relations Department operates to provide accurate, timely and consistent information to current and potential investors, analysts and 3rd parties on request, to enhance the Company's recognition and credibility, to reduce the Company's cost of capital through the implementation of Corporate Governance principles, and to ensure communications between the Board of Directors and the participants of the capital market.

In line with this objective, the Company attaches great importance to communication with shareholders and investors, and maintains an active investor relations program. The Investor Relations Department makes presentations to the Corporate Governance Committee about the activities they have carried out on a quarterly basis, and submits a report about their activities on a yearly basis. The report on the activities performed by Investor Relations in 2017 was prepared on 19.01.2018.

The Investor Relations Department conducted the following activities during 2017:

- Fourteen (14) press releases and thirty-seven (37) material disclosures on the Public Disclosure Platform,
- Five (5) teleconferences with domestic and foreign investors,
- Face-to-face or over the phone negotiations with hundred (100) local and foreign investors/analysts,
- One (1) factory site visit for investors and analysts

2.2 The Use of Right to Information by Shareholders

2.2.1. All shareholders are entitled to obtain and examine all kinds of information in accordance with the regulations in force and those not relating to trade secrets. Right to access information and examination is not revoked or restricted by the articles of association or one of the company functions. All stakeholders, including minorities and foreign stakeholders, are treated equally.

All information and announcements that may affect shareholding rights are shared on the Company's corporate website (www.aksa.com) in both in Turkish and English.

Further to the Capital Markets Board's related regulation provisions and the provisions of the Turkish Commercial Code, the Information Policy published on the Company's website determines Aksa's public disclosure methods and means, as well as practices and principles regarding Aksa's communication with capital markets participants.

Company information to be disclosed to the public is presented on the "Public Disclosure Platform" (www.kap.gov.tr) and on the Company's website in a timely, accurate, complete, understandable and easily accessible manner, and in a cost effective way, and so as to assist persons and establishments that may benefit from the disclosure to decide. Additionally, the "e-GOVERNANCE: Corporate Governance and Investor Relations Portal" is used for direct and effective informing of the Company's shareholders.

Principles regarding the public disclosure of information related to future issues are included in the information policy. When forward-looking information, assumptions, and data based on assumptions are disclosed, particular attention is paid such that these statements do not include baseless, exaggerated forecasts, and that they are not misleading. Attention is also shown such that these assumptions are in compliance with the financial status and operational results of the Company.

In the event that estimates and the grounds regarding the forward-looking information disclosed to the public do not come to fruition, or when it is understood that they shall not come to pass, the information is updated.

2.2.2 The Company refrains from making transactions which complicate the conduct of private audits. No additional provisions have been included on the right to request the appointment of a private auditor in the Articles of Association. There has been no request for the appointment of a special auditor in 2017.

2.3 General Assembly Meetings

2.3.1. The Company's 2016 Ordinary General Assembly meeting is announced to investors on our corporate website, (www.aksa.com) and on the Public Disclosure Platform (PDP), electronic Board of Directors system, and Turkey's Trade Registry Gazette, at least three weeks prior to the general meeting, excluding the announcement and meeting days. The documents required by article 437 of the Turkish Commercial Code were presented to the shareholders, along with the provisions numbered 1.3.1 stated in the Corporate Governance Principles.

In addition to the notifications and disclosures that the company is required to make on the Company's corporate website pursuant to the regulations along with the general assembly meeting announcement, the "General Assembly Information Document" prepared to include the points stipulated in clause 1.3.1 of the communiqué on Determination and Implementation of Corporate Governance Principles was also published on the website.

2.3.2. Each offer is given clearly under a separate title on the 2016 ordinary general assembly agenda, and there is no issue that the shareholders submitted to the Company's Investor Relations Department in writing, and wished to be covered on the meeting agenda.

2.3.3. The Ordinary General Assembly meeting for 2016 was held in Yalova Factory on April 03, 2017 in accordance with the related article in the Articles of Association, in order to increase the number of shareholders that attend the meeting in a manner which would not create any inequality among the shareholders, and which would facilitate the participation of the shareholders with minimum expense, and was realized with a 76.82% participation rate. The minutes and list of participants of the meeting have been announced to the public through the PDP and the Company's corporate website. There was no media participation.

2.3.4. The chairman of the meeting makes preparations in advance for the execution of the general assembly in accordance with the Turkish Commercial Code, the Capital Markets Law, and other relevant legislations, and the necessary information is transmitted to the chairman by the Legal Affairs and Investor Relations departments.

2.3.5. During the General Assembly meeting held on April 03, 2017, the chairman of the assembly ensured all topics on the agenda were conveyed in an impartial, detailed, and understandable manner, while questions not considered as trade secrets from general assembly attendees were answered. There are no questions that have not been answered during the General Assembly.

2.3.6. The shareholders who held management control in 2017, the members of the Board of Directors, the executive managers, and their first and second degree relatives by blood or by marriage, haven't carried out any significant transactions that may result in conflicts of interest, either with the Company or its subsidiaries. Furthermore, they haven't carried out any transactions in the same line of business as the Company or its subsidiaries, by themselves or on behalf of others, and haven't become partners without limits of liability in a company that is engaged in the same line of business. Moreover, apart from these persons, persons having access to the Company's information made no transactions on behalf of themselves in terms of the Company's activities.

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

2.3.8. Members of the Board of Directors in charge of the agenda items, other related persons, executives who were responsible for preparing the financial statements and auditors were present at the 2016 Ordinary General Assembly meeting, in order to provide the necessary information and to answer questions.

2.3.9. The related party and significant transactions are carried out in the framework of Corporate Governance Principles, and there was no transaction where a decision depended on the majority of positive votes raised by the independent members of the Board of Directors, but the decision was left to the General Assembly owing to the members' negative votes.

2.3.10. Donations and aids made by the Company were briefed to the shareholders as a separate agenda item during the 2016 Ordinary General Assembly meeting, and information regarding the donations and aids made during the year was included in the annual report. The regulation regarding the maximum amount of charitable donations to be offered by the Company, as stated in the charitable donation policy, was submitted for the approval of the partners, and accepted at the General Assembly meeting.

2.3.11. With the statement, "Unless determined otherwise by the General Assembly, meetings are held open to those who are interested; however, shareholders or their authorized persons have the right to speak and vote", which was amended in the Articles of Association with the amendment draft submitted for the approval of the partners, and accepted at the Ordinary General Assembly meeting held in 2016, general assembly meetings are held open to the public, as indicated in the Company's Articles of Association and the internal guidelines of the General Assembly.

2.4 Right to Vote and Minority Rights

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

2.4.2. In the Company, each share has one voting right. Moreover, in compliance with the Company's Articles of Association, there are no privileges regarding the right to vote, and minority rights have been determined to be one-twentyfifth of the share capital/capital.

2.4.3. There are no mutual affiliate companies of the Company.

2.4.4. Maximum attention is given to making minority rights available. However, there is no representative of the minority rights on the Board. With the Articles of Association, the minority rights haven't been determined to be less than one-twentieth of the share capital. And minority rights have been determined to be one-twentyfifth of the share capital/capital.

2.4.5. The minority rights in the Company are subject to the Turkish Commercial Code, the Capital Markets Law and relevant legislations, and utmost care is devoted to this issue.

2.5 Dividend Rights

2.5.1. There are no privileges for participation in the profit of the Company.

2.5.2. The dividend distribution policy of the company includes minimum information that would enable investors to foresee the methods and principles of the Company in distributing profit for the coming periods. The dividend distribution policy adopted by the General Assembly of the Company has been announced to the public, annual report and published on the corporate website.

2.5.3. During the Ordinary General Assembly meeting for 2017 which held in 2016, a dividend distribution was decided upon, with the amount of TL 185,000,000 being distributed in cash to shareholders at April.

2.5.4. A policy maintaining the balance between the benefits of shareholders and the benefit of the Company is being followed in dividend distribution, as detailed in the dividend distribution policy.

2.6 Transfer of Shares

2.6.1. There are no restrictive provisions with regard to the free transfer of shares in the Articles of Association.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Contents

3.1.1. The corporate website of the Company, (www.aksa.com) is actively used in the public disclosure process. The address of the website is included in the letterhead of the Company. The content of the Company website is prepared in line with Article 2.1.1 of the Communiqué Regarding the Determination and Application of Corporate Governance Principles issued by the Capital Market Board as well as the Turkish Commercial Code. In addition, stakeholders may reach the authorities for further information through the electronic mail address ir@aksa.com.

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

3.1.3. Except for material disclosures and postscripts, the financial statements, which should be disclosed to the public in accordance with Capital market regulations, are presented on the Public Disclosure Platform in Turkish and English simultaneously. They are also submitted for the information of the investors on the website in English as well as in Turkish.

Explanations in English are prepared in an accurate, complete, point blank, comprehensible, and adequate manner, and are consistent with the Turkish original of the explanation, to help people who will benefit from the disclosure to make decisions. Announcements have been made in both Turkish and English on the Public Disclosure Platform since 2018.

3.1.4. The basic information on the website is also made available in English for the use of international investors.

3.2 Annual Report

3.2.1. The Board of Directors of the Company prepares the Annual Report based on the relevant regulations in such a way that the public will have access to complete and accurate information regarding the operations of the Company.

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

a) Information on the duties undertaken by the members and the executives of the Board of Directors outside of the Company, and statements of independence of the Board members,

b) Operating principles of the committees formed within the Board of Directors, including committee members, meeting frequency, and the activities they carry out, as well as the Board of Directors' assessment on the effectiveness of the committees,

c) The number of meetings of the Board of Directors, and the attendance performance of the members of the Board of Directors at the aforementioned meetings,

d) Amendments to legislation which might materially affect the Company's operations,

e) Material lawsuits brought against the Company, and the possible results,

f) Information on conflicts of interest between the Company and institutions which provide services concerning subjects such as investment consultancy and rating, and the measures taken by the Company to prevent such conflicts,

g) Information on reciprocal shareholdings with a direct capital participation rate exceeding 5%,

h) Information on corporate social responsibility activities regarding the activities of the Company which have social and environmental results, such as social rights and vocational training for employees.

SECTION IV - STAKEHOLDERS

4.1 Disclosure to the Stakeholders

4.1.1. The Company's code of ethics guarantees the rights of the stakeholders regulated by legislation and mutual agreements. The stakeholders are informed within the framework of the policy created by the Company in accordance with current legislation and ethical rules. In addition, it is aimed to inform all stakeholders through press releases, annual reports, the corporate website and applications within the scope of the disclosure policy based on transparency. Intranet, which is an in-house information sharing medium, and printed documents are used actively, as the magazine "Aksa Haber" is published on a quarterly basis, and the bulletin "Akkök Haberler" is published on a monthly basis. While performing their duties, the Company's employees are expected to fulfill their responsibilities by valuing the interests of the Company above the interests of themselves, their families and relatives. Employees shall refrain from any interference that may be construed as benefiting themselves or their relatives. Foreseeable potential conflict of interest situations, and situations defined by the Company management, are shared with the employees, and the Company management takes the necessary measures.

4.1.2. When the rights of the stakeholders, which are protected by legislation and mutual agreements, are violated, an opportunity for effective and swift compensation is provided. The Company makes every effort towards the ease of use of mechanisms such as compensation provided to stakeholders in line with legislation. There is a special "compensation policy", which has been established by considering the legislation for the employees of the Company, and this policy is published on the Company's corporate website.

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

4.1.4. The Company may communicate transactions conducted by stakeholders, which are contrary to the legislation or ethically inappropriate, to the Corporate Governance Committee, or to the Ethics Committee via the Ethics Line or e-mail.

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

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

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

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

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

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

- In addition, Aksa advises all its customers via Safety Data Sheets (SDS), an international document providing information about the safety of products on environment and human health.

Relations with Customers and Suppliers

4.1.6. The Company takes all kinds of measures to ensure customer satisfaction in the sales and marketing of goods and services.

4.1.7. Customer demands for goods and services purchased are attempted to be met rapidly, and customers are informed about delays without waiting for deadlines.

4.1.8. Utmost care is given to the confidentiality of information within the scope of trade secrets related to customers and suppliers.

4.2 Stakeholder Participation in Management

4.2.1. Supportive mechanisms and models for the participation of stakeholders, primarily the Company's employees, in the management of the Company are developed in a manner that would not hinder the Company's operations. In this context, there has been a Representative Council ("RC") in Aksa that consists of 22 people, selected by Aksa employees by secret ballot, open counting since 1996. Meeting on a monthly basis, the RC is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying senior management about the expectations of employees. The participation of employees is ensured through annual performance evaluation meetings, suggestion systems and annual meetings held at the Company. In terms of goods and services, quality standards are followed and maintained. In this respect, an assured quality warranty is achieved.

Also, the presence of independent members in the Board of Directors enables the representation of all stakeholders, as well as the Company and the shareholders.

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

4.3 Human Resources Policy

4.3.1. The policy of providing equal opportunity for people with equal qualifications is adhered to when creating the recruitment policies and making career plans. Should any situation arise that may affect the management of the Company with regard to changes of executives, succession planning will be carried out to determine the newly assigned executives.

