AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Akkök Sanayi Yatırım ve Geliştirme A.Ş.

1. We have audited the accompanying consolidated statement of financial position of Akkök Sanayi Yatırım ve Geliştirme A.Ş. ("Akkök" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2013 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

The Group's management's responsibility for the consolidated financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Turkish Standards on Auditing ("TSA") issued by the POA. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the professional judgment of the independent auditor, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Akkök Sanayi Yatırım ve Geliştirme A.Ş. and its subsidiaries as at 31 December 2013 and their consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Emphasis of matter

5. Without qualifying our opinion, as explained in Note 2 to the consolidated financial statements, the accompanying consolidated financial statements include the accounts of the parent company Akkök, its subsidiaries and joint ventures. Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Such control is established through the joint exercise of; (i) the voting rights of Akkök and its subsidiaries, (ii) the voting rights of certain members of Dinçkök family and the related shareholders in those companies who declared to exercise their voting rights in line with Akkök's voting preference, and (iii) the voting rights of entities, controlled only by the family members mentioned above and the related shareholders, that are declared to exercise their voting rights in line with Akkök's voting preference. Joint ventures are companies in which there are contractual arrangements regarding an economic activity that is undertaken through joint control by Akkök and its subsidiaries together with one or more other parties. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting rights held by certain Dinçkök family members who declared to exercise their voting rights in line with Akkök's voting preference. In the accompanying consolidated financial statements, the shares held by Dinçkök family members are presented as non-controlling interests.

Other Matters

6. Pursuant to the subparagraph 2 of temporary Article 6 of Turkish Commercial Code No. 6102, the Group's financial statements were subject to independent audit for the first time starting from the opening balance sheet as at 1 January 2013 in line with Turkish Commercial Code No. 6102 and within the scope of the POA's regulations.

7. The Company's financial statements as at 31 December 2011 and 31 December 2012 and the statement of profit or loss for the year ending 31 December 2012, which were prepared according to Law No. 6762 and the other legislation, have been presented in Note 29 pursuant to subparagraph 2 of temporary Article 6 of Turkish Commercial Code No. 6102. We have not audited these financial statements which were prepared in line with the other legislation so we are not expressing any opinion on these financial statements.

Reports on independent auditor's responsibilities arising from other regulatory requirements

8. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, 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 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

9. Pursuant to Article 378 of Turkish Commercial Code No. 6102, an early risk identification committee must be formed in companies, whose shares are not publicly traded, in the event that the auditor deems it necessary and communicates this opinion to the Board of Directors in writing. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. As secondary legislation regarding the principles of the report and the criteria of the scope of work of the auditor in connection with early identification of risks have not been published as of the balance sheet date, no work has been performed in order to form an auditor's opinion regarding whether an early risk identification committee should be formed by the Company and no separate report has been issued thereof.

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

Ediz Günsel, SMMM
Partner

İstanbul, 17 March 2014

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONTENTS	Index

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013, 2012 AND 2011

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

	Notes	2013	(*) Restated 2012	(*) Restated 2011
ASSETS				
Cash and cash equivalents	5	623,792	377,447	314,834
Financial assets		24,838	20,854	2,059
Trade receivables		466,841	437,464	569,692
−Due from related parties	*8*	*19,106*	*28,670*	*42,301*
−Other trade receivables	*9*	*447,735*	*408,794*	*527,391*
Other receivables		11,018	68,520	86,510
−Due from related parties	*8*	*2,939*	*66,897*	*83,958*
−Other receivables		*8,079*	*1,623*	*2,552*
Inventories	10	258,243	236,362	322,581
Prepaid expenses	11	35,020	17,600	27,910
Other current assets	17	65,922	78,087	98,304
Subtotal		**1,485,674**	**1,236,334**	**1,421,890**
Assets held for sale		7,309	20	579
Current Assets		**1,492,983**	**1,236,354**	**1,422,469**
Trade receivables		1,358	7,340	15,493
−Other trade receivables	*9*	*1,358*	*7,340*	*15,493*
Financial investments	6	10,039	14,265	7,956
Investments accounted for using the equity method	7	671,041	595,146	247,135
Investment properties	12	413,582	394,240	398,712
Property, plant and equipment	13	921,572	785,894	1,011,979
Intangible assets	14	16,867	6,054	22,041
Inventories	10	244,632	7,645	1,957
Prepaid expenses	11	17,409	11,232	24,955
Deferred tax assets	27	7,694	4,048	5,368
Derivative financial instruments	19	524	-	-
Other non-current assets	17	41,112	40,308	41,834
Non-current Assets		**2,345,830**	**1,866,172**	**1,777,430**
TOTAL ASSETS		**3,838,813**	**3,102,526**	**3,199,899**

(*) Note 2.5.

The consolidated financial statements for period 1 January - 31 December 2013 were approved by the Board Directors on 17 March 2014.

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2013, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2013	(*) Restated 2012	(*) Restated 2011
LIABILITIES				
Short term borrowings	18	720,247	518,412	369,589
Short term portion of long term borrowings	18	150,058	90,997	70,242
Derivative financial instruments	19	10,033	1,907	4,175
Trade payables		373,249	266,316	299,964
−Due to related parties	*8*	*22,643*	*6,865*	*15,618*
−Other trade payables	*9*	*350,606*	*259,451*	*284,346*
Liabilities for employee benefits		1,511	1,293	1,515
Other payables		4,671	98	57,778
−Due to related parties	*8*	-	-	*57,769*
−Other payables		*4,671*	*98*	*9*
Deferred income	11	42,641	8,872	146,086
Current income tax liabilities	27	14,509	8,843	7,871
Short term provisions		13,030	7,776	5,098
−Provisions for employee benefits	*16*	*9,909*	*5,552*	*2,391*
−Other short term provisions	*15*	*3,121*	*2,224*	*2,707*
Other current liabilities	17	5,559	23,348	12,629
Current Liabilities		**1,335,508**	**927,862**	**974,947**
Long term borrowings	18	320,442	263,854	531,078
Deferred income		368	18,525	27,615
Long term provisions		53,005	52,649	48,784
−Provisions for employee benefits	*16*	*26,521*	*26,366*	*24,128*
−Other short term provisions		*26,484*	*26,283*	*24,656*
Deferred tax liabilities	27	8,738	16,633	28,402
Other non current liabilities		-	14	51
Non-current Liabilities		**382,553**	**351,675**	**635,930**
TOTAL LIABILITIES		**1,718,061**	**1,279,537**	**1,610,877**

(*) Note 2.5.

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013, 2012 AND 2011

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

	Notes	2013	(*) Restated 2012	(*) Restated 2011
Equity attributable to equity holders of the parent				
Paid-in share capital	20	538,098	13,098	13,098
Adjustments to share capital	20	157,537	160,967	160,967
Total paid-in capital		**695,635**	**174,065**	**174,065**
Other comprehensive income/expense to be reclassified to profit or loss				
- Change in value of available-for-sale financial assets		4,043	7,401	1,404
- Hedging reserve		(6,601)	(9,376)	(9,665)
- Currency translation differences		20,471	(424)	1,598
Other comprehensive income/expense not to be reclassified to profit or loss				
- Remeasurements of post employment benefit obligations		(5,748)	(1,671)	(675)
Restricted reserves		4,994	13,670	13,670
Retained earnings		471,536	641,963	553,595
Net profit for the year		6,907	139,954	89,023
Total equity attributable to owners of the parent		**1,191,237**	**965,582**	**823,015**
Non-controlling Interests		**929,515**	**857,407**	**766,007**
TOTAL EQUITY		**2,120,752**	**1,822,989**	**1,589,022**
TOTAL EQUITY AND LIABILITIES		**3,838,813**	**3,102,526**	**3,199,899**

(*) Note 2.5.

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2013	(*) Restated 2012
Revenue	21	2,144,594	2,089,801
Cost of sales (-)	21	(1,732,803)	(1,760,850)
Gross Profit		**411,791**	**328,951**
General administrative expenses (-)	22	(127,134)	(119,579)
Marketing expenses (-)	22	(52,265)	(46,754)
Research and development expenses (-)		(7,992)	(5,667)
Other operating income	23	78,699	59,558
Other operating expenses (-)	23	(79,321)	(60,239)
Operating profit		**223,778**	**156,270**
Income from investing activities	24	126,259	145,365
Expenses from investing activities	24	(1,133)	(47)
Share of profit of investments accounted for using the equity method	7	(77,947)	41,048
Operating profit before financial income and expense		**270,957**	**342,636**
Financial expenses (-)	26	(78,616)	20,970
Profit before tax from continued operations		**192,341**	**363,606**
- Taxes on income	27	(59,440)	(80,986)
- Deferred tax income	27	8,621	4,579
Profit from continuing operations		**141,522**	**287,199**
Loss after tax from discontinued operations		-	(123)
Profit for the year		**141,522**	**287,076**

(*) Note 2.5.

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Notes	2013	(*)Restated 2012
Other Comprehensive Income			
Items to be reclassified to statement of income			
- Currency translation differences		49,252	(2,687)
- Increase/decrease in fair value of derivatives		3,861	(543)
- Increase/decrease in fair value of financial assets		(3,358)	5,997
Items not to be reclassified to statement of income			
Remeasurement gain arising from defined benefit plans		(4,368)	(996)
Total comprehensive income for the period		**186,909**	**288,847**
Profit attributable to:			
Non-controlling interest		134,615	147,122
Equity holders of the parent		6,907	139,954
Total profit for the year		**141,522**	**287,076**
Total comprehensive income attributable to:			
Equity holders of the parent		163,767	145,625
Non-controlling interests		23,142	143,222
Total comprehensive income		**186,909**	**288,847**

(*) Note 2.5.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Attributable to owners of the parent											
			Other comprehensive income to be reclassified to statement of income			Other comprehensive income not to be reclassified to statement of income						
	Paid-in capital	Adjustment to share capital	Change in value of available for sale financial assets	Currency translation differences	Hedging reserve	Remeasurement gain/loss arising from defined benefit plans	Restricted reserves	Retained earnings	Profit for the year	Total	Non controlling interests	Total equity
Balance at 1 January 2012 – previously reported	**13,098**	**168,630**	**1,404**	**1,598**	**(9,665)**	**-**	**13,670**	**546,553**	**89,023**	**824,311**	**764,682**	**1,588,993**
Impact of accounting policy change TFRS 11 (Note 2.5)	-	-	-	-	-	-	-	1,720	-	1,720	6,003	7,723
Impact of accounting policy change (Note 2.5)	-	(7,663)	-	-	-	-	-	4,647	-	(3,016)	(4,678)	(7,694)
Impact of accounting policy change TAS 19 (Note 2.5)	-	-	-	-	-	(675)	-	675	-	-	-	-
Balance at 1 January 2012 - restated	**13,098**	**160,967**	**1,404**	**1,598**	**(9,665)**	**(675)**	**13,670**	**553,595**	**89,023**	**823,015**	**766,007**	**1,589,022**
Transfers to reserves	-	-	-	-	-	-	-	89,023	(89,023)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(655)	-	(655)	(54,225)	(54,880)
Total comprehensive income for the period	-	-	5,997	(2,022)	289	(996)	-	-	139,954	143,222	145,625	288,847
Balance at 31 December 2012	**13,098**	**160,967**	**7,401**	**(424)**	**(9,376)**	**(1,671)**	**13,670**	**641,963**	**139,954**	**965,582**	**857,407**	**1,822,989**
Balance at 1 January 2013 – previously reported	**13,098**	**168,630**	**7,401**	**534**	**(12,080)**	**-**	**13,670**	**636,297**	**141,817**	**969,367**	**868,368**	**1,837,735**
Impact of accounting policy change TFRS 11 (Note 2.5)	-	-	-	(958)	2,704	-	-	344	-	2,090	(2,090)	-
Impact of accounting policy change (Note 2.5)	-	(7,663)	-	-	-	-	-	4,647	(2,859)	(5,875)	(8,871)	(14,746)
Impact of accounting policy change TAS 19 (Note 2.5)	-	-	-	-	-	(1,671)	-	675	996	-	-	-
Restated at 1 January 2013 - restated	**13,098**	**160,967**	**7,401**	**(424)**	**(9,376)**	**(1,671)**	**13,670**	**641,963**	**139,954**	**965,582**	**857,407**	**1,822,989**
Capital increase (Note 20)	300,000	(3,430)	-	-	-	-	(8,676)	(287,894)	-	-	-	-
Capital increase- in cash (Note 20)	225,000	-	-	-	-	-	-	-	-	225,000	-	225,000
Transfers to reserves	-	-	-	-	-		-	139,954	(139,954)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(655)	-	(655)	(93,692)	(94,347)
Total comprehensive income for the period	-	-	(3,358)	20,895	2,775	(4,077)	-	-	6,907	23,142	163,767	186,909
Impact of changes in the ownership rate of subsidiaries (*)	-	-	-	-	-	-	-	(21,832)	-	(21,832)	2,033	(19,799)
Balance at 31 December 2013	**538,098**	**157,537**	**4,043**	**20,471**	**(6,601)**	**(5,748)**	**4,994**	**471,536**	**6,907**	**1,191,237**	**929,515**	**2,120,752**

(*) Amounts arisng from purchase of additional shares in the Group's subsidiaries, namely Ak-Tops, Akiş and Akport.

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

AKKÖK SANAYİ YATIRIM VE GELİŞTİRME A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	2013	(*) Restated 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES	**149,996**	**243,563**
Net profit for the year	**141,522**	**287,076**
Adjustments to reconcile net profit / (loss) to net cash provided by operating activities	**218,501**	**13,657**
− Depreciation and amortization	90,927	75,630
− Changes in provisions	5,186	6,328
− Interest income and expenses	15,587	3,870
− Unrealized exchange loss/ (gain)	82,752	(8,842)
− Fair value gain/ (loss)	9,849	184
− Tax income / (expense)	50,819	76,407
− Loss / (gain) on property, plant and equipment and intangibles	(15,675)	(10,703)
− Loss / (gain) from investments accounted for using equity method	77,947	(41,048)
− Sale of investments accounted for using equity method	(98,891)	(88,169)
Changes in working capital	**(156,253)**	**22,844**
− Increases/decreases in inventories	(257,957)	54,696
− Increases/decreases in trade receivables	(49,532)	118,211
− Increases/decreases in amounts due from related parties	73,522	30,692
− Increases/decreases in other receivables	(6,456)	929
− Increases/decreases in trade payables	91,155	(5,503)
− Increases/decreases in amounts due to related parties	15,778	(8,753)
− Increases/decreases in other payables	4,573	(57,680)
− Other increases/decreases in working capital	(27,336)	(109,748)
Cash flows from operations	**203,770**	**323,577**
Tax payments	(53,774)	(80,014)
B. CASH FLOWS FROM INVESTING ACTIVITIES	**(250,383)**	**(183,816)**
− Cash inflows/outflows from sales/purchases of Group's interest in associates accounted for using the equity method	(125,930)	22,656
− Cash inflows/outflows from sales/purchases of Group's interest in joint ventures accounted for using the equity method	112,365	(75,940)
− Cash inflows from sales of plant, property of equipment and intangibles	47,123	29,261
− Cash outflows from purchase of plant, property of equipment and intangibles	(253,290)	(173,905)
− Cash inflows from sales of invesment properties	9,795	10,313
− Cash outflows purchases of investment properties	(44,965)	(6,546)
− Cash outflows from transactions with non-controlling interest	(19,799)	-
− Dividends received	24,318	10,345
C. CASH FLOWS FROM FINANCING ACTIVITIES	**350,716**	**21,661**
− Proceeds from the issues of shares and other equity instruments	225,000	-
− Cash inflow from new borrowings obtained	1,013,456	678,695
− Cash outflows from redemption of borrowings	(781,707)	(597,486)
− Dividends paid to non-controlling interests	(93,692)	(54,225)
− Dividends paid	(655)	(655)
− Interest received	22,724	27,278
− Interest paid	(34,410)	(31,946)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)	**250,329**	**81,408**
D. EFFECTS OF UNREALIZED EXCHANGE LOSS/ (GAIN) ON CASH AND CASH EQUIVALENTS	**-**	**-**
NET (INCREASE)/ (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**250,329**	**81,408**
CHANGE IN RESTRICTED DEPOSITS	**(3,896)**	**(19,747)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**372,754**	**311,093**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D+E)	**619,187**	**372,754**

(*) Note 2.5

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

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

NOTE 1 – GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Akkök Sanayi Yatırım ve Geliştirme A.Ş. ("Akkök") was established in 1979.

