# **2006** ANNUAL REPORT

AKSA
Akrilik Kimya Sanayii A.Ş.

AKKÖK

# Agenda

**THE AGENDA FOR THE ORDINARY GENERAL ASSEMBLY MEETING OF AKSA AKRİLİK KİMYA SANAYİİ ANONİM ŞİRKETİ; APRIL 5, 2007**

1. Opening and incorporation of the Chairing Board and authorization of the Chairing Board for the signing of the Meeting minutes,
2. Reading and discussion of the Board of Directors' Annual Report, the Auditor's and Independent Auditor's Report, the Balance Sheet, the Profit /Loss Statements and the Dividend Distribution proposal prepared by the Board of Directors and submission of all documents for approval,
3. Acquittal of the Members of the Board of Directors and Auditors,
4. Election of the Members of the Board of Directors and Auditors, determination of their terms of office, compensation and per diem, and granting the Members of the Board of Directors with authorities specified in Articles 334 and 335 of the Turkish Commercial Code,
5. In accordance with the Capital Markets Legislation (SPK); communication of the General Assembly by the Board about the donations and assistance provided by our Company in 2006 and the approval of the Board of Directors' decision on the selection of Independent Auditing Institution,
6. Submission of the amendment proposal for approval regarding Article 6 of the Articles of Association approved by Capital Markets Board and Ministry of Industry and Trade,

**ALİ R. DİNÇKÖK**
Chairman

# Contents

# Financial Indicators

**At the end of 2006, Aksa was the world's largest producer of acrylic fiber with a capacity of 290,000 tons/year and serving industries in more than 50 countries on five continents.**

## Stand-alone Balance Sheet

| US dollars | 2004* | 2005** | 2006** |
|---|---|---|---|
| **Assets** | **571,920,088** | **546,036,014** | **656,485,433** |
| Current Assets | 328,695,874 | 286,566,147 | 415,291,680 |
| Liquid Assets | 66,518,647 | 18,960,305 | 22,165,507 |
| Trade Receivables | 162,197,359 | 199,255,363 | 271,546,543 |
| Inventories | 69,523,587 | 50,957,319 | 83,215,080 |
| Other Current Assets | 30,456,281 | 17,393,160 | 38,364,550 |
| Fixed Assets | 243,224,214 | 259,469,867 | 241,193,753 |
| Subsidiaries/Affiliates | 31,302,674 | 33,081,365 | 30,375,480 |
| Tangible/Intangible F.A. | 211,915,932 | 226,376,961 | 210,812,385 |
| Other Fixed Assets | 5,608 | 11,541 | 5,388 |
| **Liabilities** | **571,920,088** | **546,036,014** | **656,485,433** |
| Short-Term Liabilities | 132,138,977 | 105,108,313 | 195,051,386 |
| Financial Liabilities (net) | 4,804,014 | 38,287,157 | 76,555,324 |
| Trade Liabilities | 100,725,994 | 52,250,817 | 81,970,522 |
| Other Short-Term Liabilities | 26,608,969 | 14,570,339 | 36,525,540 |
| Long-Term Liabilities | 12,524,048 | 33,113,720 | 22,721,677 |
| Provisions | 12,524,048 | 10,459,750 | 10,787,777 |
| Deferred Tax Liabilities | - | 22,653,970 | 11,933,900 |
| Shareholders' Equity Capital | 427,257,063 | 407,813,981 | 438,712,370 |

## Stand-alone Income Statement

| US dollars | 2004* | 2005** | 2006** |
|---|---|---|---|
| Net Sales | 516,283,245 | 529,030,733 | 668,637,494 |
| Operating Profit | 71,341,648 | 22,998,576 | 69,813,449 |
| EBITDA | 96,390,852 | 47,490,745 | 93,415,012 |
| Net Profit | 32,109,733 | 10,165,380 | 49,409,012 |

## Financial Ratios

| | 2004* (%) | 2005** (%) | 2006* (%) |
|---|---|---|---|
| Current Ratio | 2.48 | 2.73 | 2.13 |
| Liquidity Ratio | 1.96 | 2.2 | 1.70 |
| EBITDA Margin | 18.67 | 8.98 | 13.97 |
| Net Profit Margin | 6.22 | 1.91 | 7.39 |
| Return on Invested Capital | 7.30 | 2.31 | 7.53 |
| Return on Equity | 7.52 | 2.49 | 11.26 |

* *Prepared in accordance with the provisions of Series XI/20 and Series XI/21 Communiqués.*

** *Prepared in accordance with the provision of Series XI/25 Communiqué.*

*Board of Directors and Auditors*

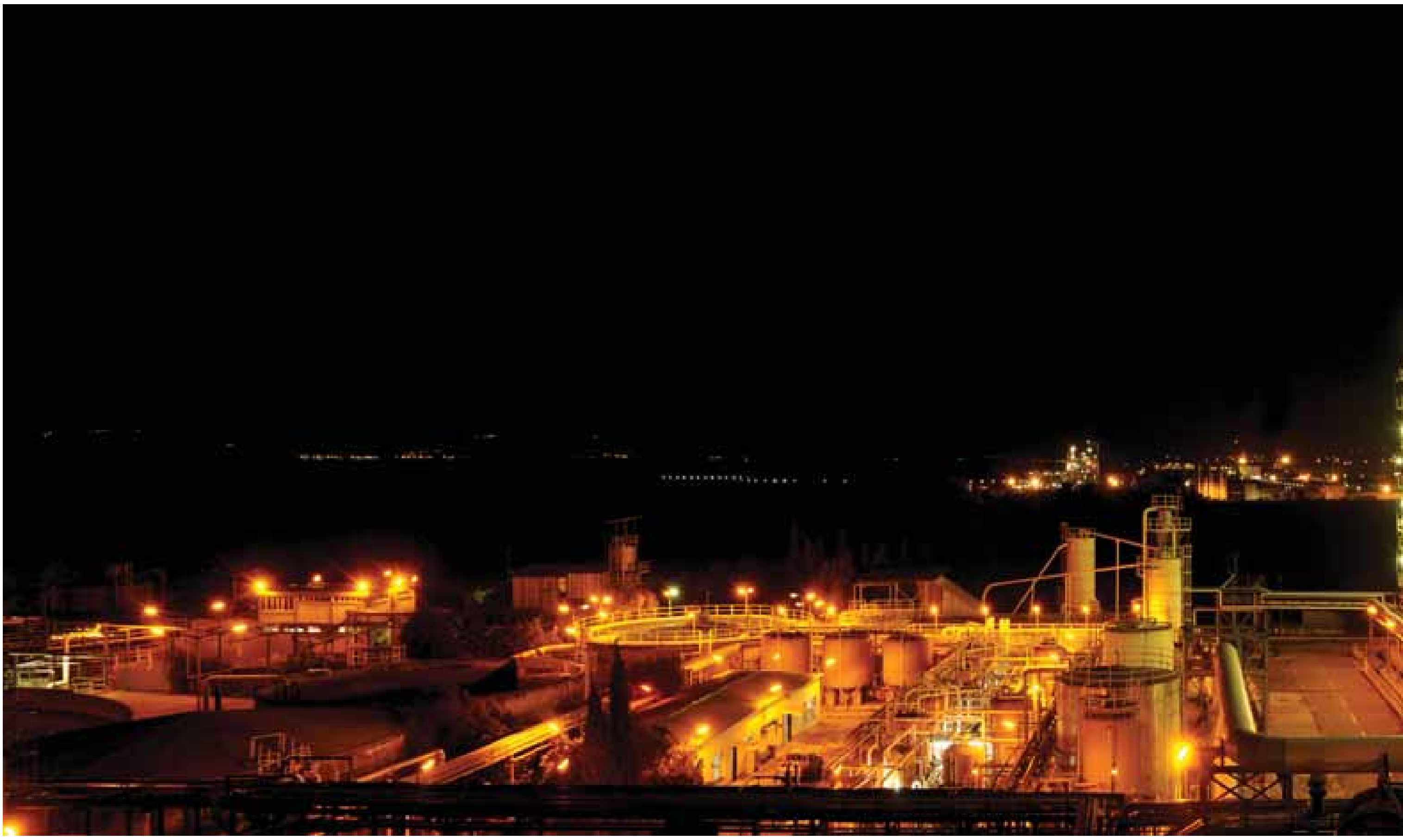
# Board of Directors

**BOARD OF DIRECTORS***
**Ali R. DİNÇKÖK** Chairman
**Ömer DİNÇKÖK** Vice-Chairman
**Erol LODRİK** Member
**Nevzat AYAZ** Member
**Hasan DENİZKURDU** Member
**Ayça DİNÇKÖK** Member
**Mustafa YILMAZ** Member and General Manager

**AUDIT COMMITTEE**
**Nevzat AYAZ**
**Hasan DENİZKURDU**

**AUDITORS**
**Bülent ÜSTÜNEL**
**Y. Hilmi YAZAN**

* Members of the Board of Directors were elected on June 18, 2006 for a period of three years.



# Board of Directors Report

**BOARD OF DIRECTORS REPORT SUBMITTED TO THE GENERAL ASSEMBLY OF SHAREHOLDERS IN AKSA AKRİLİK KİMYA SANAYİİ A.Ş. REGARDING 2006 OPERATIONS**

Distinguished Shareholders,

It is my pleasure to welcome all of you here today. We are here to review our Company's accounts for 2006 and to discuss and make decisions on matters specified in the agenda of the General Shareholders' Assembly meeting.

Corporate Governance Principles were made public by the Capital Markets Board in July of 2003. We are pleased to report that these universally accepted principles have been adopted and successfully implemented by our Company.

For your consideration, we submit the 2006 Annual Report, which covers general information about our Company.

# Message from the General Manager

**Distinguished Shareholders,**

Aksa Akrilik Kimya San. A.Ş., a subsidiary of the Akkök Group, was founded in Yalova in 1968 solely with Turkish capital. It began with an annual capacity of 5,000 tons; by the end of 2006 Aksa had become the world's largest producer of acrylic fiber with a capacity of 290,000 tons/year, serving the industries of more than 50 countries on five continents. Aksa passes on the advantages gained from its economy of scale to its customers and serves them as a solutions partner. Aksa has become a supplier of choice not only in Turkey but around the world thanks to its strong financial structure, flexible and responsive production planning, rapid shipping capacity and proximity to the market.

In order to improve operations with respect to both quality and the environment, as well as to share the best practices with every segment of society, Aksa has become a member of such important associations as KalDer (Turkish Society for Quality), EFQM (European Foundation for Quality Management) and TKSD (Turkish Chemical Manufacturers' Association).

Aksa uses scientific methods to monitor Company performance; by 2011, it will be in a new position with regard to standard, special and industrial fiber production. Aksa will achieve its strategic goals on time making optimal use of its tangible assets, human resources, know-how and organizational capital.

Aksa strives to create value that reflects a strong balance for customers, employees, the Company and the community while at the same time, being distinct from competitors. Aksa bases all of its present and future strategies on this philosophy.

Since the day it began production, AKSA has based its development on concepts of customer satisfaction, productivity, continuity and innovation. This is concurrent with its belief that a prerequisite for growth is quality. The Company recognizes that profitability can only be sustained through investing in technology. It views management of human and information resources as the foundation of competitive advantage. An environment that lends itself to innovation and discovery is created where employees can freely develop their ideas and talents. In 2007 again, Aksa will develop new processes and release new products that will support a low-cost strategy, the hallmark of which is discovery. It will move ahead rapidly with both standard products and industrial textile products. Aksa continues to be a leader with its low-cost structure and is currently working on energy investment projects that will further improve its cost structure.

Aksa's agile organizational structure and capable employees ensure that the decision-making process and implementation of decisions move at optimal speed. Creative, motivated and self-confident employees who believe in continual development are what guarantee that Aksa's future will be bright.

## Expectations for 2007

In 2006, acrylic and fibre capacity fell by 40% in the US and 20% in Europe; this same capacity shifted to the Middle East and China, resulting in intensified competition in the acrylic fiber market.

In spite of all these market changes, by 2011, Aksa will have garnered 12% of the world market. Aksa will accomplish growth via modernization, productivity and capacity utilization. It is anticipated that by the end of 2007, it will have increased operational capacity to 305,000 tons/year.

Aksa continues meticulous implementation of its profit-based strategies and in 2007, will launch three new products in its industrial fibers, standard products and custom products.

Another issue that Aksa will be focusing on in 2007 is proximity to raw material sources and raw material integration.

With regard to learning and development initiatives, investments will be made with a view to develop process management and to keep with the goal of retaining its lead position in the sector. There are three large projects planned to ensure increased and continual customer satisfaction.

**By 2011, Aksa will have captured 12% of the world market. Growth will be accomplished via modernization, increased productivity and capacity utilization. By the end of 2007, it will have increased installed capacity to 305,000 tons/year.**

In 2006, Aksa spent approximately US$ 27.4 million on investment projects. It plans to spend a total of US$ 93.8 million in 2007 especially for the production of carbon fibers. The largest percentage of these investments is devoted to new business development projects. There are also cost-reduction projects aimed at increasing productivity, as well as care-maintenance, environmental and social responsibility projects and R&D projects aimed at producing special fibers with high added value.

We target revenue of approximately US$ 700 million in 2007 while predictions for the domestic market will account for 60% of these sales.

Low fixed costs associated with large scale production, overall high operational productivity, proximity to markets, a strong employee base and excellent technical service capacity coupled with its ability to produce new products and new processes allow Aksa to face the future with confidence.

Aksa shareholders, management and employees are very aware of their social responsibilities as they move towards a bright future with determination.

**Mustafa YILMAZ**
General Manager

**Meticulous implementation of its profit-based strategies continues at Aksa; in 2007 three new standard, custom and industrial fiber products will be launched.**

# Aksa's philosophy

OUR PHILOSOPHY IS POSITIVISM. WE EXPEND OUR ENERGY ONLY ON “POSITIVE EFFORTS, POSITIVE THINKING AND POSITIVE ACTION.” WE ASK OURSELVES IF SOMETHING IS “GOOD FOR THE CUSTOMER, THE EMPLOYEE, THE COMPANY AND SOCIETY” IN THAT ORDER.

# Aksa's mission

TO BE THE MANUFACTURER OF CHOICE IN THE GLOBAL ACRYLIC-BASED TEXTILE AND INDUSTRIAL FIBER SECTOR THANKS TO OUR INNOVATIVE, CUSTOMER-FOCUSED APPROACH THAT IS BOTH PRODUCTIVE AND ENVIRONMENTALLY SENSITIVE.

# Aksa's vision

TO MAXIMIZE ADDED-VALUE FOR OURSELVES AND OUR CUSTOMERS BY INVESTING IN TECHNOLOGY AND BY CREATING PROFITABLE, NEW AREAS OF USE FOR ACRYLIC FIBER.

# Capital and Capital Structure

Aksa has accepted the registered capital system outlined in the provisions of Law 2499 and has transitioned to this system with Permission No. 90 granted by the Capital Markets Board on February 20, 1992. The Company's registered capital was increased from YTL 40,000,000 to YTL 425,000,000 with Permission No. 908 granted by the Capital Markets Board on January 16, 2007. Registration and notification procedures will be conducted after approval by the General Shareholders' Assembly. Paid-up capital is YTL 110,000,000. One hundred percent of Aksa stock is traded on the Istanbul Stock Exchange.

In 2006, the Company increased its capital by YTL 82,843,712, issuing stock for the increased amount. No bonds, including financial bonds were issued.

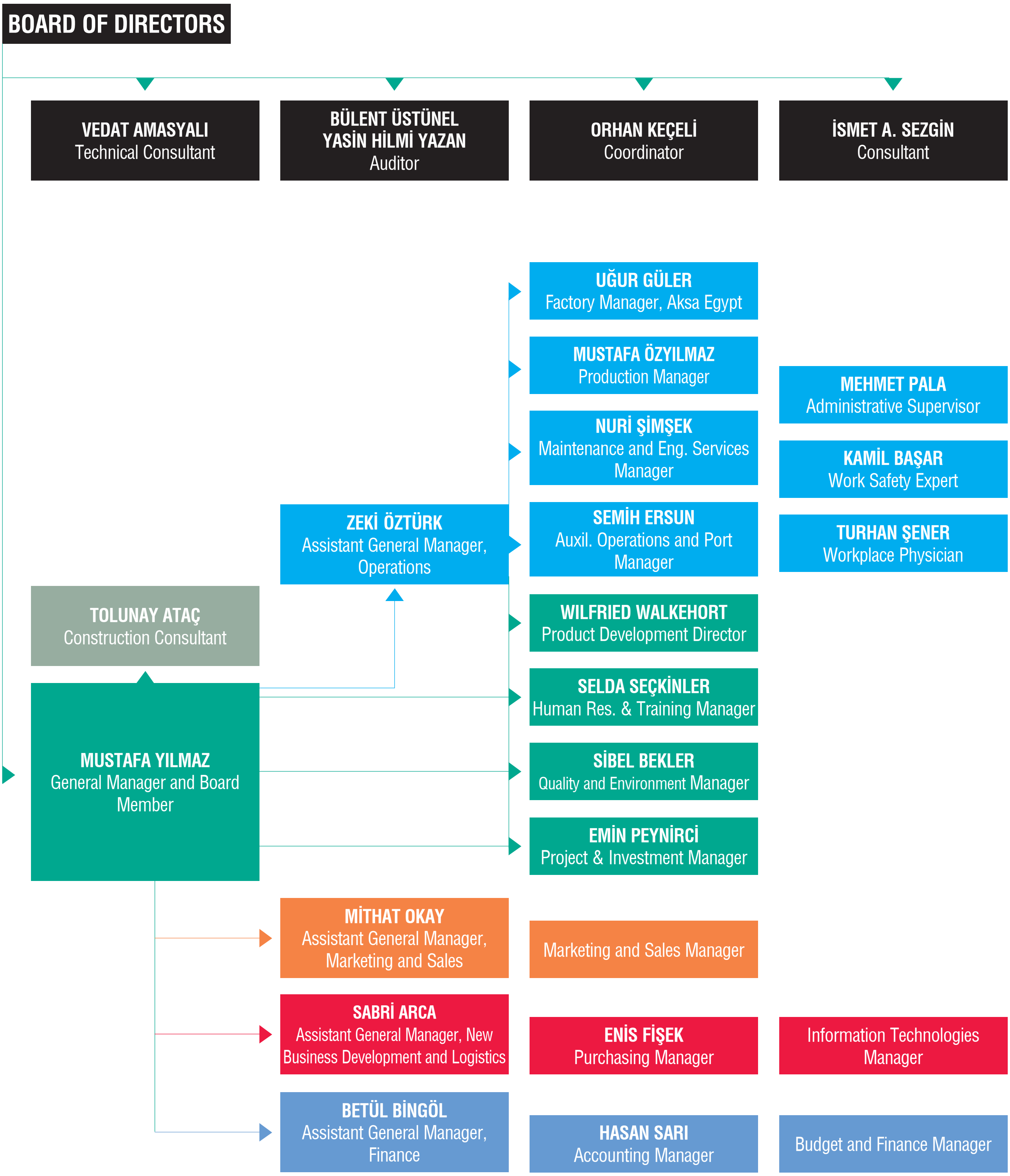
The Company does not currently have any securities in circulation.

**Capital distribution according to shareholders who own at least 5% of the total capital is as follows:**

| Shareholder | Shares (%) | Value (YTL) |
|---|---|---|
| Akkök Sanayi ve Yatırım Geliştirme A.Ş. | 39.58 | 43,546,625 |
| Emniyet Ticaret A.Ş. | 18.72 | 20,596,070 |
| Other | 41.70 | 45,857,305 |
| **Total** | **100.00** | **110,000,000** |

# Organizational Structure

**Changes to Management Structure**
Changes to Management and factory personnel in 2006:
Factory Director Zeki Öztürk was promoted to Assistant General Manager and Marketing and Sales Director M. Mithat Okay was promoted to Assistant General Manager of Marketing and Sales.



# Human Resources

**“We know that the power to make a difference is inherently a part of human nature. This is why we view every new employee hired at Aksa as a seed ready to sprout. We strive to provide an environment conducive to its growth.”**

## Participatory management at Aksa

2006 was a year in which Aksa focused on projects that would increase its competitive edge and establish systems to encourage innovation. As borders are erased as a result of globalization and the world becomes a place where companies that do not adapt and improve are unable to remain viable, a number of new projects were undertaken to increase productivity and create new products with high added-value.

As the world changes, the needs of Aksa and its employee profile have also changed. In 2006, a number of engineers were hired by focusing on selection and placement in an effort to achieve “competence in creativity.” Turkey's top consultation firm was also brought in to evaluate hiring and remuneration processes.

In order to increase the Company's problem solving capacity, the 6 Sigma Methodology and MS Project Management Methodology were implemented to solve a number of problems.

The Performance Management System and 360 Degree Feedback System were also introduced.

A Human Resources and Training Portal has been established enabling Aksa employees to have direct access to training manuals and have a voice in their own development plan; all human resource applications and procedures, such as the Performance Management System, 360 Degree Feedback System and the Suggestions System were included in the portal. Passwords were provided to all employees including operators, and the infrastructure necessary for employees working on the most remote machines to access the portal was completed.

Aksa is aware that the power to make a difference is an inherent part of human nature. This is why every new employee hired at Aksa is treated as a seed ready to sprout and every opportunity is afforded to provide an environment conducive to this growth.

In addition to these intensive efforts, 2006 was also a year filled with the activities of the Company's Diving and Ski Club as well as the Football, Basketball and Tennis teams. The Spring Walk organized in Yalova and the April 23rd Festival were rendered even more colorful by the participation of the residents of Yalova this year.

# Acrylic Fiber Sector

**Aksa exported approximately 40% of its total production; the percentage of high value-added special fibers exported in 2006 also increased.**

## Global Acrylic Fiber Production and Demand (2006)

| | Production | Consumption | Balance |
|---|---|---|---|
| Western Europe | 470,000 | 140,000 | (330,000) |
| Eastern Europe | 100,000 | 85,000 | (15,000) |
| Middle East | 345,000 | 525,000 | 180,000 |
| Africa | - | 60,000 | 60,000 |
| The US | 140,000 | 240,000 | 100,000 |
| China | 835,000 | 1,175,000 | 340,000 |
| Japan | 245,000 | 13,000 | (232,000) |
| Other Asian Countries | 425,000 | 322,000 | (103,000) |
| | **2,560,000** | **2,560,000** | **-** |

Acrylonitrile, a raw material used by Aksa, is manufactured from a petroleum derivative called propylene and is sold on the market for a premium price that varies with the price of propylene. Fluctuations in the price of the raw material are reflected in the price of the fiber if demand for acrylic fiber stays at normal levels. The price of acrylonitrile rose in 2006 making acrylic fiber prices higher than cotton and polyester, creating an opportunity for polyester and polypropylene to capture some of the market share from acrylic fiber. Fluctuating acrylonitrile prices signal uncertainty about the sector's future and as a result, there has not been an increase in the consumption of acrylic fiber in the world markets for two years. The danger of replacement products and global warming has played a significant role in the decline in consumption. Employment creation policies and textile sector strategies of countries in the Far East as well as the incentives they have implemented have caused the production of synthetic fiber to shift to Asia and the Far East. This has created an over-supply in Europe and an 18% reduction in Chinese imports compared to the year 2005. Even faced with the effects of these rapid changes, Aksa successfully continued its strategy of full capacity production in 2006. As competitors shut down their production capacity, Aksa continued to produce and sell. As a result of these developments, in 2006 Aksa recorded an operating profit of US$ 93.415.012 before interest, taxes and depreciation. During this period, the Company exported approximately 40% of total production while the percentage of high value-added special fibers that were exported increased during the year.