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

4.3.2. The criteria regarding the Company's recruitment are determined in writing.

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

4.3.3. Employees are treated fairly with regard to all rights granted to them. Training programs are carried out, and educational policies are established in order to raise the employees' level of knowledge, skills and experience.

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

4.3.4. Meetings are held to inform employees and exchange views about issues such as the financial conditions of the Company, wages, careers, education and health.

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

4.3.5. Decisions taken about employees, or developments concerning employees, are notified to the employees or their representatives. The views of the representatives' council are obtained before taking decisions of this nature.

4.3.6. As well as the job descriptions and distribution of the Company's employees, performance and reward criteria are also announced to the staff. Attention is paid to efficiency in the determination of wages and other benefits paid to the employees.

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

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

4.3.7. Measures are taken to prevent racial, religious, language and gender discrimination among employees, and to protect them against physical, mental and emotional maltreatment.

The Company has not received any complaints about discrimination.

Employees are informed about these issues through personal development and communication training. Also, an Ethics Line has been established for employees who may encounter such cases. The Ethical Line, managed by an independent company, was established to deliver anonymous complaints and policy violations to the Company.

4.3.8. The Company doesn't create any obstacles to effective use of the freedom of association and the right of collective labor agreement, and even supports these when necessary. In the current situation, the Company has no collective labor agreement.

4.3.9. The Company strives for continuous improvement and development in order to ensure a safe working environment and conditions for employees.

In order to carry out communication with the employees, there is a Representative Council ("RC") that consists of 22 (twenty two) persons, and is selected by the Company's employees by secret ballot, open count. Meeting on a monthly basis, the RC is responsible for determining the problems that employees face, suggesting and working towards solutions, and notifying senior management about the expectations of employees.

4.4 Ethical Rules and Social Responsibility

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

4.4.2. The Company strives to have, develop, adopt and implement innovative and environmentally friendly technologies within the scope of both its environmental and quality policy. Developed with an environmental and quality awareness, Company projects that decrease waste and enable the efficient use of energy and resources have been awarded various prizes.

Within the scope of sustainability activities that have been continued since 2006, the Company has raised its level to "Gray G4", and the relevant reports are published on the corporate members' website.

Based on the Global Compact Agreement signed in 2006, Aksa shares any improvements in compliance with the initiative's 10 principles through its Sustainability Reports that are created on a yearly basis.

The Company is sensitive about its social responsibilities, observing arrangements pertaining to the environment, customers and public health, as well as the codes of conduct. It supports and respects human rights to international standards.

The Company takes measures against all kinds of corruption, including bribery and extortion. The necessary awareness raising and control activities are coordinated by the Human Resources Department.

SECTION V - THE BOARD OF DIRECTORS

5.1 The Structure and Formation of the Board of Directors

There are a total of 3 (three) members in the Board of Directors, consisting of 1 (one) independent and 5 (five) non-executive members:

Board of Directors

Name Surname	Title	Starting Date	Period
Mehmet Ali BERKMAN	Chairman (Non-Executive)	03.04.2017	3 Years
Raif Ali DİNÇKÖK	Deputy Chairman (Non-Executive)	03.04.2017	3 Years
Nilüfer DİNÇKÖK ÇİFTÇİ	Member (Non-Executive)	03.04.2017	3 Years
Ahmet Cemal DÖRDÜNCÜ	Member (Non-Executive)	03.04.2017	3 Years
İzer LODRİK	Member (Non-Executive)	03.04.2017	3 Years
Cengiz TAŞ	Member - General Manager (Executive)	03.04.2017	3 Years
Mehmet Abdullah Merih ERGİN	Independent Member	03.04.2017	3 Years
Başar AY	Independent Member	03.04.2017	3 Years
İlknur Gür URALCAN	Independent Member	03.04.2017	3 Years

The Board of Directors includes both executive and nonexecutive members. A non-executive member of the Board of Directors is a person who has no administrative duty in the Company apart from being a member of the Board of Directors, and who does not interfere in the daily business and regular activities of the Company. The majority of the members of the Board of Directors are non-executive. There is no restriction on the members of the Board of Directors regarding other duties in or outside the Group. Information about the duties fulfilled by members of the Board of Directors outside the Company are submitted for the information of investors in the PDP Company General Information Form, on the Company's corporate website, and in the Corporate Governance section of the annual report. On the Nomination Committee, there were three (3) independent members on the Board of Directors Membership before the General Assembly and they were nominated at the General Assembly based on the report dated March 7, 2017. One (1) independent member candidate applied to our Company within the year, however their application was rejected on October 26, 2017 and the membership of the Independent Board of Directors Members continues.

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

The duty term of independent board members is up to three (3) years and, depending on regulation arrangements, they can be re-elected and re-selected as members.

In 2017, no situations arose that affected the autonomy of independent members and the independency declarations received from each member before their election is available to our investors on both our Company website and our annual report.

Yönetim kurulu üyeleri arasındaki görev dağılımı faaliyet raporunda açıklanmaktadır.

The work distribution among the members of the Board of Directors is explained in the annual report.

There is two female member on the Company's Board of Directors. The Company doesn't have any written policy or target for raising the number of female members.

The members of the Board of Directors allocate sufficient time for the execution of Company affairs. In the event that a member of the Board of Directors serves as a manager or a member of the Board of Directors in another company, this situation doesn't lead to a conflict of interest and hinder the responsibility of the member in the Company. Therefore, serving of the Members of the Board of Directors in some other duty or duties outside the Company is regulated and restricted by certain rules, within the scope of the Working Procedures and Principles of the Board of Directors. Duties fulfilled by the Members of the Board of Directors outside the Company are recorded in the "Company General Information Form" through the PDP, and the curriculum vitae of the Board members to be elected are shared through the "General Assembly information document" on PDP and the Company website, prior to the general assembly for election.

5.2 Principles of the Activities of the Board of Directors

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

5.2.2. The Board of Directors establishes internal control systems, including risk management and information systems, and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by taking the suggestions of the related committees of the Board of Directors.

5.2.3. The Board of Directors reviews the efficiency of the risk management and internal control systems at least once a year. Information regarding the functioning and efficiency of the internal audit system is provided in the annual report.

5.2.4. The Board of Directors plays a part in preservation of effective communication between shareholders and the company, and in settling and resolving any disputes that may arise among them. In this respect, the Board of Directors is in constant contact with the Corporate Governance Committee and the Investor Relations Unit.

5.2.5. An insurance policy exceeding 25% of the Company's capital as stated in Article 4. 2. 8 of the Corporate Governance Principles has been taken out and explained on the PDP. This policy is renewable annually and covers any oversight made by members of the Board of Directors while implementing their duties, and any possible ramifications they may cause.

5.2.6. The Board of Directors convenes as often as they can to fulfill their duties effectively in accordance with the working principles of the Board of Directors. The Board of Directors convened 4 (four) times in 2017, with an average attendance rate of 92%. The Chairman of the Board of Directors determines the agenda of the meetings in consultation with the other members of the Board of Directors and the CEO/General Manager, and communicates this to the members prior to the meeting. A total of 34 resolutions were taken by the Board of Directors in 2017. The members pay attention to attend each meeting by examining and preparing information and documents pertaining to the matters listed on the agenda, and to express their opinions. The Board meetings can be held through remote access opportunities such as video conferencing, teleconferencing and internet.

5.2.7. The members of the Board of Directors are not entitled to preferential voting and/or veto rights.

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

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

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

5.2.11. There is a procedure on how to hold General Assembly meetings that includes the Working Procedures and Principles of the Board of Directors.

5.2.12. The items on the agenda of the Board of Directors are discussed openly in all their aspects. The Chairman of the Board of Directors makes his best effort to ensure the effective participation of non-executive members in the meetings of the Board of Directors. Regarding matters of dissent during the meetings, the Members of the Board of Directors have their reasonable and detailed justifications kept in the decision records. None of the members of the Board of Directors cast a counter vote regarding any decision during the meetings held in 2017.

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

5.3.1. The Company's Board of Directors has reviewed the structures and activities of the existing committees in the framework of the provisions of the Corporate Governance Communiqué of the Capital Markets Board, and has established the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee. The duties and responsibilities of the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.

Audit Committee:

Name Surname	Title	Starting Date
İlknur Gür URALCAN	Chairman of the Committee (Independent)	18.04.2017
Başar AY	Committee Member (Independent)	18.04.2017

Corporate Governance Committee:

Name Surname	Title	Starting Date
Başar AY	Chairman of the Committee (Independent)	18.04.2017
Mehmet Abdullah Merih ERGİN	Committee Member (Independent)	18.04.2017
Erdinç KAZAK	Committee Member (Licenced Personel)	18.04.2017

Early Detection of Risk Committee:

Name Surname	Title	Starting Date
Mehmet Abdullah Merih ERGİN	Chairman of the Committee (Independent)	18.04.2017
İlknur Gür URALCAN	Committee Member (Independent)	18.04.2017

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

5.3.3. All of the board members of the committees within the Board of Directors have been elected from among the independent board members. Only Erdinç Kazak, the Investor Relations department manager, has been included in the Corporate Governance Committee since he holds the licenses required by legislation.

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

5.3.5. Care is taken not to assign a board member to more than one committee. However, some of the committee members may be involved in other committees according to the knowledge and experience of the independent members.

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

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

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

5.3.9. Audit Committee:
Among the members of the Audit Committee within the Company, there are members who have experience in the fields of accounting/auditing and finance. The committee oversees the company's accounting system, public disclosure of financial information, and independent audit, as well as the functioning and effectiveness of the internal control and internal audit systems of the company. The selection of an independent auditing firm, preparation of independent audit contracts, and initiation of the independent audit process, and the works of the independent auditing firm at every stage, are all carried out under the supervision of the audit committee.

The independent auditing firm that will provide services to the Company, and the services to be obtained from this firm, are determined by the committee in charge of auditing, and then submitted to the Board of Directors for the approval of the General Assembly.

The methods and criteria to be applied in the issues of investigation and resolution of complaints received by the Company about the accounting and internal control system and independent auditing of the Company, and evaluation of the notifications of employees on accounting and independent auditing of the Company within the context of the confidentiality principle, are also determined by the audit committee.

The audit committee reports its evaluations concerning the truthfulness and accuracy of the annual and interim financial statements to be disclosed to the public, according to the accounting principles followed by the Company, together with the evaluations of the Company's respective executives and independent auditors, to the Board of Directors in written form.

The audit committee immediately notifies its findings regarding the field of its duties and responsibilities, as well as its evaluations and recommendations on the issue, in writing to the Board of Directors.

The audit committee convened 4 (four) times in 2017, and the decisions taken were submitted to the Board of Directors as the results of the meetings were written in the minutes.

5.3.10. Corporate Governance Committee:
The Company's Corporate Governance Committee observes whether or not corporate governance principles are applied in the company and, if not, identifies the reasons and the conflicts of interests arising due to not fully complying with these principles. The committee offers recommendations on optimizing corporate governance practices, and monitors the works of the investor relations unit.

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

5.3.12. The Company's Corporate Governance Committee convened 4 (four) times in 2017.

5.3.13. Early Detection of Risk Committee:
The Early Detection of Risk Committee, which is responsible for early detection of risks that may jeopardize the Company's existence, development and continuity, applying the necessary measures in this regard, and performing activities to manage the risks, has two members, each of whom is a non-executive independent Board member.

The Committee reviews the risk management systems once a year.

A Risk Management Committee was established pursuant to Article 378 of Turkish Commercial Code No. 6102 to ensure the effective functioning of the committees within the Board of Directors for the purposes of early detection of risks that jeopardize the existence, development and continuity of the company, applying the necessary measures and remedies in this regard, and managing the related risks. The members of the Early Detection of Risk Committee were determined by decision of the Board of Directors dated April 2017, after the distribution of duties among the Board of Directors.

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

The Early Detection of Risk Committee revises the efficiency of the Company's risk management and internal control systems at least once a year.

The Early Risk Detection Committee held meetings four (4) times in 2017, and reports were presented to the Board of Directors on risk management works six (6) times.

5.4 Risk Management and Internal Control Mechanism

5.4.1. By taking the related Board of Directors committees' views into consideration, the Board of Directors establishes internal control systems, ensuring these systems also incorporate risk management and information systems and their processes, which can minimize the impacts of risks that may affect primarily the shareholders, as well as all of the Company's stakeholders.

5.4.2. The Board of Directors revises the efficiency of the risk management and internal control systems at least once a year. Information regarding the functioning and efficiency of the internal audit system is provided in the annual report.

5.4.3. The Company's risk inventory is one of the most important follow-up tools used in Aksa's risk management activities. The risk inventory includes the company's operational, financial, reputational and strategic risks. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy has become a permanent item on the agenda of routine business of Aksa executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications. Having certified its Corporate Risk Management activities by the Turkish Standards Institution (TSE), Aksa successfully completed the "TS ISO 31000 Risk Management System Verification" audit, and has become the second enterprise in Turkey to hold this certificate, and the first enterprise among the industrial organizations, and Borsa Istanbul (BIST). The Company also successfully completed the surveillance audit performed by TSE in 2017, without any lack of conformity.