Akkök and its subsidiaries, joint ventures and associates (together "the Group") mainly operate in the chemicals, energy, real estate and textile sectors and engage in manufacturing of all kinds of raw materials, auxiliary materials and intermediate substances, artificial, synthetic and natural fibres, carbon fibres, filament and polymers, and any equipment, machinery or spare parts used in the production, processing or storage of these, importing and exporting, establishment of domestic, foreign and international branches, marketing and trading, establishment and start-up and rental of energy generation plant, electricity generation and sale of generated electricity or capacity to customers and purchase and sale of or investing in real estate properties. Akkök has also shareholdings in restaurant management, marketing, air transport, port management, information technology, insurance agency and tourism companies.

The Group's ultimate parents are A.R.D Holding A.Ş., N.D.Ç Holding A.Ş. and Atlantik Holding A.Ş., which are being controlled by Dinçkök family members (Note 20).

Akkök Sanayi Yatırım ve Geliştirme A.Ş. is registered in Turkey and the address of the registered office is as follows:

Miralay Şefik Bey Sokak
No: 15 Akhan
Gümüşsuyu 34437 İstanbul

Subsidiaries

The subsidiaries of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Subsidiaries	Country of incorporation	Nature of business
Akiş Gayrimenkul Yatırımı A.Ş.	Turkey	Real estate investment
Ak-Kim Kimya Sanayi ve Ticaret A.Ş.	Turkey	Chemicals
Akmeltem Poliüretan Sanayi ve Ticaret A.Ş.	Turkey	Chemicals
Aksa Akrilik Kimya Sanayii A.Ş. ("Aksa")	Turkey	Chemicals
Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.	Turkey	Chemicals
Aksa Egypt Acrylic Fiber Industry SAE ("Aksa Egypt")	Egypt	Chemicals
Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayii A.Ş. (*)	Turkey	Textile
Ak-Tops Tekstil Sanayi A.Ş. ("Ak-Tops") (***)	Turkey	Textile
İstasyon Tekstil ve Sanayi Ticaret A.Ş.	Turkey	Textile
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	Turkey	Aviation
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.	Turkey	Restaurant management
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	Turkey	International trade
Akport Tekirdağ Liman İşletmeleri A.Ş.	Turkey	Port management
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	Turkey	Information technologies
Ariş Sanayi ve Ticaret A.Ş.	Turkey	Trade
Akdepo Lojistik ve Dış Ticaret A.Ş. (**)	Turkey	Tourism
Dinkal Sigorta Acenteliği A.Ş.	Turkey	Insurance agency
Fitco BV	The Netherlands	Investment
Zeytinliada Turizm ve Ticaret A.Ş.	Turkey	Tourism
Ak Yön Yönetim ve Bakım İşlemleri A.Ş.	Turkey	Mall management
Aksu Real Estate E.A.D	Bulgaria	Textile

(*) Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayi A.Ş. a subsidiary as of 31 December 2012, merged with Akiş Gayrimenkul Yatırımı A.Ş. on 4 January 2013.
(**) Akdepo Lojistik ve Dış Ticaret A.Ş. a subsidiary as of 31 December 2012 merged with Akkök on 20 March 2013.
(***) Aksa and Ak-Tops merged on 31 December 2013.

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Joint ventures

The joint ventures of Akkök, the countries they are incorporated in, and the nature of their businesses and joint venture partners are as follows:

Joint Ventures	Country of incorporation	Nature of business	Joint venture partner
Ak-El Yalova Elektrik A.Ş.	Turkey	Energy	CEZ a.s.
Akcez Enerji Yatırımlar Sanayi ve Ticaret A.Ş. ("Akcez")	Turkey	Energy	CEZ a.s.
Akka Elektrik Üretim A.Ş.(*)	Turkey	Energy	CEZ a.s.
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	Turkey	Energy	CEZ a.s.
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.	Turkey	Energy	CEZ a.s.
Akenerji Elektrik Üretim A.Ş. ("Akenerji")	Turkey	Energy	CEZ a.s.
Akkur Enerji Üretim Tic. ve San. A.Ş.	Turkey	Energy	CEZ a.s.
Egemer Elektrik Üretim A.Ş.	Turkey	Energy	CEZ a.s.
Ak-el Kemah Elektrik Üretim A.Ş.	Turkey	Energy	CEZ a.s.
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Turkey	Energy	CEZ a.s.
Sakarya Elektrik Dağıtım A.Ş.	Turkey	Energy	CEZ a.s.
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş")	Turkey	Energy	CEZ a.s.
DowAksa Advanced Composites Holding B.V. ("DowAksa")	The Netherlands	Holdings	Dow Europe Holdings B.V.
DowAksa İleri Kompozit Malzemeler San. Ltd. Şti.	Turkey	Chemistry	Dow Europe Holdings B.V.
DowAksa Switzerland GmbH	Switzerland	Chemistry	Dow Europe Holdings B.V.
DowAksa USA LLC	USA.	Chemistry	Dow Europe Holdings B.V.
Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş. ("Akferal")	Turkey	Chemistry	Feralco Group

(*) Liquidated as of 31 December 2013.

Associates

The associates of Akkök, the countries they are incorporated in, and the nature of their businesses are as follows:

Associates	Country of incorporation	Nature of business
Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. ("Akmerkez")	Turkey	Real estate development
Saf Gayrimenkul Yatırım Ortaklığı A.Ş. ("Saf GYO")	Turkey	Real estate development

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Financial investments

The financial investments of Akkök, the countries they are incorporated in, and the nature of their businesses together with reportable segments are as follows:

Financial investments	Country of incorporation	Nature of business
Akhan Bakım Yön. Ser. Hiz. Tic. A.Ş.	Turkey	Service
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	Turkey	Service
Tasfiye halinde Aken B.V. (*)	The Netherlands	Service

(*) Subsidiaries that are not material to consolidated financial statements are accounted for as financial investments in financial statements at cost, less impairment if any.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying 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 Company (and its subsidiaries, joint ventures and associates registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries, joint ventures and associates operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TL. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Illustrative Financial Statements and Application Guidance published by POA.

Additionally, the Group prepared its consolidated financial statements as required by TCC, in accordance with the accounting policies indicated in Note 2 in order to achieve fair presentation. The Group made the required adjustments and reclassifications to conform to the format of financial statements defined in the Illustrative Financial Statements and Application Guidance published by POA.

The preparation of financial statements in accordance with TFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

The Group has prepared its consolidated financial statements in accordance with International Financial Reporting Standards in previous reporting periods. The related consolidated financial statements are also in accordance with TMS. Thus, TFRS 1 "First Time Adoption of International Financial Reporting Standards" ("TFRS 1") has not been applied. Addiotionally, explanations for reconciliations from consolidated financial statements prepared in accordance with act 6762 and other legislations as of 31 December 2011 and 31 December 2012 and income statements year ended 31 December 2012 to consolidated financial statements prepared in accordance with TAS are presented in Note 29.

2.2 Principles of consolidation

The significant accounting policies used during the preparation of these consolidated financial statements are summarised below:

a) The consolidated financial statements include the accounts of the parent company, Akkök, its subsidiaries, joint ventures and associates on the basis set out in sections (b) to (f) below. 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 are prepared in accordance with TFRS as explained in Note 2.1. The results of operations of subsidiaries, joint ventures and associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies in which Akkök has the power to control their financial and operating policies. Such control is established through the joint exercise of; (i) the voting rights of Akkök and its subsidiaries, (ii) the voting rights of certain members of Dinçkök family and the related shareholders who declared to exercise their voting rights inline with Akkök's voting preference, and (iii) the voting rights of entities that are controlled by the family members mentioned above and the related shareholders, which declared to exercise their voting rights inline with Akkök's voting preference.

Effective interest rate represents the effective shareholding of the Group through the shares held directly by Akkök and indirectly by its subsidiaries in the consolidated financial statements, interests owned by the Dinçkök family members are presented as non-controlling interests.

The balance sheets and statements of income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Akkök and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Akkök and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Akkök in its subsidiaries are eliminated from equity and income for the period, respectively.

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

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

The table below sets out the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2013 and 2012:

Subsidiaries	Proportion of voting power held by Akkök and its subsdiaries (%) (*)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**)		Total voting power held		Proportion of effective intererest (%) (***)	
	2013	2012	2013	2012	2013	2012	2013	2012
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.	100.00	100.00	-	-	100.00	100.00	100.00	100.00
Ak-Al Gayrimenkul Geliştirme ve Tekstil Sanayii A.Ş.	-	52.71	-	6.77	-	59.48	-	52.51
Ak-Kim Kimya Sanayi ve Ticaret A.Ş.	42.00	42.00	36.63	50.88	78.63	92.88	42.00	42.00
Akmeltem Poliüretan Sanayi ve Ticaret A.Ş.	50.00	50.00	1.67	1.67	51.67	51.67	50.00	50.00
Akmerkez Lokantacılık Gıda Sanayi ve Ticaret A.Ş.	43.75	43.75	-	-	43.75	43.75	43.75	43.75
Ak-Pa Tekstil İhracat Pazarlama A.Ş.	84.69	84.69	7.50	7.50	92.19	92.19	76.55	76.55
Akport Tekirdağ Liman İşletmeleri A.Ş.	91.11	76.31	4.45	11.85	95.56	88.16	91.11	76.31
Aksa Akrilik Kimya Sanayii A.Ş.	39.59	39.59	18.72	18.72	58.31	58.31	39.59	39.59
Ak-Tem Uluslararası Mümessillik ve Ticaret A.Ş.	99.80	99.80	0.05	0.05	99.85	99.85	41.92	41.92
Ak-Tops Tekstil Sanayi A.Ş.	100.00	60.00	-	33.30	100.00	93.30	39.59	23.75
Ariş Sanayi ve Ticaret A.Ş.	43.34	43.34	28.33	28.33	71.67	71.67	43.34	43.34
Dinkal Sigorta Acenteliği A.Ş.	96.66	96.66	2.23	2.23	98.89	98.89	95.53	95.53
Akdepo Lojistik ve Dış Ticaret A.Ş	-	100.00	-	-	-	100.00	-	100.00
Zeytinliada Turizm ve Ticaret A.Ş.	89.61	89.61	4.64	4.64	94.25	94.25	89.61	89.61
İstasyon Tekstil ve Sanayi Ticaret A.Ş.	43.37	43.37	28.31	28.31	71.68	71.68	43.37	43.37
Akiş Gayrimenkul Yatırımı A.Ş.	31.53	20.00	43.93	64.36	75.46	84.36	31.46	20.00
Fitco BV	100.00	100.00	-	-	100.00	100.00	39.59	39.59
Aksa Egypt Acyrlic Fiber Industrie SAE	100.00	100.00	-	-	100.00	100.00	39.77	39.69
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş.	20.00	20.00	40.00	40.00	60.00	60.00	20.00	20.00
Ak Yön Yönetim ve Bakım Hizmetleri A.Ş.	99.99	99.99	0.01	0.01	100.00	100.00	31.46	20.00
Aksu Real Estate E.A.D	100.00	100.00	-	-	100.00	100.00	31.46	52.51

(*) Represents total direct ownership interest held by Akkök and its subsidiaries.
(**) Represents total direct ownership interest held by certain Dinçkök family members and related shareholders who declared to exercise their voting power inline with the voting preference of Akkök.
(***) Represents total direct and indirect ownership interest held by Akkök.

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

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

c) Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Akkök and its subsidiaries together with one or more other parties. Akkök exercises such joint control through direct and indirect ownership interest held by itself and/or through voting power Dinçkök family members and the related shareholders who declared to exercise their voting power inline with the voting preferences Akkök. The Group's interest in joint ventures is accounted for by way of equity method. Under the equity method, investments in the joint ventures are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the joint venture and the comprehensive income reflects the share of the results of operations of the joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. The table below sets out the joint-ventures, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2013 and 31 December 2012:

	Proportion of voting power held by Akkök and its subsidiaries (%)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%)		Total voting power held		Proportion of effective interest (%)	
Joint ventures	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Ak-El Yalova Elektrik A.Ş.	100.00	90.07	-	5.86	100.00	95.93	20.43	20.43
Akenerji Elektrik Üretim A.Ş.	20.43	20.43	16.93	16.93	37.36	37.36	20.43	20.43
Ak Enerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.	100.00	90.00	-	5.00	100.00	95.00	20.43	20.43
Akkur Enerji Üretim Tic. ve San. A.Ş.	100.00	99.43	-	0.29	100.00	99.72	20.43	20.43
Mem Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş	100.00	99.28	-	0.36	100.00	99.64	20.43	20.43
Akka Elektrik Üretim A.Ş.	-	90.00	-	5.00	-	95.00	-	20.43
Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.	50.00	72.50	-	-	50.00	72.50	50.00	36.69
Akfil Holding A.Ş.	-	9.00	-	2.50	-	11.50	-	9.00
Sakarya Elektrik Dağıtım A.Ş.	100.00	100.00	-	-	100.00	100.00	50.00	36.69
Sakarya Elektrik Perakende Satış A.Ş.	100.00	72.50	-	-	100.00	72.50	50.00	36.69
Egemer Elektrik Üretim A.Ş.	100.00	100.00	-	-	100.00	100.00	20.43	20.43
Ak-el Kemah Elektrik Üretim A.Ş.	100.00	99.99	-	-	100.00	99.99	20.43	20.43
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	100.00	99.99	-	-	100.00	99.99	20.43	20.43
Garanti Koza-Akiş Adi Ortaklığı	-	25.00	-	-	-	25.00	-	5.00
Dowaksa Advanced Kompozit Holding B.V.	50.00	50.00	-	-	50.00	50.00	19.79	19.79
DowAksa İleri Kompozit Malzemeler Sanayi Ltd. Şti.	100.00	100.00	-	-	100.00	100.00	19.79	19.79
DowAksa Switzerland GmbH	100.00	-	-	-	100.00	-	19.79	-
DowAksa USA LLC	100.00	-	-	-	100.00	-	19.79	-
Akferal Su Kimyasalları Sanayi ve Ticaret A.Ş.	50.00	-	-	-	50.00	-	21.00	-

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

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

d) Investments in associated undertakings are accounted for using the equity method of accounting (Note 7). These are undertakings, over which the Group generally has between 20% and 50% of the voting rights; through the voting rights of Akkök and its subsidiaries and/or through the voting rights of certain members of Dinçkök family and related shareholders in those companies who declared to exercise their voting rights inline with Akkök's voting preference or through the Group's exercise of significant influence with, no controlling power. Unrealised gains on transactions between the Group and its associated undertakings are eliminated to the extent of the Group's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking or significant influence of the Group ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter. The table below sets out the associates accounted for using the equity method of accounting, the proportion of voting power held by Akkök and its subsidiaries and effective ownership interests at 31 December 2013 and 2012:

	Proportion of voting power held by Akkök and its subsidiaries (%)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%)		Total voting power held		Proportion of effective interest (%)	
Subsidiaries	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Akmerkez GayrimenkulYatırım Ortaklığı A.Ş. ("Akmerkez")	13.12	13.12	5.57	5.57	18.69	18.69	13.12	13.12
Saf Gayrimenkul Yatırım Ortaklığı A.Ş.	6.56	6.56	14.21	14.21	20.77	20.77	2.06	1.31

e) Other investments in which the Group and its subsidiaries have an interest below 20%, or Group and its subsidiaries have an interest over 20% but the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale investments. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 6).