# Sales and Capacity

**Aksa exports to approximately 50 countries in Europe, the US, the Middle East and Africa.**

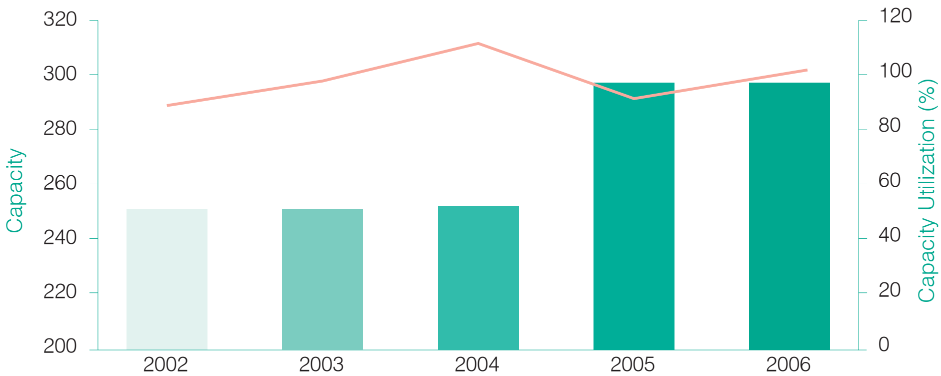
The percentage of domestic sales and exports are given below:

| Sales (%) | 2004 | 2005 | 2006 |
|---|---|---|---|
| Domestic Sales | 65 | 61 | 62 |
| Exports | 35 | 39 | 38 |

Aksa exports to approximately 50 countries in Europe, the US, the Commonwealth of Independent States, the Middle East and Africa. Exports for 2006 are given below based on regions:

| Region | Percentage (%) |
|---|---|
| Middle East | 36 |
| North America | 24 |
| Europe | 22 |
| Asia | 11 |
| Africa | 8 |

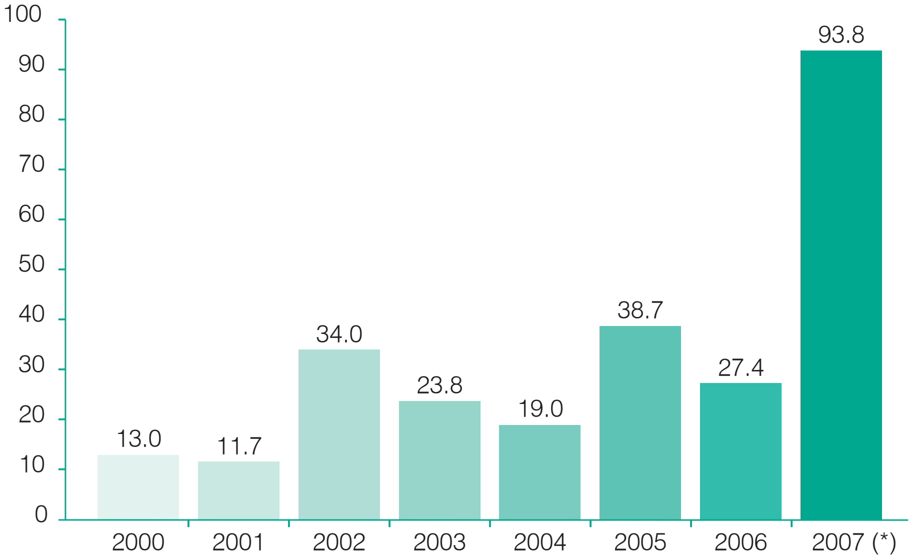
**Annual capacity and capacity utilization percentages are given below:**



# Investments

| Investment Budget Distribution for 2007 (%) | |
|---|---|
| A Investments to Increase Capacity | 21 |
| B Cost Reduction Projects | 19 |
| C New Business Development Projects | 41 |
| D New Products and R&D Projects | 13 |
| E Other Projects | 6 |
| **Total** | **100** |

**Investment Expenditures (US dollars)**




(*) Expected

In 2006, Aksa spent approximately US$ 27.4 million on investment projects and plans to spend another US$ 93.8 million during 2007 including a US$ 40 million investment related to the production of carbon fibers. Aksa has begun to invest in a pilot carbon fiber facility with an annual capacity of 34 tons. There are plans to begin a commercial facility investment with an annual capacity of 1,500 tons in June of 2007. The largest percentage of these investments is devoted to new business development projects with 41% devoted to carbon fiber. There are also projects aimed at increasing capacity, reducing costs, conducting R&D to produce high value added special fibers, carrying out care-maintenance as well as environmental and social responsibility projects.

In addition to all of these projects, Aksa continues with its feasibility study regarding the building of a coal-powered electricity production plant to lower energy costs. With the exception of the carbon fiber project, all of the projects will be financed with cash provided by Aksa operations. Financing for the carbon fiber project is projected to come from 30% equity capital and 70% long-term loans.

# Other Important Issues Related to Operations

### Important Regulatory Changes

The Council of Ministers Resolution no. 2006/10138 reduced the VAT percentage from 18% to 8% on the delivery of thread and all types of filaments, fibers and similar products prepared for their manufacture beginning on March 9, 2006; therefore, the VAT applied to Aksa product sales was 8%. For companies such as Aksa providing raw materials in the textile sector, this translates into high amounts of VAT refunds from the government. The Ministry of Finance has been contacted with regard to the deduction of VAT receivables on a monthly basis and regarding the cash refund of the amount that cannot be deducted in the given month.

In accordance with Provisional Article 3 of the Communiqué Regarding the Procedures and Principles of Keeping Records for Dematerialization of Capital Market Instruments published in the Official Gazette No. 24971 on December 22, 2002, stocks must be submitted by December 31, 2007 to issuing institutions or brokerage firms authorized by them or to the Central Registration Organization (MKK), which registers capital market instruments. The financial rights of stocks not submitted will be monitored via records by the MKK. In the event that the stocks are submitted in accordance with the principles in this regulation, relevant amounts will be transferred to the accounts of the rightful owners. Management rights however, will be exercised by the MKK.

### Legal Status and Disputes

Aksa has no compensation liabilities arising from contracts or torts and there is no dispute with authorities, real or legal persons or employees that would affect the Company's assets. The lawsuits related to the 1999 earthquake filed against the Company are still pending in the Yalova and Beyoğlu Civil Courts of First Instance. The Company does not have any tax disputes and provisions have been set aside for all lawsuits and disputes.

### Activities Regarding Akbahçe Residences

Foundations for the houses were laid on August 3, 2002 and rough construction work on 34 was completed that year, with an expenditure of US$ 1,800,000. In line with economic developments and the demand from Aksa employees, a decision was adopted to complete the construction of the remaining houses through a cooperative to be founded by employees. The cooperative, established with 26 members, initiated the construction of the remaining part of the work in 2004.

In 2006, the cooperative approached the Company with a request to purchase 42 lots; this portion of the property was sold to the cooperative.

Six of the 32 110 m2 residential units completed in 2002 have been sold. Sales of the other residential units are under way.

An agreement was made with the contractor to exchange ownership of residential units for property with a view toward completing the project as soon as possible.

# Aksa Affiliates

### Dividends Distributed by Aksa Subsidiaries and Affiliates During the Last Three Years:

The Company has six affiliates and one subsidiary.

We have a 22% stake of 1,720,944 YTL in Ak-Al Tekstil Sanayii A.Ş., which has a total equity capital of 7,786,108 YTL, is one of these affiliates. The Company operates in the textile sector. Dividends from Ak-Al in 2005 amounted to 156,449.46 YTL.

The second affiliate is Ak-Pa Tekstil İhracat Pazarlama A.Ş., which operates in the areas of export and marketing. Aksa has a 13.5% stake worth YTL 269,400 in this enterprise with a total capital of YTL 2,000,000. Dividends from this Company in 2004 amounted to YTL 211,344.30, up from YTL 390,507 in 2005 and YTL 242,460 in 2006.

Aksa's third affiliate is Ak-Tops Tekstil Sanayii A.Ş., also operating in the textile sector. The Company has a 10% stake (YTL 200,000) in Ak-Tops' YTL 2,000,000 capital and received dividends of YTL 329,595.50 in 2004, YTL 188,114.81 in 2005 and YTL 200,708 in 2006.

The fourth affiliate is Akenerji Elektrik Üretimi A.Ş., which operates in the energy sector. We have a 15.6% stake (YTL 10,174,522) in this Company's equity capital of YTL 65,340,000. Dividends in 2004 amounted to YTL 924.956,4.

The fifth affiliate is Ak-Havacılık ve Ulaştırma Hizmetleri A.Ş., established to operate in the aviation sector. Aksa has a 7.3% stake (YTL 1,524,690) in this Company's equity capital of YTL 20,800,000.

The sixth affiliate is Ak Han Bakım Yönetim Hizmetleri A.Ş., in which Aksa has a 33% stake (YTL 16,500) in its capital of YTL 50,000.

The FITCO BV subsidiary was founded in 2003 in Holland and has a registered capital of EUR 4,500,000. As of 2006, Aksa had fully participated in the capital of the subsidiary.

# Disclosure Policy

The Aksa Akrilik Kimya Sanayii A.Ş. (Aksa) Board of Directors has adopted a disclosure policy to ensure that both shareholders and stakeholders have access to regular and reliable information about the Company's management as well as its financial and legal situation. This is essential information since it has the potential to influence the value of Aksa's capital market instruments. This policy will exclude information considering trade secrets and other data that may harm the Company by inhibiting its competitive power.

Aksa has not violated any of the provisions of the Turkish Commercial Code and Capital Markets Legislation, the regulations of the Capital Markets Board (SPK) and Istanbul Stock Exchange (ISE), which are the authorized institutions in this respect or the Corporate Governance Principles of the Capital Market, with regard to disclosure to the public.

The Company's Disclosure Policy is drafted by the Board of Directors, presented to the shareholders at the Shareholders' Assembly and published on the corporate website for disclosure to the public. If there are any changes in the Disclosure Policy, these items are presented to the shareholders after the Board of Directors' approval; then they are published on the corporate website.

The Assistant General Manager responsible for Financial Affairs is charged with attending and monitoring all kinds of issues concerning the implementation and follow-up of the Disclosure Policy and disclosure to the public.

## Media and Methods Used for Public Disclosure

The following methods and communication tools have been specified as the means for disclosure to the public, in addition to those foreseen by legal regulations:

- Corporate Internet Site
- Annual Report
- Meetings held with shareholders and potential investors*
- Meetings held with banks, financial institutions and brokerage firms*
- Announcements and programs conducted through media institutions
- Electronic information distribution channels
- Fax/E-mail Mobile phone communications (WAP and other similar technology)

* Meetings may be conducted face-to-face, via telephone or by tele-conference.

## Scope of the Disclosure Policy

Any questions from shareholders or stakeholders are answered within a maximum of five business days, provided that they do not involve trade secrets or contain any results that may harm the Company by inhibiting its competitive power. The public is only informed of financial or legal occurrences that might affect 5% of assets or of equivalent situations that seem likely to occur. Public announcements are made by sending a special circumstance disclosure form to the Istanbul Stock Exchange and publishing it on the corporate Internet site.

## Corporate Website

Aksa's corporate Internet site is www.aksa.com.

The internet site is used to maintain transparency and to keep the public informed, thus providing Internet access to information disclosed to the public. The Internet site is configured and arranged in a manner conducive to this purpose. Information that is required to be found in the Capital Markets Corporate Governance Principles is present on the Aksa Internet site and is constantly updated. Efforts related to security measures that prevent published information from being changed are conducted on an on-going basis; the site is continually being developed.

Announcements made on the Company website are not a substitute for the notifications and special circumstance announcements required by provisions of Capital Market regulations.

## Shareholder Relations Department

Because shareholder relations are handled under the supervision of the Assistant General Manager of Financial Affairs, it was not deemed necessary to create a separate department for this purpose. Shareholders wishing to communicate with the Company can do so via this e-mail address yatirimciiliskileri@aksa.com. Inquiries directed to Aksa via telephone, fax, e-mail or various other ways will be answered within five business days either in writing or orally by the Assistant General Manager of Financial Affairs or an appointed representative.

## Public Disclosure of Financial Statements

In addition to what is required by legal regulations, periodic financial reports are published on the corporate website within two business days after the Istanbul Stock Exchange is informed. Annual financial statements are also submitted to shareholders in the annual report.

## Public Disclosure of the Annual Report

The Annual Report is prepared in accordance with the Turkish Commercial Code, Capital Market Regulations and Capital Market Corporate Governance Principles and is published on the corporate website 15 days prior to the Shareholders' Ordinary Assembly meeting. Interested shareholders and stakeholders may request a printed copy of the Annual Report from the Assistant General Manager of Financial Affairs by telephone or by contacting Aksa via yatirimciiliskileri@aksa.com.

## Public Disclosure of Special Circumstance Announcement Forms

In the event that the circumstances specified in the Communiqué of Principles Related to Public Disclosure of Special Circumstances published by the Capital Markets Board take place, special announcements related to the issue will be published on the corporate website within two business days after it is sent to the Istanbul Stock Exchange.

## Public Disclosure of General Shareholders' Assembly Meetings

The meeting date, time, agenda items and a copy of the proxy form will be published on the corporate website 15 days prior to the date of the General Shareholders' Assembly meeting in addition to other information required by legal regulations.

## Meetings with Shareholders and Potential Investors

Shareholder and potential investor requests are responded to on a quarterly basis and any requests forwarded in the interim receive a reply by holding face-to-face meetings and/or through electronic mail. Moreover, at least once a year, a Road Show will take place to promote the Company to foreign investors and to provide information about the Company's strategic and financial status. However, the information disclosed may not be different from that previously released to the public. In other words, it must be information that has all ready been disclosed to the public.

Meetings Held With Banks, Financial Institutions and Brokerage Firms
Oral or written requests made by financial institutions and brokerage firms are responded to on a quarterly basis and any requests forwarded in the interim are responded to by holding face-to-face meetings and/or through electronic mail. Efforts are made to keep shareholders and potential investors informed via brokerage firms regarding the Company's financial standing and its strategic and financial goals. However, the information disclosed must be information that has previously been disclosed to the public.

Announcements and Interviews Conducted through the Media
Efforts are made to keep shareholders and potential investors informed via the media regarding the Company's financial standing and its strategic and financial goals. Communication with the media is handled with the approval of the General Manager. Media requests for interviews are handled by the General Manager or the person that he appoints. However, the information given in the interview cannot be other than that previously released to the public.

## Code of Ethics

The Code of Ethics is publicly disclosed by publishing it on the corporate website within two business days of its approval by the Aksa Board of Directors. In the event that a change is made to the Code of Ethics, issues subject to change will be published on the corporate website after being approved by the Board of Directors.

## Dividend Distribution Policy

The Dividend Distribution Policy formulated by the Aksa Board of Directors is submitted to the shareholders at the General Shareholders' Assembly and included in the Annual Report. It is published on the corporate website within two business days of the General Shareholders' Assembly meeting. In the event that there is a change in the Dividend Distribution Policy, areas of change are submitted to the General Shareholders' Assembly for information and are published on the corporate website after being approved by the Board of Directors.

## Insider Trading

In order to prevent the use of information which the public is not privy to, in other words information not publicly disclosed, the Assistant General Manager of Financial Affairs prepares a list of the managers and employees as well as persons/institutions from which the Company receives services and who have access to information that might affect the value of capital market instruments and this list is published on the corporate website.

## Disclosure of Future Activities

Within the scope of its disclosure policy, Aksa may disclose to the public its forecasts, if deemed necessary. Any disclosure of future activities are subject to the approval of the Board of Directors and performed by individuals authorized to make public disclosures. The basis for the forecasts to be disclosed to the public is also presented with statistical data. Such information cannot include any exaggerations, be misleading and must, by all means, be associated with the financial standing and activity results of the Company. Utmost care is taken to ensure that disclosure to the public of the results of audits conducted by independent auditors and disclosure of information on future activities are consistent with international standards. In case such forecasts disclosed to the public are subsequently understood that they will not be realized, revised information, statements and reports, together with their grounds, are disclosed to the public.

## Other Disclosures

In the event that sale/purchase transactions conducted or net positions in derivative products based on Aksa shares owned by members of the Board, executives or shareholders who possess 5% of the Company's capital either directly or indirectly exceeds 1% of their direct or indirect holdings in the Company, this is published on the website.

It is at Aksa's discretion not to make any disclosures to the public concerning any inaccurate news, hearsay or rumors published in the media.

Individuals authorized to make public disclosures may participate in conferences, panels, meetings, interviews and similar events and deliver speeches on Aksa's behalf. However, the information to be delivered during these speeches cannot be different from what was previously disclosed to the public; it has to be previously disclosed public information.

Because joint efforts with SPK, the Istanbul Stock Exchange and TÜBİTAK Information Technologies and Electronic Research Institute's (BİLTEN) Public Disclosure Platform (KAP) are still in the testing stage, financial statements, special circumstance announcements and other notifications sent to ISE via post or fax are sent to KAP electronically on the first business day following publication in the daily bulletin within the regulatory framework specified by the authorized institution. Because it will not be possible to submit the aforementioned documents and information, previously submitted in paper form, once the KAP project is implemented, these documents and information will be signed by authorized individuals and delivered in electronic format.

Written notifications, statements and similar announcements made by authorized individuals are valid if they bear two signatures under the Company seal.

## Persons Authorized to Make Disclosures

The following individuals are entitled to respond to any questions and disclosure requests concerning Aksa's management, activities, financial data and the sector:

Chairman and Members of the Board of Directors
General Manager,
Coordinator,
Assistant General Manager, Finance
Accounting Manager
Assistant Accounting Manager

Unless a special appointment is made, no employees, other than these individuals, are authorized to respond to questions.

# Report on Compliance with Corporate Governance Principles

## AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

The Company's goal has always been to be a world leader in the sector. As global competition and change accelerate, the goal is to create sustainable value for the shareholders, with the awareness that corporate governance practices are just as important as the Company's financial performance.

The Company is determined to maintain its reputation with the shareholders and investors as well as with the customers, employees and the community as a respectable, hardworking, creative and innovative institution.

The Corporate Governance Principles formulated by the Capital Markets Board (SPK) in parallel with practices around the world aim first and foremost to increase and strengthen the confidence of existing and potential shareholders, as well as employees, customers, regulatory authorities and the domestic and international community. In this regard, Aksa Akrilik Kimya San. A.Ş. declares that it will execute Corporate Governance Principles and implement any arrangements required by these principles within the framework of current practice.

## SECTION I-SHAREHOLDERS

### 1. Shareholder Relations Department

Shareholder relations are handled by the Department of the Assistant General Manager of Financial Affairs. Dividend and capital-raising transactions are conducted via bank branches with which the Company has an agreement and in compliance with SPK directives. When the agreement expires, transactions are monitored through a special program at the Company headquarters and shareholder rights are executed. Requests from brokers, investor firms and individual investors are responded to quarterly and any requests forwarded in the interim are responded to by holding meetings and/or through electronic mail. A Road Show is organized at least once a year to promote the Company to foreign investors and to provide information about the Company's strategic and financial position. Since all these activities are carried out under the scope of the current Financial Affairs organization, it was not deemed necessary to establish a separate department.

### 2. Exercise of Shareholders' Right to Obtain Information

Information requests from shareholders are replied to in writing, over the telephone or electronically. Furthermore, all information concerning the activities of the Company is provided on the corporate website, which is regularly updated. Except for trade secrets or information undisclosed to the public, all requests for information coming from the shareholders receive responses. There is no provision in the Articles of Association for the request of shareholders to appoint a special auditor to be stipulated as an individual right.

No request for the appointment of a special auditor has been received during the current term or during previous terms.

### 3. Information Regarding the General Shareholders' Assembly Meeting

An announcement of the General Shareholders' Assembly meeting is published in two newspapers 15 days prior to the date set for the General Shareholders' Assembly and ISE is notified. The published announcement includes the agenda, date, time, place and attendance conditions for the meeting. The General Shareholders' Assembly meeting minutes and the list of attending participants are delivered to shareholders who request these documents. Representatives from the Stock Exchange, brokers and the media do attend the General Shareholders' Assembly meeting. Meeting documents are delivered to the Capital Markets Board and the Istanbul Stock Exchange following the meeting. This information has also been posted on the Company website since 2004. The quorum for the General Shareholders' Assembly meeting held on April 18, 2006 for 2005 was 61.50%. None of those attending the meeting asked any questions during the sessions. Proposals expressed by the shareholders were submitted for the approval of the General Shareholders' Assembly and accepted by majority vote. As the authority for buying, selling or leasing of assets was delegated to the Board of Directors in accordance with Article 9 of the Articles of Association, such issues are not included in General Shareholders' Assembly meeting agendas.

### 4. Voting Rights and Minority Rights

In accordance with the Articles of Association, there are no preferential rights. Each share is entitled to one vote. There is no practice of representation of minority shares in management or cumulative voting.

### 5. Dividend Distribution Policy and Time

To date, Aksa Akrilik Kimya Sanayii A.Ş. has made dividend distributions to its shareholders in the form of cash and/or bonus shares, taking into consideration the financial performance of the Company, the industrial conjuncture and the current economic conditions of Turkey in compliance with the regulations published by the Capital Markets Board. The Dividend Distribution Policy has been published in the Istanbul Stock Exchange Bulletin and submitted for the information of the shareholders.

### 6. Transfer of Shares

The shares of the Company belong to the bearer and there is no provision restricting the transfer of shares in the Company's Articles of Association. The shares, all of which are quoted on the Istanbul Stock Exchange, can be transferred in accordance with the provisions of the Turkish Commercial Code and the Capital Market Law.

## SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

### 7. Company Disclosure Policy

It is a fundamental principle at Aksa to conduct disclosure to all shareholders, as well as individuals and corporations that can benefit from information disclosed to the public - excluding those qualified as trade secrets and those mandated by related legislation - in a timely, correct, accurate, understandable, easy-to-interpret, easily accessible and equal manner and at a low cost. Therefore, an adequate Disclosure Policy has been devised and submitted for the consideration of the shareholders.

### 8. Disclosure of Special Circumstances

Within the framework of the principle of disclosure to the public and transparency, 17 Disclosures of Special Circumstances were made in 2006 for the purpose of informing, first and foremost, the shareholders, as well as stakeholders and other relevant parties in a timely manner. All requests for disclosures of special circumstances were thusly carried out. No additional explanations were requested by the Capital Markets Board or the Istanbul Stock Exchange for the Disclosures of Special Circumstances which were made on time and in accordance with Capital Markets Board regulations.

### 9. Company Website and its Content

The Company has an Internet site accessible at www.aksa.com. The information available includes trade registry information, up-to-date shareholder and organizational structure, the latest version of the Company's Articles of Association, disclosures of special circumstances, annual reports, periodic financial statements and reports, agendas, lists of participants and minutes from General Assemblies, proxy voting forms and frequently asked questions. Anyone requesting further information about the Company may correspond via e-mail at yatirimciiliskileri@aksa.com.

### 10. Disclosure of Real Person Ultimate Controlling Shareholder(s)

The Dinçkök family is the ultimate controlling shareholder for Akkök Sanayi ve Yatırım Geliştirme A.Ş. and the Lodrik family for Emniyet Ticaret A.Ş. as these companies are the principal shareholders of the Company. The shareholder structure is published each year in the Annual Report.

### 11. Disclosure of Persons Who Have Access to Insider Information

At Aksa, the individuals and departments with access to insider information are the General Manager, Assistant General Manager (Financial Affairs), Assistant General Manager (New Business Development and Purchasing), the Coordinator, and the Accounting, Marketing and IT Departments.

## SECTION III-STAKEHOLDERS

### 12. Notification of Stakeholders

Aksa stakeholders are the shareholders, employees, customers, suppliers, society and official institutions. Aksa specifies its principal and interim objectives, policies and strategies and its corporate targets by taking into consideration the current and future expectations of its stakeholders. In this process, information is shared with the stakeholders through various methods.

The Company implements a Supplier Performance System to identify and develop the basic competence areas of the suppliers, supporting mutual development and evaluating their annual performances. Within the scope of this system, information regarding the system as well as the scores they received and improvements required (if any) are shared on a regular basis with the suppliers being evaluated. Company policies, specifications and contracts are other types of information are also shared with the suppliers.

Aksa's customers regularly receive information regarding shipments, deadlines and prices concerning their orders. Furthermore, customers are notified immediately of any changes that occur in the sales terms and conditions or technical specifications of products. Aksa customers receive written specifications about its products. Analyses requested by the customers and the results of any complaints are shared with the customers following the required technical scrutiny. Aksa's Product Responsibility and Product Safety Manual (ÜSÜKEK), outlining the environmental safety impact of their products, is delivered to all customers in Turkish and English.

Aksa Management meets with local residents in its areas of operation through activities such as Open Door Days, Community Advisory Panels, student excursions and Akçevre Painting and Composition Contests, whereby the visitors are informed via presentations and manuals about the Company's Total Quality activities, environmental activities and policies.

