



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

BOARD OF DIRECTORS REPORT
FOR THE PERIOD ENDED 30 JUNE 2011

1- AKSA IN BRIEF

Nature of operations

Aksa Akrilik 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 at the factory in Yalova in 1971. The factory is established on a field of 550 dunam. The Company started exporting in 1977. Aksa has expanded to the production level of 308,000 ton/year over the years without compromising its progress and development policy in production process. In addition to its acrylic fiber capacity AKSA started up carbon fiber production plant with a capacity of 1,500 tons/year and also added generation of electricity and production of steam to its activities by acquiring 70 Mwe capacity co-generation power plant during 2009. Today in 5 continents and more than 50 countries nearly 300 domestic and foreign industrial enterprises utilize the products and the services of Aksa. The mission of AKSA is to become the World's first choice in acrylic based textile and technical fibre production and to be recognized as an efficient, innovative, environmently friendly partner, with customer focused business model. 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 are 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
Other	41,70	77.145.000
Total	100,00	185.000.000

2. MAIN FINANCIAL INDICATORS STANDALONE BALANCE SHEET

	30.06.2011 (‘000 USD)	31.12.2010 (‘000 USD)
Assets	944.990	836.241
Current Assets	459.641	388.060
Cash and Cash Equivalents	52.319	36.832
Trade Receivables	200.886	211.656
Inventories	146.591	88.627
Other Current Assets	59.845	50.945
Non-Current Assets	485.349	448.181
Trade Receivables	5.265	6.179
Financial Investments	16.647	17.554
Property, Plant and Equipment	441.415	416.635
Intangible Assets	2.705	3.344
Other Non-Current Assets	19.317	4.469
Liabilities	944.990	836.241
Short Term Liabilities	304.878	227.168
Financial Liabilities	68.188	85.478
Trade Payables	229.225	134.669
Corporate Tax Liability	3.938	2.011
Other Short-term Liabilities	3.527	5.010
Long Term Liabilities	141.616	117.949
Financial Liabilities	115.072	90.108
Derivative Financial Instruments	2.806	3.234
Provision for Employment Termination Benefits	7.224	7.218
Deferred Tax Liability	8.547	8.679
Other Long-term Liabilities	7.967	8.709
Equity	498.496	491.124
Standalone Income Statement (‘000 USD)	30.06.2011	30.06.2010
Net Sales	511.067	419.910
Operating Profit	49.002	26.702
EBITDA	61.687	42.068
Net Profit	44.718	19.101
Ratios	30.06.2011	31.12.2010
Current Ratio	1,51	1,71
Liquidity Ratio	1,03	1,32
EBITDA Margin	12,07%	9,97%
Net Profit Margin	8,75%	4,37%
ROIC	4,73%	4,45%
ROE	8,97%	7,58%

3- INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF

In 2010 global demand for acrylic fiber stood at 2 million tons. Independent research reveals that the global demand for acrylic fiber would be around 2 million tons in the foreseeable future. Acrylic fiber demand in Turkey by the end of 2010 was around 250 thousand tons. Aksa closed the year 2010 with 67% domestic and 13,2% global market share. The high capacity utilization in the first six month of 2011 allows it to protect and even increase its market share.

In 2010, China acrylic fiber imports increased by 9% compared to 2009. In addition, China acrylic fiber production has declined by 5% again compared with 2009. The total demand showed 2% decline and stood at 842 thousand tons at 2010. Acrylic fiber demand in China in the first six month ended period of 2011 stood at 421 thousand tons and increased by 1% compared to the same period last year. The ratio of total demand met by domestic production of China is 76% and the remaining demand is met by imports. Turkish market showed materialized at 132,000 tons in the first half of the year.

The size of the current global market for carbon fiber is estimated at a level of 43,000 tons/year. The next 10 year period is expected to reveal an elevation to 150 thousand of tons/year for the total market size with modest estimates. This growth is expected to concentrate in the fields of industrial use. Despite this growth trend worldwide, humble 50 to 80 tons per year domestic demand has been directing Aksa to work on strategies to further develop domestic market.

4- INVESTMENTS

In the first half of 2011, Aksa spent 72 millions of US Dollars in capital expenditure. Investments are mainly channeled to energy plant, which will be activated during the year. In the second half of the year, capital expenditures for the second carbon fiber production line will constitute a larger part of the total investments.

In order to build up and improve a strong composite sector in Turkey, the R&D projects are still continuing with related universities. In addition, many other negotiations continue for strategic cooperation. Aksa participated to JEC exhibition in Paris as of March and received great interest with its carbon fiber brand AKSACA.