	Proportion of voting power held by Akkök and its subsidiaries (%) (*)		Proportion of voting power held by certain Dinçkök family members and related shareholders (%) (**)		Proportion of effective interest (%) (***)	
Financial Investments	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Akhan Bakım Yön. Ser. Hiz. Tic. A.Ş.	99.00	99.00	0.15	0.15	99.00	99.00
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	39.37	39.37	-	-	39.37	39.37
Aken B.V.	100.00	100.00	-	-	20.43	20.43

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

f) The portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through the subsidiaries, by the parents, is presented as non-controlling interest.

Changes in Group structure

<u>Merger of Akiş and Ak-al</u>

Two of Group's subsidiaries, Akiş and Akal, have merged and continue their operations under a single legal entity as of 4 January 2013. This merger did not have an impact in the consolidated financial statements.

<u>Purchase of Akcez shares by Akkök Sanayi ve Yatırım Geliştirme A.Ş.</u>

Akkök acquired 22.5% of Akcez shares held by its joint venture, Akenerji. Impact of this transaction is disclosed in Note 7.

<u>Sale of Akfil and Garanti Koza shares</u>

The Group has disposed their interests in its joint ventures, Akfil Holding and Garanti Koza-Akiş for an amount of USD 62,425 thousand on 11 March 2013. As a result of this disposal, the Group recognized a sales gain of TL 98,893 (Note 24).

2.3 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.4 Amendments in International Financial Reporting Standards ("TFRS")

a) Standards, amendments and interpretations effective for annual periods ending on or after 31 December 2013:

- Amendment to TAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- Amendment to TAS, 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

- Amendment to TFRS 1, 'First time adoption', on government loans; ; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to TFRS. It also adds an exception to the retrospective application of TFRS, which provides the same relief to first-time adopters granted to existing preparers of TFRS financial statements when the requirement was incorporated into TAS 20 in 2008.

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

- Amendment to TFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare TFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- Amendment to TFRSs 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to TFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before TFRS 12 is first applied.

- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013.These annual improvements, address five issues in the 2009-2011 reporting cycle. It includes changes to:

  - TFRS 1, 'First time adoption'
  - TAS 1, 'Financial statement presentation'
  - TAS 16, 'Property plant and equipment'
  - TAS 32, 'Financial instruments; Presentation'
  - TAS 34, 'Interim financial reporting'

- TFRS 10,'Consolidated financial statements'; is effective for annual periods beginning on or after 1 January 2013. The objective of TFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- TFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. TFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- TFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. TFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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

- TFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. TFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRSs. The requirements, which are largely aligned between TFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within TFRSs or US GAAP.

- TAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. TAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of TAS 27 have been included in the new TFRS 10.

- TAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. TAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of TFRS 11.

- TFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under TFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

b) New TFRS standards, amendments and TFRICs published as of 31 December 2013 but effective after 1 January 2014

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

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

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

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

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

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

- TFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace TAS 39, 'Financial instruments: Recognition and measurement'. TFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the TAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

  The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

- Amendments to TFRS 9'Financial instruments', regarding general hedge. These amendments to TFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010 - 2012 cycle of the annual improvements project, that affect 6 standards:

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2012-2013 cycle of the annual improvements project that affect 4 standards:

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

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the consolidated financial statements of the Group.

2.5 Comparatives and adjustment to previous periods' financial statements

In order to enable consistent presentation of the financial status and performance trends, the consolidated financial statements of the Group are being prepared in comparison to the previous period. Previous period's consolidated financial statements have been restated in accordance with revised TAS 19 "Employee Benefits" and TFRS 11 "Joint Arrangements", which have been effective from 1 January 2013. These standards have been applied retrospectively in accordance with "TAS 8 -Accounting Policies, Changes in Accounting Estimates and Errors" and impact of these restatements on previously issued consolidated financial statements is explained below.

Impact of TAS 19:

"TAS 19 Employee Benefits" requires actuarial assumptions (net discount rate and turnover rate to estimate the probability of retirement) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the 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 transitional provisions stated in "TAS 19 Employee Benefits".

Impact of TFRS 11:

The Group's interests in Joint Ventures have been accounted for by proportionate consolidation method in accordance with "TAS 31 Shares in Joint Ventures" prior to 1 January 2013. Under the proportionate consolidation method, the Joint Venture's assets, liabilities, equity, income and expenses are consolidated by the total ownership interest of the Group and intercompany transactions and balances with Joint Ventures are eliminated during the consolidation.

"TFRS 11 Joint Arrangements", effective for the annual periods on or after 1 January 2013, supersedes "TAS 31 Shares in Joint Ventures" and requires the application of the equity method for the consolidation of interests in joint ventures in accordance with "TAS 28 Investments in Associates and Joint Ventures".

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

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

Under the equity method, the investment in a joint venture is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognised in the investor's profit or loss. Distributions (dividends etc.) received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

In accordance with this amendment, the Group changed its policy regarding the accounting of its Joint Ventures from proportionate consolidation method to equity accounting method.

The Group's investment in its joint ventures is recognised as at the beginning of the earliest period presented in the consolidated financial statements as of 1 January – 31 December 2013. This initial investment has been measured as the aggregate of the carrying amounts of the assets and liabilities that the Group has previously proportionately consolidated, including any goodwill arising from acquisition.

Total direct and indirect ownership interest of Akkök has been taken into consideration in the accounting of Joint ventures by equity method.

Reconciliation of previously reported financial statements of 31 December 2012 restated as of 31 December 2013 are as follows:

	Previously reported balance at 31 December 2012	Impact of change in TFRS-11	Impact of change in TAS 19	Impact of change in other accounting policy	Restated 31 December 2012
Current assets	1,698,417	(462,063)	-	-	1,236,354
Non-current assets	2,367,858	(486,909)	-	(14,777)	1,866,172
Total Assets	**4,066,275**	**(948,972)**	**-**	**(14,777)**	**3,102,526**

	Previously reported balance at 31 December 2012	Impact of change in TFRS-11	Impact of change in TAS 19	Impact of change in other accounting policy	Restated 31 December 2012
Current liabilities	1,306,625	(352,480)	-	(26,283)	927,862
Non-current liabilities	921,915	(596,492)	-	26,252	351,675
Total Liabilities	**2,228,540**	**(948,972)**	**-**	**(31)**	**1,279,537**
Total Equity	1,837,735	-	(1,671)	(13,075)	1,822,989
Total Assets	**4,066,275**	**(948,972)**	**(1,671)**	**(13,106)**	**3,102,526**

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

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

	Balance at 31 December 2012	Impact of change in TFRS-11	Impact of change in TAS 19	Impact of change in other accounting policy	Restated 31 December 2012
Continued operations					
Revenue	2,919,591	(829,790)	-	-	2,089,801
Cost of sales (-)	(2,523,875)	770,078	-	(7,053)	(1,760,850)
Gross Profit	395,716	(59,712)	-	(7,053)	328,951
Profit/loss before tax	392,090	(22,427)	996	(7,053)	363,606
Net profit for the period	**302,001**	**(8,868)**	**996**	**(7,053)**	**287,076**

	31 December 2012	Restated 31 December 2012
Cash flow from operating activities	120,880	239,776
Cash flow from investing activities	(337,937)	(183,816)
Cash flow from financing activities	368,740	25,448
Net increase/(decrease) in cash and cash equivalents	**151,683**	**81,408**

2.6 Going Concern

The consolidated financial statements including the accounts of the parent company, its subsidiaries, joint ventures and associates have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

3.2 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by or affiliated with them, associates and joint ventures are considered and referred to as related parties (Note 8).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is three months or less. The maturity at the time of purchase is higher than three months deposits recognize in financial assets (Note 5).

3.4 Financial assets

Financial assets within the scope of TAS 39 "Financial instruments: Recognition and measurements" 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 recognised 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 recognised 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 market place.

As of 31 December 2013 and 2012 the Group does not have any financial assets at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation 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 recognised directly in equity, through the statement of changes in equity, except for impairment losses, dividend and interest gains, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss. If a fair value loss on an available-for-sale asset has been recognised directly in equity, and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised 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 (Note 6).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries excluded from the scope of consolidation

For investments as subsidiaries that are excluded from the scope of consolidation on the grounds of materiality where there is no quoted market price and where a reasonable estimate of fair value cannot be determined since other methods are inappropriate and unworkable, they are carried at cost less any impairment in value (Note 6).

3.5 Trade receivables and payables

Trade receivables have a maturity range of 30-120 days and are recognised at original invoice amount and carried at amortised 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. Bad debts are written off when identified (Note 9).

Trade payables consist of the amounts invoiced or not invoiced related with the realised material or service purchases, and are carried at amortised cost (Note 9).

3.6 Inventories

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

3.7 Investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property". Investment properties are carried at cost less accumulated depreciation (except for land) (Note 12).

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. Recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less cost to sell.

Investment property in accordance with the principle of the straight-line method, useful lives are amortised. Land is not depreciated because it is an indefinite life for the estimated useful life for buildings is between 5 and 50 years.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 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 3). 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. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life
Land improvements	2-50
Buildings	5-50
Machinery and equipment	3-40
Motor vehicles	4-8
Furniture and fixtures	2-50
Leasehold improvements	4-46

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

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate (Note 24).

Repairs and maintenance are charged to consolidated statement of comprehensive income 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.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. The depreciation period for the intangibles capitalised 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 14).

Intangible assets useful lives vary between 3 and 15 years.

Research and development expenses

Expenditures for research and development are expensed in the period incurred. Except with the following criteria for project expenditures are recorded as expense in the period incurred as well. The costs related to the development projects are capitalised when the criteria below are met and amortised on a straight-line basis over the useful lives of related projects according to standard TMS 38 Intangible assets (Note 14):

- 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
- Adequate technical, financial and other resources required for completion of the project are available.

The Group manages research and development projects with project declaration documentation. On the beginning and ending of projects, top management of Group confirms projects declaration forms, reviews projects and controls research and development expenses and capitilization.

3.10 Revenue recognition

Revenue

Revenue is recognised 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 recognised 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.

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 recognised on an accrual basis as financial income.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Revenue recognition (Continued)

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

Commission income is recognised when the intermediary goods have been billed by the seller.

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

Income generated from the sales of the real estate (residential units and shops classified as inventories) is accounted as soon as the below conditions are met:

- The Group has transferred all significant risks and rewards associated with the property to the buyer. (Transfer of title generally coincides with the final acceptance by the customers of the residential units or shops sold and that is when the risk and rewards of ownership is considered to pass to the customer),
- The Group does not have any control on the sold properties and no continued administrative participation associated with the property,
- Reliable measurement of revenue,
- Probability that the economic benefits from the transaction will flow to the Group and
- Reliable measurement of costs,

Incomes from the leased assets are recorded on an accrual basis. Revenue of economic benefits arising from the transaction is deemed, if possible entries to a group, and that the amount of revenue can be measured reliably. Quarterly, incomes from leased assets discounts are dislosed net of rental income in the period it occurred.

Interest income from leased assets, the principal amount of the financial asset and the estimated future cash inflows through the expected life of the asset's net book value, which comes on the basis of the effective interest method, is accrued in the period.

3.11 Borrowings

All bank borrowings are initially recognised 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 amortised cost using the effective yield method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement (Note 18).

3.12 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 capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Provisions for employee termination benefits

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

Under the Turkish Labour Law, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 16).

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 reserve of the probable future obligations (Note 16).

3.14 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.

The corporation tax rate is 20% after 1 January 2006 in Turkey. Corporation tax rate is applicable on the total income of the companies after adjusting for certain disallowable expenses, income tax exemptions (participation exemption, investment incentive exemption, etc.) and income tax deductions (for example research and development expenses deduction). No further tax is payable unless the profit is distributed.

Except for the dividends paid to non-resident corporations which have a representative office in Turkey or resident corporations, dividends 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 and thus does not incur withholding tax.

Akmerkez, one of the affiliate's of the Group and Akiş, one of the the subsidiaries of the Group are not subject to Corporate Tax according to article 94, paragraph 6-a of Income Tax Law and the stopage rate is decided as "%0" according to decision numbered 93/5148 by Council of Ministers.

Deferred income tax is provided for in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Current and deferred income tax (Continued)

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 27).

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level.

3.15 Events after the balance sheet date

The Group adjusts the amounts recognised in its financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the consolidated financial statements (Note 30).

3.16 Provisions

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

3.17 Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements, but disclosed when an inflow of economic benefits is probable.

Possible assets or 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 tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial (Note 15).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 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.

3.19 Business combinations

Business combinations are accounted in accordance with TFRS 3 "Business Combinations". Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. If the purchase amount is less than the fair value of provisions, contingent assets and liabilities, the subjected difference is identified with income statement.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group (the "Economic Entity Model"). Disposals to minority interests result in gains and losses for the Group that are recorded in the equity.

3.20 Foreign currency transactions

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in Turkish Lira, which is the functional currency of Akkök.

Foreign currency transactions and balances

Income and expenses arising in foreign currencies have been translated into TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statement of income.

3.21 Derivative financial instruments

The Group's derivative financial instruments are composed of interest rate swap and forward foreign exchange purchase and sale transactions.

Since interest rate swap transactions ensure effective protection against risks for the Group and meet the conditions necessary for TAS 39 "Accounting of financial instruments" in terms of hedge accounting, they are accounted for hedge accounting derivatives in the consolidated financial statements.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.21 Derivative financial instruments (Continued)

While certain forward foreign exchange purchase and sale transactions provide effective protection for the Group against foreign exchange risks, they are still recognised as held-for-trading financial instruments in the consolidated financial statements since they don't meet the conditions necessary for TAS 39 "Financial instruments: Recognition and Measurement" for hedge accounting.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity under "hedging reserve", whereas changes in the fair value of derivatives designated as held for trading, are recognized in the comprehensive statement of income.