Aksa's philosophy of establishing open and straightforward relationships with employees forms the basis of its human resources policy. The Professional Life Evaluation Survey, Intranet databases, informative meetings for top management, the Council of Representatives and performance assessment meetings can be cited as leading examples for the horizontal and vertical channels of communication in the Company. Through the use of these communication channels, the Company's policies, strategies, objectives and activities to improve the workplace environment are communicated to employees; they are encouraged to express their opinions on these topics.

### 13. Stakeholder Participation in Management

There is a Council of Representatives composed of 18 persons elected by Aksa employees through the receipt-free secret ballot election system. This Council consists of representatives of each shift and meets every month to identify the problems of the employees; it works to solve these problems and communicates expectations of the employees to top management.

The Council of Representatives also participates in specification and review processes related to the Company's primary and interim objectives, corporate culture, policies and strategies. Members of the Council of Representatives are at the same time members of the Total Quality Management Council (TKYK), and thereby have assumed active roles in the drafting of Aksa's initial primary and interim objectives memoranda. The Human Resources policies and strategies outlined by the primary and interim objectives are set by the Total Quality Management Council, which is also attended by members of the Council of Representatives and reviewed every two years.

### 14. Human Resources Policy

Aksa's Human Resources Policy can be defined as “investing in the human element to recruit and retain responsible, creative, participative, self-confident, self-developing, happy individuals who will serve the primary objectives of the Company.” Thus, modern and internally integrated systems are employed at Aksa for all of the processes related to human resources, including recruitment, performance management, remuneration and severance.

The principles of the human resources policy can be cited as ensuring the recruitment of candidates incorporating Aksa's Common Behavioral Competencies so as to serve the primary and interim objectives of the Company. These policies extend to the training of employees in areas related to Company objectives, technical and behavioral competencies and social and cultural issues to support their individual development, creating an environment that ensures open and close relationships among the employees and a working environment in which they will be satisfied, healthy and productive.

A prerequisite of Aksa's human resources policy is the recruitment of candidates suitable for the Company's culture and values, incorporating Aksa's Common Competencies, through a fair and transparent recruitment process. In other words, it is fundamental to recruit modest but self-confident, innovative, enthusiastic individuals suitable for integration with the Aksa family, who are able to work as part of a team and capable of problem-solving.

Aksa's Performance Management System, on the other hand, was devised to ensure organizational development, reinforce a common corporate culture and integrate Company objectives with individual ones, taking the individual as the starting point. The primary aim of the Performance Management System is to transform the planning of training, remuneration/reward and career planning into a transparent integrated system and to establish a fair mechanism rewarding high performance among employees. Furthermore, as a significant outcome of its Human Resources Policy, the Six Sigma Model was adopted as a tool to improve the problem-solving capabilities of both employees and the Company as a whole.

# Report on Compliance with Corporate Governance Principles

The HAY Job Evaluation System, which has a proven record of validity and reliability around the world, is being implemented as the Aksa remuneration and reward system in order to avoid any discrimination and ensure salary equality.

This system is an objective and transparent remuneration and fringe benefits model that can be easily applied by the executives. It is based on remuneration by performance and on the principle of equality and fairness and reflects the realities of the national and international business world.

The Council of Representatives was established in 1996 to oversee relations with employees and communicate their requests and needs to the management. Employees elect 18 members of the Council to represent them in biennial secret ballot elections. The Council of Representatives functions as part of management.

Aksa's employees are managed through the use of integrated, internationally accepted human resources practices. No complaints were received indicating any discrimination among employees. Any differences between individuals are based on their job descriptions, performance differences or the differences in their technical/behavioral competencies.

### 15. Information Regarding Relations with Customers and Suppliers

Aksa sells its products in 50 countries and on five continents, providing 11.3% of the global acrylic fiber supply. Domestic marketing of Aksa products is carried out by the Marketing and Sales Department and international marketing is pursued by Ak-Pa through the Company's sales representatives. The marketing organization encompasses four main regions and a sales agency in Gaziantep.

Managed and operated with a customer-focused management style, the Company aims at increasing customer satisfaction through constant innovations and developments in sales and service issues.

Aksa has been employing the Customer Satisfaction Survey since 1998 for the purpose of measuring customer satisfaction. This survey provides feedback on details concerning timely, accurate, complete and undamaged delivery of the product, as well as an evaluation of the drivers and vehicles that handle shipments; when needed, improvements are made accordingly.

As a result of cooperation with customers, efforts are undertaken to add new firms to the supply chain or expand the product range with existing suppliers. For example, when a customer requested a non-fading fiber in colors suitable for babies, a new product was developed after identifying the raw material and the Company to supply this product. Aksa begins producing new products after having received a confirmation from the customer.

### 16. Social Responsibility

Aksa's Public Relations Policy has been defined as “contributing to making society more supportive of industrialization policies in general, in favor of a more developed industry and more dynamic and tolerant in terms of cultural and social solidarity in line with the Company's corporate social responsibility principles.”

Concurrent with Aksa's public relations policy, a Social Impact Survey concerning society's perceptions about the Company has been carried out by a professional independent survey Company every two years since 1997.

The perceptions of people living in Yalova and its environs regarding Aksa have been improving since 1997; people are pleased with Aksa's presence in their area and with its activities. The main reasons for this are job opportunities as well as economic and other contributions provided by the Company.

In 2001, the Community Advisory Panel - a first in Turkey - was initiated for the purpose of enabling information exchange between industry and society in an open and comfortable environment. The results of this brought the Company the 2001 Tri-Partite Responsibility Project Award from the Turkish Chemical Manufacturers' Association. One of the principal aims of the Community Advisory Panel is to communicate first-hand information required by society to community representatives in a rapid and precise manner.

Aksa's relations with the public and private institutions with which it cooperates are quite positive. Numerous letters of appreciation, plaques and awards have been granted to the Company by these institutions. Since 1980, a total of 55 awards have been received from a number of institutions including the Istanbul Chamber of Industry, the Istanbul Chamber of Commerce, Istanbul Union of Textile and Garment Exporters, Turkish Chemical Manufacturers' Association and the Ministry of Environment. Of these, 25 were given for Corporate Taxes paid and 17 for success in exports.

Aksa Summer School is an educational activity held at the Company's social facilities aimed at an elementary school for underprivileged children in Yalova. Four hundred students have participated in the program in the past two years.

The Company takes the utmost care with regard to working at developing, adopting and implementing innovative and environment-friendly technologies, required by the Company's quality policies, as well as environmental policies. ÇED, the Environmental Impact Assessment, (Çevresel Etki Değerlendirmesi) is taken into consideration in all of the innovative projects Aksa implements. The Company has received awards on numerous occasions in recognition of the importance and efforts it has given to the reduction of waste and the efficient use of energy sources.

Textile products are assessed and certified for their suitability to human health by an independent corporation specializing in that field; the certification is awarded following a series of examinations. In this regard, Aksa has held the ÖKO-TEX 100 Certificate of Conformity to Human Health in Textiles since 1995; the certification is renewed annually. The related standard requirements are used to design and improve production processes.

## SECTION IV-BOARD OF DIRECTORS

### 17. The Structure and Composition of the Board of Directors and Independent Members

The Board of Directors has six members consisting of a Chairman, a Vice Chairman, a member (General Manager), a member responsible for independent audits and two other members. Four members of the Board of Directors have executive duties with work divided up depending upon the nature of the task. There are no restrictions on members of the Board of Directors assuming duties outside the Company.

### 18. Qualifications of Members of the Board of Directors

The Board of Directors possesses all of the qualifications specified in the relevant articles. The curriculum vitae of the members of the Board of Directors are presented below.

### ALİ R. DİNÇKÖK

Born in Istanbul in 1944, Ali R. Dinçkök graduated from the Austrian High School and went on to receive a degree in Textile Engineering from Aachen University in 1969. He began his career at the Akkök Group of Companies, founded by his late father, Raif Dinçkök, which includes 33 industrial and commercial companies engaged in various fields. Some of the leading industrial companies in the Group are Aksa, Ak-Al, Aksu, Ak-kim, Akenerji and Akmerkez. Dinçkök currently serves as Chairman, Vice-Chairman or Executive Member on the Boards of Directors of Group companies. In addition to his native Turkish, he speaks German, English and Italian.

### ÖMER DİNÇKÖK

Born in Istanbul in 1948, Ömer Dinçkök graduated from the School of Business Management and Economics at Robert College and then obtained a Master's degree in the UK in 1971. He started his career at the Akkök Group of Companies, founded by his late father Raif Dinçkök and which includes 33 industrial and commercial companies engaged in various fields. Some of the leading industrial companies in the Group are Aksa, Ak-Al, Aksu, Ak-kim and Akenerji. Currently acting as the Co-Chairman of the Executive Board of the Akkök Industry Investment and Development Inc., Dinçkök serves as Chairman or Vice-Chairman on the Boards of Directors of Group companies. In addition to Turkish, his native language, Dinçkök speaks English, is married and has three children.

| | |
|---|---|
| 2004- | Chairman of the Board of Trustees, Turkish Education Foundation (TEV) |
| 2001-2004 | Chairman of the Board of Directors, Turkish Education Foundation |
| 1995- | Founding Member of the Board of Trustees, Turkish Education Volunteers Foundation (TEGV) |
| 1994-2001 | Vice-Chairman of the Board of Directors, Turkish Education Foundation |
| 1992-2001 | President of Assembly of Istanbul Chamber of Industry (ISO) |
| 1992-2000 | Chairman of the Industrial Council of the Union of Chambers and Exchanges of Turkey (TOBB) |
| 1989-2000 | Member of the Board of Trustees, Wilberforce University, Ohio, USA. |
| 1987-1989 | Chairman of the Board of Directors, Turkish Industrialists' and Businessmen's Association (TÜSİAD) |

### EROL LODRİK

Born in Istanbul in 1944, Erol Lodrik graduated from Saint Benoit High School and went on to complete his university education in the UK. Lodrik has served in various capacities at Emboy and at Emniyet Ticaret Inc. where he currently assumes the duty of Chairman of the Board of Directors. Lodrik speaks Turkish, English, French and Italian and is married with two children.

### NEVZAT AYAZ

Born in Bayramören, Çankırı in 1930, Nevzat Ayaz finished elementary school in Bayramören and middle school in Ankara. He completed his high school education at the Police High School. After graduating from the Ankara University School of Law, Ayaz assumed his duties with the Police Force as a sergeant in 1954. He completed his Law Internship in 1957 and received his Practicing License. Between 1959 and 1975, he served as a Police Chief in Sinop and Balıkesir and as Branch Chief, Division Chief and Deputy Chief at the General Directorate of Security.

| | |
|---|---|
| 1975-1979 | Governor of Zonguldak, |
| 1979-1988 | Governor of Istanbul, |
| 1988-1989 | Served as Governor of Izmir. |
| Late 1989 | He voluntarily retired from his position as governor of Izmir. |
| 1990-1991 | He managed a consultancy firm that he established in Istanbul with his son-in-law, who also is a lawyer. |
| 1991 | He was elected as the Çankırı MP and served at the Turkish Grand National Assembly. |
| 1991-1993 | Served as Minister of National Defense for two years in the 49 th government instituted by Süleyman Demirel. |
| 1993-1995 | Served for two years as the Minister of Education in the 50th government instituted by Prof. Tansu Çiller. |

Nevzat Ayaz has been awarded State Medals of Honor by Italy, Romania, Bulgaria and the Vatican.

### HASAN DENİZKURDU

Born in 1948 in Izmir, Hasan Denizkurdu attended the Istanbul University School of Law between 1965 and 1969 and graduated from the Istanbul University Business Economics Institute in 1970. After practicing law from 1972 to 1982, he started to work as a professional manager and served as Executive Committee Member and Vice-Chairman at Yaşar Holding Co. Inc., in Izmir from 1982 to 1989. During this period, he assumed the management duties of several companies. Denizkurdu established his own consultation Company in 1989 and provided consultation services to many companies including Pasta-Villa, Vestel, Hitit Seramik and Çimentaş and served also as a Board Member in these companies. He served as an Assembly Member for 12 years and as Chairman from 1992 to 1996 for the Izmir Chamber of Commerce. From 1988 to 1996, he was a Board Member at the Union of Chambers and Exchanges of Turkey, on the Board of Directors and the Executive Board of the Foreign Economic Relations Board (DEİK) and as National Committee Board Member of the International Chamber of Commerce. After being elected from Izmir's 2nd district as MP for the True Path Party in 1995, he served in the Parliament for almost nine years as the 20th term Izmir MP. He then resigned from the True Path Party (DYP) for reasons already known to the public. During his term as MP, he served as Chairman of the Joint Parliamentary Commission, Member of the Constitutional Commission and Member of the Trade and Industry Commission. From August 1998 to January 1999, he was Minister of Justice for the Republic of Turkey. Denizkurdu has been serving as the Executive Chairman of Yaşar Holding Inc. since January 1, 2002 and is married with two children.

### AYÇA DİNÇKÖK

Born in 1973 in Istanbul, Ayça Dinçkök completed her business training at Boston University (Massachusetts, USA) in 1994 and then returned to Turkey and began working in the Akkök Group of companies. She has held a number of positions in the Group and currently serves as a member of the Akkök Industrial Investment and Development Inc. Board of Directors and the Executive Board. She has also assumed duties as a Board Member of various other Group companies and Deputy Chairperson of the Board of Directors.

A member of the Turkish Industrialists and Businessmen's Association (TÜSİAD) since 1999, Dinçkök was elected as a member of the TÜSİAD Board of Directors in 2004 and is the President of TÜSİAD's Commission for Information Society and New Technologies. She is the mother of two.

# Report on Compliance with Corporate Governance Principles

MUSTAFA YILMAZ

Mustafa Yılmaz was born in Tekirdağ in 1949. After graduating from the Ankara University School of Sciences in 1971 as a Chemical Engineer, he went on to complete his graduate studies at the same institution. Yılmaz began his career at the Etibank Ergani Copper Works and was then employed by Aksa Akrilik Kimya Sanayi A.Ş. as operations engineer, where he served in the units of research, production and quality management. In 1985, he was appointed Assistant General Manager (Technical) and as General Manager on January 1, 2002. Aksa, an AKKÖK Group Company, started its production in 1971 with a capacity of 5,200 tons/year. This capacity increased to 290,000 tons/year through sacrificial efforts and knowledgeable team work to become the world's largest integrated acrylic fiber producer. Yılmaz assumed active roles in many projects that helped break the Company's dependence on outside sources in terms of technology and equipment. ; devising the Company's own “know-how”; favoring local producers in newly established technologies; R&D; quality management; self-evaluation and implementation of the EFQM Excellence Model as well as in devising Aksa's Global Brand Strategy and turning the products into world brands. Because of his faith that human capital is the greatest asset in society, Mr. Yılmaz has always placed a high priority on investment in human resources and quality. Mr. Yılmaz highlights the impact of industrial investments, quality and production on the level of social development with the goal of developing and continuing the efforts already realized in the area of social responsibility through the projects he is planning to implement in line with the corporate culture. Yılmaz became the National Quality Award Assessor in 1998 and has been a member of the Quality Association (KalDer) since May 2002. He holds memberships in EFQM, CIRFS (Comite International de la Rayonne et des Fibres Synthetiques - International Rayon and Synthetic Fibers Committee), TÜSİAD (Turkish Industrialists' and Businessmen's Association), Turkish Chemical Manufacturers' Association, Chamber of Chemical Engineers, Association in Support of Contemporary Living, Yalova Sports Club, Yalova Industrialists' Association and Yalova Town Club. Yılmaz currently serves as the Chairman of Yalova Sports Foundation Executive Board and Yalova Municipality Cycling Association. He has two children.

### 19. Company's Mission, Vision and Strategic Goals

Initially drafted in 1998, Aksa's Mission and Vision were recently revised for the fifth time at the beginning of 2007 and posted on the corporate website to be shared with shareholders and stakeholders.

The Mission and the Vision are systematically shared with all Aksa employees through meetings, electronic databases, manuals, HQ circulars and training sessions.

Endorsed by the Board of Directors, new objectives are set yearly and shared with all Aksa employees. Company objectives are defined in six categories in the following order - strategic, financial, operational, quality, environment and productivity. A monthly presentation is delivered to the Board of Directors concerning the degree to which Company objectives are being achieved.

The Management by Objectives System has been implemented at Aksa since 2003. Within the framework of this system, degrees of responsibility in the internal units of the Company are determined for each objective and Company objectives are turned into unit objectives, which then become individual objectives and distributed to all employees. The process by which Company objectives are achieved is monitored regularly and announced to all employees at six month intervals. This process is pursued in the same manner for all of the Company's categories.

### 20. Risk Management and Internal Control Mechanism

A monthly Finance and Risk Management Board meeting chaired by the General Manager is held at Aksa. The General Manager chairs the Board along with two Executive Board Members, the Assistant General Manager (Financial Affairs), Assistant General Manager (New Business Development and Purchasing) and the Marketing Manager. At the meeting, the Company's commercial and financial risk as well as its financial performance, is assessed. In particular, the types of financial instruments to be utilized in the risk management of receivables and the risk levels by customers are assessed. The Company's net foreign exchange position is monitored and measures are taken to prevent any foreign exchange risk. The Monitoring of Risk Control Measures procedure is implemented across the factory 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.

### 21. Authorityies and Responsibilityies of Managers and Members of the Board of Directors

The duties of Company executives are defined in their job descriptions and updated regularly whenever there is a change. The authority of the Board of Directors is determined by the Articles of Association. The list of authorized signatures is reviewed biennially.

### 22. Working Principles of the Board of Directors

The Company has a secretariat tasked with keeping Board Members informed and maintaining an open flow of information. In 2006, the Board of Directors held 20 meetings. The agenda for these meetings are drafted by the General Manager and finalized in line with the recommendations of the Chairman and the Board Members. The Board performs its duties within the framework of the powers set forth by the Articles of Association; all decisions to date have been taken unanimously. Board Members do not have weighted votes; they have the right to contest votes, but to date, this has never been exercised.

### 23. Prohibition Against Competing and Transacting Business with the Company

In accordance with Articles 334 and 335 of the Turkish Commercial Code, the prohibition against competition of Board Members was lifted at the General Shareholders' Assembly. No member of the Board of Directors has had a conflict of interest due to his competition with the Company.

### 24. Code of Ethics

FOR THE CORPORATION

*Transparency:* Internal processes and financial information are reported in a clear and timely fashion.

*Integrity:* Doing the right thing is a value that we will not compromise on.

*Responsibility:* We believe we are responsible for creating value for employees, shareholders, customers and society in keeping with current laws and regulations.

*Accountability:* All departments within the Company bear the responsibility for accountability in every area. The Company will not carry out work that cannot be accounted for.

*Conflict of interest:* The Company principle for conflict of interest is to look out for the interests of the customer, for Aksa, for the employees and for society, in that order.

*Gifts:* Only gifts that are of reasonable value at current prices are accepted from persons or organizations with which Aksa has business relationships.

*Product quality:* It is Company policy to inform the customer of the quality produced and to provide complete information about product quality.

*Fair management:* Objective criteria are used to make decisions regarding hiring and firing, promoting and appointing. Actions are fair and disciplined regarding distribution of work as well as rewards and penalties.

*Discrimination:* No discrimination is made with regard to race, color, faith, gender, age, nationality, citizenship, disability or sexual orientation.

*Accuracy of Company records:* Expenses are accurately reported and all Company books and records are kept in accordance with local, national and international laws, providing the management, shareholders, credit institutions, public institutions, other corporations, customers, suppliers and employees with accurate and reliable information. There will be no excuse for keeping incorrect or incomplete Company records and such behavior will not be pardoned.

*Respect in the workplace:* The Company's primary philosophy in this area is based on the principle that all employees shall respect themselves, others and all stakeholders, and their actions shall reflect this attitude.

*Corruption:* The Company will not tolerate any action by an individual connected to Aksa that even hints at corruption at any level.

*Remuneration and payments:* The Company offers salaries that attract and retain high quality personnel and performance evaluation measures. All relevant laws are implemented in an exemplary fashion.

*Protecting the prestige of the Company:* The importance of prestige of the Company shall influence all decisions and actions.

*Protecting the environment:* Protection of the environment is a priority for sustainable development.

*Following Aksa rules:* Aksa whole-heartedly follows written and unwritten (cultural) rules.

*Confidentiality*

*Confidential employee information:* Personal information received from employees is kept confidential. Personal honor is respected; personal information about employees which is obtained and recorded is limited to information necessary for the efficient operation of the Company or information which is required by law. Such information is kept strictly confidential and shall only be revealed when legally required to those with a need to know.

*Confidential supplier and customer information:* An environment of trust is absolutely essential to business transactions carried out with suppliers and customers.

*Aksa and sustainable development:* Aksa values are stated in the Company's Global Compact.

*Political lobbying (Communication with government authorities):* Lobbying and all correspondence and activities that would be classified as influencing government authorities are first reviewed by management and legal advisors. The government is given accurate information and communication with government authorities is carried out in accordance with the Company's code of ethics.

*Formation of cartels and monopolies:* Aksa believes that competition is necessary and respects free market principles.

*Unfair competition:* We believe that unfair competition is an action that defies free market principles.

*Child labor and exploitation of workers:* Children shall not be employed in Aksa factories and people shall not be forced to work. The Company does not turn a blind eye to the exploitation of children, physical maltreatment or harassment, forced labor or unacceptable treatment of workers. The Company's suppliers and contractors are expected to conform to the same standards.

*Policy of support for universal human rights:* Aksa supports universal human rights. In this regard, the Company does not discriminate; it protects the environment and human health and volunteers to contribute to the development of society.

*Bribes and societal degeneration:* It is strictly forbidden to either give or accept bribes from Aksa's suppliers or customers; Aksa employees do to accept personal payments or bribes.

*Political donations and related rules:* Aksa's funds and resources may not be used to support any political party or candidate anywhere in the world.

*Conducting international trade:* Aksa complies with specific laws and regulations regarding imports and exports around the world as well as laws against boycotts and international embargos.

## FOR EMPLOYEES

### EMPLOYEE

*Honesty and integrity:* At Aksa, honesty and integrity are the most essential values and there is no compromise in this area. The Company is careful to do the right thing, speak the truth and behave appropriately. There is no compromise on honesty, whether errors become apparent or are exposed.

*Lying:* Aksa never puts their own interests first or in any way attempts to deceive, neither does it encourage anyone else to do so. The Company does not permit lies to be told and will expose any falsehoods discovered and warn those who lie.

*Reliability:* The employees of the Company always act in such a way as to evoke trust in others. The Company's reputation is an asset to be highly valued.

*Theft:* Taking Company resources (money, information, Company property, etc.) without authorization is not acceptable. Employees involved in such an act will be dealt with severely.

*Participation in voluntary activities:* Employees are encouraged to participate in voluntary activities helping to ensure better communication between colleagues, to contribute to personal and corporate development and to enhance professional lives.

*Use of addictive substances:* Aksa employees must not engage in behaviors that could affect their judgment, ability or jeopardize safety of themselves or others at the Company. Employees with substance abuse issues will be referred to the management for further action.

# Report on Compliance with Corporate Governance Principles

*Abuse of position:* The Company will use its authority to support its corporate culture and for primary goals and intermediate goals which are beneficial to the Company and its employees. It will not abuse its position for its own interests or to benefit other people through personal relations.

*Violence, threats and fighting:* Acts of violence will not be tolerated. Everyone at the Company will work toward solutions by rational discussion.

*Games, betting and gambling:* Employees will not engage in game playing, which includes gambling or betting at the workplace. Such activity will not be allowed to take place.

*Absence or leaving work early without permission and not working during work hours:* Company employees will carefully comply with established work hours and will not try to shorten this time, either by arriving late or leaving early without a valid reason. We will, without exception, use our time off for the purpose we have reported to the management.

*Intimidation, threats, pressure, bullying:* We will not try to impose our ideas on others or get work done by using force, intimidation or threats, using pressure, bullying or being overly meticulous to give people a hard time.

*Name-calling and slang:* We will not use slang in our speech or give nicknames to our colleagues, superiors or employees of those organizations that we work with.

*Inappropriate use of time:* Employees will make the most productive use of time when they are on the job. We consider productivity to be very important and will warn anyone we see who uses time inappropriately.

*Harassment in the workplace:* There will be no tolerance for harassment in the workplace.