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

The Internal Audit team gets in touch with the independent auditors when necessary within the scope of audit activities, and occasionally performs common process controls with independent auditors.

5.5 The Strategic Goals of the Company

5.5.1. The Board of Directors keeps the balance between risk, growth and return at an ideal level through the strategic decisions it makes, and manages and represents the Company by primarily looking after its long term interests through rational and cautious risk management. Within the scope of the Annual Strategic Planning scheme, a roadmap of five (5) years is determined through workshops with the participation of all executives.

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

The Company's short and long-term performances and strategic objectives are evaluated, and the necessary action plans are carried out according to the results obtained in the Executive Board and Finance Board meetings held on a monthly basis, and the Industrial Evaluation meetings held on a quarterly basis, and headed by the executive board member/general manager. Executive Board

5.5.3. The Board of Directors oversees the compliance of the Company activities to legislation, Articles of Association, internal regulations and established policies.

5.5.4. The Board of Directors reviews the degree to which the Company achieves its targets, as well as its activities and past performance. Within this scope, the Board of Directors made an assessment revealing that the Company reached the operational and financial performance goals for 2017.

5.6 Financial Rights

5.6.1. The Board of Directors is responsible for achieving the Company's set targets. Evaluation on whether the Company has achieved its publicly disclosed operational and financial performance targets and justifications in the event of failure is described in the annual report. The Board of Directors conducts a performance evaluation and auto-critique on the basis of the Board, members and managers with administrative responsibility. The Board of Directors rewards or dismisses the Board members and managers with administrative responsibility considering these evaluations.

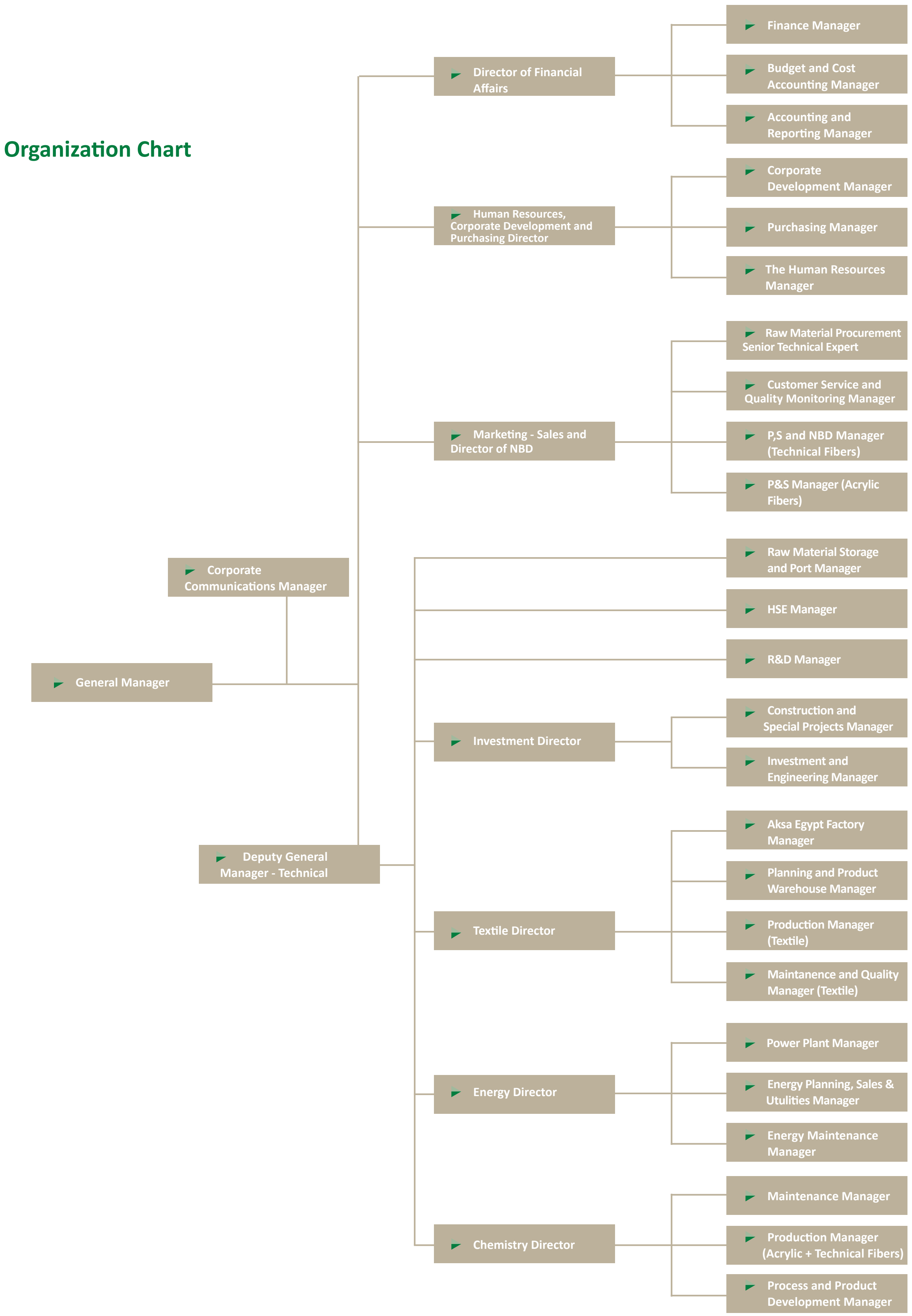
5.6.2. The remuneration principles of members of the Board of Directors and senior executives are published on the Company website.

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

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

5.6.5. The fees and all other benefits provided to the members of the Board of Directors are collectively disclosed to the public through the annual report and the footnotes in the financial statements. In addition, in line with the main articles of association, the remuneration policy, and the decisions of the General Assembly, TRY 2,381,495 has been paid as 2016 dividends in 2017 to the Board of Directors. Our announcement on the financial rights offered to senior executives is made on a purely professional basis, and the members of the Board of Directors and senior executives are separate.

Organization Chart



Executive Management

İsmail Murat İnceoğlu
Assistant General Manager - Technic
Born in Istanbul in 1951, İsmail Murat İnceoğlu received his BSc in Textile Process Engineering from the Department of Textile at the University of Leeds (United Kingdom), where he also completed his master's studies. Mr. İnceoğlu began his professional career at the Royal Mail UK and Braims Steel UK-Textile Testing Laboratory. In 1981, he started working at Ak-Al Tekstil as Production Operations Engineer, and later assumed the position of Production Manager at the Semi Worsted Hand-Knitting Plant. Mr. İnceoğlu was involved in various high-level projects, primarily the merger of Ak-Al and Aksu, and he recently worked as Assistant General Manager for Technical and Quality. In March 2011, Mr. İnceoğlu started working as Director of Technical and Administrative Services at Aksa, and he was appointed Plant Director in July 2011. As of September 2016, he has served as a Deputy General Manager - Technical.

Sabri Arca
Marketing, Sales and New Business Development Director
Born in 1960, Sabri Arca graduated from the Department of Business Administration at the University of Southern California (USA). He worked at Dinarsu T.A.Ş. between 1985 and 1989, and at Ak-Al between 1990 and 1994. Mr. Arca was promoted to Assistant General Manager at Aksa in 1994, and since then he has held the positions of Administrative Assistant General Manager, Assistant General Manager of Purchasing, Assistant General Manager of New Business Development and Purchasing, and Director of New Business Development and Purchasing, respectively. In December 2011, Mr Arca was appointed Director of Marketing, Sales and New Business Development. On January 1, 2018 a new Assistant General Manager for Marketing, Sales and New Business Development was assigned.

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

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

Erdinç Kazak
Financial Affairs Manager, Corporate Governance Committee Member
Born in 1983, Erdinç Kazak began his career as an independent auditor at PricewaterhouseCoopers and then continued his progress as Senior Financial Control Expert at Turkcell İletişim Hizmetleri A Ş. In 2011, he started working as a Reporting Expert at Aksa Akrilik Kimya Sanayii A.Ş., and subsequently served as Investor Relations and Reporting Manager, Accounting and Reporting Manager, Budget and Cost Accounting Manager and Financial Affairs Director in Proxy. As of January 1, 2018, he was designated Financial Affairs Director. Kazak graduated from the Business Management department at Marmara University in 2005, and has qualified as an Independent Accountant and Financial Advisor, an Independent Auditor of the Accounting and Auditing Standards Authority, and as an Advanced Level CMB / Corporate Governance Expert.

Gürcan Koman
Chemical Director
Born in Bursa in 1982, Gürcan Koman graduated from the Department of Chemical Engineering at Middle East Technical University in 2005. He started his career at Aksa Akrilik Sanayi in 2006. Within Aksa, he undertook the duties of Investment Engineer, Process Engineer and R&D Engineer; Fabric Pullout and Dope Areas Manager; Process and Product Development Manager. As of September 2016, he has acted as a deputy Chemical Director.

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

After 2017...(*)

Yalova Composite and Chemical Expertise Organized Industry Zone

We are a part of the Yalova Composite and Chemical Expertise Organized Industry Zone (YALKİM OSB), which was established on approximately 100 hectares in Yalova's Çiftlikköy district, township of Taşköprü, with registration no. 308 issued by the Ministry of Science, Industry and Technology on July 6, 2015, and the Ministry also approved that Rehabilitation conditions have been ensured.

Senior Management and Organization Changes

As of January 1, 2018:

Erdinç Kazak, previously the Financial Affairs Director in Proxy, was appointed Financial Affairs Director.

Sabri Arca, previously Marketing, Sales and New Business Development Director, was appointed Assistant General Manager for Marketing, Sales and New Business Development.

Didem Tunçbilek, previously Marketing, Sales and New Business Development Director (Technical Fibers), was appointed Marketing, Sales and New Business Development Director (Technical Fibers).

Serhan Belener, previously Marketing and Sales Manager (Acrylic Fibers), was appointed Marketing and Sales Director (Acrylic Fibers).

Ceyhan Arık, previously Investment Director, was appointed Energy Director.

Abdullah Ocak, previously Energy Operations and Auxiliary Businesses Manager, was appointed Investment Director.

(*) Key events in 2018 as of the date of the report

Other Informations

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

The Company hasn't acquired any of its own shares.

No private audits were conducted in the Company during 2017.

There are no administrative or judicial sanctions imposed on the Company or the Board of Directors for any reason.

There were no legislative changes in 2017 which significantly changed the Company's activities.

There were no conflicts of interest between the Company and the institutions that provide services in areas such as investment consultancy and rating in 2017.

The Company has no unredeemed capital and the Company is not in a debt-choked status.

None of the Company's partnerships has a cross shareholding relationship.

Information regarding the benefits provided in accordance with the legislation to the related party transactions and balances, as well as the Board of Directors and the senior executives, is provided in footnote No. 25, titled Related Party Disclosures, in the Financial Statements section.

Information regarding the Company's financial resources is provided in footnote No. 6, titled "Financial Borrowings", in the Financial Statements section. There are no capital market instruments issued during the year or still active.

The decisions taken in the General Assembly were implemented.

There was no extraordinary meeting held within the year.

Litigations

While not affecting the financial status and activities of the Company, in line with the cancellation of decisions passed under agenda items no. 6 and 11 discussed at the Ordinary General Assembly for 2016, Ömer Dinçkök, with a nominal share of TRY 6,401.68 (representing 0.003460% of our Company's capital), has filed a claim at the Court of First Instance in Yalova, reference no. 2017/382. When the current evidence and financial matters are presented, it is believed that the lawsuit will be concluded in favor of the Company.

There are a number of various debt claims, business or administrative proceedings, other than the above-mentioned lawsuits, filed against the Company. The relevant lawsuits will not have a material impact on the Company's financial status and activities."

Dividend Distribution Policy

Pursuant to the provisions of the Turkish Commercial Code, the Capital Markets Board's (CMB) Corporate Governance Communiqué, and the Communiqué on Dividend Distribution Numbered II- 19.1 and other CMB Legislations, Tax Legislation and other relevant legislations, and the provision of Article 25 of our Articles of Association pertaining to dividend distribution, the Company's "Dividend Distribution Policy" was determined as follows:

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

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

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

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

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

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

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

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

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

Risk Management

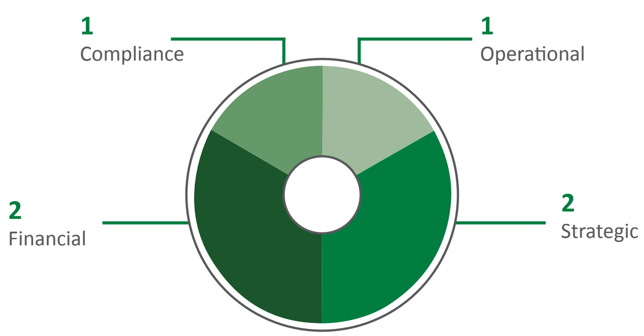
The Board of Directors of Aksa carries out its activities in a transparent, accountable, fair and responsible manner. The Board of Directors establishes internal control systems, including risk management and information systems and processes that aim at minimizing the effects of risks that would affect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

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

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

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

The six (6) main risks with the highest scores in the Company's Risk Inventory were identified as critical in 2017. The summary of critical risks is as below and the Board of Directors is overseeing and taking action regarding these risks.