3.22 Reporting of cash flows

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 operations. Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (capital expenditures 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 (Note 5).

3.23 Government grants

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

3.24 Paid in share capital

The shareholders are classified as share capital. The share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings (Note 20).

3.25 Leases

a) The Group as the lessor

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease (Note 23).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) The Group as the lessee

Finance leases

Assets held under a finance lease are presented in balance sheet as a receivable at an amount equal to the present value of lease payments. Interest income is determined over the term of the lease using the net investment period, which reflects a constant periodic rate of return and the deferred financial income on the transaction date is recognised as unearned finance income.

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised in the consolidated income statement on a straight-line basis over the lease term (Note 23).

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements according to TFRS, necessitates 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) Akport investments

As explained in detail in Note 15, the Agreement to Transfer the Right to Operate the Tekirdağ Port signed between Akport, TDI and the Privatisation Authority was terminated on 6 March 2012. Group management anticipates receiving compensation for the investments in Tekirdağ Port and that the compensation will not be less than their book value as recorded in the Group's consolidated financial statements dated 31 December 2013.

b) Fair values of investment property

Land and buildings that are held in the production or supply of goods or services or for administrative purposes or for long-term rental yields or for capital appreciation or both rather than for the sale in the ordinary course of business are classified as "investment property".

Investment properties are stated at cost less accumulated depreciation and impairment, if any, shown by the impairment loss. Investment properties are indexed as of 31 December 2004 balance sheet date has been brought to the purchasing power of the Turkish Lira. Its values after 1 January 2005 are shown with their nominal values. Investment property loans used for the acquisition of the property belonging to financial expenses incurred during the investment period, adjusted for inflation have been included in the cost. Fair values of investment property disclosed in Note 12 have been estimated by management through use of independent property valuation experts.

c) Deferred income tax assets

Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income tax assets resulting from deductable temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised (Note 27).

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

d) Useful lives of property, plant and equipment and intangible assets

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of property, plant and equipment, rely on best estimates of management, these estimates are reviewed balance sheet dates and if necessary adjustments are made necessary (Note 13, 14).

e) Provisions

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

f) Income taxes

Subsidiaries, joint ventures and associates of the Group are subject to income tax and various tax legislations. The group performs the accounting of liabilities related to the taxes expected based on the assumption of whether additional tax will be paid or not. If the tax amount reached as a result of these is significantly different from the amount first entered to the book, these differences may affect the provision of income tax and deferred taxes related to that period (Note 27).

g) Provision for employment termination benefits

Provision for employee termination benefits at present value is determined on an actuarial basis using certain assumptions. These assumptions, including the discount rate, are used in determining the current year charge (income) arising from the change in the provision. Changes to these assumptions impact the carrying amount of the provisions.

At the end of each year, the Group determines the discount rate to be used in the calculating the present value of the estimated future cash flows. In estimating the discount rate, the Group considers the yields on long-term high quality corporate and sovereign bonds and inflation estimates of Central Bank of Turkey (Note 16).

NOTE 5 - CASH AND CASH EQUIVALENTS

The analysis of cash and cash equivalents at 31 December 2013, 2012 and 2011 is as follows:

	2013	**2012**	**2011**
Cash	229	204	289
Bank			
Demand deposit	55,847	36,786	32,323
Time deposit	563,112	333,628	271,060
Other	4,604	6,829	11,162
Total	**623,792**	**377,447**	**314,834**

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

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

The analysis of cash and cash equivalents in terms of the consolidated statements of cash flows at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Cash and cash equivalents	623,792	377,447	314,834
Less: restricted deposits	(4,605)	(4,693)	(3,741)
Cash and cash equivalents	**619,187**	**372,754**	**311,093**

Interest rate of time deposits with maturities less than 3 months at 31 December 2013, 2012 and 2011 are as follows:

	Time Deposit	2013 %	Time Deposit	2012 %	Time Deposit	2011 %
TL	336,721	8.72 – 10.00	94,025	6.90 – 11.00	69,080	8.50 – 12.30
USD	161,309	2.90 – 4.75	210,903	2.70 – 4.05	182,435	4,44 – 5.40
Euro	64,991	2.90 – 3.30	28,497	2.70 – 3.20	19,545	4.41 – 5.45
Other	91	-	203	-	-	-
Total	**563,112**		**333,628**		**271,060**	

NOTE 6 - FINANCIAL INVESTMENTS

Non-current financial investments:	2013	2012	2011
Available-for-sale financial investments	9,813	13,211	6,840
Financial investments not included in the scope of consolidation	226	1,054	1,116
Total	**10,039**	**14,265**	**7,956**

Available-for-sale financial investments:	%	2013	%	2012	%	2011
Yapı ve Kredi Bankası A.Ş.	<1	8,798	<1	12,284	<1	6,332
Akçansa Çimento Sanayi A.Ş.	<1	666	<1	578	<1	313
Türkiye Sınai Kalkınma Bankası A.Ş.	<1	347	<1	347	<1	194
Türkiye Vakıflar Bankası A.Ş.	<1	2	<1	2	<1	1
Total		**9,813**		**13,211**		**6,840**

Movements of available-for-sale financial investments for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	13,211	6,840
Changes in fair value	(3,398)	6,371
31 December	**9,813**	**13,211**

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

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

Financial investments not included in the scope of consolidation:	**2013**	**2012**	**2011**
Üçgen Bakım ve Yönetim Hizmetleri A,Ş,	107	107	107
Akhan Bakım Yönetim Servis Hizmet Ticaret A,Ş,	119	119	122
Akgirişim Kimya ve Ticaret A,Ş,	-	-	98
Aksu Textiles E,A,D,	-	828	789
Total	**226**	**1,054**	**1,116**

Financial investments that are not material regarding the Group's consolidated net assets, financial position and financial performance, were not included in the scope of consolidation and classified as available-for-sale financial investments. These are measured at restated costs in accordance with inflation accounting requirement applied until 31 December 2004 when fair value cannot be reliably measured (Note 2.2.e).

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The analysis of the investments accounted for by the equity method at 31 December 2013, 2012 and 2011 is as follows (Note 2.2.d).

	2013	**2012**	**2011**
Akcez	277,937	181,108	150,912
DowAksa	245,108	227,742	-
Akenerji	118,191	147,515	69,346
Akmerkez	25,429	23,530	21,145
Saf GYO	4,070	2,864	5,732
Akferal	306	-	-
Akfil Holding A,Ş, (*)	-	12,387	-
Total	**671,041**	**595,146**	**247,135**

(*) Akiş' shares in Garanti Koza Akiş Adi Ortaklığı were sold to Akfil Holding A.Ş. for USD 10,000,000, on 11 March 2013. On the other hand, Akiş' shares in Akfil Holding A.Ş. were sold to Garanti Koza İnşaat, the other venturer in this joint-venture, for USD 52,425,000 on 11 March 2013. The sale gain arising from these transactions has been recognised in the consolidated income statement for the year ending 31 December 2013 under "Income From Investing Activities" (Note 24).

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

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Movements of investments in associate during the years ended 31 December 2013, 2012 and 2011 is as follows:

	2013	**2012**
1 January	595,146	247,135
Share of profit from associates	(77,947)	41,048
Dividend received	(24,318)	(10,345)
Other comprehensive income from associates	46,760	13,626
Increase in ownership rate (**)	125,930	75,940
Reinstatement of net liabilities in associate during disposal	5,470	-
Additional shares recognized (***)	-	227,742
31 December	**671,041**	**595,146**

(**) The amounts increase in shares of dividends are related with purchasing of Akenerji shares of Akcez at 31 December 2013 (Note 2.2).

(***) In light of the sub-paragraph (b) of clause 3 of Article 19 of Corporate Tax Law No. 5520, Article 19.2.2 of the General Communiqué on Corporate Tax Serial No. 1 and the Common Communiqué on Regulation of Principles and Procedures Regarding the Partial Spin-off of Joint Stock and Limited Companies issued by the Ministry of Finance and the Ministry of Industry and Commerce and published in Official Gazette No. 25231 dated 16 September 2003, it is deemed appropriate for the carbon fibre activities of Aksa Akrilik Kimya Sanayii Anonim Şirketi, one of the Group's subsidiaries, to be spun-off into a newly established joint stock company via a partial spin-off through the transfer of shares as capital in-kind. This spin-off was accepted by the partners in the extraordinary general assembly meeting held on 02 January 2012 and Aksa Karbon Elyaf Sanayi A.Ş. was established.

Before the international partnership transactions to be established as 50%-50% with Dow Europe Holdings B.V., Aksa has acquired all of the shares belonging to Celtic Pharma Holdings II B.V., which had a nominal capital amount of EUR18.000; incorporated in the Netherlands on 01 June 2012; and changed the company title to Aksa Netherlands.

Aksa has transferred all of the shares owned by Aksa Karbon Elyaf Sanayi A.Ş, one of its subsidiaries, and whose 99.99% of the shares belong to the company, to Aksa Netherlands as capital in-kind amounting to USD185,000,000.

Within the context of the international scale partnership transactions, to be established as 50%-50% with Dow Europe Holdings B.V., Aksa sold 8.108% of the shares owned by Aksa Netherlands to Dow Europe Holdings B.V. on 29 June 2012 for USD15,000,000, and on same date, following this transaction, Dow Europe Holdings B.V. established a 50% partnership with Aksa Netherlands Holding B.V. via a capital increase of USD170,000,000 and a share premium contribution and changed the company title to DowAksa Advanced Composites Holdings B.V. ("DowAksa Holdings") on the same date.

Because the relevant transactions are considered "loss of control over subsidiary" for the Group in accordance with SIC 13-Jointly Controlled Enterprises-Non-Monetary Participation Shares of Joint Ventures, the profit amounting to TRY88,169 arising from the sale of 8.108% of the shares, the capital increase and share premium contributions transactions of Dow Europe Holdings B.V. is recognised under "Income From Investing Activities" (Note 24). Also, the income and expenses which occurred up until the date that the control over the subsidiary was lost are recognized in the consolidated income statement.

As of 31 December 2013 and 2012, summaried financial information for the Group's investments accounted for using the method are presented below:

2013	**Assets**	**Liabilities**	**Revenue**	**Net profit for the period**
Akcez	1,625,168	1,176,173	1,814,676	(43,189)
DowAksa	508,814	221,357	66,696	(51,050)
Akenerji	3,201,383	2,373,355	771,029	(127,082)
Akmerkez	197,524	3,707	81,415	59,842
Saf GYO	972,678	775,061	8,419	20,727
Akferal	2,014	1,401	2,177	113

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

NOTE 7 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

2012	Assets	Liabilities	Revenue	Net profit for the period
Akcez	1,580,658	1,087,105	1,728,327	68,457
DowAksa	610,993	155,510	16,613	(16,733)
Akenerji	2,823,508	1,879,073	801,981	81,116
Akmerkez	182,742	3,397	73,558	54,322
Saf GYO	739,696	521,352	15,334	(38,678)
Akfil	389,584	115,120	-	478

As of 31 December 2013 and 2012, market capitalization of the Group's investments accounted for using the equity method are presented below:

2013	31 December 2013 Total market capitalization	Group's share
Akmerkez GYO	557,469	73,140
Akenerji	853,122	174,293
Saf GYO	984,128	20,273
Total	**2,394,719**	**267,706**

2012	Balance at 31 December Total market capitalization	Group's share
Akmerkez GYO	834,714	109,514
Akenerji	1,203,121	245,798
Saf GYO	868,870	11,396
Total	**2,906,705**	**366,708**

NOTE 8 - RELATED PARTY DISCLOSURES

a) Trade receivables due from related parties

The analysis of trade receivables due from related parties as at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Akenerji	10,727	8,538	5,916
DowAksa	3,510	2,979	-
Akcez	2,051	1,666	2,549
Garanti Koza-Akiş Adi Ortaklığı	-	14,587	33,571
Other	2,818	900	265
Total	**19,106**	**28,670**	**42,301**

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

NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

b) Other receivables due from related parties

The analysis of other receivables due from related parties as at 31 December 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Akenerji	-	65,159	71,844
Akcez	2,146	1,738	-
Garanti Koza-Akiş Adi Ortaklığı	-	-	10,213
Other	793	-	1,901
Total	**2,939**	**66,897**	**83,958**

c) Short-term trade payables due to related parties

	2013	2012	2011
DowAksa	16,237	5,003	-
Akkon Yapı Taahhüt Yapı İnşaat Müşavirlik A,Ş,	4,232	-	8,220
Akenerji	829	1,049	-
Other	1,345	813	7,398
Total	**22,643**	**6,865**	**15,618**

d) Short-term other payables due to related parties

	2013	2012	2011
Saf GYO	-	-	57,769
Total	**-**	**-**	**57,769**

e) Sales to related parties

	2013	2012
Akenerji	66,137	42,028
DowAksa	30,283	11,423
Akcez	11,038	7,022
Diğer	4,408	954
Total	**111,866**	**61,427**

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

NOTE 8 - RELATED PARTY DISCLOSURES (Continued)

f) Service and product purchases from related parties

	2013	2012
DowAksa	53,535	12,247
Akkon	17,652	19,831
Akenerji	8,650	6,372
Akhan Bakım Yönetim Servis Hizmet Ticaret A,Ş,	4,586	3,220
Garanti Koza	-	42,376
Diğer	4,317	1,502
Total	**88,740**	**85,548**

Purchases from related parties consist of energy, chemical products,services, consultancy and rent expenses.

g) Key management compensation

Group has determined the key management personnel as the members of the board of directors and executive committee members.

	2013	2012
Key management compensation	9,309	6,848
Other benefits	550	508
Total	**9,859**	**7,356**

h) Commitments given to related parties

Akkök Sanayi Yatırım ve Geliştirme A.Ş. and CEZ A.Ş., individually (each one separately and to be responsible for a maximum of half of the outstanding debt) are guarantors to the USD 325,000,000 loan obtained by Akcez Enerji Yatırımları Sanayi ve Ticaret A.Ş.("Akcez") and its subsidiaries Sakarya Elektirk Dağıtım A.Ş. ve Sakarya Elektrik Perakende Satış A.Ş and Sakarya Elektrik Perakende Satış A.Ş., from the International Finance Corporation ("IFC"), the European Bank for Reconstruction and Development ("EBRD") and Unicredit Bank AG ("UCB") on 6 December 2010. Redemption of loan is done by Akcez. As of 31 December 2013, the remaining principal of this loan is USD 288,000,000.

NOTE 9 – TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties

	31 December 2013	31 December 2012	31 December 2011
Trade receivables	506,729	466,878	588,462
Less: Provision for doubtful receivables	(55,577)	(57,946)	(58,475)
Less: Rediscount of trade receivables	(3,417)	(138)	(2,596)
Sub total	**447,735**	**408,794**	**527,391**
Trade receivables due from related parties	19,106	28,670	42,301
Total	**466,841**	**437,464**	**569,692**

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

NOTE 9 – TRADE RECEIVABLES AND PAYABLES (Continued)

a) Trade receivables from third parties (Continued)

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 is no additional collection risk for trade receivables other than the provision provided.

