

AKSA AKRİLİK KİMYA SANAYİ A.Ş.

BOARD OF DIRECTORS ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

1- AKSA IN BRIEF

Nature of operations

Aksa Akrilik Kimya Sanayi A.Ş., whose core business is the acrylic-based production of tow, tops and fiber and which belongs to the Akkök Group of Companies, was established in 21 November 1968 with 100% Turkish capital. It started production with the capacity of 5,000 ton/year at the factory in Yalova in 1971. The factory is established on a field of 550 dunam. The Company started exporting in 1977. Aksa has expanded to the production level of 308,000 ton/year over the years without compromising its progress and development policy in production process. AKSA started up carbon fiber production plant with a capacity of 1,500 tons/year and started commercial sales simultaneously in the second half of 2009. In the second quarter of 2009, AKSA added generation of electricity and production of steam to its activities by acquiring 70 Mwe capacity co-generation power plant. Today in 5 continents and more than 50 countries nearly 300 domestic and foreign industrial enterprises utilize the products and the services of Aksa. The mission of AKSA is to become the World's first choice in acrylic based textile and technical fibre production and to be recognized as an efficient, innovative, environmentally friendly partner, with customer focused business model. The address of the headquarters of Aksa, which is a registered equity company in Istanbul, is: Miralay Şefikbey Sok No:15 Gümüşsuyu /İstanbul. 41.7% of the shares have been offered to the public and are traded in Istanbul Stock Exchange.

Shareholding Structure

<u>Shareholder</u>	<u>Share (%)</u>	<u>Value (TL)</u>
Akkök Sanayi ve Yatırım A.Ş.	39.58	73,223,000
Emniyet Ticaret A.Ş.	18.72	34,632,000
Other	41.70	77,145,000
<u>Total</u>	<u>100.00</u>	<u>185,000,000</u>

2. MAIN FINANCIAL INDICATORS STANDALONE BALANCE SHEET

	31.12.2010 (‘000 USD)	31.12.2009 (‘000 USD)
Assets	836,241	808,967
Current Assets	388,060	390,652
Cash and Cash Equivalents	36,832	64,003
Trade Receivables	211,656	218,251
Inventories	88,627	73,592
Other Current Assets	50,945	34,806
Non-Current Assets	448,181	418,315
Trade Receivables	6,179	7,792
Financial Investments	17,554	18,024
Property, Plant and Equipment	416,635	353,984
Intangible Assets	3,344	4,393
Other Non-Current Assets	4,469	34,122
Liabilities	836,241	808,967
Short Term Liabilities	227,168	209,146
Financial Liabilities	85,478	87,856
Trade Payables	134,669	109,854
Corporate Tax Liability	2,011	348
Other Short-term Liabilities	5,010	11,088
Long Term Liabilities	117,949	121,144
Financial Liabilities	90,108	91,253
Trade Payables	-	1,697
Derivative Financial Instruments	3,234	2,515
Provision for Employment Termination Benefits	7,218	6,306
Deferred Tax Liability	8,679	9,478
Other Long-term Liabilities	8,710	9,895
Equity	491,124	478,677
Standalone Income Statement (‘000 USD)	31.12.2010	31.12.2009
Net Sales	851,029	556,747
Operating Profit	50,945	42,918
EBITDA	84,805	72,799
Net Profit	37,217	26,413
Ratios	31.12.2010	31.12.2009
Current Ratio	1,71	1,87
Liquidity Ratio	1,32	1,52
EBITDA Margin	9,97%	13,1%
Net Profit Margin	4,37%	4,71%
ROIC	4,45%	3,27%
ROE	7,58%	5,52%

3- INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF

The most important development during 2010 was the unexpectedly high prices realized for the petroleum-derived raw material of Acrylonitrile (ACN) based on fluctuations in supply and demand balance. While there were supply constraints on ACN, increased demand of acrylic fibers in turn resulted in significant increase in fiber prices. Consequently, the deepening gap between the acrylic fiber prices and the substitutes led to a rapid decline on the demand side especially in the far east.

This situation that was initiated during May time then triggered some shrinkage in the capacity utilizations throughout June-September period. Following these, another rapid price increase this time on the natural fibers side during October relieved the price pressure on acrylic fibers. The natural seasonal demand which picked up consequent to these developments elevated the industry to higher capacity utilizations during the last quarter of 2010. The world cotton prices which boomed throughout 2010 supported the usage of acrylic fibers. Accelerated the use of acrylic fibers.

