



AKSA

Akrilik Kimya Sanayii A.Ş.



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**BOARD OF DIRECTORS REPORT
FOR THE PERIOD**

01.01.2012-30.06.2012

TABLE OF CONTEX

I	COMPANY PROFILE	1-3
	Company information	1
	Aksa in Brief	1
	Mission	1
	Vision	1
	Capital and Shareholder Structure	2
	Board of Directors	2
	Audit Committee	2
	Corporate Governance Committee	2
	Auditors	3
	Company Management	3
II	INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF	3-4
III	SALES	4
IV	PRODUCTION AND CAPACITY	4
IV	RESEARCH AND DEVELOPMENT ACTIVITIES	4
VI	INVESTMENTS	4
VII	DEVELOPMENTS FOR THE YEAR	5
VIII	INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES	6
IX	EXPECTATIONS FOR 2011	7
X	RISK MANAGEMENT	7
XI	KEY FINANCIAL INDICATORS	7-8

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

I - COMPANY PROFILE

Company Information

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

Production Facility

Address: Denizçalı Köyü, Yalova Karamürsel yolu 13. Km
115 Yalova, Türkiye
Web Site : www.aksa.com
E-mail : akса@aksа.com, yatirimciiliskileri@aksа.com
Telephone No : (212) 251 45 00
Facsimile No : (212) 251 90 00

Aksa in Brief

Aksa Akrilik Kimya Sanayii A.Ş, whose core business is the acrylic-based production of tow, tops and fiber and which belongs to the Akkök Group of Companies, was established in 21 November 1968 with 100% Turkish capital. It started production with the capacity of 5,000 ton/year at the factory in Yalova in 1971. The factory is established on a field of 550 dunam. The Company started exporting in 1977. Aksa has expanded to the production level of 308,000 ton/year over the years without compromising its progress and development policy in production process. In addition to its acrylic fiber capacity AKSA has a co-generation power plant license with 142,5 Mwe capacity and generation of electricity and production of steam is also included in primary operations. The production of carbon fiber continues under DowAksa İleri Kompozit Malzemeler San. Ltd. Şti. , 100% subsidiary of DowAksa Advanced Composites Holdings BV, which is 50% joint venture of Aksa, with a capacity of 3,500 tons/year.

Aksa is the sole acrylic fiber producer of Turkey, and the largest producer of acrylic fibers worldwide under a single roof.

Mission

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

Vision

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

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

I -COMPANY PROFILE (Continued)

Capital and Shareholder Structure

Capital and shareholders structure of the Company as of 31 December 2011 is as follows:

Capital Information

Issued Capital : TL 185.000.000
Registered Capital : TL 425.000.000

Shareholders Structure

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

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

Board of Directors:

Name Surname	Title	Start	Time
Mehmet Ali BERKMAN	Chairman	24.05.2012	3 Years
Raif Ali DİNÇKÖK	Vice Chairman	24.05.2012	3 Years
Ali Raif DİNÇKÖK	Member	24.05.2012	3 Years
Ömer DİNÇKÖK	Member	24.05.2012	3 Years
Nilüfer ÇİFTÇİ	Member	24.05.2012	3 Years
Erol LODRİK	Member	24.05.2012	3 Years
Mustafa YILMAZ	Member	24.05.2012	3 Years
Cengiz TAŞ	Member – General Manager	24.05.2012	3 Years
Timur ERK	Independent Member	24.05.2012	3 Years
Ant BOZKAYA	Independent Member	24.05.2012	3 Years

Audit Committee:

Name Surname	Title	Start
Timur ERK	Chairman of audit committee	24.05.2012
Ant BOZKAYA	Member	24.05.2012

Corporate Governance Committee:

Name Surname	Title	Start
Ant BOZKAYA	Chairman of corporate governance committee	24.05.2012
Mustafa YILMAZ	Member	24.05.2012

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

I - COMPANY PROFILE (Continued)

Auditors:

Name Surname	Title	Start	Time
Bülent ÜSTÜNEL	Auditor	24.05.2011	3 Years
Abbas YÜKSEL	Auditor	24.05.2011	3 Years

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

Company Management:

Name Surname	Title
Cengiz TAŞ	Board Member and General Manager
Alp SARIOĞLU	Director of Research and Development Center
Eren Ziya DİK	Director of Finance
Murat İNCEOĞLU	Director of Factory
Fethi BAYTAN	Director of Purchase and Director (Proxy) of Human Resources and Management Systems
Sabri ARCA	Director of Marketing, Selling and New Business Development
Sinan UĞURLU	Director (Proxy) of Energy

II - INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF

In 2011, global demand for acrylic fiber stood at 2 million tons. Independent research reveals that the global demand for acrylic fiber would be around the same level in the foreseeable future. Acrylic fiber demand in Turkey by the end of 2011 was around 257 thousand tons and realised as 142 thousand tons in the first half of 2012. Aksa closed the year 2011 with 72% domestic and 14% global market share, has 67% of domestic market share and 14% global market share in 2012.