Maturity of trade receivables of the Group is generally less than three months (2012 and 2011: less than three months).

Movements of provision for doubtful trade receivables for the years ended 31 December 2013 and 2012 are as follows:

	2013	**2012**
1 January	**57,946**	**58,475**
Collections and reversal of provisions	(3,976)	(765)
Charge for the period	1,607	236
31 December	**55,577**	**57,946**

As at 31 December 2013, trade receivables amounting to TL 59,803 (2012: TL 37,490 and 2011: 61,921) were past due but not impaired. The Group does not foresee any collection risk for receivables overdue up to one month due to sector dynamics and circumstances. To certain extent, trade receivables that are past due for over a month are restructured by charging interest.

Aging of past due but not impaired trade receivables at 31 December 2013, 2012 and 2011 is as follows:

	2013	**2012**	**2011**
Up to 3 months	42,133	26,205	55,368
More than 3 months	17,670	11,285	6,553
Total	**59,803**	**37,490**	**61,921**

The Group has a guarantee letter from mentioned receivables in above amounting TL 144,608 (2012: TL 129,316 and 2011: TL 195,359)

b) Trade payables from third parties

	2013	**2012**	**2011**
Trade payables	352,699	260,630	286,331
Less: Rediscount of trade payables	(2,093)	(1,179)	(1,985)
Subtotal	**350,606**	**259,451**	**284,346**
Trade payables due to related parties	22,643	6,865	15,618
Total	**373,249**	**266,316**	**299,964**

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

NOTE 10 - INVENTORIES

	2013	2012	2011
Raw materials	138,195	118,679	142,392
Finished goods	48,043	38,964	40,561
Uncompleted residence	24,683	3,592	96,988
Semi-finished goods	15,875	18,182	25,362
Trade goods	14,476	24,142	6,493
Completed residence	2,387	17,323	-
Other inventories and spare parts	15,810	16,166	12,459
Less: Provision for impairment in inventories	(1,226)	(686)	(1,674)
Total	**258,243**	**236,362**	**322,581**

At 31 December 2013, carrying value of the Group's non-current inventories comprising uncompleted residences is TL 244,632 (2012: TL 7,645, 2011: TL 1,957).

Provision for impairment in inventories is mainly related to finished goods as of 31 December 2013, 2012 and 2011.

	2013	2012
1 January	**686**	**1,674**
Provisions released	-	(988)
Charged in for the year	540	-
31 December	**1,226**	**686**

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME

a) Prepaid expenses in current assets

	2013	2012	2011
Advances given for inventories	23,203	8,347	8,349
Prepaid expenses	11,817	9,253	19,561
Total	**35,020**	**17,600**	**27,910**

b) Prepaid expenses in non-current assets

	2013	2012	2011
Advances given	12,167	4,048	16,497
Prepaid expenses	5,242	7,184	8,458
Total	**17,409**	**11,232**	**24,955**

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

NOTE 11 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

c) Deferred income

	2013	2012	2011
Advances received	41,922	1,839	4,627
Deferred income	719	7,033	141,459
Total	**42,641**	**8,872**	**146,086**

NOTE 12 - INVESTMENT PROPERTY

Movement of investment property for the years ended 31 December 2013 and 2012 are as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Land, land improvements and buildings	414,738	44,965	(9,795)	449,908
Total	**414,738**	**44,965**	**(9,795)**	**449,908**
Accumulated depreciation:				
Land, land improvements and buildings	20,498	15,828	-	36,326
Total	**20,498**	**15,828**	**-**	**36,326**
Net book value	**394,240**			**413,582**

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Land, land improvements and buildings	418,505	6,546	(10,313)	414,738
Total	**418,505**	**6,546**	**(10,313)**	**414,738**
Accumulated depreciation:				
Land, land improvements and buildings	19,793	705	-	20,498
Total	**19,793**	**705**	**-**	**20,498**
Net book value	**398,712**			**394,240**

Fair value of the Group's investment properties, as of 31 December 2013 were estimated by a independent valuation company as TL 868,352 (2012: TL 696,841).

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2013
Cost						
Land and land improvements	215,803	5,046	(2,791)	20,208	229	238,495
Buildings	148,956	1,172	(2,203)	13,428	474	161,827
Machinery and equipment	1,131,439	2,054	(142,970)	149,290	925	1,140,738
Motor vehicles	75,777	77,529	(72,643)	-	57	80,720
Furniture and fixtures	57,387	5,106	(1,842)	4,107	36	64,794
Leasehold improvements	14,869	70	-	-	-	14,939
Construction in progress (**)	146,045	158,431	(5,903)	(199,113)	-	99,460
Total	**1,790,276**	**249,408**	**(228,352)**	**(12,080)**	**1,721**	**1,800,973**
Accumulated Depreciation						
Land and Land improvements	56,337	5,547	(248)	-	-	61,636
Buildings	45,274	3,795	-	-	93	49,162
Machinery and equipment	790,277	55,488	(134,107)	-	493	712,151
Motor vehicles	64,734	3,034	(63,784)	-	27	4,011
Furniture and fixtures	37,417	4,957	(987)	-	18	41,405
Leasehold improvements	10,343	693	-	-	-	11,036
Total	**1,004,382**	**73,514**	**(199,126)**	**-**	**631**	**879,401**
Net book value	**785,894**					**921,572**

(*) The transfer amounting to TL 12,080 are representing to transfers from property, plant and equipment to intangible asset in 2013.

(**) The main part of constructions in progress is consist of projects of support to insfrastructure of carbon fibres, energy productivity increment projects and modernization projects. For the year ending 31 December 2013, the Group capitalized borrowing costs amounting to TL 15,807 (2012: TL -, 2011: TL 24,073) in relation to borrowings obtained to fund construction of a coal power plant and productivity projects.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2012	Additions	Disposals	Transfers (*)	Sales of subsidiaries	Currency translation differences	31 December 2012
Cost							
Land and Land improvements	211,191	3,496	(2,092)	9,385	(5,888)	(289)	215,803
Buildings	204,705	6	(32,041)	4,089	(26,750)	(1,053)	148,956
Machinery and equipment	1,412,914	1,022	(148,103)	47,641	(175,280)	(6,755)	1,131,439
Motor vehicles	75,479	1,124	(808)	-	(12)	(6)	75,777
Furniture and fixtures	64,177	4,743	(12,799)	2,309	(1,002)	(41)	57,387
Leasehold improvements	10,910	3,649	(477)	787	-	-	14,869
Construction in progress (**)	186,054	155,742	(924)	(64,719)	(126,532)	(3,576)	146,045
Total	**2,165,430**	**169,782**	**(197,244)**	**(508)**	**(335,464)**	**(11,720)**	**1,790,276**
Accumulated Depreciation							
Land and Land improvements	50,508	6,336	(124)	-	(368)	(15)	56,337
Buildings	72,826	3,949	(29,559)	-	(1,872)	(70)	45,274
Machinery and equipment	912,236	56,939	(135,016)	-	(42,225)	(1,657)	790,277
Motor vehicles	62,778	2,722	(759)	-	(7)	-	64,734
Furniture and fixtures	46,045	4,412	(12,795)	-	(261)	16	37,417
Leasehold improvements	9,058	1,718	(433)	-	-	-	10,343
Total	**1,153,451**	**76,076**	**(178,686)**	**-**	**(44,733)**	**(1,726)**	**1,004,382**
Net book value	**1,011,979**						**785,894**

(*) The transfer amounting to TL 508 are representing to transfers from property, plant and equipment to intangible asset in 2012.

(**) The main part of constructions in progress is consist of projects of support to insfrastructure of carbon fibres, energy productivity increment projects and modernization projects. For the period ending 31 December 2012, as the foreing exchange gains offset interest expenses in relation to the borrowing obtained to fund the construction of coal power plant and productivity projects, no borrowing cost were capitalized.

Of the current year depreciation and amortization expenses, TL 81,427 (2012: TL 67,351) was charged to cost of sales, TL 3,272 (2012: TL 1,250) to research and development expenses, TL 6,172 (2012: TL 6,779) to general administrative expenses, TL 56 (2012: TL 250) to marketing and selling expenses, TL 434 (2012: TL 1,600) to constructions in progress, and TL 1,017 (2012: TL 3,500) to inventories.

The total amount of mortage on the lands of the Group as of 31 December 2013 is TL 527,159 (2012: TL 294,129 , 2011: TL 375,169).

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

NOTE 14 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	Transfers (*)	Currency translation differences	31 December 2013
Cost:						
Rights	9,241	2,627	(60)	73	115	11,996
Development costs	4,347	1,224	(2,272)	11,054	-	14,353
Other intangible assets	4,099	31	(67)	953	-	5,016
Total	**17,687**	**3,882**	**(2,399)**	**12,080**	**115**	**31,365**
Accumulated amortisation:						
Rights	7,115	753	(35)	-	6	7,839
Development costs	896	1,925	(94)	-	-	2,727
Other intangible assets	3,622	358	(48)	-	-	3,932
Total	**11,633**	**3,036**	**(177)**	**-**	**6**	**14,498**
Net book value	**6,054**					**16,867**

(*) The transfer amounting to TL 12,080 is representing to development cost transfers from property, plant and equipment to intangible assets in 2013.

	1 January 2012	Additions	Disposals	Transfers (*)	Sales of subsidiaries	Currency translation differences	31 December 2012
Cost:							
Rights	7,241	1,992	(7)	144	-	(129)	9,241
Development costs	24,301	1,562	-	364	(20,366)	(1,514)	4,347
Other intangible assets	3,629	569	-	-	(7)	(92)	4,099
Total	**35,171**	**4,123**	**(7)**	**508**	**(20,373)**	**(1,735)**	**17,687**
Accumulated amortisation:							
Rights	5,832	1,290	(7)	-	-	-	7,115
Development costs	3,895	2,440	-	-	(5,439)	-	896
Other intangible assets	3,403	219	-	-	-	-	3,622
Total	**13,130**	**3,949**	**(7)**	**-**	**(5,439)**	**-**	**11,633**
Net book value	**22,041**						**6,054**

(*) The transfer amounting to TL 508 are representing to development cost transfers from property, plant and equipment to intangible assets in 2012.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions:	**2013**	**2012**	**2011**
Provision for lawsuits	1,458	1,924	902
Other provisions	1,663	300	1,805
Total	**3,121**	**2,224**	**2,707**

Other provisions mostly consist of provision for operating right payments of Akport.

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

	2013	**2012**	**2011**
Insurances on receivables	248,977	193,385	139,522
Eximbank limits	163,245	86,595	78,444
Recieved notes, guarantee and cheques	113,310	96,437	152,668
Received mortgages	74,944	82,556	75,940
Confirmed/nonconfirmed letters of guarantees	35,216	64,629	42,190
Received guarantee letters	31,298	32,879	42,691
Limits from direct debit systems	21,324	22,236	29,464
Total	**688,314**	**578,717**	**560,919**

b) Guarantee letters, mortgages and letters of credit given by the Group are presented below:

	2013	**2012**	**2011**
Mortgages given	527,159	294,129	375,169
Guarantee letters given	302,246	241,301	291,880
Letters of credit given	254,789	150,690	163,759
Total	**1,084,194**	**686,120**	**830,808**

c) The details of Akport port's investment are as follows:

Akport, a subsidiary of the Group, took over the right to operate the Tekirdağ Port for 30 years on 17 June 1997 as a result of the Agreement to Transfer the Right to Operate the Tekirdağ Port ("Agreement") signed with Türkiye Denizcilik İşletmeleri A.Ş. ("TDİ") and the Republic of Turkey's Prime Ministry Privatisation Authority ("Privatisation Authority").

Based on its conclusion in its business plans that the Tekirdağ Port would be operationally effective only if it were transformed into a container port, Akport built a container terminal area of 101,820 square metres by filling in the sea along the coast within the coordinates specified in the Tekirdağ Port Instruction as of the date the operation right was acquired. The container terminal area is recognised with a net book value of TL 49,852 in the Group's consolidated financial statements as of 31 December 2013.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Following construction of the container port, the Ministry of Finance's General Directorate of National Estate claimed title to the area on which the container platform was located and charged various eviction penalties to Akport. Subsequently, Akport's permission to operate the Tekirdağ Port expired on 1 November 2010. The Undersecretariat for Maritime Affairs did not extend the permission, and Akport was charged an administrative fine of TL 4,434 on the grounds that the port was used without permission until the date 31 December 2012. The fine payments are recorded as expense in 2012.

As efforts to obtain the required permission remained fruitless, the situation created legal and penal liabilities for Akport and its officials and events occurring outside of Akport's discretion reached an uncontrollable level. It became impossible to manage the port administratively and legally, which in turn made it impossible to uphold the Agreement between TDİ, the Privatisation Authority and Akport.

In the face of these developments, Akport advised the Privatisation Authority on 6 February 2012 that the operational activities were halted and the facility should be taken back over. The response letter sent to Akport by the Privatisation Authority on 6 March 2012 stated that the Privatisation Authority and TDİ were authorised to take actions in line with the decision of the Privatisation Authority relating to the request of Akport, and the Tekirdağ Port began to be operated by TDİ during the course of March 2012. In order to ensure that public services at the port were not interrupted following this transfer, certain services requested by TDİ continued to be offered by Akport until October 2012.

Because the Agreement was terminated due to the impossibility of fulfilling the requirements as specified in the Code of Obligations, the area built for the purpose of transforming the port into a container port should be returned to Akport. Therefore, the valuation study performed in the presence of the Tekirdağ 2nd Civil Court of Peace which indicates the value of container terminal area as 78,025 TL and railway and land improvements as 10,050 TL. However, as the area constructed by means of filling the sea cannot be returned by means of an ordinary demounting process, Akport claims that Akport should be compensated for the cost of construction of the container port aggregated to 88,075 TL and a claim for compensation against Türkiye Denizcilik İşletmeleri was opened. As at 31 December 2013 the case was still in the process. Group management estimates that the compensation amount will not be less than the book value of the relevant constructed area included in the consolidated financial statements as of 31 December 2013.

In the meantime, with its letter dated 19 September 2012 with No. 6199, the Privatisation Authority of the Turkish Prime Minister's Office requested that USD 74,673,983 should be paid within one month as the unpaid rent that should be paid by Akport until the end of the Agreement term due to expiry of the Agreement". Following the notification of Akport that it would not be possible to fulfil this request, the Privatisation Authority with its letter dated 09 November 2012 with No. 7524 opened a lawsuit for the collection of the said amount in the presence of arbitrators.

Arbitration commitee that was appointed by the court to solve this dispute between Privitization Authority and Akport Tekirdağ Liman İşletmesi A.Ş. announced its unaniomous ruling on 28 February 2014.