In 2010 global demand for acrylic fiber stood at 2 million tons as per the year 2009. In 2009 the acrylic fiber demand in Turkey was around 240 thousand tons whereas it increased to 250 thousand tons by the end of 2010.

In 2010, China acrylic fiber imports increased by 9% compared to last year. In addition, China acrylic fiber production has declined by 5% compared with the previous year. The total demand showed 2% decline and stood at 842 thousand tons at 2010.

The size of the current global market for carbon fiber is estimated at a level of 43,000 tons/year. The next 10 year period is expected to reveal an elevation to 140 thousand tons/year for the total market size with modest estimates. This growth is expected to concentrate in the fields of industrial use.

4- INVESTMENTS

In the first nine months of 2010, Aksa invested 96 millions of USD Dollars.

In order to build up and improve a strong composite sector in Turkey, the R&D projects are still continuing. In addition, many other negotiations continue for strategic cooperation. After joining the JEC Composite Fair in April 2010, AKSA also joined Kompoist Istanbul in June, China Composites Pekin in September and JEC Singapore in November and continued presenting its carbon fiber brand AKSACA. AKSA has already sold carbon fiber to Construction Reinforcement and Shipping sectors China, Taiwan, Korea, New Zealand, Germany, Holland, Russia, Italy, the USA, England and Turkey, also the negotiations continue for Automotive, Wind Energy and Pressure Vessels sectors. Sales connections are already made for the planned 2010 production quantity.

AKSA, which can successfully produce seven types of carbon fiber, aims to have a sales amount of 884 tons in 2010 and the results of the third quarter of the year are encouraging. AKSA aims to have a 5% global market share in 5 years and 10% in 2020 with its carbon fiber brand, AKSACA.

In the context of these objectives Aksa decided to invest a further US Dollars 72 million in 2011 for the second carbon fiber line with the capacity of 1,700 tons / year capacity and also go for a capacity increase of 300 tons / year on its first carbon fiber line.

Aksa is aiming to commission its energy investment with the electricity generation capacity of 100 MWe and steam production capacity of 350 tons per year during the first half of 2011. The energy plant has the technology to operate on both coal and natural gas. The company will secure significant savings in production costs by the energy investment portfolio.

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

5- ASSESSMENT OF 2010

Aksa turned over 851 millions of USD Dollars in 2010. The exports, having a portion of 36,7 % in the total revenue was realized as 312 millions of USD Dollars.

The price of acrylonitrile has risen to 2,500 USD/Ton as a result of the increase of the oil prices in the first half, in the third quarter it was realized as 2,250 \$/Ton on average. These fluctuations in raw material prices resulted in natural responses on acrylic fiber prices and had a temporary shrinking effect on demand especially during the third quarter of the year. Then normalized demand during the fourth quarter enabled Aksa to operate at full capacity. The price of acrylic fiber has increased 43,1% compared to the corresponding period of the previous year. AKSA realised 86% of capacity utilisation in 2010. The quantity of sales has remained almost the same with the previous year .

Aksa has generated 84,8 million of USD Dollars EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and 37,2 millions of USD Dollars net profit in 2010.

Total assets of the Company has been 836,2 millions of USD Dollars. Trade receivables stands at 217,8 millions of USD Dollars with a decrease of 3,6% compared to the end of 2009. Short-term liabilities have been 227,1 millions of USD Dollars with an decrease of 8,6% compared to the end of 2009.

6- EXPECTATIONS FOR 2011

Aksa aims to generate a net revenue around 930-960 millions of USD Dollars by the end of 2011. Due to the increase in raw material prices in the world, acrylic fiber products is expected to increase in pricing and consequently revenue in 2011. The plant is expected to operate at 85% capacity utilization and the share of exports in total sales to remain the stable with an exports figure of 350-375 million USD Dollars.

7- BOARD OF DIRECTORS

At the Ordinary General Assembly held on 26 April 2010 the members of the board of directors were appointed as follows:

Board of Directors:

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

Auditors:

The auditors assigned in the Ordinary General Assembly held on 26 April 2010 were as follows:

Bülent ÜSTÜNEL
Yasin Hilmi YAZAN