The company's product portfolio suitable for use in outdoor in the "Outdoor Fiber", has a strong global market share. Through Aksa's pioneering, Turkey became the second largest acrylic fiber market in the world after China.

Acrylic fiber demand in China in 2011 realised at 842 thousand tons and has not increased significantly compared to previous year. The ratio of total demand met by domestic production of China is 75% and the remaining demand is met by imports.

The size of the current global market for carbon fiber is estimated at a level of 46,000 tons/year. By 2020, it is expected to show an elevation to 150,000 tons/year for the total market size. This growth is expected to concentrate in the fields of industrial use. The annual total carbon fiber consumption in Turkish market is estimated to be 140 tons in 2011. Aksa

began to manufacture carbon fiber in Turkey and during this period, some of companies producing carbon fabric and two companies producing pultrusion were launched. The market is expected to expand in the near future with CNG production and also with companies that will manufacture products like blades for wind turbines.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

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

Acrylonitrile prices were in a rising trend, due to triggering with the rise of oil prices and some supply constraints due to unplanned shut-downs and overhauls at supplier sites and leveled at 2.400-2.500 USD/ton for the year 2011. Despite this high-year average, due to declines at the last quarter of 2011, average acrylonitrile prices for the first half of 2012 is 1.900-2.000 USD/ton level. Expectation for the third quarter of 2012 is 1.700- 1.750 USD/ton levels. In addition to this, natural cotton and polyester fiber , the largest synthetic fibers segment ,has shown a parallel decrease in prices in the last quarter of 2011, by the beginning of 2012 prices were in a limited increasing trend and subsequently started to decline again.

Acrylic fiber prices decreased by 14% by the end of June, compared to same period last year.

III – SALES

Aksa turned over 470 millions of US Dollars in the first half of 2012 (2011: 511 millions of US Dollars in the first half). The exports, was realized as 173 millions of US Dollars (2011: 171 millions of US Dollars) and having a portion of 37 % (2011:34%) in the total revenue. The quantity of sales increased by 4% compared to previous year.

IV – PRODUCTION AND CAPACITY

Aksa realised average 98% of capacity utilization rate in the first half of 2012 (2011: Average 94% in the first half) and the quantity of production increased in parallel with changes in the amount of the total production capacity.

V – RESEARCH AND DEVELOPMENT ACTIVITIES

Aksa allocated 2.3 millions of US Dollars to R & D activities in the first half of 2012 (2011: 2.4 millions of US Dollars in the first half).

VI - INVESTMENTS

Aksa spent 17 millions of US Dollars (standalone) in capital expenditure in the first half of 2012 (2011:96 millions of USD Dollars (consolidated) in the first half). Investments are mainly related to second phase of energy plant.

VII – DEVELOPMENTS FOR THE YEAR

1. In the General Assembly Meeting dated 24 May 2012, it is decided to reserve 3.883.354 TL as 1st legal reserves and 3.761.332 as 2nd legal reserve per Turkish Commercial Code and the Company's Articles of Association and distribute cash dividends in the amount of 45.000.000 TL to Company Shareholders. Additionally, 1.863.320 TL gross amount of dividends are paid to board members and the remaining profit is allocated as extraordinary reserves. Dividend payments have been completed in May.
2. 58% shares of Akgirişim, a subsidiary of the Group, is transferred to Ariş Sanayi ve Ticaret A.Ş. a group Company of Akkök, to a price of TL 39.654,60 as of 20 April 2012 regarding to valuation report dated 26 March 2012.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

VII – DEVELOPMENTS FOR THE YEAR (Continued)

3. It is hereby declared that it is appropriate for Aksa Akrilik Kimya Sanayii Anonim Şirketi to demerge into a new joint stock company to be established by means of partial diverse through transfer of the carrying amounts of all assets and liabilities of the carbon fibre business as per article 20 and subparagraph (b) of paragraph 3 of article 19 of Corporate Tax Law no. 5520, article 19.2.2 of General Communiqué on Corporate Tax by Ministry of Finance dd. 03.04.2007 (Serial No: 1), Communiqué on the Regulation of Principles and Procedures of Partial Diverse Operations for Joint Stock and Limited Companies by Ministry of Finance and Ministry of Industry and Trade dd. 16.09.2003 and no. 25231 as published in Official Gazette, and the resolution of Capital Market Board dd. 25.11.2011 and no. 39/1065 and that the same was acknowledged by the shareholders in extraordinary general assembly held on 28 December 2011 and as of 2 January 2012 Aksa Karbon Elyaf Sanayi A.Ş. is established.