Ruling is as follows;

1- Relationship between the parties were ended due to impossibility of fullfilment the requirements as specified in the code of obligations as of 1 November 2010,
2- Akport should pay, USD 2,834,135 plus USD 1,047,127, a total of USD 3,881,262 for operating right of the part up to 1 November 2012,
3- All other claims by either party will be dropped,
4- Appeal to this ruling is permitted,

Accordingly, no additional provisions were recognized related to this claim as of 31 December 2013.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Explanations of change in share capital:

As explained in Note 20, certain shareholders filed the two lawsuit against the Company following the extraordinary general assembly dated 31 October 2013:

- Annulment for extraordinary general assembly
- Annulment of subsequent Board of Director's decision

In addition, there are two lawsuits by the same shareholders, declaratory judgement lawsuit and request for appoinment of a specialist auditor.

Aforementioned lawsuits continue as of date of these consolidated financial statements.

NOTE 16 - EMPLOYEE BENEFITS

Long-term employee benefits

	2013	2012	2011
Provision for premium	7,127	3,256	-
Unused vacation provision	2,782	2,296	2,391
Subtotal	**9,909**	**5,552**	**2,391**
Provision for employment termination benefits	26,521	26,366	24,128
Total	**36,430**	**31,918**	**26,519**

The conditions of provision for employment termination benefits are explained below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service 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 is not funded as there is no funding requirement.

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:

	2013	2012	2011
Discount rate (%)	2.82 – 3.81	1.67 – 2.50	4.66
Probability of retirement (%)	95.56 – 100.00	98.11 - 99	98.01 – 100.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised once every six months, the maximum amount of TL 3,428 effective from 1 January 2014 (1 January 2013: TL 3,129) has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Movements in the provision for employment termination benefits for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
1 January	**26,366**	**24,128**
Compensation paid	(2,781)	(4,063)
Service cost	2,447	4,451
Interest cost	972	716
Actuarial (gain)/loss	(784)	2,704
Sales of shares of subsidiaries	301	(1,570)
31 December	**26,521**	**26,366**

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	2013	2012	2011
VAT receivable	56,730	73,391	91,417
Income accruals	8,591	1,812	2,728
Other	601	2,884	4,159
Total	**65,922**	**78,087**	**98,304**

b) Other non-current assets:

	2013	2012	2011
VAT receivable	41,072	40,229	41,021
Other	40	79	813
Total	**41,112**	**40,308**	**41,834**

c) Other current liabilities:

	2013	2012	2011
Expense accrual	3,654	9,835	4,947
Taxes and funds payable	1,905	5,897	4,633
Other	-	7,616	3,049
Total	**5,559**	**23,348**	**12,629**

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

NOTE 18 – BORROWINGS

	2013	2012	2011
Short-term bank borrowings	692,272	493,686	330,054
Short-term factoring and leasing liabilities	27,975	24,726	39,535
Subtotal	**720,247**	**518,412**	**369,589**
Current portion of long-term bank borrowings	150,058	90,997	70,242
Total short-term financial liabilities	**870,305**	**609,409**	**439,831**
Long-term bank borrowings	306,355	242,120	502,409
Long-term factoring and leasing liabilities	14,087	21,734	28,669
Total long-term financial liabilities	**320,442**	**263,854**	**531,078**

	2013		2012		2011	
	Fair Value	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**	**Book Value**
USD borrowings (*)	723,438	703,759	742,213	720,328	924,073	908,910
EUR borrowings (*)	195,093	191,606	70,008	70,008	5,114	5,114
TL borrowings	295,382	295,382	82,927	82,927	56,885	56,885
Total	**1,213,913**	**1,190,747**	**895,148**	**873,263**	**986,072**	**970,909**

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

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

NOTE 18 – BORROWINGS (Continued)

	2013		2012		2011	
	Weighted average interest rate %	**TL**	**Weighted average interest rate %**	**TL**	**Weighted average interest rate %**	**TL**
Short term bank borrowings:						
USD Loans	1.95	463,199	2.31	347,743	2.19	279,213
TL Loans	10.36	140,844	9.66	75,936	11.52	50,841
Euro Loans	4.70	88,229	7.27	70,007	-	-
Total		**692,272**		**493,686**		**330,054**
Short-term factoring and leasing liabilities		27,975		24,726		39,535
Current portion of long-term:						
USD Loans	3.60	136,028	3.71	90,997	3.60	70,242
Euro Loans	3.14	14,030	-	-	-	-
Total		**150,058**		**90,997**		**70,242**
Total short-term financial liabilities		**870,305**		**609,409**		**439,831**
Long-term bank borrowings:						
USD Loans	4.06	221,278	3.71	242,120	3.15	502,409
Euro Loans	3.83	85,077	-	-	-	-
Total		**306,355**		**242,120**		**502,409**
Long-term factoring and leasing liabilities		14,087		21,734		28,669
Total long-term financial liabilities		**320,442**		**263,854**		**531,078**

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

NOTE 18 - BORROWINGS (Continued)

The redemption schedule of borrowings is as follows:

	2013	2012	2011
The payment within 1 - 2 year	68,290	63,602	155,976
The payment within 2 - 3 year	96,189	60,708	109,450
The payment within 3 - 4 year	96,189	53,280	64,115
The payment within 4 year and over	59,774	86,264	201,537
Total	**320,442**	**263,854**	**531,078**

At 31 December 2013, bank borrowings with floating interest rates amounted to TL 279,538 (2012: TL 243,092). The floating interest rate bank borrowings denominated in USD, which represents a significant portion of total bank borrowings of the Group, have interest rates fluctuating between Libor+1.45% and Libor+3.5% (London Interbank Offered Rate) (2012: Libor +1.45%-Libor +3.6%).

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2013		31 December 2012		31 December 2011	
	Asset	**Liabilities**	**Asset**	**Liabilities**	**Asset**	**Liabilities**
Held for hedging	524	-	-	1,723	-	4,175
Held for trading	-	10,033	-	184	-	-
Total	**524**	**10,033**	**-**	**1,907**	**-**	**4,175**

Derivative instruments held for hedging:

	31 December 2013		31 December 2012		31 December 2011	
	Contract amount	**Fair value Liability**	**Contract amount**	**Fair value Liability**	**Contract amount**	**Fair value Liability**
Interest rate swap	56,014	524	32,593	1,723	90,747	4,175

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

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognised asset or liability ("fair value hedge"), or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge"). These derivative transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives that are designated as being and qualify as cash flow hedges and are highly effective, are recognised in equity as "hedging reserve".

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

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 realisation of promised or probable future transactions are recorded in the income statement, if not realised, accumulated gains or losses are recognised as income or loss in the consolidated financial statements.

At 31 December 2013, the fixed interest rates vary from 0.91% to 4.2% (2012: 1.35% to 2.5%), and the main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 December 2012 will be continuously released to the income statement within finance cost until the repayment of the bank borrowings (Note 18).

NOTE 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

At 31 December 2013, 2012 and 2011, the Group's share capital and shareholding structure exceeding 1% were as follows:

	% Share	2013	% Share	2012	% Share	2011
A.R.D Holding A.Ş.	33	204,366	33	4,365	33	4,365
Atlantik Holding A.Ş.	33	204,366	33	4,365	33	4,365
N.D.Ç Holding A.Ş.	33	204,365	33	4,365	33	4,365
Other	1	1	1	3	1	3
Total		**613,098**	**100**	**13,098**	**100**	**13,098**
Paid-in capital		(75,000)		-		-
		538,098		**13,098**		**13,098**
Adjustment to share capital		157,537		160,967		160,967
Total Equity		**695,635**		**174,065**		**174,065**

The Group's authorised share capital consists of 61,309,752,112 shares of TL 0.01 value (2012 and 2011: 1,309,752,112). There are no privileges given to shares of different groups and shareholders.

The Board of Directors', with its decision dated 30 September 2013, decided to start procedures to increase the share capital of the Company by TL 600,000 to TL 613,098; of which TL 300,000 will be paid in cash by the shareholders and the remaining TL 300,000 will be transferred from retained earnings and other reserves (ie. inflation adjustments). Subsequent to this decision, an extraordinary general assembly was held on 31 October 2013 and share capital increase was accepted by a majority of shareholders. This general assembly was approved by the Trade Registry on 4 December 2013.

Certain shareholders filed the two lawsuit against the Company following the extraordinary general assembly dated 31 October 2013 (Annulment for extraordinary general assembly and Annulment of subsequent Board of Director's decision). In addition, there are two lawsuits by the same of shareholders, declaratory judgement lawsuit and request for appoinment of a specialist auditor. Afore mentioned lawsuits continue as of date of these consolidated financial statements (Note 15).

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

NOT 20 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

On 21-22 November 2013, 25% of the committed share capital increase in cash, TL 75,000 was paid by all shareholders by exercise of their pre-emptive rights. For the remaining 75%, TL 150,000 was paid by A.R.D Holding A.Ş. and N.D.Ç Holding A.Ş. on 18 December 2013; however, with the temprorary injuction decision dated 16 December 2013, Atlantik Holding A.Ş. did not yet paid its portion as of the date of these consolidated financial statements. In January 2014, the Company, in order to comply with the temporary injuction decision (of Board of Director’s resolution No 27 dated 31 October 2013) by the Istanbul 34th Commercial Court file No 2013/317E in relation to exercies of pre-emptive rights and to consider and preserve the shareholding rights, the Company paid back the amounts received from A.R.D Holding A.Ş., N.D.Ç Holding A.Ş., Ali Raif Dinçkök, Nilüfer Dinçkök Çiftçi, Melis Gürsoy and Mehmet Emin Çiftçi.

Inflation adjustment to share capital and carrying value of extraordinary reserves can be used for free capital increase, cash dividend distribution or loss deduction. However, the use of inflation adjustment to the capital for dividend distribution will be subject to corporation tax.

Retained earnings in the statutory financial statements can be distributed as dividends other than judgments related to legal reserves described below.

Legal reserves consist of first and second legal reserves, calculated in accordance with the Turkish Commercial Code. The first legal reserve is calculated as 5% of the financial statutory profits per annum until the total reserve reaches 20% of the historical paid-in share capital. In accordance with Turkish Commercial Code, resricted reserves not exceeding %50 of share capital can be offset against accumulated losses, but cannot be distributed.

As of 31 December 2013, 2012 and 2011 retained earnings of Akkök in accordance with statutory financial statements are as follows:

	2013	**2012**	**2011**
- Legal reserves	4,994	13,670	13,670
- Other capital reserves	18,989	32,532	32,532
- Extraordinary reserves	190,493	391,696	263,105
- Special funds	165,978	143,482	143,482
- Undistributed reserves	40,469	73,147	148,000
Total	**420,923**	**654,527**	**600,789**

Informations an subsidiaries with significant non-controlling interest

Summarized of financial informations about the Groups’ subsidiaries with significant share of non-controlling interest are stated below:

2013	**Asset**	**Liability**	**Revenue**	**Net profit for the period**
Akiş	852,922	528,403	70,958	50,453
Akkim	253,812	127,536	271,556	10,652
Aksa	1,929,296	768,115	1,765,452	161,441
Total	**3,036,030**	**1,424,054**	**2,107,966**	**222,546**

2012	**Asset**	**Liability**	**Revenue**	**Net profit for the period**
Akiş	565,070	398,702	170,645	38,236
Akkim	211,733	63,417	263,285	20,889
Aksa	1,672,331	590,101	1,624,979	269,118
Total	**2,449,135**	**1,052,220**	**2,058,909**	**328,243**

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

NOTE 21 – REVENUE AND COST OF SALES

a) Revenue

	2013	2012
Revenue	1,522,127	1,442,137
Exports	672,081	689,575
Less: Sales returns (-)	(8,400)	(14,586)
Less: Sales discounts (-)	(41,214)	(27,325)
Sales, net	**2,144,594**	**2,089,801**

b) Cost of Sales

	2013	2012
Raw materials	1,359,576	1,245,460
Cost of trade goods sold	99,541	109,020
Depreciation and amortisation	81,427	67,351
Personnel expenses	58,809	46,632
Cost of other goods sold	48,668	83,714
Cost of services sold	34,229	33,639
Shopping mall costs	19,984	15,776
Production overheads	19,332	19,240
Cost of residences sold	9,189	126,009
Rent expenses	1,889	13,887
Other	159	122
Total	**1,732,803**	**1,760,850**

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES

a) General Administrative Expenses

	2013	2012
Personnel expenses	44,379	43,002
Consultancy expenses	18,689	23,979
Bad debt expense	7,097	-
Other tax expenses	6,454	7,904
Income share payments	6,623	2,926
Depreciation and amortisation	6,172	6,779
Travelling expenses	5,672	5,198
Communication expenses	5,573	3,913
Office expenses	2,591	1,928
Rent expenses	2,434	2,352
Donations and charities	2,418	1,537
Other	19,032	20,061
Total	**127,134**	**119,579**

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

NOTE 22 - GENERAL AND ADMINISTRATIVE EXPENSES (Continued)

a) Marketing Expenses

	2013	2012
Commission expenses	16,149	11,216
Export expenses	14,596	9,706
Personnel expenses	9,034	8,858
Transportation expenses	2,853	2,735
Advertisement expenses	2,605	7,253
Other tax expenses	1,482	167
Travel expenses	810	667
Consultancy expenses	677	577
Other	4,059	5,575
Total	**52,265**	**46,754**

NOTE 23 – OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	2013	2012
Foreign exchange gain on trade receivables and payables	40,511	20,510
Interest income from sales on credit	16,406	25,356
Insurance claims	6,580	53
Provisions no longer required	3,464	3,037
Income from sales of scrap	3,119	1,423
Rent income	1,515	7,497
Other	7,104	1,682
Total	**78,699**	**59,558**

b) Other operating expense

	2013	2012
Foreign exchange gain on trade receivables and payables	64,749	43,801
Interest expense from purchases on credit	10,663	8,163
Provision expenses	2,566	2,137
Other	1,343	6,138
Total	**79,321**	**60,239**

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

NOTE 24 – INCOME AND EXPENSE FROM INVESTING ACTIVITIES

a) Income from investing activities

	2013	2012
Gain on sales of subsidiaries and associates (Note 7)	99,835	88,169
Gain on sale of property, plant and equipment	21,897	29,089
Dividend income from subsidiary	4,527	16,490
Gain on sale of marketable securities	-	11,617
Total	**126,259**	**145,365**

b) Expenses from investing activities

	2013	2012
Loss on sales of sales of a subsidiary	944	-
Other	189	47
Total	**1,133**	**47**

NOTE 25 – EXPENSE BY NATURE

Expenses classified by nature for the period of 31 December 2013 and 2012 are as follows:

	2013	2012
Raw materials	1,359,576	1,245,460
Personnel expenses	113,101	101,093
Cost of trade goods sold	99,541	109,020
Depreciation and amortisation expenses	90,927	75,630
Cost of other good sold	48,668	83,714
Cost of services sold	34,229	33,639
Shopping mall costs	19,984	15,776
Consultancy expenses	19,388	24,677
Production overheads	19,332	19,240
Commission expenses	16,319	11,736
Travelling and communication expenses	15,929	13,651
Export expenses	14,596	9,706
Cost of residences sold	9,189	126,009
Other	59,415	63,499
Total	**1,920,194**	**1,932,850**

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

NOTE 26 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	2013	**2012**
Foreign exchange gain	196,896	175,776
Interest income	24,493	25,726
Other	1,130	1,859
Total	**222,519**	**203,361**

b) Financial expenses

	2013	**2012**
Foreign exchange losses	(261,055)	(152,795)
Interest expenses	(40,080)	(29,596)
Total	**(301,135)**	**(182,391)**
Net Financial Income / (Expense)	**(78,616)**	**20,970**

