



AKSA

Akrilik Kimya Sanayii A.Ş.



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**BOARD OF DIRECTORS REPORT
FOR THE PERIOD
01.01.2011-31.12.2011**

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1 JANUARY 2011-31 DECEMBER 2011

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

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Aksa in Brief

Aksa Akrilik Kimya Sanayii A.Ş, whose core business is the acrylic-based production of tow, tops and fiber and which belongs to the Akkök Group of Companies, was established in 21 November 1968 with 100% Turkish capital. It started production with the capacity of 5,000 ton/year at the factory in Yalova in 1971. The factory is established on a field of 550 dunam. The Company started exporting in 1977. Aksa has expanded to the production level of 308,000 ton/year over the years without compromising its progress and development policy in production process. In addition to its acrylic fiber capacity AKSA has a carbon fiber production plant with a capacity of 1,800 tons/year and co-generation power plant license with 159,5 Mwe capacity and generation of electricity and production of steam is also included in primary operations.

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

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.

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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 : 185.000.000 TL
Registered Capital : 425.000.000 TL

Shareholders Structure

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

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

Board of Directors and Audit Committee

Board of Directors:

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

Audit Committee:

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

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Auditors:

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

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

Company Management:

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

II - INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF

In 2011, global demand for acrylic fiber stood at 2 million tons similar to the year 2010. 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 2010 was around 250 thousand tons and realised as 257 thousand tons at the end of 2011. Aksa closed the year 2010 with 67% domestic and 13,2% global market share, and reached to 72% of domestic market share and 14% global market share in 2011. The company's product portfolio suitable for use in outdoor in the "Outdoor Fiber" claims over 50% 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 77% and the remaining demand is met by imports.

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

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

Acrylonitrile prices were in a rising trend in the second quarter of the year (triggered with the rise of oil prices and some supply constraints due to unplanned shut-downs and overhauls at supplier sites), but leveled at 2.400-2.500 USD/ton for the year average. Despite this high-year average, the expectation for the first quarter of 2012 is 1850-1900 USD/ton level as a continuation of the last quarter of 2011. 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 are in a limited increasing trend.

Acrylic fiber prices by the end of December increased by 10% compared to same period last year.

III – SALES

Aksa turned over 978 millions of US Dollars in 2011 (2010: 851 millions of US Dollars). The exports, was realized as 380 millions of US Dollars (2010: 312 millions of US Dollars) and having a portion of 38 % (2010:37%) in the total revenue. The quantity of sales increased by 2% compared to previous year.

IV – PRODUCTION AND CAPACITY

Aksa realised average 93% of capacity utilization rate in 2011 (2010: 86%) 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 7.5 millions of US Dollars to R & D activities in 2011 (2010: 7.7 millions of US Dollars).

VI - INVESTMENTS

Aksa spent 159 millions of US Dollars in capital expenditure in 2011 (2010:96 millions of USD Dollars). Investments are mainly related to energy plant and second carbon fiber production line.

VII – DEVELOPMENTS FOR THE YEAR

1. In order to build up and improve a strong composite sector in Turkey, the R&D projects are still continuing with related universities. In addition, many other negotiations continue for strategic cooperation. Aksa participated in JEC exhibition in Paris as of March, China Composites fair held in Shanghai and JEC Asia fair held in Singapore in October and received great interest with its carbon fiber brand AKSACA.
2. In the General Assembly Meeting dated 10 May 2011, it is decided to reserve 2.794.839 TL as 1st legal reserves per Turkish Commercial Code and the Company's Articles of Association and distribute cash dividends in the amount of 16.400.000 TL to Company Shareholders. Additionally, 1.078.471 TL dividends are paid to board members and the remaining profit is allocated as extraordinary reserves. Dividend payments have been completed in May 2011.

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VII – DEVELOPMENTS FOR THE YEAR (Continued)

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

4. 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 28.12.2011.