Before the establishment of %50-%50 international joint venture operations, Group acquired Celtic Pharma Holdings II B.V with the nominal value of Euro 18.000 capital as of 1 June 2012 and the title of the Company is amended as Aksa Netherlands Holding B.V. ("Aksa Netherlands").

As of 15 June 2012, Group has transferred %99,99 of Aksa Karbon Elyaf Sanayi A.Ş. shares, a subsidiary of the Group, to Aksa Netherlands as capital in kind with a nominal value of USD 185.000.000.

In the scope of establishment of %50-%50 international joint venture operations with Dow Europe Holdings B.V., Group sold 8,108% of Aksa Netherlands shares to Dow Europe Holdings B.V. with a value of USD 15.000.000, following this operation, by capital and emission premium contribution of Dow Europe Holdings B.V., on Aksa Netherlands Holding B.V. amounting to USD 170.000.000 Dow Europe Holdings B.V. , %50 partnership is ensured and the title of the Company is amended as DowAksa Advanced Composites Holdings B.V. ("DowAksa Holdings") at the same time.

4. Title of Aksa Karbon Elyaf Sanayi Ltd. Şti. a subsidiary of DowAksa Advanced Composites Holdings B.V, which is 50% joint venture of the Group, is amended to DowAksa İleri Kompozit Malzemeleri San. Ltd. Şti. and registered as of 12 July 2012.

5. Commissioning of 1.700 ton/year nominal capacity of the second carbon fiber production line, which is announced to public with boards of directors investment decisions dated 17 December 2010 and financing decisions dated 30 May 2011, is successfully completed and commercial production has started on DowAksa İleri Kompozit Malzemeleri San. Ltd. Şti., a subsidiary of DowAksa Advanced Composites Holdings BV, which is 50% joint venture of the Group.

6. For the purpose of using bank loans of DowAksa İleri Kompozit Malzemeleri San. Ltd. Şti, bails given to banks by Aksa, amounting to USD 85 million are launched for removal, related to the previously agreed-upon procedures relevant banks (issuing letters of good faith and submission of a business plan) however at the announcing date of interim financial reports, it is still pending.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

VIII - INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES

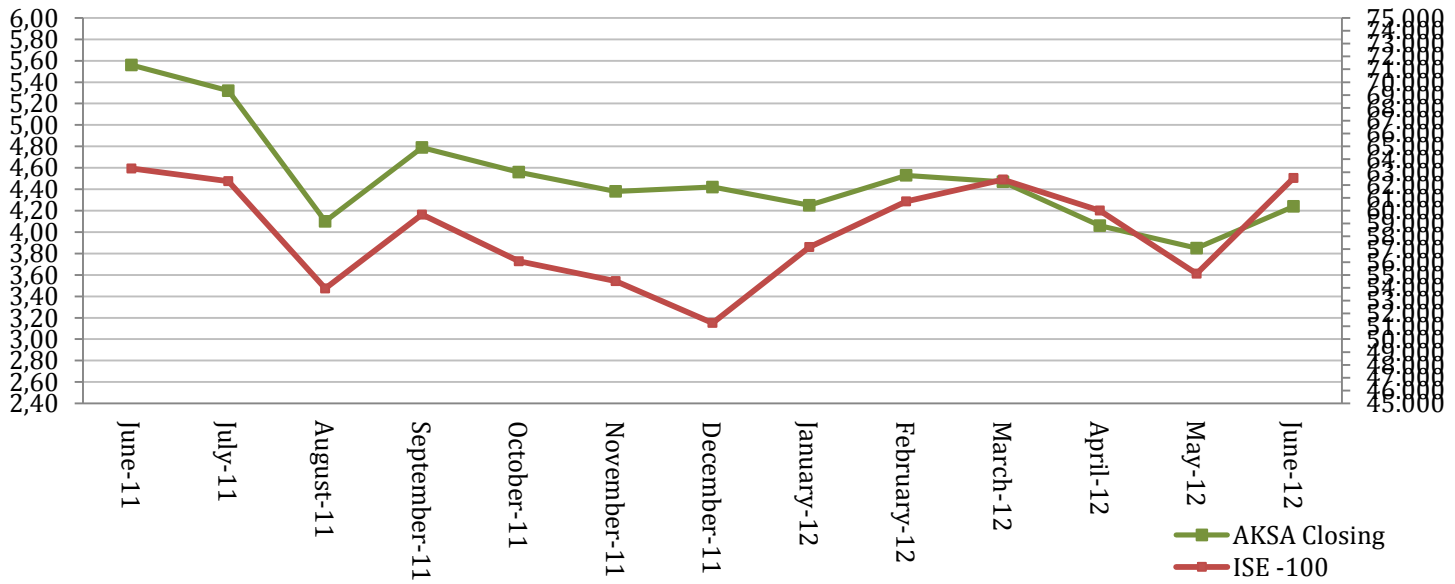
Comparison of AKSA - ISE-100 – ISE Chemistry Performance of the Company Shares:

	Jun'11	Dec '11	Jun'12	Performance	
				Jun'11-Jun'12	Dec '11-Jun'12
ISE 100 (XU100)	63.269	51.266	62.543	-1%	22%
ISE CHEMISTRY(XCHEMISTRY)	41.442	37.719	38.195	-8%	1%
AKSA	5,24	4,16	4,24	-19%	2%

Comparison of AKSA Market Cap:

	Jun'11	Dec '11	Jun'12	Performance	
				Jun '11-Jun '12	Dec '11-Jun '12
Market Cap (mn TL)	969	770	784	-19%	2%

AKSA - ISE-100 Closing Stock Indicator:



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

IX - EXPECTATIONS FOR 2012

Aksa aims to generate net revenue around 900 millions of US Dollars by the end of 2012. Total capacity utilization rate for the year is expected to be around 90 %-95 % range and planned to protect the share of exports in total sales. The amount of budgeted capital expenditure for the year 2012 is around 90-100 millions of US Dollars

X - RISK MANAGEMENT

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

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

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

XI – KEY FINANCIAL INDICATORS

RATIOS	30 June 2012	30 June 2011
Current Ratio	1,57	1,77
Liquidity Ratio	1,14	1,33
EBITDA Margin	11,44%	12,47%
Net Profit Margin	13,59%	8,59%
Return on Invested Capital (ROIC)	7,30%	5,11%
Return on Equity (ROE)	12,51%	9,93%

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2012-30 JUNE 2012

XI – KEY FINANCIAL INDICATORS (Continued)

CONSOLIDATED PROFIT LOSS	30 June 2012	30 June 2011
STATEMENT SUMMARY (*)	(‘000 USD)	(‘000 USD)
Net Sales	469.777	520.877
Operating Profit	92.439	54.062
EBITDA	53.755	64.927
Net Profit	63.826	44.742

	30 June 2012	31 December 2011
CONSOLIDATED BALANCE SHEET SUMMARY (*)	(‘000 USD)	(‘000 USD)

Assets	874.926	874.882
Current Assets	407.070	406.678
Cash and Cash Equivalents	46.039	45.056
Trade Receivables	193.745	212.450
Inventories	111.882	101.316
Other Current Assets	55.404	47.857

Non-Current Assets	467.856	468.204
Trade Receivables	2.725	569
Financial Investments	735	733
Investments accounted for by the equity method	131.650	-
Property, Plant and Equipment	324.600	444.129
Intangible Assets	2.623	11.333
Goodwill	3.315	3.171
Other Non-Current Assets	2.208	8.270

Liabilities	874.926	874.882
--------------------	----------------	----------------

Short Term Liabilities	259.315	229.220
Financial Liabilities	75.763	91.580
Trade Payables	156.141	133.815
Corporate Tax Liability	24.303	195
Other Short-term Liabilities	3.109	3.630

Long Term Liabilities	105.502	195.163
Financial Liabilities	92.358	169.540
Derivative Financial Instruments	446	2.210
Provision for Employment Termination Benefits	7.595	7.528
Deferred Tax Liability	4.709	9.096
Other Long-term Liabilities	394	6.788

Equity	510.108	450.499
---------------	----------------	----------------

Translation to US Dollars of these consolidated financial statements solely for the presentation purpose and for the translation of balances sheet items 1,8065 TL (31 December 2011: 1,8889) is used as closing foreign exchange rate and for the translation of profit loss statement items 1,7823 (30 June 2011:1,5767) is used as average foreign exchange rate.