NOTE 27 - TAXES ON INCOME

	2013	**2012**	**2011**
Corporate and income taxes payable	59,440	80,986	37,710
Less: prepaid corporate income tax	(44,931)	(72,143)	(29,839)
Taxes on income, net	**14,509**	**8,843**	**7,871**

The details of taxation on income in the statements of comprehensive income for the years ended 31 December 2013, 2012 and 2011 are as below:

	2013	**2012**
Current income tax expense	(59,440)	(80,986)
Deferred tax income, net	8,621	4,579
Total tax expense, net	**(50,819)**	**(76,407)**

	2013	**2012**	**2011**
Deferred income tax assets	7,694	4,048	5,368
Deferred income tax liabilities	(8,738)	(16,633)	(28,402)
Deferred income tax liabilities, net	**(1,044)**	**(12,585)**	**(23,034)**

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

NOTE 27 - TAXES ON INCOME (Continued)

Deferred tax assets and liabilities

The composition of cumulative temporary differences and the related deferred income tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2013, 2012 and 2011 using the enacted tax rates is as follows:

	Temporary taxable differences			Deferred tax assets / (liabilities)		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**
Employee benefits	27,175	27,695	26,415	5,435	5,539	5,283
Provision for doubtful receivables	3,985	7,410	3,330	797	1,482	666
Carry forward tax losses	-	-	40,195	-	-	8,039
Other current assets	-	-	5,235	-	-	1,047
Other current liabilities	-	-	2,740	-	-	548
Provisions for lawsuits	-	270	340	-	54	68
Derivative financial instruments	7,049	5,185	4,175	1,410	1,037	835
Investment properties	385	4,075	-	77	815	-
Other	6,196	14,010	-	1,239	2,802	-
Deferred income tax assets	**44,790**	**58,645**	**82,430**	**8,958**	**11,728**	**16,486**
Property, plant and equipment and intangible assets	(38,755)	(91,040)	(122,130)	(7,751)	(18,208)	(24,426)
Available-for-sale financial assets	(7,215)	(1,685)	-	(1,443)	(337)	-
Trade payables	(2,510)	-	(2,175)	(502)	-	(435)
Inventories	-	-	(7,670)	-	-	(1,534)
Accounting of construction differences	-	-	(4,480)	-	-	(896)
Investment properties	-	-	(41,770)	-	-	(8,354)
Other payables	-	-	(6,070)	-	-	(1,214)
Other	(1,530)	(28,840)	(13,305)	(306)	(5,768)	(2,661)
Deferred income tax liabilities	**(50,010)**	**(121,565)**	**(197,600)**	**(10,002)**	**(24,313)**	**(39,520)**
Deferred income tax liabilities, net				**(1,044)**	**(12,585)**	**(23,034)**

Implications of net presentation form for the consolidated balance sheet of the Group are reflected, in consequence of joint ventures and subsidiaries as an independent tax payers, presented their deferred income tax assets and liabilities as a net, however temporary differences, deferred income tax assets and liabilities shown in the table above are prepared on the basis of the gross value of items.

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

NOTE 27 - TAXES ON INCOME (Continued)

Movements of deferred tax liability as at 31 December 2013 and 2012 as below:

	2013	**2012**
1 January	**12,585**	**23,034**
Deferred tax income for the year, net	(8,621)	(4,579)
Sales of shares of subsidiaries	-	(4,425)
Amounts recognised under equity	(519)	892
Currency translation differences	(2,401)	(2,337)
Balances at 31 December	**1,044**	**12,585**

The reconciliation of tax expenses stated on the consolidated statement of comprehensive income for the years ended 31 December 2013 and 2012 is as follows:

	2013	**2012**
Profit before tax on consolidated financial statements	192,341	363,606
Expected tax expense of the Group (20%)	**(38,468)**	**(72,721)**
Effect of tax losses for which no deferred tax asset recognized	2,539	7,154
Effect of consolidation adjustments	(15,346)	(16,351)
Non-deductable expenses	(11,903)	(4,634)
Other income exempt from tax	8,949	10,919
Discount from research and developments	2,740	1,166
Other	670	(1,940)
Actual tax expense of the Group	**(50,819)**	**(76,407)**

According to the consideration made by the Group as of balance sheet date, the Group did not recognize deferred income tax assets and carry forward tax losses' expiration dates are as follows:

Dates of expiry	**2013**	**2012**	**2011**
2014	-	4,621	5,016
2015	9,809	9,809	30,246
2016	12,689	12,689	80,173
2017	21,865	21,865	-
2018	6,934	-	-
Total	**51,297**	**48,984**	**115,435**

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

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Financial risk factors

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

28.1 Foreign currency risk

The Group is exposed to foreign exchange risk arising from the ownership of foreign currency denominated assets and liabilities with sales or purchase commitments. The risk is managed by monitoring and analysis of the foreign currency position of the Group. Derivatives are used in managing the risk, particularly as a means of protection from short-term exchange rate movements. As of 31 December 2013, the foreign currency position of the Group is prepared using the following foreign exchange rates USD/TL 2,1343 , EUR/TL 2,9365. (2012: USD/TL 1,7826, EUR/TL 2,3517; 2011: USD/TL 1,8889, EUR/TL 2,4438).

Foreign currency position table denominated in Turkish Lira as of 31 December 2013,2012 and 2011 is as follows:

	2013	2012	2011
Assets	619,734	601,002	763,135
Liabilities (-)	(1,304,938)	(965,479)	(1,199,933)
Net balance sheet position	**(685,204)**	**(364,477)**	**(436,798)**

	2013			
	USD	**EUR**	**Other foreign currency**	**Total**
Assets:				
Cash and cash equivalents	159,861	65,009	7,507	232,377
Financial investments	24,838	-	-	24,838
Trade receivables	290,695	61,602	556	352,853
Other assets	8,226	279	1,161	9,666
Total assets	**483,620**	**126,890**	**9,224**	**619,734**
Liabilities:				
Short-term borrowings	688,017	143,680	60	831,757
Long-term borrowings	98,059	49,105	-	147,164
Trade payables	301,354	23,319	-	324,673
Other liabilities	331	-	1,013	1,344
Total liabilities	**1,087,761**	**216,104**	**1,073**	**1,304,938**
Net foreign currency position				**(685,204)**

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

NOT 28 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	2012			
	USD	**EUR**	**Other foreign currency**	**Total**
Assets:				
Cash and cash equivalents	228,096	33,574	2,484	264,154
Financial investments	20,854	-	-	20,854
Trade receivables	233,498	57,957	342	291,797
Other assets	22,559	797	841	24,197
Total assets	**505,007**	**92,328**	**3,667**	**601,002**
Liabilities:				
Short-term borrowings	438,662	70,007	-	508,669
Long-term borrowings	211,781	-	-	211,781
Trade payables	212,636	12,204	-	224,840
Other liabilities	17,422	2,767	-	20,189
Total liabilities	**880,501**	**84,978**	**-**	**965,479**
Net foreing currency position				**(364,477)**

	2011			
	USD	**EUR**	**Other foreign currency**	**Total**
Assets:				
Cash and cash equivalents	144,869	19,299	4	164,172
Financial investments	2,059	-	-	2,059
Trade receivables	487,648	106,730	427	594,805
Other assets	1,140	113	846	2,099
Total assets	**635,716**	**126,142**	**1,277**	**763,135**
Liabilities:				
Short-term borrowings	424,463	-	-	424,463
Long-term borrowings	509,384	-	-	509,384
Trade payables	201,752	18,255	1,528	221,535
Other liabilities	41,724	2,827	-	44,551
Total liabilities	**1,177,323**	**21,082**	**1,528**	**1,199,933**
Net foreign currency position				**(436,798)**

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

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The table below shows the sensitivity of the net foreign currency position of the Group to the changes in the consolidated financial statements as of 31 December 2013, 2012 and 2011.

2013	**Foreign currency appreciation**	**Foreign currency devaluation**
Change of USD against TRY by 10%		
USD net assets / liabilities	(60,414)	60,414
USD net effect - income/ (expense)	**(60,414)**	**60,414**
Change of EUR against TRY by 10%		
EUR net assets / liabilities	(8,921)	8,921
Euro net effect - income/ (expense)	**(8,921)**	**8,921**

2012	**Foreign currency appreciation**	**Foreign currency devaluation**
Change of USD against TRY by 10%		
USD net assets / liabilities	(37,549)	37,549
USD net effect - income/ (expense)	**(37,549)**	**37,549**
Change of EUR against TRY by 10%		
EUR net assets / liabilities	735	(735)
Euro net effect - income/ (expense)	**735**	**(735)**

2011	**Foreign currency appreciation**	**Foreign currency devaluation**
Change of USD against TRY by 10%		
USD net assets / liabilities	(57,379)	57,379
USD net effect - income/ (expense)	**(57,379)**	**57,379**
Change of EUR against TRY by 10%		
EUR net assets / liabilities	9,359	(9,359)
Euro net effect - income/ (expense)	**9,359**	**(9,359)**

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

NOT 28 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

28.2 Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. As of 31 December 2013 and 2012, the Group's borrowings at floating rates are mainly denominated in USD and Euro.

At 31 December 2013, if interest rates on USD denominated borrowings had been higher/lower by 1 base point with all other variables held constant, profit before income taxes would have been TL 2,795 (2012: TL 2,431 and 2011: TL 2,513) higher/lower, mainly as a result of high interest expense on floating rate borrowings.

28.3 Credit risk

Credit risk of financial instruments at 31 December 2013, 2012 and 2011 are as follows:

	Trade and other receivables		
31 December 2013	**Related party**	**Other**	**Bank deposits**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**22,045**	**457,196**	**643,797**
Secured portion of the maximum credit risk by guarantees	-	214,341	-
A. Net book value of financial assets that are neither past due nor impaired	22,045	442,366	643,797
- Security, etc.. have been secured with some (-)	-	-	-
B. Net book value of financial assets with renegotiated conditions otherwise will be accepted as overdue or impaired	-	5,470	-
C. Net book value of financial assets that are past due but not impaired	-	14,830	-
- Security, etc.. have been secured with some (-)	-	8,616	-
D. Net book value of impaired asset	-	-	-
- Overdue (gross book value)	-	56,769	-
-Impairment (-)	-	(55,577)	-
- Security, etc.. have been secured with some (-)	-	1,192	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.. have been secured with some (-)	-	-	-
E. Off-balance sheet items with credit risk	-	-	-

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

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Trade and other receivables		
31 December 2012	**Related party**	**Other**	**Bank deposits**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**95,567**	**417,757**	**391,268**
Secured portion of the maximum credit risk by guarantees	-	174,303	-
A. Net book value of financial assets that are neither past due nor impaired	92,959	399,479	391,268
- Security, etc.. have been secured with some (-)	-	-	-
B. Net book value of financial assets with renegotiated conditions otherwise will be accepted as overdue or impaired	-	5,009	-
C. Net book value of financial assets that are past due but not impaired	2,608	18,278	-
- Security, etc.. have been secured with some (-)	-	9,492	-
D. Net book value of impaired asset	-	-	-
- Overdue (gross book value)	-	59,946	-
- Impairment (-)	-	(57,946)	-
- Security, etc.. have been secured with some (-)	-	2,000	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.. have been secured with some (-)	-	-	-
E. Off-balance sheet items with credit risk	-	-	-

	Trade and other receivables		
31 December 2011	**Related party**	**Other**	**Bank deposits**
Maximum credit risk exposure as of the reporting date (A+B+C+D+E)	**126,259**	**545,436**	**305,442**
Secured portion of the maximum credit risk by guarantees	-	234,888	-
A. Net book value of financial assets that are neither past due nor impaired	126,259	485,119	305,442
- Security, etc.. have been secured with some (-)	-	-	-
B. Net book value of financial assets with renegotiated conditions otherwise will be accepted as overdue or impaired	-	13,656	-
C. Net book value of financial assets that are past due but not impaired	-	60,317	-
- Security, etc.. have been secured with some (-)	-	21,070	-
D. Net book value of impaired asset	-	-	-
- Overdue (gross book value)	-	60,475	-
- Impairment (-)	-	(58,475)	-
- Security, etc.. have been secured with some (-)	-	2,000	-
- Not overdue (gross book value)	-	-	-
- Impairment (-)	-	-	-
- Security, etc.. have been secured with some (-)	-	-	-
E. Off-balance sheet items with credit risk	-	-	-

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

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

28.4 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. The liquidity is minimised by balancing the cash inflows and outflows and also securing funds from reliable financial institutions.

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

2013:

Contractual maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	1,190,747	1,227,175	329,205	537,155	341,137	19,678
Trade payables	350,606	353,521	263,752	89,769	-	-
Due to related parties	22,643	22,643	22,643	-	-	-
Total	**1,563,996**	**1,603,339**	**615,600**	**626,924**	**341,137**	**19,678**

Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	10,033	10,033	6,759	3,274	-	-

2012:

Contractual maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	873,263	908,643	278,369	375,181	204,160	50,933
Trade payables	259,451	260,543	210,482	50,061	-	-
Due to related parties	6,865	6,865	6,555	310	-	-
Total	**1,139,579**	**1,176,051**	**495,406**	**425,552**	**204,160**	**50,933**

Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	1,907	2,309	377	1,932	-	-

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

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2011:

Contractual maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Non-derivate financial liabilities						
Borrowings	970,909	1,053,814	166,877	355,859	531,078	-
Trade payables	284,346	286,290	197,911	88,373	6	-
Due to related parties	73,387	73,387	15,618	57,769	-	-
Total	**1,328,642**	**1,413,491**	**380,406**	**502,001**	**531,084**	**-**

Expected (or contractual) maturities	Carrying value	Contractual cash flows (=I+II+III+ IV)	Up to 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	More than 5 years (IV)
Derivate financial assets, (net)						
Derivative cash outflows	4,175	4,288	311	1,954	2,023	-

28.5 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.

The Company controls its capital using the net debt/total capital ratio. This ratio is calculated by dividing net debt by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents Total capital is calculated as equity plus the net debt amount as presented in the balance sheet.

The ratio of net debt/equity at 31 December 2013, 2012 and 2011 is as follows:

	2013	**2012**	**2011**
Total liabilities	1,563,996	1,139,579	1,270,873
Less: cash and cash equivalents (Note 5)	(623,792)	(377,447)	(314,834)
Less: short term financial investments	(24,838)	(20,854)	(2,059)
Net debt	**915,366**	**741,278**	**953,980**
Total shareholders' equity	2,120,752	1,822,989	1,589,022
Total equity	**3,036,118**	**2,564,267**	**2,543,002**
Debt/equity ratio	**%30**	**%29**	**%38**

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

28.6 Fair value of financial instruments

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

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

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

Monetary 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 approximate 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 with their provisions for doubtful receivables.

Monetary liabilities

Bank loans and other liabilities are anticipated to approximate their book value due to their short-term nature.

The long-term loans are assumed to approximate to their carrying value due to their variable interest rates (Note18). The determined fair value of long-term loans to explain on notes, is discounted amount of cash flows according to agreements with current market interest rate.