Specific processes have been developed according to the type of risks that may affect the Company's financial performance, regardless of whether they are critical or not. These risks are categorized mainly as Credit risk, Exchange Rate risk, Liquidity risk and Interest Rate risk, and they are included in footnote No. 26, titled "Nature and Extent of Risks Arising from Financial Instruments", in the Financial Statements section.

Having certified its Corporate Risk Management activities by the Turkish Standards Institution (TSE), Aksa successfully completed the "TS ISO 31000 Risk Management System Verification" audit, and has become the second enterprise in Turkey to hold this certificate, and the FIRST enterprise among the industrial organizations and Borsa Istanbul (BIST). The Company successfully completed the surveillance audit performed by TSE in 2017, without any lack of conformity.

Internal Control Mechanism

The current internal control system, particularly enhancing the efficiency and productivity of Company operations, ensuring reliability in financial reporting, and compliance with applicable law and legislation, is being audited by the Audit Group established within our parent company, Akkök Holding A.Ş., in accordance with the annual internal audit plan. The outcome of the audit is reported to the Audit Committee. The efficiency of internal audit operations has been reviewed by the Audit Committee at 4 (four) meetings held throughout the year. Opinions of the internal auditor, external auditor, or other Company executives have also been obtained when required at these meetings.

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

Assessment of the Board of Directors Regarding Committees

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

Audit Committee

The Audit Committee is composed of independent members and is responsible for taking the necessary measures for the effective and transparent performance of all kinds of internal and external audit processes of the Company. The Committee also monitors the effective implementation of the internal control system managed within the Holding. In 2017, the Committee reported 7 (seven) times to the Board of Directors within the scope of all these responsibilities. The Audit Committee held four (4) meetings in total, two (2) of which were with the Independent Audit Company. At these meetings with the Independent Audit Company, information was received regarding audit work in process for the Company, and regarding the pre-examination before the year-end audit, and development areas were observed. The audit methodology, test methods applied and the audit findings after the year-end audit were assessed together with the Independent Audit Company.

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

Corporate Governance Committee

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

- Undertake efforts to create a transparent system to identify, evaluate and train qualified candidates for the Board of Directors and executive management positions, and formulate the relevant policies and strategies,

- Make regular evaluations on the structure and efficiency of the Board of Directors, and to advise the Board on changes that can be made on these issues,

- Express their views in the determination of the recommendations regarding the principles of remuneration of the Board members and senior executives by taking into account the long-term goals of the Company,

- Make determinations regarding the criteria that can be used in the remuneration, depending on the performance of the Company and the member.

Early Detection of Risk Committee

The Early Detection of Risk Committee is responsible for early detection of risks that jeopardize the existence, development and continuity of the Company, applying the necessary measures and remedies in this regard, managing the related risks, and undertaking efforts to fulfill the TS ISO 31000 Risk Management System Verification requirements. The Committee reviews the risk management systems at least once a year. The Committee reported to the Board of Directors six (6) times in line with the regulations, and met four (4) times within 2017.

Summary of the 2017 Subsidiary Company Report Prepared By the Board of Directors of Aksa Akrilik Kimya Sanayii A.Ş. Pursuant to Article 199 of the Turkish Commercial

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, which came into force on July 1, 2012, the Board of Directors of Aksa is obliged to prepare a report within the first three months of the fiscal year about the relations of the Company with its controlling shareholder and the subsidiaries of the controlling shareholder, and to include the conclusion part of this report in the annual report. The necessary explanations on related party transactions made by Aksa are provided in footnote No. 25 of the financial report. It is stated in the Commitment report prepared by the Board of Directors of Aksa that, “An appropriate counter action was taken in all transactions made in 2017 by Aksa with its controlling shareholders or subsidiaries, according to the circumstances known by us at the time the transaction was made or the measure was taken or avoided, and any measure that was taken or avoided didn’t cause any damage to the Company, and in this context, it is concluded that no damage that would require compensation was encountered”.

Targets and Actuals

The Company’s expectations for the end of the year, which were provided in the interim reports of the Board of Directors at the beginning of 2017, and in the investor information presentations, and our evaluations on the accruals at the end of 2017, are as follows. While there were no significant changes in the expectations as of the interim periods during the year, the minor revisions according to the target at the beginning of the year were submitted as updates in the relevant reports.

	Target (USD million)	Actual (USD million)
Fibers	664-715	731
Energy(*)	31-40	28
Export	270-290	274
Investment(**)	80-90	99

	Target (%)	Actual (%)
Capacity Utilization Rate	98%	98%
EBITDA Margin	17-18%	18.6%

(*) Since the energy income was acquired in Turkish Lira, the rise in the exchange of USD and TL meant that the resulting amount was slightly lower than projected.
(**) Some investment expenditures were carried over from 2016 and therefore they were somewhat higher than the target.

Statement of Responsibility

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

UPON THE APPROVAL OF THE ANNUAL REPORT, THE BOARD OF DIRECTORS';
DECISION DATE: 07.03.2018
DECISION NUMBER: 2018/7

We hereby declare that,

The 2017 annual report, which was prepared pursuant to the provisions of the Capital Markets Board's (CMB) Communiqué Serial: II-14.1 on "Principles Regarding Financial Reporting in Capital Markets" ("Communiqué"), and in compliance with the format and content specified by the CMB and the relevant legislations;

• Was examined by our side;

• Did not include any explanation contrary to the facts with respect to important matters or any gaps that could be misleading as of the date when the explanation was made, to the extent of the information we have, as per our duty and responsibility within the Company;

• To the extent of the information we have, as per our duty and responsibility within the Company, the annual report, which was prepared in accordance with the relevant Communiqué, solely reflects the truth regarding the development and performance of the business; and along with those under the scope of consolidation, reflects the truth regarding the Company's financial status, together with the significant risks and uncertainties it faces, and that we are liable for the statement made.

Yours Faithfully,

İlknur Gür Uralcan
Chairman of the Audit Committee

Başar Ay
Member of the Audit Committee

Erdinç Kazak
Director of Financial Affairs

Dividend Distribution Proposal

Dear Shareholders,

We are presenting our activity data and financial tables for 2017.

In line with our dividend distribution policy, the distributable profit of our Company for 2017 is as below and will be submitted for the approval of the General Assembly.

The net period profit appearing on the consolidated financial statements drawn up within the framework of the provisions of Communiqué No. 14.1, Series II, of the Capital Markets Board is TL 294,971,053.00. The net profit for the period, based on the financial statements prepared in accordance with the provisions of Tax Procedure Law, stands at TL 281,736,356.50.

Out of the TL 294,971,053.00 net profit for the period included in the consolidated financial statements established within the framework of the provisions of the Capital Market Board's Communiqué Serial: II, No: 14.1;

- No amounts shall be set aside since the General Legal Reserves in our records didn't reach the upper limit defined in the provisions of both Article 519, Paragraph 1 of the Turkish Commercial Code, as well as sub-paragraph (a) of Article 25 of the Company's Articles of Association,

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

- Of the remaining TL 285,721,053.00, TL 197,950,000.00 (the gross dividend amount corresponding to a nominal share of TL 1.00 is TL 1.07 and the gross rate of dividend is 107.00%) be distributed to shareholders as second dividend in accordance with Article 25 of the Company's Articles of Association,

- allocating a General Legal Reserve of TL 19,795,000.18 for the distributed second dividend,

- It was decided that the remaining amount would be retained as Extraordinary Reserves.

- The total of 1st and 2nd dividends to be distributed to our shareholders is equal to TRY 207,200,000.00. (The dividend amount contributing to shares with a nominal value of TRY 1.00 is equal to gross TRY 1.12, and the dividend gross share is equal to 112%.)

- Distribution of dividend amounts in cash shall take place on April 4, 2018.

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

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

The Board of Directors

Decision Date : 07.03.2018
Decision Number : 2018/7

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

It was decided that;

The 2017 annual report of our Company, and the report dated 07.03.2017, report number 2017/13 by the committee in charge of auditing, were approved, and agreed to be issued on the Public Disclosure Platform.

BOARD OF DIRECTORS

Mehmet Ali BERKMAN
Chairman of the Board

Raif Ali DİNÇKÖK
Vice Chairman of the Board

Nilüfer DİNÇKÖK ÇİFTÇİ
Board Member

Ahmet Cemal DÖRDÜNCÜ
Board Member

İlknur Gür Uralcan
Independent Board Member

İzer LODRİK
Board Member

Mehmet Abdullah Merih ERGİN
Independent Board Member

Cengiz TAŞ
Board Member
General Manager

Başar AY
Independent Board Member

EY
Building a better working world

(Convenience translation of a report originally issued in Turkish)

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

To the Shareholders of Aksa Akrilik Kimya Sanayii A.Ş.

1) Opinion

We have audited the annual report of Aksa Akrilik Kimya Sanayii A.Ş. ("the Company) and its subsidiaries ("the Group") for the period of 1/1/2017-31/12/2017.

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

2) Basis for Opinion

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

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

We have expressed an unqualified opinion in our auditor's report dated February 16, 2018 on the full set consolidated financial statements of the Group for the period of 1/1/2017-31/12/2017.

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

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

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

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

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

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

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

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

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

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

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

Ferzan Ülgen, SMMM
Partner

March 7, 2018
İstanbul, Türkiye

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

Convenience Translation Into English Of
Consolidated Financial Statements
At 31 December 2017 Together With
Independent Auditor's Report

(Originally Issued In Turkish)

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statement of profit or loss, consolidated 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, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards (TAS).

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.

Key Audit Matters	Auditor's response
Recoverability of DowAksa Advanced Composites Holdings BV ("DowAksa")	
As of 31 December 2017, 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 TL 222,014 thousand (7% of total assets). DowAksa has losses in the years 2017 and 2016. The Group Management's assessment related with the recoverable amount of DowAksa requires to use significant estimates and assumptions. Changes in these assumptions may affect the recoverable value of DowAksa, which may lead the impairment.	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. 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.
Trade receivable – Impairment	
As stated in Note 7 to the consolidated financial statements as of 31 December 2017, the Group has recognized a provision for doubtful receivables amounting to TL 27,437 thousand. Trade receivables represent 22% of total assets. The Group Management has credit limits for customers and receives various guarantees for these limits. Due to the judgement related with the recoverability assessments of the trade receivables, the existence and collectability of trade receivables is considered as a key audit matter.	During our audit, we tested the accuracy of the aging analyses prepared by the management. We received confirmation replies. We performed counting procedures for the various guarantees received from customers and compared the results of counts with the lists of guarantees. We reviewed whether the guarantees are recovering the risk of the relevant customers' balances. We reviewed the risks of lawsuits related to trade receivables through lawyer letters which we received from the Company's lawyers. In addition, we tested the subsequent collections after the balance sheet date to ensure that the relevant customer balances were recoverable.

Corporate tax calculation	
As stated in Note 23 to the consolidated financial statements as of 31 December 2017, the Group accounted for the tax expense amounting to TL 69,819 thousand on its consolidated financial statements. The investment incentive documents and investments accounted for by the equity method have significant effect while the Company is reaching its tax base through its profit before tax. Due to the significance of the tax provision and complexity of the calculation of items between profit before tax and tax base, the corporate tax calculation has been identified as a key audit matter.	During our audit, we reviewed the investment incentive documents for investment incentive exemptions subject to the reconciliation of corporate tax expenses, together with the experts of another company within the same audit network. We tested the appropriateness of mathematical calculations with the accuracy of the amount on the investment incentive documents, the rate of contribution to investment and discount rates. In addition, we confirmed with the related experts whether the shares received from investments accounted for by the equity method are exempt from tax.

4) Other Matters

The consolidated financial statements of Aksa Akrilik Kimya Sanayii Anonim Şirketi as of 31 December 2016, were audited by another audit firm whose independent auditor's report thereon dated 17 February 2017 expressed an unqualified opinion.

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 31 December 2017 for consolidated statement of financial position; and the official USD average CBRT bid rates of the year 2017 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 TAS, 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 InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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.

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 16 February 2018.

