



AKSA

Akrilik Kimya Sanayii A.Ş.



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**BOARD OF DIRECTORS REPORT
FOR THE PERIOD
01.01.2011-30.09.2011**

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I - COMPANY PROFILE

Company Information

Company Name : Aksa Akrilik Kimya Sanayii A.Ş.
Traded Stock : İstanbul Stock Exchange ("ISE")
Trading Symbol : AKSA
Head Office Address : Miralay Şefik Bey Sok. No: 15 AKHAN
34437 Gümüşsuyu, İstanbul,Türkiye

Production Facility

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Aksa in Brief

Aksa Akrilik Kimya Sanayii 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.

Capacity increases in carbon fiber and energy production areas are explained under section VI-Investments.

Aksa is the only local producer of Turkey, but also operating under a single roof in the world fiber industry's largest producer of acrylic fiber.

Mission

To become the World's first choice in acrylic based textile and technical fiber production and to be recognized as an efficient, innovative, environmentally friendly, occupational health and safety conscious, partner with customer focused business model.

Vision

To create new and profitable end uses and to maximize added value for our customers and for ourselves, by investing in our technology.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

BOARD OF DIRECTORS REPORT FOR THE PERIOD 01.01.2011-30.09.2011

I -COMPANY PROFILE (Continued)

Capital and Shareholder Structure

Capital and shareholders structure of the Company as of 30.09.2011 is as follows:

Capital

Issued Capital : 185.000.000 TL

Registered Capital : 425.000.000 TL

Shareholders Structure

	Share Amount(TL)	Rate (%)
Akkök Sanayi ve Yatırım A.Ş.	73.237.497	39,59
Emniyet Ticaret A.Ş.	34.638.843	18,72
Other	77.123.660	41,69
Total	185.000.000	100,00

The approved and paid-in share capital of the Company consists of 18.500.000.000 shares issued on bearer with a nominal value of Kr1 each.

Board of Directors and Audit Committee

Board of Directors:

Name Surname	Title	Start	Time
Mehmet Ali BERKMAN	Chairman	10.05.2011	3 Years
Raif Ali DİNÇKÖK	Vice Chairman	10.05.2011	3 Years
Ali Raif DİNÇKÖK	Member	10.05.2011	3 Years
Ömer DİNÇKÖK	Member	10.05.2011	3 Years
Nilüfer ÇİFTÇİ	Member	10.05.2011	3 Years
Erol LODRİK	Member	10.05.2011	3 Years
Ayça DİNÇKÖK	Member	10.05.2011	3 Years
İzer LODRİK	Member	10.05.2011	3 Years
Mustafa YILMAZ	Member	10.05.2011	3 Years
Cengiz TAŞ	Member – General Manager	10.05.2011	3 Years
Mehmet Emin ÇİFTÇİ	Member	10.05.2011	3 Years

Audit Committee:

Name Surname	Title	Start	Time
İzer LODRİK	Board Member	10.05.2011	3 Years
Mustafa YILMAZ	Board Member	10.05.2011	3 Years

I - COMPANY PROFILE (Continued)**Auditors:**

Name Surname	Title	Start	Time
Bülent ÜSTÜNEL	Auditor	10.05.2011	3 Years
Abbas YÜKSEL	Auditor	10.05.2011	3 Years

Board of directors, audit committee and auditors are working under the procedures and authorities of Articles of Association.

Company Management:

Name Surname	Title
Cengiz TAŞ	Board Member and General Manager
Alp SARIOĞLU	Director of Research and Development Center
Betül SADIKOĞLU	Director of Finance
Dan PICHLER	Director of Carbon Fiber
Mithat Okay	Director of Carbon Fiber Marketing & Sales
Murat İNCEOĞLU	Director of Factory
Necdet ÇOLPAN	Director of Acrylic Fiber Marketing & Sales
Osman ARSLAN	Director of Energy
Sabri ARCA	Director of New Business Development and Purchasing
Sibel BEKLER	Director of Human Resources and Management Systems

II - 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 and expected to be around 250 thousand tons in 2011. Aksa closed the year 2010 with 67% domestic and 13,2% global market share, and reached to 72% of domestic market share and kept 13,2% global market share in 2011. The high capacity utilization in the first nine months 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 nine months ended period of 2011 stood at 625 thousand tons and increased by 2,7% compared to the same period last year. The ratio of total demand met by domestic production of China is 77% and the remaining demand is met by imports. Turkish market materialized at 194,000 tons in the first nine months of the year.

II -INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF (Continued)

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 show 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.