Following the completion of procedures for partial diverse, Aksa Karbon Elyaf Sanayi A.Ş., found on 02.01.2012 shall be able to focus on production and global marketing on carbon fiber and carbon fiber-based high technology materials.

A Joint Enterprise Agreement was executed by and between Aksa Akrilik Kimya Sanayii A.Ş. and Dow Europe Holding B.V. on 20.12.2011 with a view to establishing integrated manufacture facilities containing whole value chain, presenting a wide product range and technical service solutions to the composite industry of which raw material is carbon fiber, and developing activities on the international level by evaluating all chances to that end by means of the new company 99,99% of which is owned by Aksa Akrilik Kimya Sanayii A.Ş.

After the preliminary conditions are fulfilled, 50% of total shares of Aksa Karbon Elyaf Sanayi A.Ş. of which Enterprise Value is set as USD 275,000,000 and total Share Value is USD 185,000,000 shall be transferred to Dow Europe Holding B.V. in 2012 according to the plan. Share transfer rate shall be determined by taking into consideration closing balance sheet to be set as of the partnership date for Aksa Karbon Elyaf Sanayi A.Ş.

5. The Company resolved that it shall participate in capital increase for Aksa Karbon Elyaf Sanayi A.Ş., established on 02.01.2012, in March 2012 with TL 48,999,996.00, TL 35,035,673.00 of which shall be paid in cash and the remaining TL 13,964,323.00 shall be covered by Aksa Karbon Elyaf Sanayi Anonim Şirketi by means of adding other capital reserves account to the capital and that non-paid up shares to be issued as a result shall be acquired.

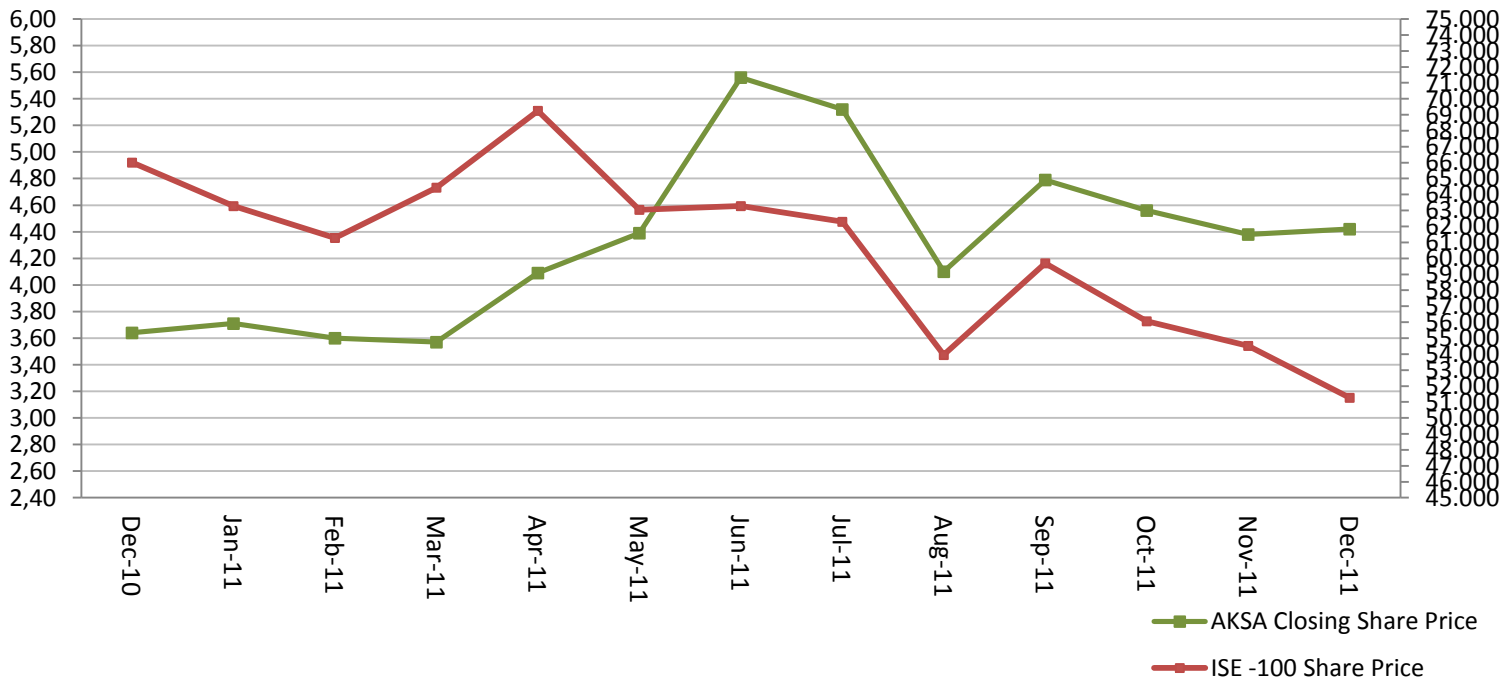
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VIII - INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES

AKSA - ISE-100 Performance of the Company Shares:

	Dec'10	Dec'11	Performance
ISE 100 (XU100)	66.004	51.266	Dec '10- Dec '11 -22%
ISE CHEMISTRY(XCHEMISTRY)	38.938	37.719	-3%
AKSA	3,64	4,42	21%

AKSA - ISE-100 Closing Stock Indicator:



Comparison of AKSA Market Cap:

	December '10	December '11	Performance
Market Cap (mn TL)	673	818	December '10- December '11 21%

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IX - EXPECTATIONS FOR 2011

Aksa aims to generate net revenue around 1 billion of US Dollars by the end of 2012. Due to the decrease in raw material prices in the world, acrylic fiber product prices and revenues are decreased in the third quarter of 2011, in 2012 due to an upward trend in prices, our turnover estimation does not change on annual basis. 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 .

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 and procurement Director. It is the job of this Board to evaluate the Company's financial performance and assess its commercial and financial risks. In particular, the types of financial instruments to be utilized in the risk management of receivables and risk levels by customers are assessed. The Company's net foreign exchange position is also evaluated to prevent risk arising from fluctuating foreign exchange rates.

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

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

XI – KEY FINANCIAL INDICATORS

Standalone Income Statement ('000 USD)	31 December 2011	31 December 2010
Net Sales	977.944	851.029
Operating Profit	82.543	50.945
EBITDA	108.093	84.805
Net Profit	56.584	37.217

Ratios	31 December 2011	31 December 2010
Current Ratio	1,72	1,71
Liquidity Ratio	1,29	1,32
EBITDA Margin	11%	10%
Net Profit Margin	5,79%	4,37%
Return on Invested Capital (ROIC)	6,51%	4,45%
Return on Equity (ROE)	12,76%	7,58%

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XI – KEY FINANCIAL INDICATORS (Continued)

	31 December 2011	31 December 2010
	(‘000 USD)	(‘000 USD)

Assets	869.150	836.241
Current Assets	398.447	388.060
Cash and Cash Equivalents	41.015	36.832
Trade Receivables	211.021	211.656
Inventories	99.152	88.627
Other Current Assets	47.259	50.945

Non-Current Assets	470.703	448.181
Trade Receivables	568	6.179
Financial Investments	14.367	17.554
Property, Plant and Equipment	436.586	416.635
Intangible Assets	10.912	3.344
Other Non-Current Assets	8.270	4.469

Liabilities	869.150	836.240
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Short Term Liabilities	231.595	227.168
Financial Liabilities	91.579	85.478
Trade Payables	136.832	134.669
Corporate Tax Liability	0	2.011
Other Short-term Liabilities	3.184	5.010

Long Term Liabilities	194.050	117.948
Financial Liabilities	169.541	90.108
Derivative Financial Instruments	2.210	3.234
Provision for Employment Termination Benefits	6.546	7.218
Deferred Tax Liability	8.992	8.679
Other Long-term Liabilities	6.761	8.709

Equity	443.505	491.124
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