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 2017 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 16, 2018
Istanbul, Turkey

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

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

	Notes	31 December 2017 USD (*)	*Audited* 31 December 2017 TL	*Audited* 31 December 2016 TL
ASSETS				
Current assets		**492,832**	**1,858,921**	**1,387,576**
Cash and cash equivalents	4	148,343	559,536	458,301
Trade receivables				
- Trade receivables due from unrelated parties	7	145,586	549,135	404,647
- Trade receivables due from related parties	25	47,912	180,720	213,420
Other receivables				
- Other receivables due from related parties	25	2,742	10,342	83
- Other receivables due from unrelated parties	8	867	3,271	677
Derivative financial assets	16	-	-	673
Inventories	9	111,115	419,114	217,522
Prepayments	15	2,151	8,114	13,641
Other current assets	**15**	**34,116**	**128,689**	**78,612**
Non-current assets		**396,453**	**1,495,380**	**1,245,394**
Other receivables				
- Other receivables due from related parties	25	27,248	102,777	105,374
Derivative financial assets	16	665	2,507	1,881
Investments accounted for using equity method	5	58,860	222,014	214,252
Investment property	10	12,167	45,891	47,155
Property, plant and equipment	11	273,533	1,031,738	756,840
Intangible assets and goodwill				
- Goodwill	12	1,588	5,989	5,989
- Other intangible assets	12	19,543	73,714	72,337
Prepayments	15	2,849	10,750	41,566
TOTAL ASSETS		**889,285**	**3,354,301**	**2,632,970**

(*) 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 2017, and therefore do not form part of these consolidated financial statements (Note 2.5).

These consolidated financial statements at 31 December 2017 have been reviewed by the Audit Committee and approved for issue by the Board of Directors on 16 February 2018.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2017 AND 2016

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

	Notes	31 December 2017 USD (*)	*Audited* 31 December 2017 TL	*Audited* 31 December 2016 TL
Current liabilities		**401,451**	**1,514,236**	**1,097,750**
Current borrowings	6	190,960	720,281	469,319
Current proportion of non-current borrowings	6	2,773	10,461	111,479
Trade payables				
- Trade payables to unrelated parties	7	189,281	713,949	453,949
- Trade payables to related parties	25	9,117	34,388	33,716
Employee benefits obligations	14	844	3,182	2,727
Other payables				
- Other payables to unrelated parties	8	160	603	409
Derivative financial liabilities	16	464	1,752	1,653
Deferred income	15	2,207	8,325	3,304
Current tax liabilities	23	2,180	8,224	7,411
Current provisions				
- Current provisions for employee benefits	14	2,923	11,027	11,369
- Other current provisions	**13**	**542**	**2,044**	**2,414**
Non-current liabilities		**123,000**	**463,946**	**285,515**
Long-term borrowings	6	111,308	419,844	253,574
Derivative financial liabilities	16	-	-	1,137
Non-current provisions				
- Non-current provisions for employee benefits	14	6,410	24,178	19,131
Deferred tax liabilities	23	5,282	19,924	11,673
Total liabilities		**524,451**	**1,978,182**	**1,383,265**
EQUITY		**364,834**	**1,376,119**	**1,249,705**
Equity attributable to owners of parent		**364,834**	**1,376,119**	**1,249,705**
Issued capital	17	49,047	185,000	185,000
Inflation adjustments on capital	17	51,744	195,175	195,175
Share premium		12	44	44
Other accumulated comprehensive income / (loss) that will not be reclassified in profit and loss				
- Gains / (losses) on remeasurements of defined benefit plans		(1,625)	(6,128)	(3,125)
Other comprehensive income / (loss) that will be reclassified in profit and loss				
- Exchange differences on translation		46,919	176,974	155,147
Restricted reserves appropriated from profits	17	37,249	140,498	122,685
Prior years' profits or losses		103,286	389,585	468,981
Current period net profit or loss		78,202	294,971	125,798
Non-controlling interests		-	-	-
TOTAL LIABILITIES AND EQUITY		**889,285**	**3,354,301**	**2,632,970**

(*) 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 2017, and therefore do not form part of these consolidated financial statements (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 2017 AND 2016

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

Profit or loss	Notes	2017 USD (*)	*Audited* 2017 TL	*Audited* 2016 TL
Revenue	18	759,373	2,767,384	1,954,385
Cost of sales (-)	18, 19	(604,545)	(2,203,144)	(1,517,371)
Gross profit / (loss)		**154,828**	**564,240**	**437,014**
General administrative expenses	19	(17,151)	(62,503)	(57,260)
Marketing expenses	19	(17,625)	(64,232)	(56,150)
Research and development expense	19	(1,398)	(5,093)	(5,426)
Other income from operating activities	20	70,523	257,008	164,785
Other expenses from operating activities	20	(58,274)	(212,372)	(108,268)
Profit / (loss) from operating activities		**130,903**	**477,048**	**374,695**
Share of profit / (loss) from investments accounted for using equity method	5	(13,280)	(48,394)	(79,152)
Profit/ (loss) before financing income/ (expense)		**117,623**	**428,654**	**295,543**
Finance income	21	69,139	251,963	185,428
Finance cost	22	(86,663)	(315,827)	(298,311)
Profit/ (loss) from continuing operations, before tax		**100,099**	**364,790**	**182,660**
Tax (expense)/income, continuing operations				
- Current period tax (expense) / income	23	(16,686)	(60,807)	(52,985)
- Deferred tax (expense) / income	23	(2,473)	(9,012)	(3,925)
Profit / (loss)		**80,940**	**294,971**	**125,750**
Profit/ (loss), attributable to:				
Owners of parent		**80,940**	**294,971**	**125,798**
Non-controlling interests		**-**	**-**	**(48)**
		80,940	**294,971**	**125,750**
Basic earnings/ (loss) per share for owners of parent (Kr)	24	0.44	1.59	0.68

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

Profit or loss	Notes	2017 USD (*)	*Audited* 2017 TL	*Audited* 2016 TL
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	(1,030)	(3,754)	2,586
Taxes relating to components of other comprehensive income that will not be reclassified to profit or loss	23	206	751	(517)
Other comprehensive income that will be reclassified to profit or loss				
Other comprehensive income (loss) related with cash flow hedges			-	(413)
Exchange differences on translation		5,989	21,827	34,709
Taxes relating to components of other comprehensive income that will be reclassified to profit or loss	23	-	-	83
Total comprehensive income / (loss)		**86,106**	**313,795**	**162,198**
Total comprehensive income / (loss) attributable to:				
Owners of parent		86,106	313,795	162,246
Non-controlling interests		-	-	(48)
		86,106	**313,795**	**162,198**

(*) 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 2016, and therefore do not form part of these consolidated financial statements (Note 2.5).

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

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

	Attributable to equity holders of the parent											
	Issued capital	Inflation adjustments on capital	Share premium	Restricted reserves appropriated from profits	Exchange differences on translation [1]	Gains/ (losses) on hedge [1]	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 2016	185,000	195,175	44	107,501	120,438	330	(5,194)	445,779	199,475	1,248,548	48	1,248,596
Transfers	-	-	-	15,184	-	-	-	184,291	(199,475)	-	-	-
Dividend paid	-	-	-	-	-	-	-	(161,089)	-	(161,089)	-	(161,089)
Total comprehensive income/(loss)	-	-	-	-	34,709	(330)	2,069	-	125,798	162,246	(48)	162,198
31 December 2016	185,000	195,175	44	122,685	155,147	-	(3,125)	468,981	125,798	1,249,705	-	1,249,705

	Attributable to equity holders of the parent											
	Issued capital	Inflation adjustments on capital	Share premium	Restricted reserves appropriated from profits	Exchange differences on translation [1]	Gains/ (losses) on hedge [1]	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

[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.

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	Notes	2017 USD (*)	2017 TL	2016 TL
A. Cash Flows From/ (Used in) Operating Activities		**120,374**	**438,678**	**296,517**
Profit/ (loss)		**80,940**	**294,971**	**125,750**
Adjustments to reconcile Profit/ (loss):		**74,103**	**270,054**	**290,466**
Adjustments for depreciation and amortization expense	19	22,704	82,738	71,476
Adjustments for impairment loss/ (reversal of impairment loss)		153	558	(848)
Adjustments for provisions		1,004	3,659	5,997
Adjustments for interest (income)/expense	21, 22	1,339	4,881	1,708
Adjustments for unrealised foreign exchange losses/ (gains)		16,920	61,658	75,900
Adjustments for undistributed profits of investments accounted for using equity method	5	13,279	48,394	79,152
Adjustments for tax (income)/expenses	23	19,158	69,819	56,910
Adjustments for losses/ (gains) on disposal of non-current assets		(552)	(2,010)	(68)
Other adjustments to reconcile profit/ (loss)		98	357	239
Changes in working capital		**(36,140)**	**(131,704)**	**(64.505)**
Adjustments for decrease (increase) in inventories		(54,917)	(200,135)	(31,728)
Adjustments for decrease (increase) in trade accounts receivable		(32,217)	(117,408)	(102,989)
Adjustments for decrease (increase) in other receivables related with operations		(735)	(2,678)	2,953
Adjustments for increase (decrease) in trade payable		70,054	255,298	130,934
Adjustments for increase (decrease) in other operating payables		53	194	(99)
Other adjustments for other increase (decrease) in working capital		(18,378)	(66,975)	(63.576)
Cash flows from/ (used in) operating activities		**118,903**	**433,321**	**351,711**
Interest paid		(2,469)	(8,999)	(8,072)
Interest received		5,507	20,069	12,487
Payments related with provisions for employee benefits	14	(649)	(2,366)	(4,506)
Income taxes refund/ (paid)		(918)	(3,347)	(55,103)
B. Cash Flows From/ (Used in) Investing Activities		**(106,642)**	**(388,635)**	**(123,669)**
Cash payments to acquire equity or debt instruments of other entities	5	(9,709)	(35,382)	(16,835)
Proceeds from sales of property, plant, equipment and intangible assets		1,090	3,973	82
Purchase of property, plant, equipment and intangible assets		(98,023)	(357,226)	(106,916)
C. Cash Flows From/(Used in) Financing Activities		**13,888**	**50,615**	**(58,129)**
Proceeds from borrowings		320,747	1,168,899	683,296
Repayments of borrowings		(253,229)	(922,841)	(576,449)
Dividends paid		(51,418)	(187,381)	(161,089)
Interest received		5,956	21,705	14,084
Interest paid		(8,168)	(29,767)	(17,971)
Net increase/(decrease) in cash and cash equivalents before effect of exchange rate changes		**27,621**	**100,658**	**114,719**
D. Effect of exchange rate changes on cash and cash equivalents		**189**	**689**	**3,934**
Net increase/(decrease) in cash and cash equivalents		**27,810**	**101,347**	**118,653**
E. Cash and Cash Equivalents at the Beginning of the Period	4	**125,528**	**457,463**	**338,810**
Cash and cash equivalents the end of period	4	**153,338**	**558,810**	**457,463**

(*) 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 2017, 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.

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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 2017, 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 2017, 37.19% of the Group's shares are traded on Borsa Istanbul ("BIST") and Somerset em.mar.d.v.g hold 5.43% of these shares.

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

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

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
Fitco BV ("Fitco")	Holland	Investment	Other
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, 2017 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, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are retrospectively applied for annual periods beginning on or after January 1, 2017. If the Group applies this exemption, the Group will make disclosures in the footnotes of the financial statements.

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The changes in the financial status and its impact on its performance are assessed by the Group.

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ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group expects no significant impact on its balance sheet and equity.

TFRS 9 Financial Instruments

In January 2017, 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. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group expects no significant impact on its balance sheet and equity.

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. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—TAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Company.

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

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it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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. Earlier application is permitted. The amendment is not applicable for the Group.

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 is in the process of assessing the impact of the amendments on 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. 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.

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

Annual Improvements to TFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- 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. Earlier application is permitted.

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

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements - 2010 - 2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements - 2011 - 2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 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. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 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 of the Group.

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. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 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.

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

Annual Improvements - 2015 - 2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 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 IFRS 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.
- IAS 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.
- IAS 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.

2.1.2 Basis of Consolidation

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

b) Subsidiaries are all companies over which Aksa has control. 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.

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The table below sets out all subsidiaries and demonstrates their shareholding structure as of 31 December 2017 and 2016:

	The Group's direct and indirect ownership interest (%)	
Subsidiary	31 December 2017	31 December 2016
Fitco	100.00	100.00
Aksa Egypt (*)	99.84	99.50

(*) On May 4, 2017, a capital increase of US $ 3.7 million was made. Direct and indirect shareholding in Aksa Egypt capital changed from 99,50% to 99,84%.

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

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

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

c) Joint ventures

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

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

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

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

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	The Group's direct and indirect ownership interest (%)	
Joint venture	31 December 2017	31 December 2016
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.

2.3 Summary of Significant Accounting Policies

Cash and cash equivalents

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

Financial Assets

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

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

As of 31 December 2017 and 31 December 2016 the Group does not have any financial assets at fair value through profit or loss.

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Loans and receivables

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

Available-for-sale financial assets

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

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

Financial assets, whose fair value can not be determined reliably are carried at cost less any impairment in value where there is no quoted market price and where a reasonable estimate of fair value cannot be determined.

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).

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".

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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. 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. The unrecoverable amount is charged as an expense in the year when the write-down incurred (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.

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 2017, 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

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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 nest sales price, whichever is higher.

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

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

Intangible assets

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

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

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

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

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized on an accrual basis as credit sale financial income (Note 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 treated as factoring transactions with resource; consequently, cash received is accounted for 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 incurred. Capitalized borrowing costs are presented as purchases of property, plant and equipment and intangibles in the consolidated statement of cash flow.