EMPLOYEE-INTERNAL

*Health and work safety:* All measures necessary to ensure a safe and healthy work environment at Aksa will be implemented. Unhealthy or unsafe conditions or work habits will be corrected to the fullest extent possible.

*Working at another job or working for another organization in the workplace:* Employees will not work at other jobs other than at Aksa; nor will they engage in activities while on that job that will bring outside income or benefit.

*Misuse of authority:* Employees will not make decisions or exercise authority on issues which are not defined in their job descriptions, the corporate governance principles or authorized signature documents.

*Balance between work and family:* As employees, we will balance the time we dedicate to work and our families.

*Accurate records:* Employees of Aksa will maintain accurate records for every job accomplished and make accurate declarations.

*Accurate reporting of expenses:* Accurate declarations of expenses will be made to the Company. Company resources will be utilized correctly and efficiently.

*Use of computers:* Computer usage will be properly managed and used to improve job performance. Unauthorized use of the Internet will not be tolerated.

*Doing business with the Company:* Employees shall not engage in business transactions with the Company while at work. Other business shall not be carried out while on the job.

*Misuse of Company assets:* Care will be taken to use assets belonging to the Company (telephones, PCs, tools, vehicles, equipment, etc.) in the manner described by procedures and instructions and for their intended purposes.

*Unnecessary overtime:* Working overtime will only be authorized when necessary. We know that putting in unnecessary overtime is unfair to our colleagues and amounts to stealing. Employees will complete all tasks in a timely manner in order to reduce overtime charges.

*Correct reporting of work hours:* Employees will accurately report normal working hours and overtime hours.

*Misrepresentation of information regarding the implementation of product quality, quality procedures and results of analyses:* Employees shall fully implement procedures, instructions and analysis methods for product quality.

*Illegal activity:* We shall not conduct illegal or disgraceful activities while at our workplace (for example: bringing weapons or drugs to work).

EMPLOYEE - EXTERNAL

*Political activity:* Aksa employees shall not bring their political views to the workplace or let their political views influence their work or carry out activity related to political parties (such as spreading political propaganda in the workplace).

*Transfer of the Company information:* Information that is proprietary to the Company shall not be transferred to any person, institution or corporation outside of the Company. Employees shall not aid in such transfer and shall oppose anyone who attempts such a transfer.

*Protection of Company's prestige:* Employees shall not engage in shameful activities or behavior.

EMPLOYEE-CUSTOMER AND SUPPLIER

Relationships with customers and suppliers will be formed on the basis of truthfulness, honesty, mutual trust, corporate values and ethical values and which are long-term and appropriate to the corporate culture.

EMPLOYEE-SOCIETY

Employees shall respect the values of society. Aksa employees shall make an effort to make a positive impression on society.

### 25. The Number, Structure and Independence of the Committees Created on the Board of Directors

Aksa's Board of Directors consists of six people, including four executive members and two independent members responsible for auditing. Every three months, financial statements are presented to the Board of Directors after approval from the Audit Committee.

### 26. Financial Compensation Provided for the Board of Directors

Financial compensation provided for the Company's Board of Directors has been stated in the Company's Articles of Association. In addition to the monthly salary specified by the General Shareholders' Assembly in accordance with Article 7 of the Company's Articles of Association, Article 25/3 of the Articles of Association states that 2% of net profit is set aside from profit distributed according to SPK regulations. The members of the Board of Directors shall not be provided with any other financial compensation.

# Auditors' Report

**Report Presented To The Shareholders' Ordinary Assembly for the Operations of Aksa Akrilik Kimya Sanayii A.Ş. during the year of 2006**

| | | |
|---|---|---|
| Company Name | : | Aksa Akrilik Kimya Sanayii A.Ş. |
| Head Office | : | Gümüşsuyu, Miralay Şefikbey Sok. No: 15 Ak Han Taksim/ISTANBUL |
| Company capital | : | YTL 110,000,000 |
| Field of Activity | : | Production and trade of synthetic fibers |
| Names and Terms of Auditors | : | Bülent ÜSTÜNEL and Hilmi YAZAN<br>Their term of office is three years. They are not shareholders. |
| Number of Board of Directors Meetings in Which They Participated and Number of Audit Meetings Held | : | These individuals participated in three Board of Directors meetings.<br>They held four audit meetings to audit the Company's books and transactions. |
| Dates When the Company Accounts Were Inspected and the Results | : | During the inspections held in April, July, October and December, it was observed that the Company's books were kept in accordance with the laws and were supplemented by supporting documents. |
| Number of Counts Conducted at Company Cashiers IAW Article 353 of the Turkish Commercial Code and Results Thereof | : | During the six inspections held every two months, it was observed that the cashier holdings were in line with the records. |
| The Results of the Inspections made IAW Article 353/4 of the Turkish Commercial Code | : | During the monthly inspections, it was observed that there were no securities delivered to the Company as pledges or indemnity or bail. |
| Any Complaints or Occurrences of Malpractice | : | No recourse was made to the Company auditors concerning any complaints or malpractice. |

We hereby confirm that the balance sheet of Aksa Akrilik Kimya Sanayii A.Ş. as of December 31, 2006 reflects the true financial situation of the partnership at the cited date and that the profit and loss statement for the period January 1, 2006-December 31, 2006 reflects the true results of operation for the cited period and that the dividend distribution proposal complies with the laws and the partnership contract and we thus propose that the balance sheet and the profit and loss statement be approved and that the Board of Directors be exonerated.

Respectfully,

Bülent ÜSTÜNEL        Hilmi YAZAN

# Dividend Distribution Policy

| Year | Dividends (Gross) (%) | Dividends Distributed (YTL) |
|---|---|---|
| 2001 | 75 | 13,035,018 |
| 2002 | 75 | 16,293,773 |
| 2003* | - | - |
| 2004 | 45 | 12,220,330 |

* In accordance with Capital Markets Board Notification Series XI / No:20 and Resolution no. 66/1630 dated December 30, 2003, no dividends were distributed from the amount originating from the initial inflation adjusted consolidated financial statements and traced in the losses from previous years, because said amounts had to be categorized as a discount item even though the figure was one of distributable profit in accordance with the inflation adjusted financial statements.

Last year, 20 shareholders participated in the Shareholders' Ordinary Assembly meeting; questions from shareholders were answered via electronic media. As of December 31, 2006, Company shares were trading at an average of YTL 3.62.

Aksa Akrilik Kimya Sanayii A.Ş. has distributed dividends to its shareholders in the form of cash and/or bonus shares up until the current time, taking into consideration the financial performance of the Company, the industrial climate and the current economic conditions in Turkey, in compliance with the legislation published by the Capital Markets Board.

In line with the Dividend Distribution Policy and in keeping with the Company's goal of ensuring that shareholders receive regular dividend income in addition to their stock yields, it was decided that in 2006 and the years to follow, Aksa would annually distribute at least 30% of its distributable profit in the form of cash and bonus shares, for the purpose of reaching the objectives designated in the Company's Mission and Vision and taking capital expenditures and other funding activities into consideration until 2010, on condition that this would not conflict with the current regulations of the Capital Markets Board.

Aksa Akrilik Kimya Sanayii A.Ş.'s Board of Directors may review its Dividend Distribution Policy annually, taking into consideration the financial performance of the Company, industrial and economic conditions and investment projects planned to ensure a more profitable future for the Company.

# Donations and Social Assistance

Aksa is fully aware of its responsibility to maintain high social standards as it offers high quality products and services within the framework of its principles of Corporate Social Responsibility. It is sensitive to the needs of society without neglecting the needs of future generations. In this regard, the Company is committed to fully contributing to social prosperity by making donations and providing social assistance to educational, cultural, artistic and sports activities in its community.

Within the framework of its Corporate Social Responsibility principles, in 2006, Aksa made donations and provided social assistance amounting to YTL 172,767. Major categories in this area are as follows:

| Donations and Social Assistance | Amount (YTL) |
|---|---|
| Public Institutions | 93,292 |
| Associations and Foundations | 62,764 |
| Sports Institutions | 6,900 |
| Sponsorships and Other | 9,811 |
| **Total** | **172,767** |

# Dividend Distribution Proposal

Distinguished Shareholders,

The Capital Markets Board Notification Series numbered XI / No: 25 was implemented at Aksa as of January 1, 2005. Based on financial statements prepared in accordance with regulations of the Capital Markets Board Notification Series XI / No: 25 and financial statements prepared according to statutory records, in view of the principle that low profit should be distributed, we propose the following to the General Shareholders' Assembly:

A- To deduct the losses from the previous year, which arose from the implementation of a consolidated balance sheet,

B- To set aside 5% legal contingency reserve fund in accordance with article 25/a of the Company's Articles of Association,

C- To set aside a gross dividend payout to our shareholders amounting to YTL 16,500,000 which corresponds to 15% of paid-in capital, in exchange for a 2006 dividend coupon for the shares that they hold (1 YTL=15 YKr Gross), (1 YTL=12.75 YKr Net),

D- To set aside 2% of net profit for distribution to the Members of the Board of Directors in accordance with article 25/C of the Articles of Association; its distribution being subject to the decision made by the Board of Directors,

E- To set aside a 10% second legal contingency reserve fund from the dividends distributed to shareholders and from the amount set aside for Members of the Board of Directors in accordance with article 466/3 of the Turkish Commercial Code,

F- To set aside the balance remaining after these distributions for emergency reserves,

G- To distribute the gross cash dividend distribution of YTL 16,500,000 and the dividend to be distributed to the Board of Directors on May 28, 2007.

Aksa has continuously developed and grown stronger since its incorporation. It has gained a position as a prominent and important corporation in its area of activity and made significant contributions to the national economy through its investments, production, employment opportunities, exports and taxes. The Company hereby extends its gratitude to its executives, employees and workers for their productive efforts and hard work, to its customers, suppliers and banks for their contributions and especially to its shareholders for the important contributions they have made toward their most beneficial and appropriate decisions at the Shareholders' General Assembly.

Distinguished Shareholders, we hope that the years to come will bring greater happiness and success for our country, our Company and for us all.

BOARD OF DIRECTORS

# Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries

## Consolidated Financial Statements for the year ended 31 December 2006 and the Independent Auditors' Report

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

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**INDEPENDENT AUDITORS' REPORT**
**To the Board of Directors and Shareholders**
**Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries**

We have audited the accompanying consolidated financial statements of Aksa Akrilik Kimya Sanayii A.Ş. (the Parent Company) and its Subsidiaries which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards issued by the Capital Markets Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with independent auditing standards issued by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our independent audit involves the application of independent auditing techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the independent auditing techniques including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, is made by our professional judgment. In making those risk assessments; the internal control system of the entity is taken into consideration. However, this is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control but for displaying the relationship between the financial statements and the internal control system prepared by the entity in order to design audit procedures that are appropriate in the circumstances. Our 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 financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Aksa Akrilik Kimya Sanayii A.Ş. (the Parent Company) and its Subsidiaries as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Markets Board.

**Explanatory Paragraphs**

Akkur Enerji Üretim Tic. ve San. A.Ş. in which the subsidiary Akenerji Elektrik Üretim A.Ş. holds 99% interest as of 28 November 2006 has been included in the consolidated financial statements by full consolidation method as of 31 December 2006.

As of 31 December 2006 the financial statements of the subsidiaries Fitco BV and Aksa Egypt Acrylic Fiber Industry S.A.E. in which the Parent Company has a direct 100% and an indirect 99.14% interest, respectively, and the financial statements of the affiliates Ak-Han Bakım Yönetim Servis Hizmetleri Güvenlik Malzemeleri A.Ş. and Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. in which the Parent Company has a direct 33% and 7.33% interest, respectively, do not materially affect the consolidated financial statements, hence the subsidiaries and the affiliates referred to above are stated in the consolidated financial statements at cost.

As stated in Note 25, the Parent Company has made a capital increase in 2006 accounting period through utilizing internal resources. The totals used in the said capital increase are lower than the internal resources stated in the legal books as well as the internal resources calculated as per the CMB accounting standards.

As described in Note 42 to the consolidated financial statements, the Company Management has stated that the profit to be distributed in accordance with the accompanying financial statements is less than the profit stated in the legal books, hence the accompanying financial statements is taken as basis in profit distribution.

Istanbul,
19 March 2007

**Denet Bağımsız Denetim**
**Yeminli Mali Müşavirlik A.Ş.**

Ömür Günel
Partner in charge

# Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries
## Consolidated Balance Sheets as of 31 December 2006 and 2005 (TRY)

| ASSETS | Note | 31 December 2006 | 31 December 2005 |
|---|---|---|---|
| **Current Assets** | | **870,133,750** | **638,645,223** |
| Liquid Assets | 3,4 | 191,938,804 | 155,524,537 |
| Marketable Securities (net) | 3,5 | - | 29,674,017 |
| Trade Receivables (net) | 3,7 | 404,403,115 | 266,047,151 |
| Receivables from Financial Leasings (net) | 8 | - | - |
| Due from Related Parties (net) | 3,9 | 19,069,124 | 42,196,579 |
| Other Receivables (net) | 10 | 28,351,592 | 8,035,676 |
| Biological Assets (net) | 11 | - | - |
| Inventories (net) | 3,12 | 144,349,782 | 101,318,340 |
| Receivables from Deferred Project Contracts (net) | 13 | - | - |
| Deferred Tax Assets | 3,14 | - | - |
| Other Current Assets | 15 | 82,021,333 | 35,848,923 |
| **Non-Current Assets** | | **787,820,307** | **816,278,868** |
| Trade Receivables (net) | 3,7 | 9,991,667 | 12,746,535 |
| Receivables from Financial Leasings (net) | 8 | - | - |
| Due from Related Parties (net) | 3,9 | - | - |
| Other Receivables (net) | 10 | - | - |
| Financial Assets (net) | 3,16 | 18,761,339 | 28,174,433 |
| Positive/Negative Goodwill (net) | 2,17 | 22,472,300 | - |
| Investment Properties (net) | 18 | - | - |
| Tangible Assets (net) | 3,19 | 698,703,407 | 735,861,599 |
| Intangible Assets (net) | 3,20 | 37,744,432 | 39,340,096 |
| Deferred Tax Assets | 3,14 | - | - |
| Other Non-Current Assets | 15 | 147,162 | 156,205 |
| **Total Assets** | | **1,657,954,057** | **1,454,924,091** |

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

# Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries
## Consolidated Balance Sheets as of 31 December 2006 and 2005 (TRY)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note | 31 December 2006 | 31 December 2005 |
|---|---|---|---|
| **Short Term Liabilities** | | **389,585,842** | **240,769,346** |
| Financial Liabilities (net) | 3,6 | 150,302,137 | 101,801,843 |
| Current Portion of Long Term Liabilities (net) | 3,6 | 13,456,807 | 10,725,123 |
| Liabilities from Financial Leasings (net) | 8 | - | - |
| Other Financial Liabilities (net) | | - | - |
| Trade Payables (net) | 3,7 | 125,309,170 | 72,650,958 |
| Due to Related Parties (net) | 3,9 | 14,470,281 | 15,898,315 |
| Advances Received | 3,21 | 12,701,789 | 4,506,081 |
| Project Accrued Contract Income (net) | 13 | - | - |
| Provision for Liabilities and Expenses | 23 | 8,602,840 | 3,699,113 |
| Deferred Tax Liabilities | 3,14 | - | - |
| Other Liabilities (net) | 10 | 64,742,818 | 31,487,913 |
| **Long Term Liabilities** | | **178,299,003** | **124,724,460** |
| Financial Liabilities (net) | 3,6 | 126,726,667 | 36,249,491 |
| Liabilities from Financial Leasings (net) | 8 | - | - |
| Other Financial Liabilities (net) | | - | - |
| Trade Payables (net) | 3,7 | - | - |
| Due to Related Parties (net) | 3,9 | - | - |
| Advances Received | 3,21 | - | - |
| Provision for Liabilities and Expenses | 23 | 20,482,752 | 19,118,189 |
| Deferred Tax Liabilities | 3,14 | 31,031,958 | 69,356,780 |
| Other Liabilities (net) | 15 | 57,626 | - |
| **MINORITY INTEREST** | **2.24** | **417,588,759** | **471,561,621** |
| **SHAREHOLDERS' EQUITY** | | **672,480,453** | **617,868,664** |
| **Share Capital** | **25** | **110,000,000** | **27,156,288** |
| **Adjustment for cross shareholding** | **25** | **-** | **-** |
| **Capital Reserves** | **26** | **481,531,017** | **600,592,397** |
| Share Premium | | - | - |
| Share Premium of Cancelled Shares | | - | - |
| Revaluation Fund | | - | - |
| Revaluation Fund of Financial Assets | | - | - |
| Differences Arising from Inflation Adjustment in Shareholders' Equity | | 481,531,017 | 600,592,397 |
| **Profit Reserves** | **26,27** | **24,251,428** | **24,950,191** |
| Legal Reserves | | 2,423,924 | 2,335,654 |
| Statutory Reserves | | - | - |
| Extraordinary Reserves | | 22,499,469 | 22,474,725 |
| Special Reserves | | - | - |
| Profit on Disposal of Tangible Assets and Investments To Be Added to Share Capital | | - | - |
| Translation Differences | | (671,965) | 139,812 |
| **Net Profit/(Loss) For The Period** | | **61,461,963** | **(826,562)** |
| **Retained Earnings/(Accumulated Losses)** | **28** | **(4,763,955)** | **(34,003,650)** |
| **Total Liabilities and Shareholders' Equity** | | **1,657,954,057** | **1,454,924,091** |

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

# Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries
## Consolidated Statements of Income for the years ended 31 December 2006 and 2005 (TRY)

| INCOME FROM PRINCIPAL ACTIVITIES | Note | 31 December 2006 | 31 December 2005 |
|---|---|---|---|
| Income From Sales (net) | 36 | 1,384,802,519 | 1,143,383,970 |
| Cost of Sales (-) | 36 | (1,267,966,773) | (1,125,820,839) |
| Service Income (net) | | - | - |
| Other Income From Principle Activities/interest+dividend+rent (net) | | - | - |
| **GROSS PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES** | | **116,835,746** | **17,563,131** |
| Operating Expenses (-) | 37 | (98,585,643) | (114,539,322) |
| **NET PROFIT/(LOSS) FROM PRINCIPAL ACTIVITIES** | | **18,250,103** | **(96,976,191)** |
| Other Income and Profits | 38 | 160,238,528 | 85,502,693 |
| Other Expense and Losses (-) | 38 | (141,132,235) | (89,669,272) |
| Financial Expenses (-) | 39 | (46,322,807) | (9,146,810) |
| **OPERATING PROFIT/(LOSS)** | | **(8,966,411)** | **(110,289,580)** |
| Net Monetary Profit/(Loss) | 40 | - | - |
| **MINORITY INTEREST** | **2,24** | **53,470,876** | **98,452,520** |
| **PROFIT/(LOSS) BEFORE TAX** | | **44,504,465** | **(11,837,060)** |
| Taxes | 3,41 | 16,957,498 | 11,010,498 |
| **NET PROFIT/(LOSS) FOR THE PERIOD** | | **61,461,963** | **(826,562)** |
| **EARNINGS/(LOSS) PER SHARE** | **3,42** | | |
| - Ordinary | | 0.56 | (0.03) |
| - Revised | | 0.56 | (0.01) |

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

# Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries

## Consolidated Statements of Changes in Equity for the years ended 31 December 2006 and 2005 (TRY)

| | Share Capital | Differences Arising from Inflation Adjustment on Shareholders' Equity | Foreign Currency Translation Diffrences | Legal Reserves | Other Reserves and Retained Earnings | Net Profit/ (Loss) for the Period | Retained Earnings/ (Accumulated Losses) | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2005** | **27,156,288** | **600,592,397** | **-** | **-** | **-** | **-** | **3,780,997** | **631,529,682** |
| Transfer to reserves | - | - | - | 2,335,654 | 22,474,725 | - | (24,810,379) | - |
| Dividend payments | - | - | - | - | - | - | (12,974,268) | (12,974,268) |
| Translation differences | - | - | 139,812 | - | - | - | - | 139,812 |
| Loss for the period | - | - | - | - | - | (826,562) | - | (826,562) |
| **Balance as at 31 December 2005** | **27,156,288** | **600,592,397** | **139,812** | **2,335,654** | **22,474,725** | **(826,562)** | **(34,003,650)** | **617,868,664** |
| Capital increase from the differences arising from inflation adjustment on Shareholders' Equity | 82,843,712 | (82,843,712) | - | - | - | - | - | - |
| Transfer of 2005 loss to prior year profit/(loss) | - | - | - | - | - | 826,562 | (826,562) | - |
| Prior year losses written-off | - | (36,217,668) | - | - | - | - | 36,217,668 | - |
| Effect of subsidiaries excluded from consolidation | - | - | - | - | - | - | (15,761) | (15,761) |
| Adjustment on minority interest | - | - | - | - | - | - | (6,003,705) | (6,003,705) |
| Transfer to reserves | - | - | - | 88,270 | 24,744 | - | (113,014) | - |
| Effect of subsidiary included in the consolidation | - | - | - | - | - | - | (22,895) | (22,895) |
| Effect of rate change in subsidiary included in consolidation | - | - | - | - | - | - | 3,964 | 3,964 |
| Translation Differences | - | - | (811,777) | - | - | - | - | (811,777) |
| Profit for the period | - | - | - | - | - | 61,461,963 | - | 61,461,963 |
| **Balance as at 31 December 2006** | **110,000,000** | **481,531,017** | **(671,965)** | **2,423,924** | **22,499,469** | **61,461,963** | **(4,763,955)** | **672,480,453** |

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

# Aksa Akrilik Kimya Sanayii A.Ş. and its Subsidiaries

## Consolidated Statements of Cash Flows for the years ended 31 December 2006 and 2005 (TRY)

| | Note | 31 December 2006 | 31 December 2005 |
|---|---|---|---|
| **A. CASH FLOWS FROM PRINCIPAL ACTIVITIES** | | | |
| Net Profit/(Loss) Before (-) | | 44,504,465 | (11,837,060) |
| Adjustments: | | | |
| Depreciation and amortisation | | 106,494,371 | 104,290,876 |
| Goodwill Amortisation (+) | | 76,697 | - |
| Termination Indemnity | | 876,497 | 367,348 |
| Provision for Debts | | 2,711,963 | 791,643 |
| Other Provisions | | (8,070,261) | 36,516,696 |
| Profit From Marketable Securities or Long Term Investment (-) | | (18,610,251) | (22,134,509) |
| (Profit)/Loss on Disposal of Tangible Assets | | 22,268,156 | 13,886,527 |
| Interest Expense (+) | | 11,182,179 | 4,825,080 |
| **Net Income Before Working Capital Changes (+)** | | **161,433,816** | **126,706,601** |
| Increase (-) / decrease (+) in trade activities and other receivables | | (135,601,096) | (52,872,316) |
| Increase (-) / decrease (+) balances due from related parties | | 23,127,455 | 11,223,532 |
| Increase (-) / decrease (+) in inventories | | (43,031,442) | 43,452,214 |
| Increase (-) / decrease (+) in other receivables | | (66,479,283) | (19,888,610) |
| Increase (+) / decrease (-) in trade payables | | 52,658,212 | (98,601,876) |
| Decrease (-) / increase (+) in balances due to related parties | | (1,428,034) | 3,934,325 |
| Increase (+) / decrease (-) in advances received | | 8,195,708 | 1,555,916 |
| Decrease (-) / increase (+) in other liabilities | | 33,312,531 | 8,683,238 |
| Interest payments (-) | | (8,390,873) | (4,505,094) |
| Tax payments (-) | | (18,687,494) | (1,545,732) |
| **Net cash provided from/(used in) principal activities** | **43** | **5,109,500** | **18,142,198** |
| **B. CASH FLOWS FROM INVESTMENT ACTIVITIES** | | | |
| Acquisition of financial assets, net (-) | | (4,781,038) | (2,259,590) |
| Acquisition (-)/disposal(+) of marketable securities (-) | | 29,674,017 | (16,645,107) |
| Positive Goodwill (-) | | (22,548,997) | - |
| Acquisition of tangible assets (-) | | (77,302,546) | (96,957,950) |
| Acquisition of intangible assets (-) | | (611,023) | (35,152,261) |
| Cash inflows from disposal of tangible and intangible assets (+) | | 10,169,291 | 13,915,083 |
| Interest received (+) | | 18,473,642 | 16,898,664 |
| Dividend received (+) | | 136,609 | 136,068 |
| **Net cash provided from/(used in) investing activities** | **43** | **(46,790,045)** | **(120,065,093)** |
| **C. CASH FLOWS FROM FINANCIAL ACTIVITIES** | | | |
| Cash inflows related to short and long term debts (+) | | 138,917,848 | 39,519,387 |
| Dividends paid (-) | | - | (12,974,268) |
| Effect of subsidiaries excluded from consolidation | | (15,761) | - |
| Effect of subsidiary included in the consolidation | | (22,895) | - |
| Effect of rate change in the subsidiary included in consolidation | | 3,964 | - |
| Translation differences (+) | | (811,777) | 139,812 |
| Decrease in minority interest | | (59,976,567) | (101,782,864) |
| **Net cash provided from/(used in) financial activities** | **43** | **78,094,812** | **(75,097,933)** |
| Increase/(decrease) in liquid assets | 3,43 | 36,414,267 | (177,020,828) |
| Liquid assets at the beginning of the period | 4 | 155,524,537 | 332,545,365 |
| **Liquid assets at the end of the period** | **4** | **191,938,804** | **155,524,537** |

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

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 1. Organization and Principal Activities

Aksa Akrilik Kimya Sanayii A.Ş. (the Parent Company) is a company incorporated in Istanbul whose principal activities are the production of acrylic based tow, fabric and tops. The activities of its Subsidiaries and Affiliates are mainly focused on the textile sector and they also operate in the energy, foreign trade, service and transportation sectors. The Parent Company's affiliates and subsidiaries comprise of the following companies:

| Parent Company: | Sector |
|---|---|
| Aksa Akrilik Kimya Sanayii A.Ş.-Turkey | Chemistry |
| **Subsidiaries:** | |
| Ak-Al Tekstil San. A.Ş.-Turkey * | Textile |
| Akenerji Elektrik Üretim A.Ş.-Turkey * | Energy |
| Ak-Pa Tekstil İhracat Pazarlama A.Ş.-Turkey * | Marketing |
| Ak-Tops Tekstil Sanayi A.Ş.-Turkey * | Textile |
| Ak-Al Tekstil Pazarlama A.Ş.-Turkey ** | Marketing |
| Ak-Al Dış Ticaret A.Ş.-Turkey ** | Foreign Trade |
| Akel Yalova Elektrik Üretim A.Ş.-Turkey * | Energy |
| Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş.-Turkey * | Energy |
| Akrom Ak-Al Textile Romania SRL-Romania * | Textile |
| Aken BV-the Netherlands*** | Investment |
| Fitco BV -the Netherlands *** | Investment |
| Bozüyük Orman Ürünleri Sanayi Tesisleri A.Ş.-Turkey *** | Forestry |
| Aksa Egypt Acrylic Fiber Industry SAE-Egypt *** | Textile |
| Akkur Enerji Üretim Tic. ve San. A.Ş.-Turkey * | Energy |
| **Affiliates:** | |
| Atak Garn und Textilhandel GmbH-Germany **** | Textile |
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş.-Turkey *** | Aviation |
| Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş.-Turkey *** | Service |

* Included in the consolidated financial statements in accordance with the full consolidation method.
** Liquidation process has been started as of 26 January 2006 and completed as of 31 December 2006.
*** Stated in the consolidated financial statements at cost.
**** Sold on 1 September 2006 and stated at cost in the consolidated financial statements as of 31 December 2005.

