

AKSA AKRİLİK KİMYA SANAYİ A.Ş.

BOARD OF DIRECTORS'REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2009

1- AKSA IN BRIEF

Scope and Purpose

Aksa Akrylic Kimya Sanayi A.Ş, whose core business is the acrylic-based production of tow, tops and fiber and which belongs to the Akkök Group of Companies, was established in 21 November 1968 with %100 Turkish capital. It started production with the capacity of 5.000 ton/year in the factory of Yalova in 1971, which is established on the field of 550 dunam. It started exporting in 1977. Aksa is the largest integrated manufacturer of acrylic fiber under a single roof in the world, which has come to the production level of 308.000 ton/year over the years without compromising its progress and development policy in production process. Today in the 5 continents, in more than 50 countries nearly 300 domestic and foreign industrial enterprises utilize the products and the services of Aksa. The address of the headquarters of Aksa, which is a registered equity company in Istanbul, is: Miralay Şefikbey Sok No:15 Gümüşsuyu /İstanbul. %41,7 of the shares have been offered to the public and traded in Istanbul Stock Exchange.

Shareholding Structure

<u>Shareholder</u>	<u>Share (%)</u>	<u>Value (TL)</u>
Akkök Sanayi ve Yatırım A.Ş.	39,58	73.223.000
Emniyet Ticaret A.Ş.	18,72	34.632.000
<u>Diğer</u>	<u>41,70</u>	<u>77.145.000</u>
Total	100,00	185.000.000

2- MAIN FINANCIAL INDICATORS

SOLO BALANCE SHEET

US DOLLAR

	31.12.2009	31.12.2008
Assets	828,405,319	723,569,279
Current Assets	401,125,882	383,400,399
Cash and cash equivalents	70,579,486	39,846,007
Trade receivables	211,674,596	251,120,874
Inventories	73,591,934	63,737,622
Other Current Assets	45,279,866	28,695,896

Non-current Assets	427,279,437	340,168,879
Trade receivables	7,791,927	8,374,931
Affiliates/Subsidiaries	18,023,690	17,945,031
Tangible/Intangible Non-current Assets	367,340,831	290,580,414
Other Non-current Assets	34,122,989	23,268,504

Liabilities	828,405,319	723,569,279
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Short-term Liabilities	219,273,398	165,349,548
Financial Liabilities (Net)	87,856,246	66,719,223
Trade Payables	109,854,229	75,028,919
Taxes on profit for Period	347,559	5,234,401
Other Short-term Liabilities	21,215,365	18,367,005

Long-term Liabilities	111,080,588	96,441,783
Financial Liabilities (Net)	91,253,333	80,070,000
Trade Payables	1,697,212	
Provision related to employee benefits	6,306,406	4,923,202
Deferred Tax Liability	11,823,637	11,448,581

Equity	498,051,333	461,777,947
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Solo Income Statement USD

NET SALES	585,855,845	684,847,738
OPERATING PROFIT	49,843,580	36,778,846
EBITDA	69,290,369	63,609,612
NET PROFIT	33,332,744	57,236,868

Ratios

Current Ratio	1,83	2.32
Liquidity Ratio	1,49	1.93
EBITDA Margin	11,83%	9.29%
Net Profit Margin	5,69%	8.36%
ROIC	4,02%	7.91%
ROE	6,69%	12.39%

3- ACRYLIC FIBER INDUSTRY IN BRIEF

The global demand for acrylic fiber has actualized 2 millions of ton in 2009 with an increase of %6 compared to 2008. The global demand for acrylic fiber in 2010 is expected to realize at the same level of 2009. In 2009 the increase in the demand for acrylic fiber has begun in the global markets especially in the Far East and the Middle East as of February. The main reasons of the demand increase is the decrease in inventories of semi-finished goods and raw materials, the settling down of the price decrease of raw materials, and the increase of the utilization rate of acrylic fiber in the production of cotton yarn and in the plush market as a result of the shrinkage of the price margin between polyester and acrylic fiber. Furthermore the cheapening of acrylic fiber led to the revival of the market of knit and knit thread. The demand for acrylic fiber in China in 2009 has actualized approximately 860,2 thousands of ton with an increase of %15,5. The import of acrylic fiber in China has realized 180 thousands of ton with an increase of % 23,45.