Fair Value Estimation:

Effective from 1 January 2011, the group adopted the amendment to TFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following hierarchy:

Level 1: Quoted prices 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 or indirectly;
Level 3: Inputs for the asset or liability that is not based on observable market data.

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

NOTE 28-NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

2013	**Level 1**	**Level 2**	**Level 3**
Available-for-sale financial assets	9,813	226	-
Total assets	**9,813**	**226**	**-**
2012	**Level 1**	**Level 2**	**Level 3**
Available-for-sale financial assets	13,211	1,054	-
Total assets	**13,211**	**1,054**	**-**
2011	**Level 1**	**Level 2**	**Level 3**
Available-for-sale financial assets	6,840	1,116	-
Total assets	**6,840**	**1,116**	**-**

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

NOTE 29 – RECONCILIATION WITH TAS

The Group accounted for the net effect of the adjustments under "Retained earnings/losses" as of 1 January 2012 which are recognized in accordance with Illustrative Financial Statements and Application Guidance published by POA to present the financial statements compatible with TAS.

The reconciliation of consolidated financial statements prepared for TAS to the Group's previous periods' financial statements prepared for the law no. 6762 and other legislations is presented below;

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

NOTE 29 - RECONCILIATION WITH TAS (Continued)

i) Balance sheet reconciliation at 1 January 2012:

		Financial Statements prepared in accordance with the law no. 6762 and other regulations				
	Notes	**Standalone Akkök financial statements**	**Subsidiaries**	**Combined**	**Impact of transition to TAS**	**Consolidated financial statements prepared in accordance with TAS**
Cash and cash equivalents		72,722	239,695	312,417	2,417	314,834
Financial assets		-	-	-	2,059	2,059
Trade receivables	2	1,581	760,796	762,377	(192,685)	569,692
Other receivables	2	186,649	187,738	374,387	(287,877)	86,510
Inventories		-	312,787	312,787	9,794	322,581
Prepaid expenses	8	1	64,919	64,920	(37,010)	27,910
Other current assets	8	362	98,184	98,546	337	98,883
Current Assets		**261,315**	**1,664,119**	**1,925,434**	**(502,965)**	**1,422,469**
Other receivables		-	6,369	6,369	9,124	15,493
Financial investments	1	678,868	79,993	758,861	(503,770)	255,091
Property, plant and equipment	3	9,862	1,300,494	1,310,356	(298,377)	1,011,979
Intangible assets	4	(439)	11,435	10,996	11,045	22,041
Investment properties	3	-	-	-	398,712	398,712
Deferred tax assets		-	-	-	5,368	5,368
Other non-current assets	8	306	19,630	19,936	48,810	68,746
Non-current Assets		**688,597**	**1,417,921**	**2,106,518**	**(329,088)**	**1,777,430**
TOTAL ASSETS		**949,912**	**3,082,040**	**4,031,952**	**(832,053)**	**3,199,899**
Short term borrowings	5	-	349,422	349,422	20,167	369,589
Short term portion of long term borrowings	5	-	70,248	70,248	(6)	70,242
Other financial liabilities	5	-	-	-	4,175	4,175
Trade payables	2	313	462,160	462,473	(162,509)	299,964
Liabilities for employee benefits		103	2,935	3,038	(1,523)	1,515
Other payables	2	107,718	83,218	190,936	(133,158)	57,778
Deferred income	8	-	146,104	146,104	(18)	146,086
Short term provisions	8	-	2,322	2,322	2,776	5,098
Other current liabilities		(3,638)	72,352	68,714	(48,214)	20,500
Current Liabilities		**104,496**	**1,188,761**	**1,293,257**	**(318,310)**	**974,947**
Long term borrowings	5	-	650,028	650,028	(118,950)	531,078
Long term provisions		310	27,458	27,768	21,016	48,784
Deferred tax liabilities	6	-	-	-	28,402	28,402
Deferred income	8	-	7,175	7,175	20,491	27,666
Non-current Liabilities		310	684,661	684,971	(49,041)	635,930
Non-controlling interest		-	-	-	766,007	766,007
Paid-in share capital	7	13,098	354,850	367,948	(354,850)	13,098
Adjustments to share capital	7	171,373	258,973	430,346	(269,379)	160,967
Share premium		-	246	246	(246)	-
Other comprehensive income /expense not to be reclassified to profit or loss		32,532	35,993	68,525	(75,863)	(7,338)
Restricted reserves		13,670	48,003	61,673	(48,003)	13,670
Accumulated profit / (loss)		554,587	374,825	929,412	(375,817)	553,595
Net profit for the year		59,846	135,728	195,574	(106,551)	89,023
Total shareholders equity		**845,106**	**1,208,618**	**2,053,724**	**(464,702)**	**1,589,022**
TOTAL EQUITY		**949,912**	**3,082,040**	**4,031,952**	**(832,053)**	**3,199,899**

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

NOTE 29 - RECONCILIATION WITH TAS (Continued)

ii) Balance sheet reconciliation at 31 December 2012:

		Financial Statements prepared in accordance with the law no. 6762 and other regulations				
	Notes	**Standalone Akkök financial statements**	**Subsidiaries**	**Combined**	**Impact of transition to TAS**	**Consolidated financials statements prepared accordance with TAS**
Cash and cash equivalents		103,640	290,264	393,904	(16,457)	377,447
Financial assets		-	-	-	20,854	20,854
Trade receivables	2	2,314	655,670	657,984	(220,520)	437,464
Other receivables	2	209,746	193,569	403,315	(334,795)	68,520
Inventories		-	234,108	234,108	2,254	236,362
Prepaid expenses	8	1,508	95,366	96,874	(79,274)	17,600
Other current assets	8	2,520	118,318	120,838	(42,751)	78,087
Helds for sale		-	-	-	20	20
Current Assets		**319,728**	**1,587,295**	**1,907,023**	**(670,669)**	**1,236,354**
Other receivables		-	489	489	6,851	7,340
Financial investments	1	688,246	387,978	1,076,224	(466,813)	609,411
Property, plant and equipment	3	8,448	1,071,686	1,080,134	(294,240)	785,894
Intangible assets	4	642	45,225	45,867	(39,813)	6,054
Investment properties	3	-	-	-	394,240	394,240
Deferred tax assets		-	-	-	4,048	4,048
Other non-current assets	8	133	7,685	7,818	51,367	59,185
Non-current Assets		**697,469**	**1,513,063**	**2,210,532**	**(344,360)**	**1,866,172**
TOTAL ASSETS		**1,017,197**	**3,100,358**	**4,117,555**	**(1,015,029)**	**3,102,526**
Short term borrowings	5	67	545,422	545,489	(27,077)	518,412
Short term portion of long term borrowings	5	-	53,609	53,609	37,388	90,997
Other financial liabilities	-	-	-	1,907	1,907	
Trade payables	2	881	444,389	445,270	(178,954)	266,316
Liabilities for employee benefits		70	3,250	3,320	(2,027)	1,293
Other payables	2	115,884	12,403	128,287	(128,189)	98
Deferred income	8	-	24,523	24,523	(15,651)	8,872
Short term provisions		-	7,989	7,989	(213)	7,776
Other current liabilities	8	2,642	96,569	99,211	(67,020)	32,191
Current Liabilities		**119,544**	**1,188,154**	**1,307,698**	**(379,836)**	**927,862**
Long term borrowings	5	-	354,486	354,486	(90,632)	263,854
Long term provisions		1,027	30,418	31,445	21,204	52,649
Deferred tax liabilities	6	-	-	-	16,633	16,633
Deferred income	8	-	489	489	18,050	18,539
Non-current Liabilities		**1,027**	**385,393**	**386,420**	**(34,745)**	**351,675**
Non-controlling interest		**-**	**-**	**-**	**857,407**	**857,407**
Paid-in share capital	7	13,098	359,755	372,853	(359,755)	13,098
Adjustments to share capital	7	171,373	259,019	430,392	(269,425)	160,967
Share premium		-	246	246	(246)	-
Other comprehensive income/ (expense)		32,532	36,754	69,286	(73,356)	(4,070)
Restricted reserves		13,670	60,085	73,755	(60,085)	13,670
Accumulated profit / (loss)		608,325	385,803	994,128	(352,165)	641,963
Net profit for the year		57,628	425,149	482,777	(342,823)	139,954
Total shareholders equity		**896,626**	**1,526,811**	**2,423,437**	**(600,448)**	**1,822,989**
TOTAL EQUITY		**1,017,197**	**3,100,358**	**4,117,555**	**(1,015,029)**	**3,102,526**

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

NOTE 29 - RECONCILIATION WITH TAS (Continued)

iii) Comprehensive income statement reconciliation at period of 1 January -31 December 2012:

		Financial Statements prepared in accordance with the law no. 6762 and other regulations				
	Notes	**Standalone Akkök financial statements**	**Subsidiaries**	**Combined**	**Impact of transition to TAS**	**Consolidated financial statements prepared in accordance with TAS**
Revenue	9	15,998	2,912,247	2,928,245	(838,444)	2,089,801
Cost of sales (-)	9	(2,848)	(2,518,972)	(2,521,820)	760,970	(1,760,850)
Gross Profit		**13,150**	**393,275**	**406,425**	**(77,474)**	**328,951**
General administrative expenses (-)		(18,072)	(137,562)	(155,634)	36,055	(119,579)
Marketing expenses (-)		-	(30,088)	(30,088)	(16,666)	(46,754)
Research and development expenses (-)		-	(5,647)	(5,647)	(20)	(5,667)
Other operating income	10	45,642	402,623	448,265	(448,265)	-
Other operating expenses (-)	10	(32,158)	(181,857)	(214,015)	213,334	(681)
Operating profit		**8,562**	**440,744**	**449,306**	**(293,036)**	**156,270**
Income from investments	10	40,444	18,450	58,894	86,424	145,318
Share of profit investments accounted for using the equity method	11	-	-	-	41,048	41,048
Operating profit before financial income and expense		**49,006**	**459,194**	**508,200**	**(165,564)**	**342,636**
Financial expenses (-)	12	8,622	(28,745)	(20,123)	41,093	20,970
Profit/loss before tax from continued operations		**57,628**	**430,449**	**488,077**	**(124,471)**	**363,606**
Income tax from continuing operation						
- Deferred tax income		-	-	-	4,579	4,579
- Taxes on income	13	-	(5,300)	(5,300)	(75,686)	(80,986)
Loss after tax from discontinued operations		-	-	-	(123)	(123)
Net loss for the period		**57,628**	**425,149**	**482,777**	**(195,701)**	**287,076**
Other compherensive income						
Items to be reclassified to statement of income						
- Increase/decrease in fair value of derivatives		-	-	-	(543)	(543)
- Increase/decrease in fair value of available		-	-	-	5,997	5,997
- Currency translation differences		-	-	-	(2,687)	(2,687)
Items not to be reclassified to statement of income						
- Remeasurement gain arising from defined benefit plans		-	-	-	(996)	(996)
Total comprehensive income for the period		**57,628**	**425,149**	**482,777**	**(193,930)**	**288,847**

NOTE 29 - RECONCILIATION WITH TAS (Continued)

Detailed explanation of TFRS adjustments are stated below:

1. Adjustments on financial investments in the scope of consolidation mainly arise from elimination of investment balance and the corresponding equity in the subsidiary, and adjustments for other available for sale financial assets are due to measurement at fair value in accordance with TAS 39.

2. Adjustments on trade receivables and payables mainly arise from separate classification of related parties balances and classification of reverse balances. Adjustments arising on consolidation are due to elimination of related party receivables and payables.

3. Adjustments on property, plant and equipment mainly arise from inflation accounting differences, useful life differences and capitalization differences between TAS and Turkish tax accounting. Investment properties classified to a separate account from remaining property, plant and equipment in accordance with TAS.

4. Adjustments on intangible assets mainly arise from useful life differences and capitalization differences between TAS and Turkish tax accounting.

5. Adjustments on borrowings mainly arise from reflection of loans interest accruals and differences from short term and long term classification.

6. Adjustments on deferred tax assets and liabilities arise from differences in carrying amount of assets and liabilities between consolidated financial statements prepared in accordance with TAS and financial statements prepared in accordance with Turkish Tax Procedural Law.

7. Adjustments on paid-in capital and adjustments to share capital mainly arise from inflation accounting differences based upon TFRS; and in the scope of consolidation, investment balance and the corresponding equity in the subsidiary.

8. Differences arise mainly from classification differences between other asset-liabilities, prepaid expenses, deferred income and other short-long term liabilities.

9. Adjustments on revenue, cost of sales and other income mainly arise from elimination of sales to entities included in consolidation and the corresponding cost of sales or inventory balance.

10. Adjustments on other operating income mainly arise from differences in classification of income accounts between classification specified in POA Illustrative Financial Statements and Application Guidance and Uniform Chart of Accounts used for Turkish Tax Procedure Law, and gross presentation of certain income accounts.

11. Adjustmenst for share of profit investments accounted for using equity method consist of amounts of profit/loss from investments accounted for using equity method.

12. Adjustments on financial expenses mainly consist of classification of interest gain/loss on overdue receivables/payables and foreign exchange gain/losses on trade receivables/payables.

13. Adjustments on current period of tax income/expense consist of tax expense calculated over net profit for the period.

NOTE 30 - EVENTS AFTER THE BALANCE SHEET DATE

1. DowAksa Advances Composites Holdings and Holding Company Composite (HCC) and the Fund for Infrastructure and Educational Programs (FIEP, a member of the RUSNANO Group), signed an investment agreement on 24 January 2014 for 208 Million Rubles (USD 6.1 Million). After this agreement, DowAksa Holdings will participate in the capital of Nanotechnology Center of Composites (NCC) with 134 million Rubles (USD 4.3 million), each party - DowAksa Holdings, HCC and FIEP – will own one third of NCC's total charter capital after the second tour invesments perfomed by HCC and FIEP.

2. Akiş Gayrimenkul Yatırımı A.Ş, added two property to its portfolio in accordance with the decision taken in the Board of Directors's meeting dated 4 November 2013. Dates of acquisition and addresses of these property are:

   - On 15 January 2014, property with the address "İstanbul İli, Kadıköy İlçesi, Bağdat Caddesi, 106 Pafta 378 Ada 25 Parsel No: 319-321 Erenköy".
   - On 8 January 2014, property with the address "İstanbul İli, Kadıköy İlçesi, Bağdat Caddesi, 67 Pafta 3206 Ada 14 Parsel No: 481 Uşaklıgil Apartmanı".

3. As part of a restructuring of its debt, on 22 January of 2014, Group's joint venture Akenerji redeemed thousands of USD 9,375 of its current and thousands of USD 65,625 of non-current borrowings obtained from International Finance Corporation ("IFC"). Following redemption, guarantees given to IFC in relation to these borrowings will be cancelled during 2014. Prior to this redemption, on 15 January 2014, Akenerji obtained non-current borrowings amounting to thousands of TL 125,000 and thousands of USD 20,000 from a consortium including T.Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş, T.Vakıflar Bankası T.A.O and T.İş Bankası A.Ş., with similar maturities to the borrowings obtained from IFC. There are no pledges on property, plant and equipment in relation to these borrowings.

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