The address of the head office of the Parent Company is as follows:
Miralay Şefik Bey Sok. No: 15 Akhan 34437 Gümüşsuyu / İstanbul-Turkey

The Parent Company as well as its subsidiaries and affiliates are companies included in the Akkök Group.

The Parent Company is registered at the Capital Markets Board and 35.5% of its shares are being traded at the Istanbul Stock Exchange. The subsidiary Ak-Al Tekstil Sanayii A.Ş. is registered at the Capital Markets Board and 40% of its shares are offered to public and being traded at the Istanbul Stock Exchange since 19 March 1986. The subsidiary Akenerji Elektrik Üretim A.Ş. is registered at the Capital Markets Board and 25.30% of its shares are offered to public and being traded at the Istanbul Stock Exchange since 3 July 2000.

As of 31 December 2006 and 2005, the shareholding structure of the Parent Company is as follows:

| Name | Shareholding |
|---|---|
| Akkök Sanayi Yatırım ve Geliştirme A.Ş. | 39.58% |
| Emniyet Tic. ve San. A.Ş. | 18.72% |
| Other * | 41.70% |
| | **100.00%** |

* Represents shareholdings of less than 10%.

As of 31 December 2006, the average number of employees is 2,233 (31 December 2005-2,579).

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 2. Presentation of the Financial Statements

(a) Basis of Presentation:

The Parent Company and its Subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with the prevailing commercial and financial legislation. As stated below, certain adjustments and classifications have been made during the preparation of the accompanying financial statements in order to comply with the Communiqué nr XI/25. The adjustments reflect to the accompanying financial statements are summarized in Note 2(b) and 2(d).

The accompanying financial statements and the related notes are presented in the formats held mandatory by the CMB announcement made on 10 December 2004.

(b) Adjustment of Financial Statements During Hyper-Inflationary Periods:

Section 15 of the Communiqué Nr XI/25 deals with the effects of inflation on financial statements and requires that financial statements prepared in the currency of a high inflation economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms. As per the resolution of the CMB dated 17 March 2005 Nr 11/367 the application of inflation adjustment of the financial statements has ended in 2005, hence the accompanying financial statements are restated at the purchasing value of the Turkish Lira as at 31 December 2004.

The restatement of the accompanying consolidated financial statements in Turkish Lira are calculated by means of conversion factors derived from the countrywide wholesale price index published by the Turkish Statistical Institute (TSI). Such indices and conversion factors are as follows:

| Date | Index | Conversion Factor |
|---|---|---|
| 31 December 2001 | 4,951.7 | 1.70 |
| 31 December 2002 | 6,478.8 | 1.30 |
| 31 December 2003 | 7,382.1 | 1.14 |
| 31 December 2004 | 8,403.8 | 1.00 |

The following principles have been applied in the preparation of the restated financial statements as of 31 December 2004:

- Financial statements are stated in terms of the measuring unit current at 31 December 2004 and the corresponding figures for the previous periods are restated in the same terms.

- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.

- Non-monetary assets and liabilities are restated by applying the relevant conversion factors.

- The effect of general inflation is included in the statement of income as “Net Monetary Gain / (Loss)”

Balance sheet items denominated in foreign currency are translated to TRY at the foreign exchange rate prevailing at the balance sheet date and the income and expense items denominated in foreign currency are translated to TRY at the yearly average rate. Profits or losses from translations are stated in the translation differences under the shareholders’ equity account group.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

(c) Consolidation Principles:

Consolidation is realized within the Parent Company, Aksa Akrilik Kimya Sanayii A.Ş. and the direct and indirect shareholdings of the Parent Company within its affiliates and subsidiaries are as follows:

| Subsidiaries | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Ak-Al Tekstil Sanayii A.Ş.* | 22.10% | 22.10% |
| Akenerji Elektrik Üretim A.Ş. * | 17.33% | 17.33% |
| Ak-Pa Tekstil İhracat Pazarlama A.Ş. * | 16.45% | 16.45% |
| Ak-Tops Tekstil San. A.Ş.* | 12.21% | 12.21% |
| Akel Yalova Elektrik Üretim A.Ş.* | 15.59% | 15.59% |
| Akenerji Elektrik Enerjisi İth.-İhr. ve Toptan Tic. A.Ş.* | 15.60% | 8.67% |
| Akkur Enerji Üretim Tic. ve San. A.Ş. * | 17.16% | - |
| Aken BV** | 17.33% | 17.33% |
| Akrom Ak-Al Textile Romania SRL* | 22.10% | 22.10% |
| Ak-Al Tekstil Pazarlama A.Ş.*** | - | 21.99% |
| Ak-Al Dış Ticaret A.Ş.*** | - | 21.99% |
| Bozüyük Orman Ürünleri Sanayi Tesisleri A.Ş.** | 21.98% | 21.98% |
| Fitco BV ** | 100.00% | 100.00% |
| Aksa Egypt Acrylic Fiber Industry SAE** | 99.14% | 99.14% |

| Affiliates | | |
|---|---|---|
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. ** | 10.07% | 10.07% |
| Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. ** | 44.15% | 45.72% |
| Atak Garn und Textilhandel GmbH **** | - | 8.22% |

* Stated in the accompanying consolidated financial statements as per the full consolidation method.
** Stated in the accompanying consolidated financial statements at cost.
*** Liquidation process has been completed as at 31 December 2006.
**** Sold as at 01 September 2006.

Subsidiaries and affiliates are classified as financial assets available for sale representing shareholdings in which the direct and indirect votes of the Parent Company is below 20% or with insignificant influence even if above 20%, or those that do not have material effect on financial statements, or are not traded in the active markets or whose fair values cannot be determined reliably, are recognised at their restated cost values, less provision for value decrease, if any.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

Consolidated financial statements have been prepared on the basis of principles stated below:

### Full Consolidation Method:

- All balance sheet items except for the paid in capital of the Parent Company and its Subsidiaries and their equities at the acquisition date are added, and inter-company balances are eliminated.

- The Parent Company's interest in the subsidiaries is set off against the Long Term Financial Assets account of the Parent Company and the Share Capital accounts of the Subsidiaries.

- As of the acquisition date, the Parent Company's shareholding in its subsidiaries is offsetting against the portion of share capital it owns in the subsidiary's equity for once. The equity of the subsidiary at the acquisition date should be drawn up according to the market value of the subsidiary's net assets at that date. If the cost value of the Parent Company's shareholding in its subsidiary is more than the nominal value of the part of the share capital in the subsidiary's equity, the difference is recorded as positive goodwill in the consolidated balance sheet as a separate item and it is amortised over the useful life of the future economic benefits that are expected to flow to the Parent Company. The amortisation period cannot exceed 20 years. If the cost value of the investment is less than the nominal value of the share capital of the subsidiary, the difference is recorded as the negative goodwill in the assets as a negative item and is also amortised over 20 years at maximum. However, in the event that the goodwill is explicitly related to an asset or a group of assets and that the asset or group of assets is expected to provide benefit throughout its economic life, the assumption that the economic life of the goodwill is limited to 20 years becomes void. The subsidiary Akenerji Elektrik Üretim A.Ş. has acquired 99% the shares of Akkur Enerji Üretim Ticaret ve Sanayi A.Ş., a company with TRY 5,000,000 capital of which TRY 4,541,600 is unpaid, for a total of USD 15,592,500 at 20 November 2006. The installed capacities of the hydroelectic power plants of the acquired company, Akkur Enerji Üretim Ticaret ve Sanayi A.Ş., owning manufacturing licenses are as follows:

  | | | |
  |---|---|---|
  | Burç Bendi ve Hidroelektrik Santrali (planned to be established in Adıyaman) | : | 18.86 MWm/17,54 MWe |
  | FEKE-I HES (planned to be established in Adana) | : | 25.64 MWm/24,61 MWe |
  | FEKE -II HES (planned to be established in Adana) | : | 149.57 MWm/143,58 MWe |

  Furthermore, the said power plants have Water Consumption contracts entered into with Public Waterworks Administration within the scope of application for manufacturing license. The term of license for each of the three power plants is 49 years. For that reason, the economic life of the positive goodwill constituted due to the acquisition of Akkur Enerji Üretim Ticaret ve Sanayi A.Ş. is determined as 49 years and normal amortisation method has been used. Goodwill amortisation expense amounts to TRY 76,697 as of 31 December 2006 and it is recognised among the general administration expenses in the accompanying consolidated financial statements.

- Minority interests are deducted from all equity account group items including the paid in/issued share capital of subsidiaries included in the consolidation and are recognized as "Minority Interests" in the consolidated balance sheet before the equity account group and in the statement of income.

- The purchases and sales among the Parent Company and its Subsidiaries and the profit and losses arising from these transactions are eliminated in the Consolidated Income Statement. Profit and losses arising from the purchase or sale of marketable securities, inventories, tangible and intangible assets, long term financial assets and other assets among the consolidated group companies are also eliminated.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

(d) Adjustments:

The accompanying financial statements have been prepared in accordance with the Communiqué Nr XI/25 with the below mentioned adjustments which are not stated in the statutory records:

- Rediscount calculation on post-dated cheques, notes receivable, customers, suppliers and loans
- Depreciation adjustment
- Reversal of establishment and organization expenses
- Adjustment of termination indemnity
- Deferred tax adjustment
- Provision for litigation
- Calculation of goodwill and amortization
- Provision for doubtful receivables
- Provision for value decrease in inventories
- Provision for value decrease in tangible assets
- Elimination of inter-group balances and transactions as per the consolidation procedure

(e) Comparative Information and Adjustment of Prior Period Financial Statements:

Balance sheets as of 31 December 2006 and 2005 and notes to these balance sheets as well as the statements of income, shareholder's equity, and cash flows for the years then ended have been presented comparatively. In order to comply with the presentation of the current period financial statements, the comparative information is reclassified when deemed necessary. Ak-Al Tekstil Pazarlama A.Ş. and Ak-Al Dış Ticaret A.Ş. included in the consolidation as of 31 December 2005 have started the process of liquidation as of 26 January 2006 and the process has been completed as of 30 September 2006. The adjustment related to minority interest in the financial statements as of 31 December 2005 is stated in the prior period profit/loss account of the balance sheet as of 30 September 2006 as per the Section 19 of the Communiqué Nr XI/25 related to "Accounting Policies, Changes and Errors in Accounting Estimates".

(f) Offsetting:

Offsetting financial assets and liabilities can only be made under the conditions where the offsetting transaction is legally allowed and the company has an intention in this respect or where the acquisition of assets and fulfillment of liabilities are realized simultaneously.

### 3. Accounting Techniques and Valuation Procedures Applied

(a) Financial Instruments:

Financial instruments consist of the financial assets and liabilities stated below:

i. Liquid Assets

Liquid assets consist of cash balances on hand, bank accounts, cheques received, and other liquid assets.

Cash is composed of New Turkish Lira and foreign currency balances. The New Turkish Lira balances are stated at face values, and the foreign currency balances are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

Bank accounts consist of demand and time deposit accounts and the related interest accrued. New Turkish Lira deposit accounts are stated at face values and foreign currency accounts are translated into New Turkish Lira at the foreign currency purchasing rate issued by the Central Bank as at the balance sheet date.

The cheques received with maturity dates exceeding the balance sheet date are stated in trade receivables and are rediscounted at a rate equivalent to the interest rate of government bonds constituted in stock markets or other organized markets

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

*Fair Value*

Fair value is the amount for which a financial instrument could be exchanged between two willing parties in an arm's length transaction. It is primarily considered the same as the quoted value of the financial instrument; however in case there is no quoted value, the purchase or sales value of an instrument is deemed to be the fair value of the financial instrument.

As the foreign currency cash and cash equivalents are translated into New Turkish Lira at the foreign exchange rates valid at the balance sheet date, it is assumed that the fair values of these assets approximate to their book values.

As the deposit accounts, cash and cheques received are converted into cash in very short terms, and as there is no risk of value decrease, their book values are deemed to approximate to their fair values.

### ii. Trade Receivables

Trade receivables are financial assets created by the Parent Company and its subsidiaries through selling goods and services directly to the customers. Notes receivable, post dated cheques and customers are subject to rediscount.

*Fair Value*

Rediscounted trade receivables and doubtful receivables for which provisions are accrued are assumed to approximate to the fair values of these assets.

### iii. Related Parties

The shareholders, board members and administrative personnel such as the general manager, their immediate relatives as well as the related companies, affiliates and partnerships of the Parent Company and its subsidiaries are regarded as related parties.

### iv. Short and Long Term Bank Loans and Trade Payables

Short and long term bank loans are stated at the value computed through addition of the principal amount and the interest expenses accrued as of the balance sheet date, discounted as per the effective interest method. Trade payables are financial liabilities created by the Company through purchasing goods directly from the suppliers. Trade payables are subject to rediscount.

*Fair Value*

The fair value of the short and long term bank loans are assumed to be equivalent to the recorded values computed by adding the accrued interest liabilities calculated over the prevailing interest rate as of the balance sheet dates on the cost of the mentioned financial debts. Similarly, discounted values of trade payables are considered to be equivalent to their fair values.

### (b) Financial Risk Management:

### i. Foreign Currency Risk

Balances of foreign currency transactions of the Parent Company and its subsidiaries originating from operations, investment and financial activities as of the reporting date are stated in Note 29.

### ii. Doubtful Receivables Risk

The Parent Company and its subsidiaries have made provisions for doubtful receivables developed until the reporting date.

### iii. Liquidity Risk

The excess portion of the liquid assets (current assets-inventories) over the short term payables of the Parent Company and its subsidiaries is stated below in relation to the corresponding periods (TRY):

| | |
|---|---|
| 31 December 2006 | 336,198,126 |
| 31 December 2005 | 296,557,537 |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

iv. Cash Flows Risk

Cash outflows resulting from the Parent Company and its subsidiaries' operations, investments and financial activities are as follows (TRY):

| | |
|---|---|
| 31 December 2006 | 36,414,267 |
| 31 December 2005 | (177,020,828) |

(c) Inventories:

Inventories are stated at the lower of cost and net realizable value.

Cost is determined by using the weighted average cost method for the raw material, supplies, labour and general administration expenses.

(d) Marketable Securities:

The Parent Company and its subsidiaries have classified their marketable securities as financial assets held until the maturity date. Government bonds with fixed or predetermined payment conditions and fixed maturities which are meant to be held until the maturity date for which the necessary conditions including the funding capacity are fulfilled in order to be held until the maturity date are classified as financial assets to be retained until the maturity date. The initial recording of the investments to be retained until maturity is stated at cost. Investments to be held until the maturity are stated at their values discounted by using the effective interest rate method.

(e) Financial Assets:

The Parent Company has classified its financial assets as financial assets available for sale.

Financial assets available for sale are those assets other than the loans and receivables, held-to-maturity investments and held for trading investments. Financial assets available for sale are valued at their fair value in the periods subsequent to the initial recognition. Financial assets available for sale representing shareholdings in which the direct and indirect votes of the Company is below 20% or with insignificant influence even if above 20%, or those that do not have material effect on consolidated financial statements, or are not traded in the active markets or whose fair values cannot be determined reliably, are reflected in the financial statements at their cost values, less provision for value decrease, if any.

Financial assets do not have a market value and are stated at their restated unit values as of 31 December 2004, less the value decrease, if any.

(f) Tangible Assets:

Tangible assets are stated at cost less their accumulated depreciation and less the value decrease, if any.

Tangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Depreciation of tangible assets is made over the inflation-adjusted amounts on a straight-line basis based on the estimated useful lives of these assets. The depreciation periods which approximate to the economic useful lives of the assets are as follows:

| | |
|---|---|
| Buildings | 5-50 years |
| Land development | 5-50 years |
| Machinery, plant and equipment | 5-22 years |
| Motor vehicles | 4-8 years |
| Furniture and fixtures | 2-20 years |
| Other tangible assets | 5 years |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### (g) Intangible Assets:

Intangible assets are stated at cost less their accumulated amortization and less the value decrease, if any.

Intangible assets have been restated using the measuring unit current at 31 December 2004 based on the dates of acquisition. Amortization of intangible assets is made over the totals adjusted with respect to inflation accounting, considering the approximate useful lives of the assets as stated in the following:

| | |
|---|---|
| Rights | 3-40 years |
| Special costs | 5 years |
| Other intangible assets | 3-5 years |

### (h) Assets and Liabilities in Foreign Currency:

Assets and liabilities in foreign currency are translated into New Turkish Lira at foreign currency purchasing rates and selling rates respectively as announced by the Turkish Central Bank as at the balance sheet dates. Transactions in foreign currencies during the period are translated into New Turkish Lira at the actual rates applicable on the transaction date. Exchange gains and losses resulting from such translations are included in the statements of income. The Central Bank foreign exchange rates used by the Parent Company and its subsidiaries in translating foreign exchange balances into New Turkish Lira as at the balance sheet dates are as follows:

| | 31 December 2006 | | 31 December 2005 | |
|---|---|---|---|---|
| | Purchasing | Selling | Purchasing | Selling |
| USD | 1.4056 | 1.4124 | 1.3418 | 1.3483 |
| EURO | 1.8515 | 1.8604 | 1.5875 | 1.5952 |
| CHF | 1.1503 | 1.1577 | 1.0188 | 1.0254 |
| GBP | 2.7569 | 2.7713 | 2.3121 | 2.3242 |
| CAD | 1.2119 | 1.2174 | 1.1545 | 1.1597 |
| SEK | 0.2036 | 0.2057 | 0.1678 | 0.1696 |

### (i) Impairment of Assets:

In case where the book value of an asset exceeds its recoverable value, a provision for impairment loss is made so as to bring the book value of the asset down to the level of its fair value and the amount of the provision is recorded in the income statement as an expense.

On the other hand, the recoverable value of cash generating assets is deemed to be the higher of net selling price and the value in use. The value in use of those assets represents the net present value of net cash inflows to be acquired through continuous usage and sales of the assets, discounted at a reasonable discount rate.

### (j) Deferred Taxes:

Deferred taxes are calculated on the temporary differences that arise between the deductible tax base and the book values of assets and liabilities, by using the liability method. The primary temporary differences arise from the income and expense items that are reported in different periods with respect to the Communiqué Nr XI/25 and the tax legislation. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated with the assumption that the Parent Company and its subsidiaries will have taxable income during the future periods.

An enterprise should offset current tax assets and current tax liabilities if the enterprise has a legally enforceable right to set off the recognised amounts, provided that the tax assets and tax liabilities are subject to the tax legislation of the same jurisdiction.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

(k) Income Taxes:

*2006*

Corporate earnings are subject to corporation tax at a rate of 20%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19.8% according to the Provisional Article 61 and 69 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 15% (10% before 26 July 2006). However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 20% on the profits declared for interim periods to be deducted from the corporation tax.

With respect to the provisional Article 69 of the Income Tax Law, corporation tax and corporate provisional tax rate is 30% for entities benefiting from investment allowance.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended March 2005 are below 100% and 10%, respectively. As the criteria of 100% and 10% has not been realized simultaneously in the June, September and December 2005 accounting periods, inflation accounting application has not been started. For that reason no inflation adjustment is made in relation to 2005. Also, in the 31 December 2006 accounting period, the criteria of 100% and 10% have not been realized simultaneously in the Producers Price Index and for that reason no inflation adjustment has been applied.

*2005*

Corporate earnings are subject to corporation tax at a rate of 30%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19.8% according to the Provisional Article 61 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 10%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 30% on the profits declared for interim periods to be deducted from the corporation tax.

40% of the investment expenditures of companies related to tangible assets realized subsequent to 24 April 2003 are exempt from corporation tax through benefiting from investment allowance, except for certain cases. The exempt amounts are not subject to withholding. In the event that the corporate income is not sufficient, the investment allowance right is deferred to future years. In order to benefit from investment allowance, "Investment Allowance Document" is not required.

With respect to the article 298 (bis) of the Tax Law amended by Law 5024, the inflation adjustment application which started in 2004 has ended as the increase in the wholesale price indices for the last 36 months and the last 12 months ended December 2005 are below 100% and 10%, respectively. As the criteria of 100% and 10% has not been realized simultaneously in the June, September and December 2005 accounting periods, inflation accounting application has not been started. For that reason no inflation adjustment is made in relation to 2005.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

As of 31 December 2006 and 2005, income tax provisions have been made in accordance with the prevailing tax legislation.

### (l) Provision for Termination Indemnity:

Under Turkish Labour Law Article 25/II, the Parent Company and its subsidiaries are required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated upon causes that qualify the employee to receive termination indemnity, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TRY 1,857,44 in respect of each year of service as of 31 December 2006 (31 December 2005-TRY 1,727,15).

The Parent Company and its subsidiaries with the exception of Akrom Ak-Al Textile Romania SRL have determined the termination indemnity liability stated in the accompanying financial statements as per the recognition and valuation principles stated in “Employee Benefits” section 29 of the Communiqué Nr XI/25. The subsidiary Akrom Ak-Al Textile Romania SRL does not have termination indemnity liability as per the Romanian legislation. As the characteristics of the termination indemnity liabilities are similar to the “Post Employment Benefit Plans” stated in this section, these liabilities are calculated and stated in the financial statements on the basis of below mentioned “Proposed Unit Loan Method” and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.

- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or the value of the termination indemnity upper limit determined by the Labour Law for 31 December 2006 and 2005 to remain constant for restatement purposes, and later on, this value is reduced by the actual discount rate of 5.71% (31 December 2005-5.49%) calculated upon the assumption that the expected annual inflation rate will be 5 % (31 December 2005-6.175%) and the expected discount rate will be 11% (31 December 2005-12%) which represents the proposed average interest rate per annum of the government bonds, in order to determine the current net value of the termination indemnity liability at the balance sheet date.

- Actuarial calculation is needed to determine the ratio of the employees to gain their right for receiving termination indemnity to the total number of employees. This calculation is made through determining the ratio of former Company personnel who received their termination indemnity rights to the total number of personnel.

As of 31 December 2006 and 2005 actuarial assumptions for calculating termination indemnity are as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Discount rate | 5.71% | 5.49% |
| The ratio of the number of employees who have gained the right to receive termination indemnity in the prior years to the total number of employees | 100% | 100% |

### (m) Revenues and Expenses:

The accrual basis of accounting is applied for the recognition of revenues and expenses. The accrual concept requires that revenue, income and profits should be matched with costs, expenses and losses belonging to the same period.

### (n) Earnings / (Loss) per Share:

Earnings / (loss) per share is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey can increase their share capital through distributing shares (bonus shares) from retained earnings and differences arising from inflation adjustments in shareholders' equity to their current shareholders on a pro rata basis. When calculating profit/(loss) per share, these bonus shares are recognized as issued shares. Therefore, the weighted average of shares used in the calculation of profit/(loss) per share is derived through retroactive application with respect to bonus shares.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

(o) Accounting Estimates:

During the preparation of financial statements in accordance with the Communiqué Nr XI/25, the Management is required to disclose the balance sheet value of the assets and liabilities stated in the financial statements as of the balance sheet date and explanations regarding off balance sheet liabilities, and to provide assumptions that might affect the totals of income and expense realized during the period. However, actual results may vary from these results.

(p) Subsequent Events:

In case there are subsequent events requiring adjustment, the Parent Company and its subsidiaries adjust the amounts stated in the financial statements with respect to the new status. In case there are subsequent events which do not require adjustment, the Parent Company and its subsidiaries disclose them in the related period, if deemed necessary.

(r) Conditional Assets and Liabilities:

Assets and liabilities that originate from past incidents and whose presence is not fully under the company management control as it can only be confirmed through the realization of one or more indefinite incidents to take place in the future are not included in the financial statements and are deemed as conditional liabilities and assets.

(s) Borrowing Costs:

Borrowing costs are recognized as expense. Borrowing costs related to the qualifying assets are included directly in the cost of the related qualifying asset. Upon completion of the necessary operations to make the qualifying asset ready for use or sale, the capitalization of the borrowing costs is discontinued. The subsidiary Akenerji Elektrik Üretim A.Ş. has deducted the net balance of TRY (6,298,755) (31 December 2005-TRY (3,017,756)) remaining after the deduction of interest expenses from the foreign exchange differences directly related to the investments in progress from the cost of the related asset.

(t) Segment Reporting:

The activities of the Parent Company and its subsidiaries are classified under four sectors, namely, chemistry, textile, energy and other. The other sector includes marketing and foreign trade operations. The companies within this group have low commercial volume, hence they are not regarded as separately reportable sectors.

(u) Government Incentives and Aids:

The government incentives utilized by the Parent Company includes government incentives related to income and are recognized in the statement of income.

**4. Liquid Assets**

Liquid assets consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Cash | 255,339 | 273,055 |
| Banks | | |
| - TRY demand deposit | 5,213,986 | 5,191,824 |
| - Foreign currency demand deposit | 5,046,513 | 5,280,207 |
| - TRY time deposit * | 55,243,594 | 27,636,904 |
| - Foreign currency time deposit ** | 113,061,508 | 112,723,702 |
| Cheques received | 13,102,402 | 4,415,188 |
| Other liquid assets | 15,462 | 3,657 |
| | 191,938,804 | 155,524,537 |

* As of 31 December 2006, the interest rate on TRY time deposit accounts varies between 14.7% and 21.5% (31 December 2005-4%-18.6%).

** As of 31 December 2006, the interest rates applied to Euro time deposits vary between 3.10% and 4.00%; GBP deposits interest rate is 5.75%; the interest rates on USD time deposits vary between 4.25% and 5.75 % (31 December 2005-Euro 1,00%-3.70%; GBP 5.80%; USD 2.00%-5.10%).

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 5. Marketable Securities

Marketable securities consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Financial Assets Held to Maturity | | |
| - Public sector notes and bonds | - | 29,674,017 |

### 6. Financial Liabilities

Financial liabilities consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Short term bank loans | 150,302,137 | 101,801,843 |
| Principal payments and interests of long term bank loans | 13,456,807 | 10,725,123 |
| Long term bank loans | 126,726,667 | 36,249,491 |
| | **290,485,611** | **148,776,457** |

The maturities of long term loans vary between 08.10.2007-28.06.2013.

### 7. Trade Receivables and Payables

Short term trade receivables consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Customers | 211,008,765 | 158,017,183 |
| Notes receivable and post dated cheques | 200,708,088 | 112,428,809 |
| Rediscount on receivables (-) | (7,400,219) | (4,496,437) |
| Deposits and guarantees given | 86,178 | 97,302 |
| Other short term receivables | 303 | 294 |
| Doubtful trade receivables | 4,675,672 | 5,218,896 |
| Provision for doubtful trade receivables (-) | (4,675,672) | (5,218,896) |
| | **404,403,115** | **266,047,151** |

Long term trade receivables consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Deposits and guarantees given | 352,596 | 280,312 |
| Notes receivable and post dated cheques | 10,679,749 | 13,954,720 |
| Rediscount on receivables (-) | (1,040,678) | (1,488,497) |
| | **9,991,667** | **12,746,535** |

Trade payables consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Suppliers | 125,280,709 | 73,503,815 |
| Notes payable | 1,565,892 | - |
| Rediscount on payables (-) | (1,546,098) | (860,511) |
| Deposits and guarantees received | 1,862 | 4,384 |
| Other trade payables | 6,805 | 3,270 |
| | **125,309,170** | **72,650,958** |

### 8. Leasing Receivables and Payables

As of 31 December 2006, there are no leasing receivables and payables (31 December 2005-none).

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 9. Due From and To Related Parties and Transactions

Balances due from related parties consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Aksu İplik Dokuma ve Boya Apre Fab. A.Ş. | 7,691,446 | 8,091,383 |
| Dinarsu İmalat ve Tic. A.Ş.* | - | 2,363,088 |
| Üçgen Bakım ve Yönetim Hiz. A.Ş. | 325,899 | 308,806 |
| Akport Tekirdağ Liman İşletmeleri A.Ş. | 18,408 | 20,840 |
| Aken B.V. | 5,107 | 5,107 |
| Fitco B.V. | - | 3,151,939 |
| Aksa Egypt Acrylic Fiber Industry SAE | 61,698 | 111,696 |
| Atak Garn und Textilhandel GmbH | - | 339,418 |
| Bozüyük Orman Ürünleri Sanayi Tesisleri A.Ş. | 172.954 | - |
| Other ** | 10,723,213 | 27,840,694 |
| Due from shareholders | 89,202 | - |
| Rediscount on receivables (-) | (18,803) | (36,392) |
| | **19,069,124** | **42,196,579** |

* On 11 November 2005 Dinarsu İmalat ve Ticaret A.Ş. is sold to a party which is not included in the group, hence it is not included in related parties.

** The companies to which the subsidiary Akenerji Elektrik Üretim A.Ş. effects sales as per its legal status should be shareholders. The number of shareholders in this scope with the exception of shareholders included in Akkök Group is 153 as of 31 December 2006 (31 December 2005-254) and they are recognised as "others" as a whole.

Balances due to related parties consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. | 234,641 | 408,509 |
| Akkök Sanayi Yatırım ve Geliştirme A.Ş.* | 4,188,465 | 2,990,055 |
| Dinkal Sigorta Acenteliği A.Ş. | 651,044 | 201,915 |
| Bozüyük Orman Ürünleri Sanayi Tesisleri A.Ş. | - | 84,912 |
| Akkim Kimya San. ve Tic. A.Ş. | 5,336,616 | 4,213,059 |
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. | 57,334 | 88,098 |
| Expert Contab SRL Suceava | 4,217 | - |
| Kartopu Tekstil Mam. Paz. Tic. A.Ş.** | - | 1,426,447 |
| Due to shareholders | 18,160 | 76,146 |
| Other *** | 3,979,804 | 6,409,174 |
| | **14,470,281** | **15,898,315** |

* Includes the bank loan of USD 2,000,000 used by the subsidiary Akrom Ak-Al Textile Romania S.R.L. from Akkök Sanayi Yatırım ve Geliştirme A.Ş. as at 25 September 2000 and the due date for payment is 13 April 2007.

** On 12 December 2005 Kartopu Tekstil Mam. Paz. Tic. A.Ş. is sold to a party which is not included in the group, hence it is not included in related parties.

*** The companies to which the subsidiary Akenerji Elektrik Üretim A.Ş. effects sales as per its legal status should be shareholders. The number of shareholders in this scope with the exception of shareholders included in Akkök Group is 153 as of 31 December 2006 (31 December 2005-254) and they are recognised as "others" as a whole.
As of 31 December 2006, a portion of TRY 14.888 of the trade payables of the subsidiary Akenerji Elektrik Üretim A.Ş. to its shareholders consists of deposits and guarantees received (31 December 2005-TRY 68,231).

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

For the years ended 31 December 2006 and 2005, sales to related parties consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Aksu İplik Dokuma ve Boya Apre Fabrikaları T.A.Ş. | 13,395,498 | 10,944,246 |
| Akal Dış Ticaret A.Ş.* | 5,029 | - |
| Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. | 494 | - |
| Dinarsu İmalat ve Ticaret A.Ş.** | - | 1,479,372 |
| Akkök Sanayi Yatırım ve Geliştirme A.Ş. | 178,506 | 85,017 |
| Akkim Kimya San. ve Tic. A.Ş. | 23,266,120 | 20,020,770 |
| Dinkal Sigorta Acenteliği A.Ş. | 2,198 | - |
| Aksa Egypt Acrylic Fiber Industry SAE | 61,698 | - |
| Kartopu Tekstil Mam. Paz. Tic. A.Ş.*** | - | 8,709,029 |
| Üçgen Bakım ve Yönetim Hiz. A.Ş. | 3,158,075 | 2,759,305 |
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. | 867 | - |
| Akport Tekirdağ Liman İşletmeleri A.Ş. | 62,044 | 72,243 |
| Atak Garn und Textilhandel GMBH | 64,671 | 2,463,125 |
| Other **** | 188,645,732 | 237,796,105 |
| | **228,840,932** | **284,329,212** |

* Has started the process of liquidation on 26 January 2006 and ended as of 31 December 2006.
** On 11 November 2005 Dinarsu İmalat ve Ticaret A.Ş. is sold to a party which is not included in the group, hence it is not included in related parties.
*** On 12 December 2005 Kartopu Tekstil Mam. Paz. Tic. A.Ş. is sold to a party which is not included in the group, hence it is not included in related parties.
**** Consists of the balance related to other shareholders of the subsidiary Akenerji Elektrik Üretim A.Ş. as per its legal status, with the exception of shareholders included in Akkök Group.

For the years ended 31 December 2006 and 2005, purchases from related parties consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Ak-Han Bakım Yönt. Serv. Hizm. Güven. Malz. A.Ş. | 573,783 | 1,410,758 |
| Akal Tekstil Pazarlama A.Ş.* | 1,000 | - |
| Expert Contab SRL Suceava | 40,762 | - |
| Bozüyük Orman Ürünleri Sanayi Tesisleri A.Ş. | 360,000 | - |
| Dinarsu İmalat ve Ticaret A.Ş.** | - | 712,126 |
| Aksu İplik Dokuma ve Boya Apre Fabrikaları T.A.Ş. | 171,781 | 1,146,134 |
| Dinkal Sigorta Acenteliği A.Ş. | 3,361,082 | 3,344,399 |
| Akkim Kimya San. ve Tic. A.Ş. | 23,740,242 | 21,318,881 |
| Kartopu Tekstil Mam. Paz. Tic. A.Ş.*** | - | 23,894 |
| Üçgen Bakım ve Yönetim Hiz. A.Ş. | 146,218 | 257,091 |
| Akkök Sanayi Yatırım ve Geliştirme A.Ş. | 4,669,368 | 2,251,973 |
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. | 2,468,933 | 2,832,094 |
| Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. | 1,644 | 6,102 |
| Other**** | 38,696,055 | 48,477,173 |
| | **74,230,868** | **81,780,625** |

* Has started the process of liquidation on 26 January 2006 and ended as of 31 December 2006.
** On 11 November 2005 Dinarsu İmalat ve Ticaret A.Ş. is sold to a party which is not included in the group, hence it is not included in related parties.
*** On 12 December 2005 Kartopu Tekstil Mam. Paz. Tic. A.Ş. is sold to a party which is not included in the group, hence it is not included in related parties.
**** Consists of the balance related to other shareholders of the subsidiary Akenerji Elektrik Üretim A.Ş. as per its legal status, with the exception of shareholders included in Akkök Group.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 10. Other Receivables and Liabilities

Other receivables consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Due from personnel | 237,101 | 319,214 |
| Short term other receivables | 28,114,491 | 7,716,462 |
| Other doubtful receivables | 141,876 | 158,850 |
| Provision for other doubtful receivables (-) | (141,876) | (158,850) |
| | **28,351,592** | **8,035,676** |

Other liabilities consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Due to personnel | 566,082 | 694,329 |
| Other miscellaneous debts | 1,654 | 218,774 |
| Taxes, duties and other withholdings payable | 3,503,361 | 4,489,836 |
| Social security premiums payable | 1,652,091 | 1,540,618 |
| Income related to future months | 9,546,406 | 6,269,629 |
| Other VAT | 49,441,936 | 17,888,916 |
| Expense accruals | 28,146 | 369,024 |
| Expenses payable | 3,142 | 16,787 |
| | **64,742,818** | **31,487,913** |

### 11. Biological Assets

As of 31 December 2006 and 2005, there are no biological assets.

### 12. Inventories

Inventories are as follows (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| İRaw materials and supplies | 76,416,808 | 60,372,904 |
| Semi finished goods | 10,639,060 | 9,467,015 |
| Finished goods | 29,402,257 | 22,474,950 |
| Merchandise | 431,843 | 1,142,608 |
| Other inventories | 9,602,841 | 6,335,727 |
| Inventories held for sale | 1,012,032 | - |
| Provision for value decrease in inventories (-) | (1,124,480) | (215,652) |
| Order advances given | 17,969,421 | 1,740,788 |
| | **144,349,782** | **101,318,340** |

### 13. Receivables Related to Ongoing Construction Contracts and Contract Progress Income

As of 31 December 2006 and 2005 there are no receivables related to ongoing construction contract and no contract progress income.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 14. Deferred Tax Assets and Liabilities

Temporary differences creating a basis for deferred tax calculations and deferred tax assets/liabilities and deferred tax income/expenses are as follows (TRY):

| Temporary Income / (Expense) Differences | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Adjustment on rediscount on receivables | 10,017,296 | 7,273,043 |
| Provision for termination indemnity and leaves | 11,710,432 | 12,485,711 |
| Value decrease/ (increase) in affiliates | 14,194,132 | - |
| Provision for doubtful receivables | 21,531 | - |
| Adjustment on provision for litigation | 697,785 | - |
| Adjustment on foreign exchange buying/selling rates | 1,103,534 | - |
| Adjustment on order advances given | 213,346 | - |
| Adjustment on order advances received | 190,105 | - |
| Adjustment on loan discount | 581,306 | 44,059 |
| 2005 prior year losses* | 63,571,095 | - |
| Adjustments related to consolidation | 587,261 | 1,065,857 |
| Deferred tax asset base | 102,887,823 | 20,868,670 |
| Adjustment on rediscount on payables | 2,512,456 | 1,807,217 |
| Difference between the book values of tangible/intangible assets and their tax bases, net | 255,535,160 | 293,388,447 |
| Deferred tax liability base | 258,047,616 | 295,195,664 |
| Deferred tax liability base (net) | 155,159,793 | 274,326,994 |
| Deferred tax liability (net)** | 31,031,958 | 69,356,780 |

* As per the Company management's future assumptions there are high chance of generating taxable profit hence the tax loss for 2005 related to the subsidiary Akenerji Elektrik Üretim A.Ş. has been considered in the deferred tax calculations for the year ended 31 December 2006.

** The tax rate applied as of 31 December 2006 is 20% and those applied as of 31 December 2005 are 30% and 19.8% (Note 3(k)).

Deferred Tax Income / (Expense) (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Current period deferred tax asset/(liability) | (31,031,958) | (69,356,780) |
| Effect of subsidiaries excluded from consolidation | 170 | - |
| Reversal of prior period deferred tax (liability) / asset | 69,356,780 | 82,249,634 |
| **Deferred tax income /(expense) (Note 41)** | **38,324,992** | **12,892,854** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 15. Other Current/Non-current Assets and Short/Long Term Liabilities

Other current/short term assets consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Expenses related to future months | 1,509,384 | 1,268,603 |
| Deferred VAT | 16,096,204 | 15,021,520 |
| Deductible VAT | 8,434 | 59,535 |
| Other VAT | 49,441,937 | 17,831,690 |
| Prepaid taxes and funds | 1,243,036 | 555,309 |
| Job advances | 53,020 | 43,099 |
| Personnel advances | 1,260,681 | 1,066,174 |
| Other miscellaneous current assets | - | 2,993 |
| Fixed assets held for sale | 29,697,517 | - |
| Value decrease in fixed assets | (17,288,880) | - |
| | **82,021,333** | **35,848,923** |

Other non-current/long term assets consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Expenses related to future years | 89,536 | 98,979 |
| Other VAT | 57,626 | 57,226 |
| | **147,162** | **156,205** |

Other non-current/long term liabilities consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Other VAT | 57,626 | - |

### 16. Financial Assets

Financial assets consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Affiliates; | | |
| Ak Havacılık ve Ulaştırma Hizmetleri A.Ş. | 22,181,034 | 22,181,034 |
| Ak-Han Bak. Yön. Serv. Hizm. Güven. Malz.A.Ş. | 97,597 | 97,597 |
| Atak Garn und Textilhandel GmbH | - | 97,060 |
| Provision for value decrease in affiliates (-) | (14,194,132) | - |
| Subsidiaries; | | |
| Aken BV | 1,988,943 | 1,988,943 |
| Aksa Egypt Acrylic Fiber Industry SAE | 78,695 | 30,987 |
| Fitco BV | 7,863,032 | 3,032,897 |
| Bozüyük Orman Ürünleri Sanayi Tesisleri A.Ş. | 735,919 | 735,919 |
| Other financial assets | 10,251 | 9,996 |
| | **18,761,339** | **28,174,433** |

### 17. Positive/Negative Goodwill

Positive/negative goodwill consist of the following (TRY):

| | Opening 1 January 2006 | Additions | Disposals | Closing 31 December 2006 |
|---|---|---|---|---|
| Positive/negative goodwill | - | 22,548,997 | - | 22,548,997 |
| Accumulated amortisation (-) | - | (76,697) | - | (76,697) |
| | **-** | **22,472,300** | **-** | **22,472,300** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 18. Investment Property

As of 31 December 2006 and 2005 there are no investment properties.

### 19. Tangible Assets

Tangible assets consist of the following (TRY):

| | Opening 1 January 2006 | Effect of subsidiary included in the Consolidation | Additions | Transfers | Sales | Translation Differences and Elimination* | Closing 31 December 2006 |
|---|---|---|---|---|---|---|---|
| Land | 60,088,909 | - | - | - | - | - | 60,088,909 |
| Land improvements | 79,381,197 | - | 27,340 | 442,915 | (211,421) | - | 79,640,031 |
| Buildings | 130,823,986 | - | 847,688 | (15,002,885) | (790,777) | 3,953,476 | 119,831,488 |
| Machinery and equipment | 1,415,491,660 | - | 1,882,401 | 23,593,681 | (240,651,728) | 6,364,925 | 1,206,680,939 |
| Motor vehicles | 7,994,142 | 33,183 | 4,834 | - | (2,138,499) | 656,171 | 6,549,831 |
| Furniture and fixtures | 32,400,128 | | 853,227 | 2,413,510 | (5,410,980) | (8,355) | 30,247,530 |
| Other tangible assets | 9,899 | | - | - | - | - | 9,899 |
| Investment in progress | 44,326,626 | 139,026 | 74,256,953 | (58,054,095) | (1,507,426) | 33,184 | 59,194,268 |
| Order advances given | 14,089,408 | - | 43,722,743 | (25,765,338) | - | - | 32,046,813 |
| Sub total | 1,784,605,955 | 172,209 | 121,595,186 | (72,372,212) | (250,710,831) | 10,999,401 | 1,594,289,708 |
| Accumulated depreciation (-) | (1,012,227,660) | (8,849) | (101,082,059) | 16,907,962 | 218,367,441 | (3,290,833) | (881,333,998) |
| | **772,378,295** | **163,360** | **20,513,127** | **(55,464,250)** | **(32,343,390)** | **7,708,568** | **712,955,710** |
| Provision for Value Decrease ** | (36,516,696) | - | - | - | - | - | (14,252,303) |
| **Total** | **735,861,599** | **-** | **-** | **-** | **-** | **-** | **698,703,407** |

* Includes the effect of subsidiaries excluded from consolidation.

** A portion of TRY 22,264,393 out of the provision for value decrease amounting to TRY 36,516,696 as of 31 December 2005 has been cancelled due to the sales made.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

| | Opening 1 January 2005 | Additions | Transfers | Disposals | Translation Differences and Elimination | Closing 31 December 2005 |
|---|---|---|---|---|---|---|
| Land | 59,457,800 | 656,481 | - | (25,372) | - | 60,088,909 |
| Land improvements | 66,165,717 | 88,532 | 13,126,948 | - | - | 79,381,197 |
| Buildings | 135,359,906 | 1,504,990 | 6,880,788 | (11,828,081) | (1,093,617) | 130,823,986 |
| Machinery and equipment | 1,300,638,462 | 1,233,700 | 187,922,835 | (72,529,450) | (1,773,887) | 1,415,491,660 |
| Motor vehicles | 11,312,127 | 114,184 | - | (3,250,227) | (181,942) | 7,994,142 |
| Furniture and fixtures | 32,580,012 | 922,114 | 68,462 | (1,170,460) | - | 32,400,128 |
| Other tangible assets | 9,899 | - | - | - | - | 9,899 |
| Investment in progress | 168,911,346 | 84,058,520 | (208,478,764) | (124,787) | (39,689) | 44,326,626 |
| Order advances given | 1,235,891 | 23,047,311 | (10,193,794) | - | - | 14,089,408 |
| Sub total | 1,775,671,160 | 111,625,832 | (10,673,525) | (88,928,377) | (3,089,135) | 1,784,605,955 |
| Accumulated depreciation (-) | (969,994,156) | (103,039,226) | - | 60,221,546 | 584,176 | (1,012,227,660) |
| | **805,677,004** | **8,586,606** | **(10,673,525)** | **(28,706,831)** | **(2,504,959)** | **772,378,295** |
| Provision for value decrease * | - | - | - | - | - | (36,516,696) |
| **Total** | **-** | **-** | **-** | **-** | **-** | **735,861,599** |

* Provision is made for value decrease in tangible assets for a total of TRY 12,127,556 in the subsidiary Ak-Al Tekstil Sanayii A.Ş., TRY 21.488.580 in the subsidiary Akenerji Elektrik Üretim A.Ş., TRY 2,900,560 in the subsidiary Akrom Ak-Al Textile Romania S.R.L..