Aksa has completed arrangements for participation to China Composites fair to be held in

Shanghai in September and JEC Asia fair to be held in Singapore in October.

Aksa, which can successfully produce seven different types of carbon fiber, while having a sales amount of 884 tons in 2010, reached approximately 600 tons in the first half of 2011.

AKSA aims to have a 5% global market share in 5 years and 10% in 2020. In the context of these objectives Aksa decided to invest a further US Dollars 72 million in 2011 for the second carbon fiber line with the capacity of 1,700 tons/year and also go for a capacity increase of 300 tons/year on its first carbon fiber line.

Aksa and "The Dow Chemical Company," have signed a preliminary agreement on 3 June 2011 for the production and commercial activities of carbon fiber and carbon fiber-based products (including prepreg, a variety of fabric types and etc. but not limited to) worldwide. The agreement stimulates the conduct of sales on a broader context, including energy, transportation, infrastructure and similar sectors of commercial and industrial applications and also for the purpose of operating in different parts of the world.

4- INVESTMENTS (Continued)

By the signing of this preliminary agreement, required studies have been started to the finalization of a binding agreement.

Aksa aims to commission its energy investment with the electricity generation capacity of 100 MWe and steam production capacity of 350 tons per year by the end of 2011. The company will secure savings in production costs by the energy investment portfolio.

5- ASSESSMENT OF 2011 – FIRST HALF

Aksa turned over 511 millions of US Dollars in the first half of 2011. The exports, having a portion of 34,18 % in the total revenue was realized as 175 millions of US Dollars.

The price of acrylonitrile has risen to 2,700 USD/ton as of June 2011, triggered with the rise of oil prices and some supply constraints due to unplanned shut-downs and overhauls at supplier sites. In the third quarter prices of acrylonitrile started with the decline for 2,400 USD/ ton level. On the other hand, in 2011 largest synthetic fibers segment polyester and natural fiber cotton has shown a parallel increase in prices, thus acrylonitrile price increases are easier to pass on to the finished goods of acrylic fibers.

Acrylic fiber prices increased by 12.4% as of June compared to last year. For the first half of 2011 Aksa realised 92% of capacity utilization rate and the quantity of sales increased by 6% compared to the first half of previous year.

Aksa has generated 61,7 millions of US Dollars EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in the first half of 2011. Net profit for the period is realized as 44,2 millions of US Dollars.

Total assets of the Company has been 944,8 millions of US Dollars. Trade receivables stands at 206,1 millions of US Dollars with a decrease of 5,4% compared to the end of 2010. Short-term liabilities have been 304,8 millions of US Dollars with an increase of 34,2% compared to the end of 2010. Through net working capital management, the Company generated resources at 47,3 millions of US Dollars in the first half of 2011 .

In the General Assembly Meeting dated 10 May 2011, it is decided to reserve 2.794.839 TL as 1st legal reserves per Turkish Commercial Code and the Company's Articles of Association and distribute cash dividends in the amount of 16.400.000 TL to Company Shareholders. Additionally, 1.078.471 TL dividends is paid to board members and the remaining profit is allocated as extraordinary reserves. Dividend payments have been completed in May 2011.

6- EXPECTATIONS FOR 2011

Aksa aims to generate net revenue around 1 billion of US Dollars by the end of 2011. Due to the decrease in raw material prices in the world, acrylic fiber products are expected to partial decrease in pricing and consequently revenue in 2011. Total capacity rate for the year is expected to be around 90% and the share of exports in total sales to remain stable with an exports figure of between 350-370 million US Dollars.

7- BOARD OF DIRECTORS

At the Ordinary General Assembly held on 10 May 2011 the members of the board of directors were appointed as follows:

Board of Directors:

Chairman	:	Mehmet Ali BERKMAN
Vice Chairman	:	Raif Ali DİNÇKÖK
Member	:	Ali Raif DİNÇKÖK
Member	:	Ömer DİNÇKÖK
Member	:	Nilüfer ÇİFTÇİ
Member	:	Erol LODRİK
Member	:	Ayça DİNÇKÖK
Member	:	İzer LODRİK
Member	:	Mustafa YILMAZ
Member-General Manager	:	Cengiz TAŞ
Member	:	Mehmet Emin ÇİFTÇİ

Auditors:

The auditors assigned in the Ordinary General Assembly held on 12 May 2011 were as follows:

İzer LODRİK
Mustafa YILMAZ