Despite the fact that, acrylonitrile prices were in a rising trend in the second quarter of the year (triggered with the rise of oil prices and some supply constraints due to unplanned shut-downs and overhauls at supplier sites), it has leveled down to 2.100 USD/ton level as of September 2011. The last quarter of the year kicked off with further decreases in ACN prices down to 2,000 USD/ ton level. On the other hand, in 2011 largest synthetic fibers segment polyester and natural fiber cotton has shown a parallel decrease in prices.

By the end of September, Acrylic fiber prices increased by 19% compared to same period of last year.

III – SALES

Aksa turned over 742 millions of US Dollars in the first nine months of 2011. The exports, having a portion of 35,76 % in the total revenue was realized as 265 millions of US Dollars. The quantity of sales increased by 10% compared to the first nine months of previous year.

IV – PRODUCTION AND CAPACITY

Aksa realised 90% of capacity utilization rate in the first nine months period of 2011 (2010: 82%) and the quantity of production increased by 9% .

V – RESEARCH AND DEVELOPMENT ACTIVITIES

During the first nine months of 2011 Akxa allocated USD 4.3 million to R & D activities (2010: 5.8 million USD)

VI - INVESTMENTS

In the first nine months of 2011, Akxa spent 110 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.

AKSA with its carbon fiber brand AKSACA, aims to have a 5% global market share in 5 years and 10% in 2020. In the context of these objectives Akxa 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 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.

VII – DEVELOPMENTS FOR THE YEAR

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 in JEC exhibition in Paris as of March, China Composites fair held in Shanghai and JEC Asia fair held in Singapore in October and received great interest with its carbon fiber brand AKSACA.

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 are paid to board members and the remaining profit is allocated as extraordinary reserves. Dividend payments have been completed in May 2011.

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

As a result of the board of director's decision of Aksa Akrilik Kimya Sanayii A.Ş. taken on 3 August 2011, it was agreed that according to subparagraph (b) of the 3rd paragraph of Article 19 and Article 20 of the Corporate Tax Law, No. 5520, Article 19.2.2 of the Corporate Tax General Communiqué, (Serial No. 1), dated 3 April 2007, promulgated by the Ministry of Finance and the Communiqué on the Regulation of the Procedures and Principles of the Partial Spin-Off of Joint Stock and Limited Companies, promulgated by the Ministry of Finance and the Ministry of Industry and Trade, in the Official Gazette, No. 25231, dated 16 September 2003 and as per the relevant provisions of the Capital Markets Board, carbon fiber operations are to be transferred to a new company to be incorporated. As a result of the procedures followed in this context, a positive expert opinion was received on 14 October 2011 and application is made to Capital Market Board as of 28 October 2011.

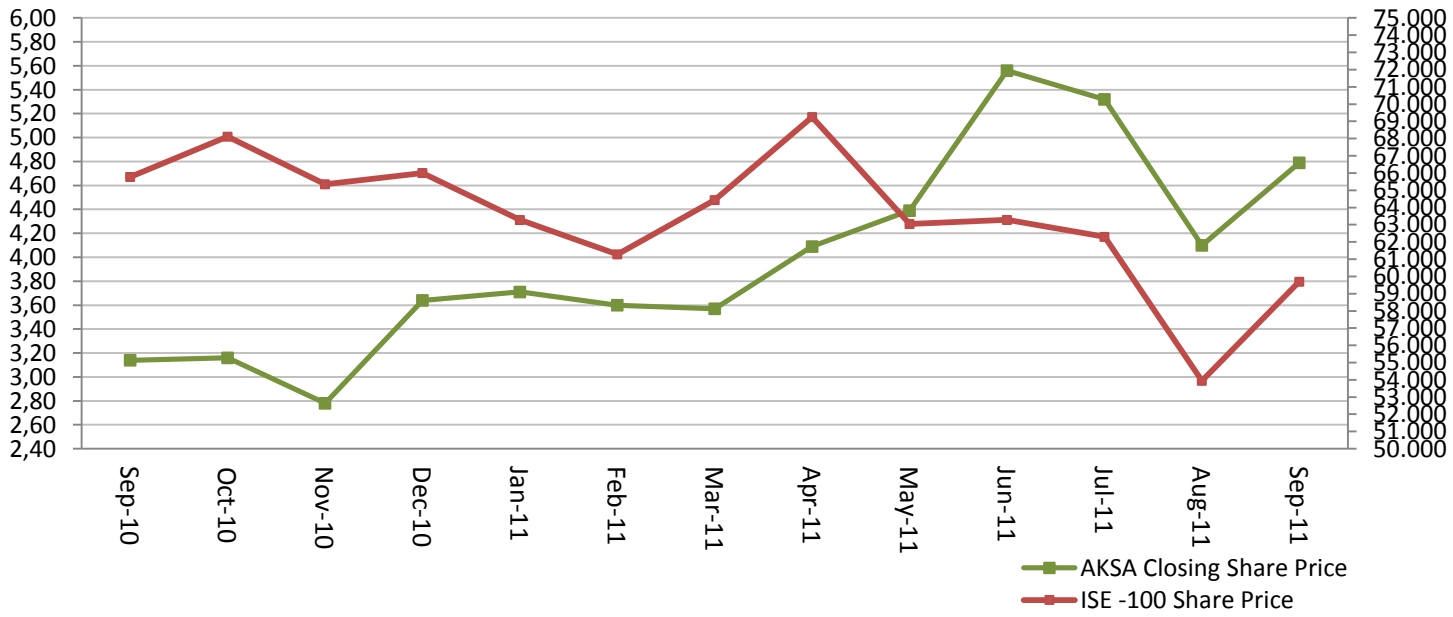
VIII - INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES

AKSA - ISE-100 Performance of the Company Shares:

	Performance		
	Sep '10	Dec'10	Sep'11
ISE 100 (XU100)	65.774	66.004	59.693
ISE CHEMISTRY(XCHEMISTRY)	36.936	38.938	38.845
AKSA	3,14	3,64	4,79

Performance	
Sep'10-Sep '11	Dec '10-Sep '11
(9%)	(10%)
5%	0%
53%	32%

AKSA - ISE-100 Closing Stock Indicator:



Comparison of AKSA Market Cap:

	Performance		
	Sep '10	Dec '10	Sep '11
Market Cap (mn TL)	581	673	886

Performance	
Sep '10-Sep '11	Dec '10-Sep '11
53%	32%

IX - 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 product prices and revenues are decreased in the third quarter of 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 330-350 million US Dollars.

X - RISK MANAGEMENT

The Company holds a monthly Finance and Risk Management Committee meeting to undertake its risk management more effectively. This Board is headed by the General Manager and the other members include members of the Executive Committee, the Finance Director, the New Business Development and procurement Director and the Sales and Marketing Director. It is the job of this Board to evaluate the Company's financial performance and assess its commercial and financial risks. In particular, the types of financial instruments to be utilized in the risk management of receivables and risk levels by customers are assessed. The Company's net foreign exchange position is also evaluated to prevent risk arising from fluctuating foreign exchange rates.

The Company's "Monitoring of Risk Control Measures" procedure is implemented to ensure that existing risk is only a natural outcome of the technology utilized at Aksa and that this risk is kept under control so as not to cause any danger to employee health and safety, the premises or the environment.

The Company's internal auditing is executed by the Internal Auditing Coordination Department of Akkök Sanayi Yatırım ve Geliştirme A.Ş. In this context, all processes are analyzed with an eye to increasing operational effectiveness and to determine that the Company's work has been executed in compliance with procedures and regulations. Work is carried out with the departments concerned to enhance risk management and find effective solutions.

XI - KEY FINANCIAL INDICATORS

Standalone Income Statement ('000 USD)	30 September 2011	30 September 2010
Net Sales	741.619	601.649
Operating Profit	69.246	26.821
EBITDA	88.824	52.129
Net Profit	53.484	18.167

Ratios	30 September 2011	31 December 2010
Current Ratio	1,45	1,71
Liquidity Ratio	0,98	1,32
EBITDA Margin	12%	10%
Net Profit Margin	7,21%	4,37%
ROIC	6,23%	4,45%
ROE	11,91%	7,58%

XI – KEY FINANCIAL INDICATORS (Continued)

	30 September 2011	31 December 2010
	('000 USD)	('000 USD)
Assets	858.941	836.241
Current Assets	409.936	388.060
Cash and Cash Equivalents	36.500	36.832
Trade Receivables	196.678	211.656
Inventories	132.513	88.627
Other Current Assets	44.245	50.945
Non-Current Assets	449.005	448.181
Trade Receivables	4.674	6.179
Financial Investments	14.707	17.554
Property, Plant and Equipment	411.636	416.635
Intangible Assets	2.221	3.344
Other Non-Current Assets	15.767	4.469
Liabilities	858.942	836.241
Short Term Liabilities	282.589	227.168
Financial Liabilities	78.668	85.478
Trade Payables	197.212	134.669
Corporate Tax Liability	3.623	2.011
Other Short-term Liabilities	3.086	5.010
Long Term Liabilities	127.101	117.949
Financial Liabilities	105.072	90.108
Derivative Financial Instruments	2.899	3.234
Provision for Employment Termination Benefits	6.457	7.218
Deferred Tax Liability	5.772	8.679
Other Long-term Liabilities	6.901	8.709
Equity	449.251	491.124