### 20. Intangible Assets

Intangible assets consist of the following (TRY):

| | Opening 1 January 2006 | Effect of Subsidiary included in the consolidation | Additions | Disposals and Transfers* | Closing 31 December 2006 |
|---|---|---|---|---|---|
| Rights | 38,837,126 | 1,650 | 53,436 | (174,754) | 38,717,458 |
| Special costs | 8,165,814 | - | 248,955 | (482,724) | 7,932,045 |
| Other intangible assets | 2,739,027 | - | 306,982 | (9,251) | 3,036,758 |
| Sub total | 49,741,967 | 1,650 | 609,373 | (666,729) | 49,686,261 |
| Accumulated amortisation (-) | (10,401,871) | (248) | (2,112,382) | 572,672 | (11,941,829) |
| | **39,340,096** | **1,402** | **(1,503,009)** | **(94,057)** | **37,744,432** |

* Includes the effect of subsidiaries excluded from consolidation.

| | Opening 1 January 2005 | Additions | Disposals and Transfers | Closing 31 December 2005 |
|---|---|---|---|---|
| Rights | 4,038,498 | 34,798,628 | - | 38,837,126 |
| Special costs | 8,295,621 | 144,657 | (274,464) | 8,165,814 |
| Other intangible assets | 2,530,051 | 208,976 | - | 2,739,027 |
| Sub total | 14,864,170 | 35,152,261 | (274,464) | 49,741,967 |
| Accumulated amortisation (-) | (8,840,506) | (1,835,829) | 274,464 | (10,401,871) |
| | **6,023,664** | **33,316,432** | **-** | **39,340,096** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 21. Advances Received

Advances received consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Order advances received | 12,701,789 | 4,506,081 |
| | **12,701,789** | **4,506,081** |

### 22. Pension Plans

As of 31 December 2006 and 2005 there are no pension plans.

### 23. Provisions for Debts

Provisions for short term debts consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Tax provisions (Note 41) | 21,367,494 | 1,882,356 |
| Prepaid taxes | (18,351,039) | (1,545,732) |
| Provision for cost expenses | 2,701,614 | 1,430,216 |
| Provision for termination indemnity (Note 31) | - | 1,498,338 |
| Provision for leaves | - | 141,834 |
| Provision for TRT share | 2,513,794 | - |
| Provision for other debts and expenses | 370,977 | 292,101 |
| | **8,602,840** | **3,699,113** |

Provisions for long term debts consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Provision for termination indemnity (Note 31) | 11,722,036 | 10,845,539 |
| Provision for other debts and expenses * | 8,760,716 | 8,272,650 |
| | **20,482,752** | **19,118,189** |

* Consists of provision for litigation.

### 24. Minority Interest

As of 31 December 2006 and 2005, minority interest consists of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Share capital | 236,397,872 | 236,377,353 |
| Share premium | 143,501,900 | 143,501,900 |
| Legal reserves | 43,469,779 | 42,940,144 |
| Extraordinary reserves | 350,206,794 | 350,248,260 |
| Retained Earnings/(Accumulated losses) | (302,516,710) | (203,053,516) |
| Profit/(loss) for the period | (53,470,876) | (98,452,520) |
| | **417,588,759** | **471,561,621** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 25. Share Capital

As of 31 December 2006 and 2005, the Parent Company's share capital consists of the following (TRY):

31 December 2006

| Name | Shareholding | Book Value | Capital Adjustment | Total Adjusted Capital |
|---|---|---|---|---|
| Akkök Sanayi Yatırım ve Geliştirme A.Ş. | 39.58% | 43,546,625 | 101,018,142 | 144,564,767 |
| Emniyet Tic. ve San. A.Ş. | 18.72% | 20,596,070 | 47,778,142 | 68,374,212 |
| Other * | 41.70% | 45,857,305 | 106,378,389 | 152,235,694 |
| | **100.00%** | **110,000,000**** | **255,174.673** | **365,174,673** |

* Represents total of shareholdings less than 10%.

** The issued share capital of the Parent Company amounting to TRY 27,156,288 has been increased by TRY 82,843,712 from Capital Adjustment Positive Difference to add up to a total of TRY 110,000,000. The totals used in the said capital increase are lower than the internal resources used in the legal records as well as the internal resources calculated as per the CMB accounting standards.

31 December 2005

| Name | Shareholding | Book Value | Capital Adjustment | Total Adjusted Capital |
|---|---|---|---|---|
| Akkök Sanayi Yatırım ve Geliştirme A.Ş. | 39.58% | 10,750,588 | 133,814,179 | 144,564,767 |
| Emniyet Tic. ve San. A.Ş. | 18.72% | 5,084,662 | 63,289,550 | 68,374,212 |
| Other * | 41.70% | 11,321,038 | 140,914,656 | 152,235,694 |
| | **100.00%** | **27,156,288** | **338,018,385** | **365,174,673** |

* Represents total of shareholdings less than 10%.

### 26. Capital Reserves

"Capital, Share Premium, Legal Reserves and Extraordinary Reserves" recognised among shareholders' equity items in the financial statements prepared subsequent to the first-time inflation adjustment are stated at their book values. The differences arising from the inflation adjustment of the related shareholders' equity items are stated in the "Differences Arising from Inflation Adjustment of Shareholders' Equity" account. The "Differences Arising from Inflation Adjustment of Shareholders' Equity" will only be used in offsetting bonus share increase or in offsetting losses.

The differences arising from inflation adjustment in shareholders' equity originating from restatement of share capital, share premium, legal and extraordinary reserves as of 31 December 2006 and 2005 are as follows (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Inflation adjustment related to share capital | 255,174,673 | 338,018,385 |
| Inflation adjustment related to extraordinary reserves * | 92,865,560 | 129,083,228 |
| Inflation adjustment related to legal reserves | 110,229,028 | 110,229,028 |
| Inflation adjustment related to share premium | 23,261,756 | 23,261,756 |
| **Differences arising from the inflation adjustment related to the shareholders' equity** | **481,531,017** | **600,592,397** |

* The prior year losses amounting to TRY 36,217,668 originating from the first-time application of the CMB Communiqué Nr. XI/25 are deducted from differences arising from inflation adjustment related to extraordinary reserves.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 27. Profit Reserves

Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve as per the Turkish Commercial Code, are appropriated as below:

a) First Legal Reserve: Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.

b) Second Legal Reserve: Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one half of share capital may only be used to absorb losses or for purposes of continuity of the business in times of business difficulties and to prevent unemployment or lessen its effects.

### 28. Retained Earnings / (Accumulated Losses)

Retained earnings / (accumulated losses) consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Retained earnings / (accumulated losses) | (34,003,650) | 3,780,997 |
| Deduction of prior year losses | 36,217,668 | - |
| Effect of subsidiaries excluded from consolidation | (15,761) | - |
| Effect of subsidiary included in the consolidation | (22,895) | - |
| Effect of rate change in the subsidiary included in the consolidation | 3,964 | - |
| Adjustment related to minority interest | (6,003,705) | - |
| Transfer to reserves | (113,014) | (24,810,379) |
| Dividend payments | - | (12,974,268) |
| Transfer of loss for 2005 period | (826,562) | - |
| | **(4,763,955)** | **(34,003,650)** |

### 29. Foreign Currency Position

As of 31 December 2006 and 2005, the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and, foreign currency amounts stated in the assets are as follows:

| | 31 December 2006 | | | |
|---|---|---|---|---|
| | USD | Euro | GBP | CHF |
| **Assets;** | | | | |
| Liquid Assets | | | | |
| Parent Company | 5,480,494 | - | - | - |
| Subsidiaries | 31,344,326 | 34,633,257 | 1,838,814 | 2,078 |
| | **36,824,820** | **34,633,257** | **1,838,814** | **2,078** |
| **Trade Receivables;** | | | | |
| Parent Company | 243,923,082 | 8,005,640 | 151,053 | - |
| Subsidiaries | 94,600,551 | 11,051,314 | 555,277 | - |
| Consolidation Eliminations | (79,211,680) | (8,005,640) | (151,053) | - |
| | **259,311,953** | **11,051,314** | **555,277** | **-** |
| **Non-trade receivables;** | | | | |
| Subsidiaries | 741,902 | 64,651 | 2,392 | - |
| **Order Advances Given;** | | | | |
| Subsidiaries | 6,652,311 | 3,149,291 | - | - |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

| | 31 December 2006 | | | |
|---|---|---|---|---|
| | **USD** | **Euro** | **GBP** | **CHF** |
| **Liabilities;** | | | | |
| Trade Payables | | | | |
| Parent Company | (59,727,807) | (461,774) | (28,424) | - |
| Subsidiaries | (17,416,703) | (2,210,831) | (1,135) | - |
| | **(77,144,510)** | **(2,672,605)** | **(29,559)** | **-** |
| **Financial Debts;** | | | | |
| Parent Company | (70,084,353) | - | - | - |
| Subsidiaries | (49,994,231) | (38,788,403) | (1,758,047) | - |
| | **(120,078,584)** | **(38,788,403)** | **(1,758,047)** | **-** |
| **Non-trade Liabilities;** | | | | |
| Subsidiaries | (124,619) | - | - | (475) |
| **Order Advances Received;** | | | | |
| Subsidiaries | - | - | - | - |
| **Net Foreign Currency Position** | **106,183,273** | **7,437,505** | **608,877** | **1,603** |

| | 31 December 2005 | | | | |
|---|---|---|---|---|---|
| | **USD** | **Euro** | **GBP** | **CHF** | **SEK** |
| **Assets;** | | | | | |
| Liquid Assets | | | | | |
| Parent Company | 10,346,464.00 | 25,279.00 | - | - | - |
| Subsidiaries | 9,836,096.30 | 49,548,973.09 | 3,958,961.51 | 13.72 | 2,188.90 |
| | **20,182,560.30** | **49,574,252.09** | **3,958,961.51** | **13.72** | **2,188.90** |
| **Trade Receivables;** | | | | | |
| Parent Company | 176,860,113.00 | 7,544,694.00 | 67,252.00 | - | - |
| Subsidiaries | 94,450,676.63 | 10,517,350.45 | 905,968.43 | - | - |
| Consolidation Eliminations | (69,378,849.00) | (7,544,694.00) | (57,252.00) | - | - |
| | **201,931,940.63** | **10,517,350.45** | **915,968.43** | **-** | **-** |
| **Non-trade Receivables;** | | | | | |
| Subsidiaries | 591,826.84 | 95,602.58 | 2,391.51 | - | - |
| **Order Advances Given;** | | | | | |
| Subsidiaries | 1,028,933.61 | 3,871,865.73 | 4,120.09 | - | - |
| **Liabilities;** | | | | | |
| Trade Payables | | | | | |
| Parent Company | (35,095,203.00) | (299,099.00) | - | - | - |
| Subsidiaries | (4,376,815.91) | (2,971,907.31) | (53,101.26) | (141,593.69) | - |
| | **(39,472,018.91)** | **(3,271,006.31)** | **(53,101.26)** | **(141,593.69)** | **-** |
| **Financial Debts;** | | | | | |
| Parent Company | (38,102,579.00) | - | - | - | - |
| Subsidiaries | (21,033,373.83) | (19,650,915.54) | (3,515,430.07) | - | - |
| | **(59,135,952.83)** | **(19,650,915.54)** | **(3,515,430.07)** | **-** | **-** |
| **Non-trade Liabilities;** | | | | | |
| Subsidiaries | (332,934.05) | (1,604.63) | - | (986.25) | - |
| **Order Advances Received;** | | | | | |
| Subsidiaries | (1,280,674.08) | - | - | - | - |
| **Net Foreign Currency Position** | **123,513,681.51** | **41,135,544.37** | **1,312,910.21** | **(142,566.22)** | **2,188.90** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 30. Government Incentives and Aids

The Parent Company benefits from the government incentives within the frame of the communiqué related to the Support On Participation In Foreign Country Exhibitions Nr. 204/6 issued by the Money, Loans and Coordination Board which are obtained by the authority granted by the Article 4 of the Decree on Government Aids Related to Exports issued by the Council of Ministers dated 27.12.1994 Nr. 94/6401.

As of 31 December 2006, the government incentives and other government aids utilized amount to TRY 6,478 (31 December 2005-TRY 37,950).

### 31. Provisions, Conditional Assets and Liabilities

a) As of 31 December 2006, the contingent liabilities amount to TRY 77,015,078, USD 127,971,475 and Euro 830,536 (31 December 2005-TRY 32,065,249 and USD 116,487,638).

b) As of 31 December 2006, guarantees received for short term trade receivables amount to TRY 93,358,854, USD 7,609,549, Euro 7,984,866 and GBP 12,945 (31 December 2005-TRY 126,556,035, USD 9,321,508, Euro 6,188,866 and 12,945 GBP).

c) As of 31 December 2006, the ongoing litigation commenced by the Parent Company and its subsidiaries against third parties amounts to TRY 3,780,434 (31 December 2005-TRY 4,621,210).

d) As of 31 December 2006, the ongoing litigation commenced by third parties against the Parent Company and its subsidiaries amounts to TRY 9,845,597 (31 December 2005-TRY 9,085,859).

e) As of 31 December 2006, the overdue receivables and the related provisions stated in the books of the Parent Company and its subsidiaries amount to TRY 4,339,644 and USD 340,000 (31 December 2005-TRY 5,377,746).

f) As of 31 December 2006, the sureties given by the subsidiary Ak-Al Tekstil Sanayii A.Ş. on behalf of its subsidiaries amount to USD 15,500,000 (31 December 2005-Euro 743,200 and USD 15,151,215).

g) As of 31 December 2006, there is an export commitment of USD 16,911,250 received by the subsidiary Ak-Al Tekstil Sanayii A.Ş. as per the Exports Incentive Document (31 December 2005-USD 21,174,000).

h) As of 31 December 2006, there is an export commitment of USD 1,000 received by the subsidiary Ak-Al Tekstil Sanayii A.Ş. as per the Investment Incentive Document (31 December 2005-USD 11,000).

i) As of 31 December 2006, there is an export commitment of USD 5,500,000 related to the foreign currency loans utilized by the subsidiary Ak-Al Tekstil Sanayii A.Ş. (31 December 2005-USD 15,500,000).

j) Termination indemnity consists of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Opening balance | 10,845,539 | 11,976,529 |
| Short term provisions for termination indemnity (Note 23) | - | (1,498,338) |
| Charge for the current period | 876,497 | 367,348 |
| **Closing balance (Note 23)** | **11,722,036** | **10,845,539** |

### 32. Mergers

As of 31 December 2006 and 2005, there are no mergers among companies.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 33. Segment Reporting

As of 31 December 2006 segment reporting consists of the following (TRY):

| | Chemistry* | Textile | Energy | Other | Classification and Elimination | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current Assets** | **583,733,985** | **93,422,977** | **208,929,728** | **128,427,629** | **(144,380,569)** | **870,133,750** |
| Liquid Assets | 31,155,836 | 18,060,042 | 139,516,796 | 3,206,130 | - | 191,938,804 |
| Marketable Securities (net) | - | - | - | - | - | - |
| Trade Receivables (net) | 353,337,679 | 51,579,621 | 23,469,182 | 115,800,984 | (139,784,351) | 404,403,115 |
| Leasing Receivables (net) | - | - | - | - | - | - |
| Due from Related Parties (net) | 332,635 | 70,086 | 23,098,056 | - | (4,431,653) | 19,069,124 |
| Other Receivables (net) | 28,015,507 | 5,017 | 47 | - | 331,021 | 28,351,592 |
| Biological Assets (net) | - | - | - | - | - | - |
| Inventories (net) | 116,967,116 | 10,956,832 | 7,608,328 | 9,313,092 | (495,586) | 144,349,782 |
| Receivables from Ongoing Construction Contracts (net) | - | - | - | - | - | - |
| Deferred Tax Assets | - | - | - | - | - | - |
| Other Current Assets | 53,925,212 | 12,751,379 | 15,237,319 | 107,423 | - | 82,021,333 |
| **Non-current Assets** | **339,021,939** | **80,471,234** | **428,333,721** | **1,971,429** | **(61,978,016)** | **787,820,307** |
| Trade Receivables (net) | 9,125 | 9,656,132 | 326,410 | - | - | 9,991,667 |
| Leasing Receivables (net) | - | - | - | - | - | - |
| Due from Related Parties (net) | - | - | - | - | - | - |
| Other Receivables (net) | - | - | - | - | - | - |
| Financial Assets (net) | 42,687,352 | 29,979,408 | 4,967,379 | 63,000 | (58,935,800) | 18,761,339 |
| Positive/Negative Goodwill (net) | - | - | 22,472,300 | - | - | 22,472,300 |
| Investment Properties (net) | - | - | - | - | - | - |
| Tangible Assets (net) | 295,947,598 | 37,550,780 | 366,346,757 | 1,900,488 | (3,042,216) | 698,703,407 |
| Intangible Assets (net) | 370,290 | 3,227,288 | 34,138,913 | 7,941 | - | 37,744,432 |
| Deferred Tax Assets | - | - | - | - | - | - |
| Other Non-current Assets | 7,574 | 57,626 | 81,962 | - | - | 147,162 |
| **Total Assets** | **922,755,924** | **173,894,211** | **637,263,449** | **130,399,058** | **(206,358,585)** | **1,657,954,057** |

* Chemistry sector includes the financial data related to the Parent Company.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

| | Chemistry * | Textile | Energy | Other | Classification and Elimination | Total |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| Short Term Liabilities | 274,164,227 | 74,026,595 | 64,826,024 | 121,607,057 | (145,038,061) | 389,585,842 |
| Financial Debts (net) | 107,606,163 | 33,334,655 | - | 12,393,198 | (3,031,879) | 150,302,137 |
| Short term portion of long term financial debts (net) | - | - | 13,456,807 | - | - | 13,456,807 |
| Leasing Payables(net) | - | - | - | - | - | - |
| Other Financial Liabilities (net) | - | - | - | - | - | - |
| Trade Payables (net) | 110,004,553 | 26,422,374 | 40,637,363 | 98,360,415 | (150,115,535) | 125,309,170 |
| Due to Related Parties (net) | 1,411,569 | - | 4,949,359 | - | 8,109,353 | 14,470,281 |
| Advances Received | 1,293,335 | 11,401,507 | 6,947 | - | - | 12,701,789 |
| Contract Progress Income (net) | - | - | - | - | - | - |
| Debt Provisions | 2,508,308 | 1,043,176 | 4,554,821 | 496,535 | - | 8,602,840 |
| Deferred Tax Liability | - | - | - | - | - | - |
| Other Liabilities (net) | 51,340,299 | 1,824,883 | 1,220,727 | 10,356,909 | - | 64,742,818 |
| Long Term Liabilities | 31,937,589 | 3,080,438 | 142,813,239 | 585,189 | (117,452) | 178,299,003 |
| Financial Debts (net) | - | - | 126,726,667 | - | - | 126,726,667 |
| Leasing Payables (net) | - | - | - | - | - | - |
| Other Financial Liabilities (net) | - | - | - | - | - | - |
| Trade Payables (net) | - | - | - | - | - | - |
| Due to Related Parties (net) | - | - | - | - | - | - |
| Advances Received | - | - | - | - | - | - |
| Debt Provisions | 15,163,300 | 3,277,658 | 1,323,815 | 717,979 | - | 20,482,752 |
| Deferred Tax Liabilities | 16,774,289 | (254,846) | 14,762,757 | (132,790) | (117,452) | 31,031,958 |
| Other Liabilities (net) | - | 57,626 | - | - | - | 57,626 |
| **MINORITY INTEREST** | **-** | **-** | **1,283,805** | **-** | **416,304,954** | **417,588,759** |
| **SHAREHOLDERS' EQUITY** | **616,654,108** | **96,787,178** | **428,340,381** | **8,206,812** | **(477,508,026)** | **672,480,453** |
| Share Capital | 365,174,674 | 131,757,870 | 167,328,908 | 17,430,150 | (571,691,602) | 110,000,000 |
| Adjustment for Cross-Shareholding | - | - | - | - | - | - |
| Capital Reserves | 1,669,549 | 358,459 | 173,250,498 | - | 306,252,511 | 481,531,017 |
| Share Certificates Issue Premiums | 1,669,549 | 358,459 | 173,250,498 | - | (175,278,506) | - |
| Share Premium of Cancelled Shares | - | - | - | - | - | - |
| Revaluation Fund | - | - | - | - | - | - |
| Financial Assets Value Increase Fund | - | - | - | - | - | - |
| Differences Arising from Inflation Adjustment in Shareholders' Equity | - | - | - | - | 481,531,017 | 481,531,017 |
| Profit Reserves | 773,182,154 | 132,576,003 | 347,902,893 | 1,885,142 | (1,231,294,764) | 24,251,428 |
| Legal Reserves | 114,568,587 | 32,544,392 | 18,917,455 | 1,833,232 | (165,439,742) | 2,423,924 |
| Statutory Reserves | - | - | - | - | - | - |
| Extraordinary Reserves | 658,613,567 | 100,031,611 | 328,985,438 | 51,910 | (1,065,183,057) | 22,499,469 |
| Special Reserves | - | - | - | - | - | - |
| Profit on Disposal of Tangible Assets and Investments to be Added to Share Capital | - | - | - | - | - | - |
| Translation Differences | - | - | - | - | (671,965) | (671,965) |
| Net Profit/(Loss) for the Period | 69,449,307 | (9,666,302) | (59,790,065) | 3,334,986 | 58,134,037 | 61,461,963 |
| Retained Earnings/(Accumulated loss) | (592,821,576) | (158,238,852) | (200,351,853) | (14,443,466) | 961,091,792 | (4,763,955) |
| **Total Liabilities and Shareholders' Equity** | **922,755,924** | **173,894,211** | **637,263,449** | **130,399,058** | **(206,358,585)** | **1,657,954,057** |

* Chemistry sector includes the financial data related to the Parent Company.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

| | Chemistry * | Textile | Energy | Other | Classification and Elimination | Total |
|---|---|---|---|---|---|---|
| **INCOME FROM OPERATING ACTIVITIES** | | | | | | |
| Income from Sales (net) | 962,231,365 | 124,413,439 | 434,274,123 | 381,622,618 | (517,739,026) | 1,384,802,519 |
| Cost of Sales (-) | (824,107,490) | (100,038,484) | (466,779,040) | (381,478,263) | 504,436,504 | (1,267,966,773) |
| Service Income (net) | - | - | - | - | - | - |
| Other income from principal Activities/interest +dividend+rent (net) | - | - | - | - | - | - |
| **GROSS PROFIT/(LOSS) FROM OPERATING ACTIVITIES** | **138,123,875** | **24,374,955** | **(32,504,917)** | **144,355** | **(13,302,522)** | **116,835,746** |
| **Operating expenses (-)** | **(38,213,848)** | **(35,112,778)** | **(24,515,206)** | **(4,380,025)** | **3,636,214** | **(98,585,643)** |
| **NET PROFIT/(LOSS) FROM OPERATING ACTIVITIES** | **99,910,027** | **(10,737,823)** | **(57,020,123)** | **(4,235,670)** | **(9,666,308)** | **18,250,103** |
| Income and Profits from Other Operations | 96,720,253 | 51,022,597 | 34,825,368 | 12,589,628 | (34,919,318) | 160,238,528 |
| Expenses and Losses from Other Operations (-) | (93,147,116) | (44,089,200) | (49,033,851) | (4,093,483) | 49,231,415 | (141,132,235) |
| Financial Expenses (-) | (28,452,581) | (7,302,278) | (10,621,822) | - | 53,874 | (46,322,807) |
| **OPERATING (PROFIT)/(LOSS)** | **75,030,583** | **(11,106,704)** | **(81,850,428)** | **4,260,475** | **4,699,663** | **(8,966,411)** |
| Net Monetary Profit/Loss | - | - | - | - | - | - |
| **MINORITY INTEREST** | **-** | **-** | **(165,803)** | **-** | **53,636,679** | **53,470,876** |
| **PROFIT/(LOSS) BEFORE TAX** | **75,030,583** | **(11,106,704)** | **(82,016,231)** | **4,260,475** | **58,336,342** | **44,504,465** |
| Taxes | (5,581,276) | 1,440,402 | 22,226,166 | (925,489) | (202,305) | 16,957,498 |
| **NET PROFIT/(LOSS) FOR THE PERIOD** | **69,449,307** | **(9,666,302)** | **(59,790,065)** | **3,334,986** | **58,134,037** | **61,461,963** |

* Chemistry sector includes the financial data related to the Parent Company.