Aksa has increased its production level by %7,5 in 2009 compared to the previous year despite the effects of the crises; the capacity utilization rate has actualized %85,4. In 2009, The Company has maintained its market share of %12,5, which was reached in 2008.

4- INVESTMENTS

In 2009, Aksa has invested 97,9 millions of US dollar in the strategic fields determined in 2007.

AKSA, which began the commissioning process of carbon fiber production plant with the capacity of 1.500 ton/year on May of 2009, has completed the start-up works. The first commercial sale has been realized in the last quarter of 2009. The favourable feedbacks have been taken from the test productions performed by many international producers; the planning process has been started for the orders of 2010. In order to build up and improve a strong composite sector in Turkey, the R&D projects have been started with the universities. Besides, the negotiations for strategic cooperations continue. Aksa took place as a participant in the international fairs organized in Shanghai, Chicago and Singapore in the third quarter of 2009. AKSA presented its carbon fiber brand AKSACA to the Asian Markets by joining the 15th China International Composites Fair held on 2-4 September of 2009. AKSA has signed distributor agreements with the leading consulting companies DeLong&Associates, LLC, and BlackSun Partners in order to promote carbon fiber brand AKSACA in global markets.

The new investments have been realized in also energy production in 2009, which has key importance for our Company to be able to continue its activities without decreasing performance. The research of alternative energy production methods, which was started by Aksa in order to increase its competitive strength by decreasing energy costs, has been accomplished by taking over the energy production plant with

a capacity of 70,04 Mwe from Akenerji. Aksa has made a new attempt on this field in the last quarter of the year by taking the license of the production plant of 100 MWe and risen the energy production capacity to 170 Mwe. The energy production plant, which has been improved by the new investments, is planned to be commissioned in 2010. By this investment Aksa will save up %40 on energy costs.

AKSA has commissioned the R&D Center in 2009 by combining its R&D activities under a single roof, which have been performed in various units since its establishment. The Center, providing the R&D activities to continue more effectively coordinated, will perform its activities at full speed in order to develop new products, to decrease the costs, to increase the productivity, and thereby to gain new markets in parallel with the strategies determined for the forthcoming periods.

5- ASSESSMENT OF 2009

Aksa turned over 585,9 millions of \$ during 2009. The exports, having a portion of % 39,6 in the net sales realized 231,8 millions of \$.

The price of acrylic fiber has fallen by %24 compared to the previous year as a result of the decrease in the price of the main raw material acrylonitrile depending on the decrease of the oil price. The capacity utilization rate has been %85,4 in 2009 as a result of diminishing the unfavourable impacts of the crisis on the demand, which became evident on October 2008, in the global markets on February 2009 and domestic markets on April 2009. Sales quantity has increased by %8,4 compared to the end of 2008.

Aksa has gained 69,3 millions of \$ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and 33,3 million \$ net profit in 2009.

Total assets of The Company has been 828,4 millions of \$. Trade receivables have realized 211,7 millions of \$ with a decrease of %15,7 compared to the end of 2008. Short-term liabilities have been 219 millions of \$ with an increase of %32,6 compared to the end of 2008. Inventories have actualized 73,6 millions of \$ with an increase of %15,5 compared to the end of 2008.

Aksa has accomplished the process of raising its paid-in capital from 110.000.000 TL to 185.000.000 TL as of 30.05.2009.

6- EXPECTATIONS FOR 2010

Aksa, which is the leading integrated acrylic fiber manufacturer with its technology and production capacity all over the world, estimates to obtain 700-750 millions of \$ net sales in 2010. It is expected an increase in the price and the sales in 2010 with respect to the increase in the global price of raw materials. Aksa, which plans to realize the Capacity Utilization Rate at least at the same rate of 2009, expects 275-300 million \$ export by maintaining the ratio of export in the sales.

7- BOARD OF DIRECTORS

In the Ordinary General Meeting held in 27 April 2009 the members of the board of directors are as follows:

The Members of the Board of Directors:

Chairman	:	Ömer DİNÇKÖK
Vice Chairman	:	Ali Raif DİNÇKÖK
Member	:	Erol LODRİK
Member	:	Nevzat AYAZ
Member	:	Hasan DENİZKURDU
Member	:	Ayça DİNÇKÖK
Member General Manager	:	Mustafa YILMAZ

Auditors:

The auditors elected in the Ordinary General Meeting held in 27 April 2009 are as follows:

Bülent ÜSTÜNEL
Yasin Hilmi YAZAN