Fair value of financial instruments

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

Financial assets

Monetary assets for which fair value approximates carrying value are carried at cost in the financial statements and consists of cash and cash equivalents, their interest accruals, and other financial assets; and considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of accounts receivable along with the related allowance for unearned income and 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. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of accounts payable along with the related allowance for unrealized cost is estimated to be their fair values.

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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.

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).

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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.

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

Foreign currency transactions

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

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Goodwill

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

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

Segment reporting

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

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

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

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

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

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

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Derivative instruments

The derivative financial instruments of the Group mainly consist of forward foreign currency purchase and sale agreements and interest rate swap transactions. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules according to TAS 39 ''Financial Instruments: Recognition and Measurement''. The Group has shown interest income and losses related to the effective hedge accounting in the income statement by considering the conditions that should be borne in terms of risk accounting.

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

If the fair value change of derivate financial instruments is positive or not, the change affected at assets or liabilities in the balance sheet (Note 16).

Related parties

Aşağıdaki kriterlerden birinin varlığında, taraf Grup ile ilişkili sayılır:

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.

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

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

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

Government grants

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

2.4 Critical Accounting Judgments, Estimates and Assumptions

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

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) Useful lives of property, plants and equipment and intangibles

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

c) Joint venture impairment analysis

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

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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 2017 of TL3,7719 = 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 2017 of TL3,6443 = USD, and do not form part of these consolidated financial statements.

NOTE 3 - SEGMENT REPORTING

Segmental information of the Group is as follows:

	1 January - 31 December 2017			
	Fibers	**Energy**	**Other**	**Total**
Total segment revenue	2,650,939	101,748	14,697	2,767,384
Revenue from external customers	**2,650,939**	**101,748**	**14,697**	**2,767,384**
Adjusted EBITDA (*)	**557,154**	**10,684**	**7,068**	**574,906**
Unallocated corporate expenses (**)	-	-	-	(59,756)
EBITDA	**-**	**-**	**-**	**515,150**
Amortization and depreciation	(63,358)	(14,027)	(5,353)	(82,738)
Other income from operating activities, net	-	-	-	44,636
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, Amortization. EBITDA is not 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.

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	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**

	1 January - 31 December 2016			
	Fibers	Energy	Other	Total
Total segment revenue	1,818,826	122,755	12,804	1,954,385
Revenue from external customers	**1,818,826**	**122,755**	**12,804**	**1,954,385**
Adjusted EBITDA (*)	**418,161**	**21,058**	**5,461**	**444,680**
Unallocated corporate expenses (**)	-	-	-	(55,026)
EBITDA	**-**	**-**	**-**	**389,654**
Amortization and depreciation	(49,347)	(16,754)	(5,375)	(71,476)
Other income from operating activities, net	-	-	-	56,517
Share of profit/(loss) of investment accounted for using equity method	(79,152)	-	-	(79,152)
Finance income/(expense), net	-	-	-	(112,883)
Profit before tax				**182,660**

(*) Adjusted Earnings Before, Interest, Taxes, Depreciation, Amortization. EBITDA is not 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 2016.

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	1 January - 31 December 2016			
	Fibers	Energy	Unallocated	Total
Capital expenditure	49,276	19,444	38,196	106,916
				31 December 2016
Total segment assets	1,277,797	406,609	-	1,684,406
Investments accounted for using equity method	214,252	-	-	214,252
Unallocated corporate assets	-	-	734,312	734,312
Total assets	**1,492,049**	**406,609**	**734,312**	**2,632,970**
Total segment liabilities	869,547	3,395	-	872,942
Unallocated corporate liabilities	-	-	510,323	510,323
Total liabilities	**869,547**	**3,395**	**510,323**	**1,383,265**

Segment Assets

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

	31 December 2017	31 December 2016
Reportable segment assets	**2,471,267**	**1,898,658**
Cash and cash equivalents	559,536	458,301
Other assets	129,077	89,643
Derivative financial assets	2,507	2,554
Property, plants and equipment and intangibles	191,914	183,814
Total assets	**3,354,301**	**2,632,970**

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Segment Liabilities

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

	31 December 2017	31 December 2016
Reportable segment liabilities	**1,208,409**	**872,942**
Borrowings	720,281	469,319
Derivative financial liabilities	1,752	2,790
Other payables	603	409
Current provisions	2,044	2,414
Current tax liabilities, current	8,224	7,411
Provision for employment benefits	13,763	13,580
Employee benefit obligations	3,182	2,727
Deferred income tax liabilities	19,924	11,673
Total liabilities	**1,978,182**	**1,383,265**

NOTE 4 - CASH AND CASH EQUIVALENTS

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

	31 December 2017	31 December 2016
Cash	154	67
Bank		
Demand deposit (TL)	3,188	9,210
Foreign currency demand deposit	16,004	14,472
Time deposits (TL)	48,166	139,933
Foreign currency time deposit	492,024	294,619
Total	**559,536**	**458,301**

Maturity of time deposits are less than three months and weighted average effective interest rates on TL denominated time deposits at 31 December 2017 is 14.67% (31 December 2016: 11.03%) for USD denominated time deposits it is 4.03% (31 December 2016: USD 3.09%) and for EUR denominated time deposits it is 1.58% (31 December 2016: EUR 1.65%), respectively.

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

	31 December 2017	31 December 2016	31 December 2015
Cash and cash equivalents	559,536	458,301	342,810
Less: Restricted cash with maturity of three months or less	-	-	(3,853)
Interest accrual	(726)	(838)	(147)
Cash and cash equivalents, net	**558,810**	**457,463**	**338,810**

NOTE 5 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Joint Ventures

	31 December 2017	31 December 2016
DowAksa Holdings	222,014	214,252

Summarized financial information of DowAksa Holding is presented below;

	31 December 2017	31 December 2016
Current assets	202,758	150,572
Non-current assets	934,089	862,246
Total Assets	**1,136,847**	**1,012,818**
Short-term liabilities	450,731	272,217
Long-term liabilities	242,088	312,097
Equity	444,028	428,504
Total Liabilities	**1,136,847**	**1,012,818**
Equity corresponding to Group's interest of 50%	**222,014**	**214,252**

	31 December 2017	31 December 2016
Revenue	122,117	72,392
Net loss	(96,788)	(158,304)
Net loss corresponding to Group's interest of 50%	**(48,394)**	**(79,152)**

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

	2017	2016
1 January	**214,252**	**243,337**
Net loss corresponding to Group's interest of 50%	(48,394)	(79,152)
Currency translation differences	20,774	33,232
Emission premium	35,382	16,835
31 December	**222,014**	**214,252**

As of December 31, 2017, the Company has made an impairment analysis of the value of its joint venture DowAksa Holdings over its budgeted value to compare its carrying amount with its recoverable amount. While using discounted cash flow methods, USD assumptions and expected growth rates were taken into consideration. The principal assumption was that the weighted average cost of capital is 10%, it was tested at a sensitivity of 0.5%. The results show that there is no impairment.

NOTE 6 - BORROWINGS

Group's financial liabilities are as follows:

	31 December 2017	31 December 2016
Short-term bank borrowings	720,281	439,277
Short-term factoring liabilities	-	30,042
Short-term portion of long-term bank borrowings	10,461	111,479
Total short-term borrowings	**730,742**	**580,798**
Long-term bank borrowings	419,844	253,574
Total long-term borrowings	**419,844**	**253,574**
Total borrowings	**1,150,586**	**834,372**

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Bank Borrowings

	31 December 2017		31 December 2016	
	Yearly weighted average interest rate %	TL	Yearly weighted average interest rate %	TL
a) Short-term bank borrowings:				
USD borrowings	2.65	718,316	2.13	380,074
TL borrowings	-	1,965	12.85	59,203
Total short-term bank borrowings:		**720,281**		**439,277**
Factoring liabilities (Note 25)	-	-	1.89	30,042
b) Short-term portion of long-term bank borrowings:				
USD bank borrowings	3.38	1,853	3.27	57,107
EUR bank borrowings	3.50	8,608	2.36	54,372
Total short-term portion of long-term bank borrowings		**10,461**		**111,479**
Total short-term borrowings		**730,742**		**580,798**
c) Long-term bank borrowings:				
USD bank borrowings	3.19	181,526	3.20	144,029
EUR bank borrowings	2.05	238,318	2.09	109,545
Total long-term borrowings		**419,844**		**253,574**

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

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

	31 December 2017		31 December 2016	
	Fair value	Book value	Fair value	Book value
EUR borrowings	241,777	238,318	114,913	109,545
USD borrowings (*)	190,677	181,526	150,010	144,029

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

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

	31 December 2017	31 December 2016
Less than 3 months	201,481	226,962
Between 3-12 months	529,261	353,836
Between 1-2 years	309,404	98,384
Between 2-3 years	76,125	91,892
Between 3-4 years	34,315	41,955
4 years and longer	-	21,343
	1,150,586	**834,372**

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 2017	31 December 2016
Trade receivables	296,073	293,770
Notes receivable and cheques	284,491	156,936
Less: Provision for doubtful receivables	(27,437)	(41,664)
Less: Unearned finance income on credit sales	(3,992)	(4,395)
Total short-term trade receivables, net	**549,135**	**404,647**

TL and foreign currency denominated trade receivables as of 31 December 2017 have an average maturity of 3 months (31 December 2016: 3 months) and are discounted with an average annual interest rate of 3% (31 December 2016: 5%).

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 2017 and 2016 are as follows:

	2017	2016
1 January	**41,664**	**42,388**
Current period charge (Note 20)	494	706
Written-off provisions (*)	(14,721)	-
Collections	-	(1,430)
31 December	**27,437**	**41,664**

(*) Doubtful trade receivables with no collectability are deducted from the records together with their provisions.

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

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b) Short-term trade payables:

	31 December 2017	31 December 2016
Suppliers	717,335	456,868
Less: Unaccrued finance costs on credit purchases (-)	(3,386)	(2,919)
Total	**713,949**	**453,949**

TL and foreign currency denominated trade payables as of 31 December 2017 have an average maturity of 4 months (31 December 2016: 3 months) and they are discounted with an average annual interest rate of 2% in USD terms (31 December 2016: 4%).

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 2017	31 December 2016
Deposits and guarantees given	3,271	677

b) Diğer kısa vadeli borçlar:

	31 December 2017	31 December 2016
Taxes and funds payable	205	224
Other	398	185
Total	**603**	**409**

NOTE 9 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	277,730	114,544
Semi-finished goods	15,406	6,528
Finished goods	91,925	67,606
Other stocks and spare parts	35,565	30,292
Less: Provision for impairment on inventories	(1,512)	(1,448)
Total	**419,114**	**217,522**

Group has included the movements in the provision for impairment between 31 December 2017 and 2016 in the cost of sales (The increase in provision for the impairment on inventories is due to the increased costs of relevant inventories that are sold during the current period).

Group has insured its inventory amounting to TL 254,825 (excluding raw materials in transit) as of 31 December 2017 (TL 202,843 as of 31 December 2016) for USD 65 million (31 December 2016: USD 55 million).

As of 31 December 2017, the cost of raw material and goods is shown in Note 19.

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NOTE 10 - INVESTMENT PROPERTY

	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**

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 56,100 and provides rent income amounting to USD 80 thousand and TL 18 per month.

Independent Units

Independent units consist of offices of the Company located in Gümüşsuyu and Maçka. According to the valuation report dated 31 December 2017, the fair value of the independent units is TL 26,125 and it provides rent income amounting to USD 20 thousand and TL 17 per month.

Rent income from investment properties has been disclosed as "Other" in "Segment Reporting" under the revenue (Note 3) and the rent income from investment properties is TL 5,671 as of 31 December 2017 (31 December 2016: TL 4,788).

At the date of reporting, Group's investment properties are insured for USD 7 million.

	1 January 2016	Additions	31 December 2016
Cost			
Land and buildings	47,509	-	47,509
Independent units	3,091	-	3,091
	50,600	**-**	**50,600**
Accumulated depreciation			
Land and buildings	396	1,187	1,583
Independent units	1,786	76	1,862
	2,182	**1,263**	**3,445**
Net book value	**48,418**		**47,155**

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

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	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 arise from classification to 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 mortgage on property, plant and equipment. At the date of reporting, Group's property, plants and equipment is insured for USD 550 million.