As of 31 December 2005 segment reporting consists of the following (TRY):

| | Chemistry * | Textile | Energy | Other | Classification and Elimination | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current Assets | 384,514,870 | 83,361,451 | 220,691,938 | 100,980,343 | (150,903,379) | 638,645,223 |
| Liquid Assets | 25,440,937 | 14,280,655 | 110,581,275 | 5,221,670 | - | 155,524,537 |
| Marketable Securities (net) | - | - | 29,674,017 | - | - | 29,674,017 |
| Trade Receivables (net) | 256,393,720 | 49,751,025 | 17,193,044 | 89,104,131 | (146,394,769) | 266,047,151 |
| Due from Related Parties (net) | 3,151,939 | 133,882 | 42,933,350 | 188,422 | (4,211,014) | 42,196,579 |
| Other Receivables (net) | 7,815,603 | 31,927 | 31,480 | - | 156,666 | 8,035,676 |
| Inventories (net) | 68,374,531 | 18,923,505 | 8,042,505 | 6,432,061 | (454,262) | 101,318,340 |
| Other Current Assets | 23,338,140 | 240,457 | 12,236,267 | 34,059 | - | 35,848,923 |
| Non-current Assets | 348,156,671 | 123,187,531 | 407,202,092 | 2,149,839 | (64,417,265) | 816,278,868 |
| Trade Receivables (net) | 8,901 | 12,481,067 | 256,567 | - | - | 12,746,535 |
| Financial Assets (net) | 44,388,576 | 35,718,390 | 8,919,413 | 136,207 | (60,988,153) | 28,174,433 |
| Tangible Assets (net) | 303,411,024 | 71,398,402 | 362,538,525 | 1,752,187 | (3,238,539) | 735,861,599 |
| Intangible Assets (net) | 341,584 | 3,504,191 | 35,482,840 | 11,481 | - | 39,340,096 |
| Deferred Tax Assets | - | - | - | 190,573 | (190,573) | - |
| Other Non-current Assets | 6,586 | 85,481 | 4,747 | 59,391 | - | 156,205 |
| **TOTAL ASSETS** | **732,671,541** | **206,548,982** | **627,894,030** | **103,130,182** | **(215,320,644)** | **1,454,924,091** |

* Chemistry sector includes the financial data related to the Parent Company.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

| | Chemistry * | Textile | Energy | Other | Classification and Elimination | Total |
|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | |
| Short Term Liabilities | 141,034,752 | 91,351,328 | 63,876,866 | 95,565,196 | (151,058,796) | 240,769,346 |
| Financial Debts (net) | 51,373,707 | 43,305,507 | - | 9,806,228 | (2,683,599) | 101,801,843 |
| Short term portion of long term financial debts (net) | - | 500,597 | 10,224,526 | - | - | 10,725,123 |
| Trade Payables (net)) | 69,831,588 | 37,724,937 | 44,119,941 | 78,245,472 | (157,270,980) | 72,650,958 |
| Due to Related Parties (net) | 35,667 | 190,158 | 6,711,709 | 64,998 | 8,895,783 | 15,898,315 |
| Advances received | 243,310 | 4,231,956 | 11,625 | 19,190 | - | 4,506,081 |
| Debt provisions | - | 2,527,243 | 687,398 | 484,472 | - | 3,699,113 |
| Other liabilities (net) | 19,550,480 | 2,870,930 | 2,121,667 | 6,944,836 | - | 31,487,913 |
| Long term Liabilities | 44,431,991 | 5,437,831 | 74,660,330 | 704,636 | (510,328) | 124,724,460 |
| Financial Debts (net) | - | - | 36,249,491 | - | - | 36,249,491 |
| Due to Related Parties (net) | - | - | - | - | - | - |
| Debt provisions | 14,034,893 | 3,067,525 | 1,311,135 | 704,636 | - | 19,118,189 |
| Deferred tax Liability | 30,397,098 | 2,370,306 | 37,099,704 | - | (510,328) | 69,356,780 |
| Other liabilities (net) | - | - | - | - | - | - |
| **MINORITY INTEREST** | **-** | **-** | **1,097,342** | **-** | **470,464,279** | **471,561,621** |
| **SHAREHOLDERS' EQUITY** | **547,204,798** | **109,759,823** | **488,259,492** | **6,860,350** | **(534,215,799)** | **617,868,664** |
| Share Capital | 365,174,673 | 129,148,680 | 167,328,908 | 17,549,897 | (652,045,870) | 27,156,288 |
| Adjustment for Cross-Shareholding | - | - | - | - | - | - |
| Capital reserves | - | - | - | - | - | - |
| Share certificates issue premiums | 1,669,548 | 358,459 | 173,250,498 | - | (175,278,505) | - |
| Differences Arising from Inflation Adjustment in Shareholders' Equity | - | - | - | - | 600,592,397 | 600,592,397 |
| Profit reserves | - | - | - | - | - | - |
| Legal reserves | 114,568,585 | 32,192,410 | 18,917,455 | 1,569,978 | (164,912,774) | 2,335,654 |
| Extraordinary reserves | 658,613,569 | 99,872,314 | 328,985,438 | 286,369 | (1,065,282,965) | 22,474,725 |
| Translation Differences | - | - | - | - | 139,812 | 139,812 |
| Net Profit/(Loss) for the period | 13,639,906 | (37,884,842) | (79,091,304) | 2,788,277 | 99,721,401 | (826,562) |
| Retained Earnings/ (Accumulated loss) | (606,461,483) | (113,927,198) | (121,131,503) | (15,334,171) | 822,850,705 | (34,003,650) |
| **Total Liabilities and Shareholders' Equity** | **732,671,541** | **206,548,982** | **627,894,030** | **103,130,182** | **(215,320,644)** | **1,454,924,091** |

* Chemistry sector includes the financial data related to the Parent Company.

| | Chemistry * | Textile | Energy | Other | Classification and Elimination | Total |
|---|---|---|---|---|---|---|
| Income from Sales | 712,980,823 | 170,800,374 | 402,609,212 | 290,682,214 | (433,688,653) | 1,143,383,970 |
| Cost of Sales | (650,126,559) | (178,160,529) | (431,488,278) | (283,984,054) | 417,938,581 | (1,125,820,839) |
| Gross Sales Profit/(Loss) | 62,854,264 | (7,360,155) | (28,879,066) | 6,698,160 | (15,750,072) | 17,563,131 |
| Operating Expenses | (31,994,775) | (33,484,236) | (44,667,432) | (4,419,104) | 26,225 | (114,539,322) |
| Other Income and Profits | 50,717,646 | 20,756,905 | 25,879,211 | 5,847,956 | (17,699,025) | 85,502,693 |
| Other Expenses and Losses (-) | (66,905,693) | (20,560,430) | (33,644,844) | (4,597,539) | 36,039,234 | (89,669,272) |
| Financial Expenses (-) | (3,484,799) | (3,515,082) | (2,146,929) | - | - | (9,146,810) |
| Minority Interest | - | - | 60,763 | - | 98,391,757 | 98,452,520 |
| Taxes | 2,453,263 | 6,278,156 | 4,306,993 | (741,196) | (1,286,718) | 11,010,498 |
| **Net Profit/(Loss)** | **13,639,906** | **(37,884,842)** | **(79,091,304)** | **2,788,277** | **99,721,401** | **(826,562)** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares

## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

Distribution of depreciation expenses per segments for the year ended 31 December 2006 is as follows (TRY):

| | Chemistry * | Textile | Energy | Other | Elimination | Total |
|---|---|---|---|---|---|---|
| Tangible Assets | 33,609,733 | 14,040,967 | 56,757,735 | 138,983 | (165,675) | 104,381,743 |
| Intangible Assets | 166,463 | 645,155 | 1,292,079 | 8,931 | - | 2,112,628 |
| **Total depreciation and amortisation for the current period** | **33,776,196** | **14,686,122** | **58,049,814** | **147,914** | **(165,675)** | **106,494,371** |

Distribution of depreciation expenses per segments for the year ended 31 December 2005 is as follows (TRY):

| | Chemistry* | Textile | Energy | Other | Elimination | Total |
|---|---|---|---|---|---|---|
| Tangible Assets | 32,692,249 | 16,744,517 | 53,413,797 | 188,660 | (584,176) | 102,455,047 |
| Intangible Assets | 171,343 | 601,537 | 1,014,442 | 48,507 | - | 1,835,829 |
| **Total depreciation and amortisation for the current period** | **32,863,592** | **17,346,054** | **54,428,239** | **237,167** | **(584,176)** | **104,290,876** |

* Chemistry sector includes the financial data related to the Parent Company.

### 34. Subsequent Events

a) The termination indemnity which stood at TRY 1,857.44 as of 31 December 2006 has been increased to TRY 1,960.69 with effect from 1 January 2007 (31 December 2005-TRY 1,727.15).

b) The announcement made by the subsidiary Akenerji Üretim A.Ş. at the Istanbul Stock Exchange on 6 February 2007 is as follows:

"As was disclosed by our Company, license dated 1 April 2005 Nr. EÜ/468-8/531 and license dated 1 April 2005 Nr. EÜ/468-9/532 related to Bursa Orhangazi and Uşak power plants for which application was made for cancellation have been terminated by the Energy Market Regulatory Board."

c) The announcement made by the subsidiary Akenerji Üretim A.Ş. at the Istanbul Stock Exchange on 8 February 2007 is as follows.

"Addendum to the announcement at the Stock Exchange regarding termination of our Uşak and Bursa Orhangazi production licenses dated 6 February 2007:

The production capacity of our Company amounts to 538,64 MW and the total production capacity of Uşak/Bursa Orhangazi power plants amounts to 20.44 MW.

The total production capacity of the currently active plants of our Company is 447.10 MW. Application has been made for canceling 5 of our 11 production licenses out of which 2 have been terminated up to date by the Energy Market Regulatory Board.

The total production capacity of our hydroelectric power plants at the stage of investment is 179 MW with 2 licenses.

The cancellation of the licenses of Uşak and Bursa Orhangazi power plants is likely to have a positive effect on our profit/loss for the period. However, this resolution made by our Company is a strategic decision for Akenerji which aims for resource variety.

On the other hand, the news published in Economy section of Yeni Şafak Gazetesi on 06 February 2007 related to our Company reads "One production license of Akenerji Elektrik Üretim A.Ş. has been terminated" and this news is related to the cancelled license of our Uşak power plant as was disclosed on 6 February 2007."

d) The announcement made by the subsidiary Ak-Al Tekstil Sanayii A.Ş.at the Istanbul Stock Exchange on 19 January 2007 is as follows.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

"Suceava plant stated among the assets of Akrom Akal Textile Romania S.R.L in which we have 100% interest has entered into an agreement related to the sales of its machinery, equipment and spare parts to Aker Tekstil Kumaşçılık Sanayi ve Ticaret Ltd. Şti. at a price of USD 1,700,000. USD 1,400,000 of this total is related to machinery and equipment and USD 300,000 is related to the spare parts. A valuation report on the machinery has been made by the company Troostwıjk N.V which is a company with expertise in textile machines, and the expertise value is stated as USD 1,354,080. The sales price will be collected with regard to the delivery status latest in June 2007.

The calculations stated below has been made taking into consideration the 30 September 2006 financials which are the latest financial statements disclosed to public. The figures will be settled upon realization of the sales transaction.

| | | |
|---|---|---|
| Date of agreement | : | 19/01/2007 |
| Net book value of machinery and equipment | : | $ 8,335,029 |
| Sales price of machinery and equipment | : | $ 1,400,000 |
| Provision for value decrease reflected to the financial statements up to 30/09/2006 | : | $ 2,172,502 |
| Potential loss to be recognised in the financial statements due to the sales transaction | : | $ 4,762,527 |
| Net book value of machinery and equipment/ Paid-in capital | : | 8,335,029/8,089,000 = 1.03 |
| Net value of machinery and equipment/ Total assets | : | 8,335,029/27,472,000 = 30.3% |
| Stock value of spare parts | : | $ 837,988 |
| Sales price of spare parts | : | $ 300,000 |
| Potential loss to be recognized in the financials | : | $ 537,988 |
| Process of monitoring the profit/loss | : | Will be recognized in the statement of income |
| Relationship of the buyer with the company | : | Neither Akrom nor our group companies have any relationship with Aker Tekstil Kumaşçılık Sanayi ve Ticaret Ltd.Şti. with which Akrom has entered into the sales agreement." |

e) The announcement made by the subsidiary Ak-Al Tekstil Sanayii A.Ş.at the Istanbul Stock Exchange on 23 February 2007 is as follows.

"A preliminary agreement has been signed in relation to the sales to S.C.OASIS SRL of the land and building in Botosani owned by Akrom Akal Textile Romania S.R.L. in which we have 100% interest, at a price of EURO 4,000,000. EURO 200,000 of this total has been collected in advance and the balance will be collected upon the approval of the final contract latest by 30/04/2007 provided that an acceptance report is received upon the ownership rights analysis and environment analysis made by the buyer within the frame of the guarantees given to the buyer by the preliminary agreement. A valuation report on the land and building in Botosani has been made by the expertise company DTZ ECHINOX Consulting SRL, and the expertise value is stated as EURO 3,460,000.

The calculations stated below has been made taking into consideration the 30 September 2006 Akrom financials which are the latest financial statements disclosed to public. The figures will be settled upon realization of the sales transaction.

| | | |
|---|---|---|
| Date of preliminary agreement | : | 19.02.2007 |
| Sales price of land and building in Botosani | : | $ 5,240,000 |
| Net book value of land and building in Botosani | : | $ 1,089,758 |
| Potential profit to be recognised in the financial statements due to the sales transaction | : | $ 4,150,242 |
| Net book value of land and building/Paid-in capital | : | 1,089,758/8,089,000= 13.47% |
| Net value of land and building/Total assets | : | 1,089,758/27,472,000 = 3.97% |
| Process of monitoring the profit/loss | : | Will be recognized in the statement of income |
| Relationship of the buyer with the company | : | Neither Akrom nor our group companies have any relationship with S.C. OASIS SRL with which Akrom has entered into the sales agreement." |

### 35. Discontinued Operations

The production license of the power plant established in Orhangazi district in Bursa province dated 1 April 2005 nr EÜ/468-8/531 has been terminated upon the application of the subsidiary Akenerji Elektrik Üretim A.Ş. to the Energy Market Regulatory Board on 1 May 2006. The production license of the power plant established at Uşak province, Uşak Industrial Zone 102 Ave., Parcel 132 No:81 dated 1 April 2005 nr EÜ/468-9/532 has been terminated upon the application of the subsidiary Akenerji Elektrik Üretim A.Ş. to the Energy Market Regulatory Board on 31 January 2007.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

The details of the three licenses for which application is made for termination are as follows:

| Name of the plant | Date/Number | Address |
|---|---|---|
| Mebal Elektrik Üretim Santrali | 1 April 2005-EÜ/468-07/530<br>Tekirdağ-Çorlu | E/5 road, Misinli Village junction |
| Deba Elektrik Üretim Santrali | 1 April 2005-EÜ/468-11/534 | Taşgeçit-Denizli |
| Batıçim Elektrik Üretim Santrali | 1 April 2005-EÜ/468-11/528<br>Naldöken Village, Bornova-Izmir | Ankara highway No:335 |

The said licenses have not yet been terminated by the Energy Market Regulatory Board as of the balance sheet date.

### 36. Income from Principal Activities

Income on sales, net, consists of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Domestic sales | 983,329,071 | 834,584,799 |
| Export sales | 434,386,307 | 338,131,521 |
| Other sales | 1,022,808 | - |
| Return on sales (-) | (1,240,910) | (2,003,424) |
| Sales discounts (-) | - | (25,504) |
| Other deductions (-) | (32,694,757) | (27,303,422) |
| | **1,384,802,519** | **1,143,383,970** |

Cost of sales consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Cost of goods sold | (1,219,200,391) | (1,091,220,365) |
| Cost of trade goods sold | (28,617,622) | (4,495,848) |
| Cost of services sold | (16,912,349) | (16,523,897) |
| Cost of other sales | (3,236,411) | (3,580,729) |
| | **(1,267,966,773)** | **(1,125,820,839)** |

### 37. Operating Expenses

Operating expenses consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Research and Development Expenses | (5,859,399) | (2,463,765) |
| Marketing, Sales and Distribution Expenses | (11,596,120) | (12,217,255) |
| General Administration Expenses | (81,130,124) | (99,858,302) |
| | **(98,585,643)** | **(114,539,322)** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 38. Income/Expense and Profit/Loss from Other Operations

Income and profits from other operations consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Foreign exchange gains | 99,354,207 | 42,950,778 |
| Provisions no longer required | 21,841,342 | 2,339,585 |
| Interest and other dividend income | 18,473,643 | 21,998,441 |
| Rediscount interest income | 7,567,424 | 5,609,584 |
| Other extraordinary income and profits | 7,483,924 | 2,486,901 |
| Other income and profits | 3,579,469 | 4,614,231 |
| Profit on sales of fixed assets | 1,526,774 | 4,673,618 |
| Prior period income and profits | 275,136 | 693,487 |
| Income on liquidation of subsidiaries | 136,609 | - |
| Dividend income from affiliates | - | 136,068 |
| | **160,238,528** | **85,502,693** |

Expenses and losses from other operations consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Foreign exchange losses | (53,413,462) | (58,023,258) |
| TRT share | 28,226,351) | - |
| Delay interest on TRT share | (2,194,738) | - |
| Loss on sales of fixed assets | (23,794,930) | (18,560,145) |
| Rediscount interest expenses | (9,320,211) | (8,121,783) |
| Provision for value decrease in affiliates | (14,194,132) | - |
| Other expenses and losses from operations | (6,475,140) | (1,244,717) |
| Commission expenses | (3,300,612) | (3,667,725) |
| Idle section expenses and losses | (101,143) | - |
| Prior period expenses and loses | (111,516) | (51,644) |
| | **(141,132,235)** | **(89,669,272)** |

### 39. Financial Expenses

Financial expenses consist of the following (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Borrowing Expenses | (46,322,807) | (9,146,810) |

### 40. Net Monetary Profit/Loss

CMB has declared that the high inflation period has come to an end. Therefore as of 31 December 2006 and 2005, the financial statements are no longer subject to inflation adjustments, hence monetary gain/loss is not reflected to the statement of income.

### 41. Income Taxes

The corporation tax rate for 2006 is 20% in Turkey (2005-30%). This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation.

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

Calculation of provision for corporate tax stated in the consolidated statement of income is summarized below (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Profit per statutory books | 102,112,093 | 29,725,292 |
| Disallowable expenses | 13,212,240 | 9,080,239 |
| Tax-exempt income | (7,015,030) | (12,374,750) |
| Investment allowance utilized | - | (20,094,245) |
| Accumulated losses written off | (1,471,831) | (62,015) |
| Sub total | 106,837,472 | 6,274,521 |
| Tax rate (%) | 20 | 30 |
| Tax provision (Note 23) | 21,367,494 | 1,882,356 |

Tax income and expenses stated in the consolidated statement of income is summarized below (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Current period Corporation Tax | (21,367,494) | (1,882,356) |
| Deferred tax income/(expense) (Note 14) | 38,324,992 | 12,892,854 |
| **Total tax income/(expense)** | **16,957,498** | **11,010,498** |

### 42. Profit/(Loss) Per Share

Profit/(Loss) per share is calculated as follows:

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Profit/(loss) for the period (TRY) | 61,461,963 | (826,562) |
| Weighted number of ordinary shares at the beginning of the period * | 27,156,288 | 27,156,288 |
| Rights issue * | 82,843,712 | - |
| Revised weighted number of ordinary shares at the end of the period * | 110,000,000 | 110,000,000 |
| Earnings/(loss) per share (TRY) | | |
| -Ordinary | 0.56 | (0.03) |
| -Revised | 0.56 | (0.01) |

* Per share of TRY 1 nominal value.

The Company Management has stated that the profit to be distributed as per the accompanying consolidated financial statements is lower than the profit stated in the legal records hence the accompanying financial statements are taken as basis in profit distribution.

### 43. Statement of Cash Flows

Cash flows realized for the years ended 31 December 2006 and 2005 are as follows (TRY):

| | 31 December 2006 | 31 December 2005 |
|---|---|---|
| Net cash (outflows)/inflows from principal activities | 5,109,500 | 18,142,198 |
| Net cash outflows from investment activities | (46,790,045) | (120,065,093) |
| Net cash inflows/(outflows) from financial activities | 78,094,812 | (75,097,933) |
| | **36,414,267** | **(177,020,828)** |

# Aksa Akrilik Kimya Sanayii A.Ş. and it's Subsidiares
## Notes to the Consolidated Financial Statements for the years ended 31 December 2006 and 2005

### 44. Other Issues Materially Affecting the Financial Statements or Requiring Disclosure for a Proper Interpretation and Understanding of the Financial Statements

a) As of 31 December 2006, insurance on assets amounts to TRY 652,071,845 and USD 222,734,305 (31 December 2005-TRY 752,293,900 and USD 220,454,920).

b) As of 31 December 2006, remuneration provided to top executives such as the CEO and members of the Board of Directors amount to TRY 7,885,959 (31 December 2005-TRY 8,816,529).

c) The announcement made by the subsidiary Akenerji Elektrik Üretim A.Ş. at the Istanbul Stock Exchange on 21 March 2006 is as follows:

"As appeared in the news on 20 March 2006, it is stated that a legal case is filed at the State Council with the request to cancel the production license given to Akenerji Elektrik Üretim A.Ş. regarding the operating rights of the hydroelectric power plant for a period of forty years, to cancel the related provision of the Electricity Market License Regulation which constitutes the basis of the legal case, and to cancel and suspend the execution of the "Communiqué on the Procedures Related to the Obligatory Selection in the event of Making More than One Application Regarding the Same Region and the Same Source for the purpose of Power Generation" , that the execution has been suspended in regard to Çınarcık-Uluabat Power Tunnel and the hydroelectric power plant by the State Council as per the announcement of the Chamber of Electrical Engineers, and in regard to the communiqué and provision of the regulation constituting the basis of the license.

Our Company is not the defendant party at the legal case of annulment with the request of suspension of execution filed by the Chamber of Electrical Engineers with Nr 2005/9346 at the State Council against the Energy Markets Regulatory Board (EMRB), but has made a request for intervention as of 06 January 2006 in the case as standing by the defendant EMRB.

At the Higher Court where our Company made a request for intervention as at 01 March 2006, decision is made to accept the request of suspension of execution made by the plaintiff Chamber of Electrical Engineers, with respect to the resolution of the same Court to suspend execution of the regulatory transactions constituting the basis of administrative act as of 08 February 2006 by file 2006/8292."

**d)** The notice dated 26 April 2006 submitted to the Istanbul Stock Exchange by the subsidiary Akenerji Elektrik Üretim A.Ş. is as follows:

"The legal case commenced at Ankara 1st Administrative Court with file Nr. 2004/1716 by Power Generators Association together with our Company against Turkish Radio and Television Institution (TRT Institution) with the demand to cancel the administrative act of payment of the TRT share to the Institution amounting to a total of TRY 30,202,811.74 including the capital of TRY 18,597,372.90 that originates from electrical energy sales and the related interest of TRY 11,605,438.84 has been declined by the Court's resolution Nr. 2005/167, however the local court resolution has been declined by the State Council by file Nr 2005/5560 and ruling Nr. 2005/6151. The case is still pending at Ankara 1st Administrative Court.

While the case is pending, Turkish Radio and Television Institution has commenced a second administrative act against our Company upon which a total of TRY 21,402,007.44 demanded by the Institution including the capital of TRY 13,913,832.09 and the related interest of TRY 7,488,175.35 has been paid to the Institution upon the notification of Beşiktaş 5th Notary dated 25.04.2006 Nr. 10213 with a note of reservation with regard to the opinion of our Legal Consultants, and resolution is made to commence a separate case for the reversal of the administrative act."

The management of the subsidiary Akenerji Elektrik Üretim A.Ş. has stated that the TRT share demanded as stated above has been miscalculated, that this calculation is based on issues such as wholesale, steam sales, scrap sales, equipment sales, system utilization transmission fees, and system utilization distribution fees which are not to be taken as basis, and that Energy Markets Regulatory Board (EMRB) has expressed its opinion that accrual of the total TRY share and energy fund calculated over the transmission and distribution tariffs added onto the same tariffs is not agreeable.

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