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	1 January 2016	Additions	Disposals	Transfers	Currency translation differences	31 December 2016
Cost						
Land	64,083	2,576	-	-	(808)	65,851
Land improvements	99,518	45	-	13,867	-	113,430
Buildings	183,872	-	-	25,940	(1,683)	208,129
Machinery and equipment	1,037,537	7,199	(600)	47,425	(3,580)	1,087,981
Motor vehicles	1,210	238	-	-	(203)	1,245
Furniture and fixture	48,844	1,530	(73)	4,243	(145)	54,399
Construction in progress	57,398	94,870	-	(91,475)	-	60,793
	1,492,462	**106,458**	**(673)**	**-**	**(6,419)**	**1,591,828**
Accumulated depreciation						
Land improvements	42,904	3,137	-	-	-	46,041
Buildings	46,060	4,813	-	-	(869)	50,004
Machinery and equipment	656,629	53,796	(600)	-	(3,059)	706,766
Motor vehicles	967	73	-	-	(203)	837
Furniture and fixtures	27,328	4,200	(59)	-	(129)	31,340
	773,888	**66,019**	**(659)**	**-**	**(4,260)**	**834,988**
Net book value	**718,574**					**756,840**

The borrowing cost amounting to TL 6,465 for the borrowings obtained for construction of plant and efficiency projects have been capitalized as of 31 December 2016.

TL 64,035 of current year depreciation and amortization expense is charged to "cost of sales", TL 506 is charged to "research and development expenses", TL 792 is charged to "general administrative expenses'', TL 38 is charged to "marketing, selling and distribution expenses'', TL 52 is charged to "construction in progress'' as the depreciation amount of unfinished project development cost and TL 596 is charged to "inventory".

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NOTE 12 - INTANGIBLE ASSETS AND GOODWILL

	1 January 2017	Additions	Disposals	Transfers (*)	Currency ranslation differences	31 December 2017
Cost						
Rights	73,652	2,093	-	-	97	75,842
Development cost	10,583	2,819	-	215	-	13,617
Goodwill	5,989	-	-	-	-	5,989
Other intangible assets	5,730	83	-	111	-	5,924
	95,954	**4,995**	**-**	**326**	**97**	**101,372**
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	**78,326**					**79,703**

(*) Transfers arise from reclassification from property, plant and equipment.

	1 January 2016	Additions	Disposals	Transfers (*)	Currency ranslation differences	31 December 2016
Cost						
Rights (*)	74,173	319	(47)	-	(793)	73,652
Development cost	10,583	-	-	-	-	10,583
Goodwill	5,989	-	-	-	-	5,989
Other intangible assets	5,539	191	-	-	-	5,730
	96,284	**510**	**(47)**	**-**	**(793)**	**95,954**
Accumulated depreciation						
Rights	2,969	1,697	(47)	-	(495)	4,124
Development cost	6,924	2,055	-	-	-	8,979
Other intangible assets	3,435	1,090	-	-	-	4,525
	13,328	**4,842**	**(47)**	**-**	**(495)**	**17,628**
Net book value	**82,956**					**78,326**

* Transfers arise from reclassification from property, plant and equipment.

TL 2,430 (2016: TL 2,613) of the current amortization expense is charged to "cost of sales", TL 1,315 (2016: TL 2,050) is charged to "research and development expenses", TL 230 (2016: TL 179) is charged to "general administrative expenses''.

The goodwill balance with the carrying amount of TL 5,989 (2016: TL 5,989) as of 31 December 2017 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 2017.

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NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:

	31 December 2017	31 December 2016
Provision for lawsuits	2,044	2,414

Contingent assets and liabilities are as follows:

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

	31 December 2017	31 December 2016
Collaterals given	484,787	368,440
Guarantees given	267,508	184,304
Total	**752,295**	**552,744**

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

	31 December 2017	31 December 2016
Credit insurance	498,365	430,371
Pledged cheques and notes receivable	169,877	87,107
Pledges received	110,795	64,776
Confirmed/unconfirmed letters of credit	42,006	51,480
Guarantee letters received	25,790	39,629
Limits of Direct Debiting System (“DDS”)	14,749	15,956
Total	**861,582**	**689,319**

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c) Given Collaterals, Pledges, Mortgages (“CPM”):

	31 December 2017	31 December 2016
A. CPM given on behalf of the Company’s legal personality	752,295	552,744
- USD	689,153	450,475
- Turkish Lira	41,194	52,334
- EUR	21,948	49,935
- 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	**752,295**	**552,744**

As of 31 December 2017, since Company does not have any other CPMs given (D), ratio to equity is none (31 December 2016: None).

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NOTE 14 - EMPLOYEE BENEFIT OBLIGATIONS

Payables for employee benefit obligations	31 December 2017	31 December 2016
Social security premiums payable	3,016	2,710
Payables to employees	166	17
Total	**3,182**	**2,727**

Current provisions for employee benefits	31 December 2017	31 December 2016
Provision for premium	9,300	10,000
Provision for unused vacation rights	1,727	1,369
Total	**11,027**	**11,369**

Non-current provisions for employee benefits	31 December 2017	31 December 2016
Provision for employee termination benefits and employee termination incentive	24,178	19,131

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 2017	31 December 2016
Discount rate (%)	4.67	4.59
Probability of retirement (%)	98.20	98.54

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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 5.001 effective from 1 January 2018 (1 January 2017: TL 4.426) 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:

	2017	2016
Balances as of 1 January	**19,131**	**20,226**
Service cost	2,767	5,068
Interest cost	892	929
Compensation paid	(2,366)	(4,506)
(Gains)/losses on remeasurements of defined benefit plans	3,754	(2,586)
Balances as of 31 December	**24,178**	**19,131**

NOTE 15 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2017	31 December 2016
Value Added Taxes (“VAT”) receivables	128,689	78,612

b) Prepayments - Short-term:

	31 December 2017	31 December 2016
Order advances given	4,367	8,397
Prepaid expenses	3,730	5,237
Job advances given	17	7
Total	**8,114**	**13,641**

c) Prepayments - Long-term:

	31 December 2017	31 December 2016
Advances given for purchase of property, plant and equipment	10,573	40,896
Prepaid expenses	177	670
Total	**10,750**	**41,566**

d) Deferred Income:

	31 December 2017	31 December 2016
Order advances received	8,325	3,304

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NOTE 16 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017		31 December 2016	
	Asset	Liability	Asset	Liability
Held for trading	-	1,752	288	2,790
Subject to hedge accounting	2,507	-	2.266	-
Total	**2,507**	**1,752**	**2.554**	**2,790**

Derivative instruments held for hedging:

	31 December 2017		31 December 2016	
	Contract amount USD (thousand)	Fair value Asset amount TL	Contract amount USD (thousand)	Fair value Asset amount TL
Interest rate swap	48,126	2,507	56,459	2,266

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 2017, fixed interest rates are 1.13% and 1.35% (31 December 2016: 1.13% and 1.35%). Main floating interest rates that Group is subject to are EURIBOR and LIBOR.

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Derivative financial instruments held for trading

The Group has option contracts regarding to foreign exchange trading transactions as of 31 December 2017. 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 2017		31 December 2016	
	Contract amount (thousand)	Fair value Liability amount TL	Contract amount (thousand)	Fair value Liability amount
Foreign exchange held				
for trading transactions:		1,752		2,502
- EUR	7,400	1,752	-	-
- USD	-	-	28,840	2,502

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 2017 and 2016 is presented below:

	31 December 2017	31 December 2016
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 2017	Share %	31 December 2016
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 2016: 18,500,000,000) shares issued on bearer with a nominal value of Kr 1 (31 December 2016: 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.

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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 140,498 as of 31 December 2017 (31 December 2016: TL 122,685). This amount fully consists of legal reserves.

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

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

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

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

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

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

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

Dividend Distribution

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

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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.

In the ordinary general assembly meeting held on 3 April 2017, the Company has decided to reserve second order legal reserves amounting to TL 17,813 and pay gross profit share amounting to TL 187,381, from the distributable profits and retained earnings of the year 2016, as required by the Turkish Commercial Code and the Company's Articles of Association. Dividend payments were completed on 7 April 2017.

NOTE 18 - REVENUE AND COST OF SALES

Sales and cost of goods sold for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Domestic sales	1,897,711	1,288,095
Export sales	998,020	771,299
Less: Sales returns	(1,976)	(2,212)
Less: Other discounts	(126,371)	(102,797)
Net sales income	**2,767,384**	**1,954,385**
Cost of sales (-)	**(2,203,144)**	**(1,517,371)**
Gross profit	**564,240**	**437,014**

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 2017 and 2016 are as follows;

	31 December 2017	31 December 2016
Raw materials and goods	1,936,464	1,257,793
Employee benefits	121,258	110,552
Depreciation and amortization	82,738	71,476
Consumables	34,931	30,770
Commission expenses	27,183	26,010
Export expenses	23,881	20,607
Maintenance, repair and cleaning expenses	19,082	33,955
Consultancy and audit expenses	17,768	13,566
Information technologies expense	10,369	9,723
Rent expenses	6,784	5,681
Insurance expenses	6,617	6,042
Other	47,897	50,032
Total	**2,334,972**	**1,636,207**

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NOTE 20 - INCOME AND EXPENSE FROM OPERATING ACTIVITIES

Income from other operating activities by nature for the years ended as of 31 December 2017 and 2016 are as follows;

	31 December 2017	31 December 2016
Foreign exchange income from trading transactions	231,166	147,558
Interest income from credit sales	20,069	12,487
Scrap sales income	2,783	1,501
Income from fixed assets sales	2,010	202
Other	980	3,037
Total	**257,008**	**164,785**

Expense from other operating activities by nature for the years ended as of 31 December 2017 and 2016 are as follows;

	31 December 2017	31 December 2016
Foreign exchange expense from trading transactions	199,032	97,136
Interest expense from credit purchases	8,999	8,072
Provision for doubtful receivables (Note 7)	494	706
Other	3,847	2,354
Total	**212,372**	**108,268**

NOTE 21 - FINANCE INCOME

Financial income for the years ended at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Foreign exchange income	230,773	169,165
Interest income	21,190	16,263
Total	251,963	185,428

NOTE 22 – FINANCE COSTS

Financial expense for the years ended at 31 December 2017 and 2016 are as follows:

	31 Aralık 2017	31 Aralık 2016
Foreign exchange loss	**289,756**	**280,340**
Borrowing costs	**26,071**	**17,971**
Total	**315,827**	**298,311**

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NOTE 23 - TAX ASSETS AND LIABILITIES

Tax expenses for the years ended at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Income tax expense	**(60,807)**	**(52,985)**
Deferred tax expense	**(9,012)**	**(3,925)**
Total tax expense	**(69,819)**	**(56,910)**

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 cay 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% (2016: 20%).

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The breakdown of cumulative temporary differences and deferred income tax assets and liabilities provided using enacted tax rates as of 31 December 2017 and 2016 are as follows:

	Temporary taxable differences		Deferred income tax asset/liability	
	31 Aralık 2017	31 Aralık 2016	31 Aralık 2017	31 Aralık 2016
Property, plant and equipment and intangible assets	(120,123)	(74,893)	(23,802)	(14,979)
Inventories	(6,903)	(3,287)	(1,519)	(657)
Trade payables	(3,386)	(2,919)	(745)	(584)
Derivative instruments	(755)	-	(166)	-
Deferred income tax liabilities			**(26,232)**	**(16,220)**
Employee termination benefits	25,906	20,500	5,302	4,100
Other short-term liabilities	3,077	1,459	677	292
Trade receivables	1,444	538	318	108
Derivative instruments	-	236	-	47
Other	51	-	11	-
Deferred income tax assets			**6,308**	**4,547**
Deferred income tax assets/(liabilities), net			**(19,924)**	**(11,673)**

Movement for the deferred income tax liabilities for the periods ended at 31 December 2017 and 2016 are as follows:

	2017	2016
1 January	**11,673**	**7,226**
Deferred tax expense	9,012	3,925
Credited to equity	(751)	434
Currency translation differences	(10)	88
31 December	**19,924**	**11,673**

	31 December 2017	31 December 2016
Calculated corporate income tax	**60,807**	**52,985**
Amount offset from VAT receivables and prepaid corporate taxes	**(52,583)**	**(45,574)**
Current tax liabilities, current	**8,224**	**7,411**

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The reconciliation of tax expenses stated in consolidated income statements for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Profit before tax	364.790	182,660
Expected tax expense of the Group (20%)	**72.958**	**36,532**
The effect of application of equity method	48,394	79,152
The effect of foreign subsidiaries	(12,244)	17,552
Investment incentives	(51,605)	-
Discounts and exemptions	(4,465)	(27)
Additions	4,225	5,213
Tax effect (20%)	(3,139)	20,378
Current period tax expense of the Group	**69,819**	**56,910**

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 2017 and 2016 as follows:

	31 December 2017	31 December 2016
Net income attributable to the equity holders of the parent (TL) (*) (A)	294,971,053	125,798,137
Weighted average number of shares (B)	18,500,000,000	18,500,000,000
Earnings per share (Kr) (A/B)	1.59	0.68

(*) 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 2017 and 2016, trade receivables from related parties are as follows:

	31 December 2017	31 December 2016
Ak-Pa [*] [1]	166,709	206,241
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. (“DowAksa”) (2)	7,828	2,665
Akkim Kimya San. ve Tic. A.Ş. [1]	6,365	4,313
Other	217	482
Less: Unearned finance income on credit sales (-)	(399)	(281)
Total	**180,720**	**213,420**

[*] 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 2017 and 2016 and are discounted with annual average discount rate of 1% (31 December 2016:1%) based on USD.

b) Short-term trade payables due to related parties

As of 31 December 2017 and 2016, short-term trade payables to related parties are as follows:

	31 December 2017	31 December 2016
Akkim [1]	14,818	8,814
Ak-Pa [1]	8,162	10,312
Yalova Kompozit ve Kimya İhtisas [4] Organize Sanayi Bölgesi (“Yalkim OSB”)	3,765	1,313
Akkök Holding [3]	2,410	2,233
Dinkal Sigorta Acenteliği A.Ş. [**] [1]	2,366	1,952
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. [1]	1,224	1,083
Akgirişim Müt. Müş. Çevre Tek. San. Tic. A.Ş. (“Akgirişim”) [4]	907	7,583
Other	736	426
Total	**34,388**	**33,716**

[**] 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
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c) Financial Liabilities

As of 31 December 2017 and 2016, short-term borrowings from related parties are as follows:

	31 December 2017	31 December 2016
Ak-Pa (1)	-	30,042

Borrowings comprise cash received from factoring transactions (Note 6).

d) Other receivables due to related parties

Other receivables from joint ventures for the year ended as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
DowAksa - Leasing receivables [2]	12,879	927
DowAksa - Unearned finance income [(-)] [2]	(2,537)	(844)
Other short-term receivables	**10,342**	**83**
DowAksa - Leasing receivables [2]	118,588	122,493
DowAksa - Unearned finance income [(-)] [2]	(15,811)	(17,119)
Other long-term receivables	**102,777**	**105,374**
Total	**113,119**	**105,457**

Receivables are shown as below in terms of period of the collection as of 31 December 2017 and 2016 are as follows:

	31 December 2017			31 December 2016		
	Leasing	Interest	Total	Leasing	Interest	Total
Less than 3 months	1,186	398	1,584	83	211	294
Between 3-12 months	9,156	2,139	11,295	-	633	633
Between 1-2 years	12,452	2,608	15,060	9,483	2,367	11,850
Between 2-3 years	12,737	2,323	15,060	11,618	2,433	14,051
Between 3-4 years	13,028	2,032	15,060	11,884	2,168	14,052
4 years and longer	64,560	8,848	73,408	72,389	10,151	82,540
	113,119	**18,348**	**131,467**	**105,457**	**17,963**	**123,420**

[1] Akkök Holding subsidiary
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e) Advances Given

Advances given to related parties for the year ended as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Yalkim OSB [4]	710	2,250
Akgirişim [4]	25	5,357
Total	**735**	**7,607**

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

f) Sales and other income

Sales to related parties and other incomes for the years ended as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Ak-Pa [(*)] [1]	1,019,773	793,115
Akkim [1]	55,554	46,924
DowAksa [2]	30,533	24,573
Akgirişim [4]	1,714	1,251
Other	1,332	1,590
Total	**1,108,906**	**867,453**

[(*)] 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.

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g) Purchases of goods and services

Product and service purchases from related parties for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Akkim [1]	82,500	73,648
Akgirişim [4]	23,581	38,095
Yalkim OSB [4]	19,348	14,683
Ak-Pa [1]	15,601	12,110
Dinkal Sigorta Acenteliği A.Ş. [(*)] [1]	14,381	12,965
Aktek Bilgi İşlem Tekn. San. ve Tic. A.Ş. [1]	10,549	10,278
Akkök Holding [3]	9,027	7,184
Other	2,822	1,937
Total	**177,809**	**170,900**

[(*)] 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 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Salary and other short-term employee benefits	6,001	5,935
Employment termination benefits	16	62
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**6,017**	**5,997**

Benefits provided to the Board of Directors, for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Salary and other short-term employee benefits	1,222	1,557
Employment termination benefit	-	-
Post-employment benefits	-	-
Other long-term benefits	-	-
Share based compensations	-	-
Total	**1,222**	**1,557**

[1] Akkök Holding subsidiary
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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.

Credit risk

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

Trade Receivable Aging Analysis

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

31 December 2017	Trade Receivables
1-30 days overdue	51,360
1-3 months overdue	14,282
3-12 months overdue	841
More than 12 months overdue	209
Total (*)	**66,692**
Secured with guarantees	**64,619**

(*) TL 43.743 of the amount has been collected as of the date of the report.

31 December 2016	Trade Receivables
1-30 days overdue	47,788
1-3 months overdue	28,969
3-12 months overdue	4,892
More than 12 months overdue	-
Total	**81,649**
Secured with guarantees	**65,202**

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

31 December 2017	Trade receivables		Other receivables		Deposits at bank	
	Related Parties	Unrelated Parties	Related Parties	Unrelated Parties	Related 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	-	-	-	-
- Secured portion with guarantees	10,046	54,573	-	-	-	-
Net book value of impaired assets	-	698	-	-	-	-
- Matured (gross book value)	-	28,135	-	-	-	-
- Impairment (-) (Note 7)	-	(27,437)	-	-	-	-
- 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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As of 31 December 2016 the Group's maximum exposure to credit risk is presented below:

31 December 2016	Trade receivables Related Parties	Trade receivables Unrelated Parties	Other receivables Related Parties	Other receivables Unrelated Parties	Deposits at bank Related Parties	Deposits at bank Other
Maximum credit risk exposure as of reporting date	**213,420**	**404,647**	**105,457**	**677**	**-**	**458,234**
- Secured portion of maximum credit risk by guarantees (*)	**167,787**	**310,109**	**-**	**-**	**-**	**-**
Net book value of financial assets either are not due or not impaired	199,224	333,589	105,457	677	-	458,234
Net book value of the expired or not impaired financial assets	14,196	67,453	-	-	-	-
- Secured portion with guarantees	8,706	56,496	-	-	-	-
Net book value of impaired assets	-	3,605	-	-	-	-
- Matured (gross book value)	-	45,269	-	-	-	-
- Impairment (-) (Note 7)	-	(41,664)	-	-	-	-
- Secured portion with guarantees	-	(3,605)	-	-	-	-
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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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 2017	31 December 2016
Assets	1,338,602	1,026,204
Liabilities	(1,861,733)	(1,249,324)
Net balance sheet position	**(523,131)**	**(223,120)**

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Foreign currency position as of 31 December 2017 and 2016 are as follows:

	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	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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	31 December 2016			
	TL equivalent	USD position	EUR position	Other
1. Trade Receivables	611,614	158,791	14,232	-
2a. Monetary Financial Assets (including cash and bank accounts)	309,133	81,367	4,491	6,124
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	83	24	-	-
4. Current Assets (1+2+3)	**920,830**	**240,182**	**18,723**	**6,124**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	105,374	29,943	-	-
8. Non-Current Assets (5+6+7)	**105,374**	**29,943**	**-**	**-**
9. Total Assets (4+8)	**1,026,204**	**270,125**	**18,723**	**6,124**
10. Trade Payables	474,155	130,825	3,689	69
11. Financial Liabilities	521,595	132,764	14,656	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**995,750**	**263,589**	**18,345**	**69**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	253,574	40,927	29,528	-
16 a. Other Monetary Liabilities	-	-	-	-
16 b. Other Non-monetary Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**253,574**	**40,927**	**29,528**	**-**
18. Total Liabilities (13+17)	**1,249,324**	**304,516**	**47,873**	**69**
19. Off Balance Sheet Derivative Items' Net Asset/(Liability) Position (19a-19b)	**(38,806)**	**(26,840)**	**15,000**	**-**
19a. Off balance sheet derivative asset amount	55,649	-	15,000	-
19b. Off balance sheet derivative liability amount	94,455	26,840	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**(261,926)**	**(61,231)**	**(14,150)**	**6,055**
21. Monetary Net Foreign Currency Assets/(Liabilities) Position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(328,577)**	**(64,358)**	**(29,150)**	**6,055**
22. Fair Value of Financial Instruments Used for Foreign Hedge	(2,502)	-	(674)	-
23. Amount of Hedged Foreign Currency Assets	-	-	-	-
24. Amount of Hedged Foreign Currency Liabilities	-	-	-	-

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As of 31 December 2017 and 2016, 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:

	Profit/Loss		Equity	
31 December 2017	**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**	**-**	**-**

	Profit/Loss		Equity	
31 Aralık 2016	**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)	(12,103)	12,103	21,425	(21,425)
Amount hedged for USD risk	-	-	-	-
USD net effect	**(12,103)**	**12,103**	**21,425**	**(21,425)**
In case 10% change of EUR against TL				
EUR net asset/ (liability)	(10,814)	10,814	-	-
Amount hedged for EUR risk	-	-	-	-
EUR net effect	**(10,814)**	**10,814**	**-**	**-**

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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 2017, other things being constant, if the interest rate depreciate/ appreciate by 1%, profit before tax would TL 29 (31 December 2016: TL 49), capitalized financial cost on construction in progress would TL 1
(31 December 2016: TL 3).

	31 December 2017	31 December 2016
Fixed interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	540,190	434,552
Financial liabilities		
USD borrowings (fixed due to interest rate swap)	901,695	611,252
EUR borrowings	113,507	-
TL borrowings	1,965	59,203
Floating interest rate financial instruments		
Financial assets		
Cash and cash equivalents (Note 4) (*)	-	-
Financial liabilities		
EUR bank borrowings	133,419	163,917

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

Liquidity risk

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

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

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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**	**-**

31 December 2016: 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	834,372	854,130	229,970	359,391	264,769	-
Trade payables	453,949	456,868	283,922	172,946	-	-
Due to related parties	33,716	33,716	28,118	5,598	-	-
	1,322,037	**1,344,714**	**542,010**	**537,935**	**264,769**	**-**

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Import and export information:

Import and export for the years ended at 31 December 2017 and 2016 are as follows:

Export	31 December 2017	31 December 2016
USD	511,312	419,664
EUR	416,203	215,276
Other	70,505	136,359
Total	**998,020**	**771,299**

Import	31 December 2017	31 December 2016
USD	1,272,386	852,613
EUR	334,097	127,884
Other	7,301	6,449
Total	**1,613,784**	**986,946**

Capital risk management

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

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

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

The ratio of net debt to equity is as follows:

	31 December 2017	31 December 2016
Total monetary liabilities (*)	1,898,923	1,322,037
Less: Cash and cash equivalents (Note 4)	(559,536)	(458,301)
Net debt	**1,339,387**	**863,736**
Total shareholders' equity	1,376,119	1,249,705
Total capital	**2,715,506**	**2,113,441**
Debt/equity ratio	**49%**	**41%**

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

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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.

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).

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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**	**-**

31 December 2016	Level 1	Level 2	Level 3
Foreign currency held for trading	-	(2,502)	-
Hedging derivative financial instruments	-	2,266	-
Total asset / (liabilities)	**-**	**(236)**	**-**

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. .

SUMMARY FINANCIAL STATEMENTS

SUMMARY FINANCIAL STATEMENTS (USD)

CONSOLIDATED BALANCE SHEET SUMMARY(*)	31 December 2017 (Thousand USD)	31 December 2016 (Thousand USD)
Assets	**889,285**	**748,172**
Current Assets	**492,832**	**394,287**
Cash and Cash Equivalents	148,343	130,229
Trade Receivables	193,498	175,627
Inventories	111,115	61,810
Other Current Assets	39,876	26,621
Non-Current Assets	**396,453**	**353,885**
Trade Receivables	27,248	29,943
Investment Property	12,167	13,399
Investments Accounted for by the Equity Method	58,860	60,881
Tangible Assets	273,533	215,060
Intangible Assets	19,543	20,555
Goodwill	1,588	1,702
Other Non-Current Assets	3,514	12,345
Liabilities	**889,285**	**748,172**
Short Term Liabilities	**401,451**	**311,933**
Financial Liabilities	193,733	165,037
Trade Payables	198,398	138,573
Taxes on Income	2,180	2,106
Other Short Term Liabilities	7,140	6,217
Long Term Liabilities	**123,000**	**81,130**
Financial Liabilities	111,308	72,054
Derrivative Financial Instruments	-	323
Provision for Employment Termination Benefits	6,410	5,436
Deferred Tax Liabilities	5,282	3,317
Other Long Term Liabilities	-	-
Shareholders' Equity	**364,834**	**355,109**

(*) US$ currency conversions shown in the consolidated financial statements are provided for informational purposes only; the closing exchange rate TL 3,7719 (December 31, 2016 : TL 2,5192) was used in calculating the balance sheet items.

CONSOLIDATED INCOME STATEMENT(**)	31 December 2017 (Thousand USD)	31 December 2016 (Thousand USD)
Net Sales	759,378	651,353
Operating Profit	130,903	124,878
EBITDA	141,358	129,863
Net Profit	80,940	41,926

(**) The conversion of the consolidated income statement into US$ is provided for informational purposes only; the period average exchange rate of TL 3,6443 (December 31, 2016: 3,0005) was used in the statement.

RATIOS	31 December 2017	31 December 2016
Current Ratio	1.22	1.26
Liquidity Ratio	0.95	1.07
EBITDA Margin	%18.62	%19.94
Net Profit Margin	%10.66	%6.44

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