



AKSA

Akrilik Kimya Sanayii A.Ş.



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.

**BOARD OF DIRECTORS REPORT
FOR THE PERIOD**

01.01.2013-31.03.2013

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	4
VIII	INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES	5
IX	EXPECTATIONS FOR 2014	6
X	RISK MANAGEMENT	6
XI	KEY FINANCIAL INDICATORS	6-7

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

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 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

In order to ensure sustainable profitability, achieving the highest level of operational excellence through investing in our technology and creation of new end-uses for acrylic fiber.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

I -COMPANY PROFILE (Continued)

Capital and Shareholder Structure

Capital and shareholders structure of the Company as of 31 March 2013 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	26.03.2013	3 Years
Raif Ali DİNÇKÖK	Vice Chairman	26.03.2013	3 Years
Ali Raif DİNÇKÖK	Member	26.03.2013	3 Years
Nilüfer DİNÇKÖK ÇİFTÇİ	Member	26.03.2013	3 Years
Ahmet Cemal DÖRDÜNCÜ	Member	26.03.2013	3 Years
Erol LODRİK	Member	26.03.2013	3 Years
Mustafa YILMAZ	Member	26.03.2013	3 Years
Cengiz TAŞ	Member – General Manager	26.03.2013	3 Years
Timur ERK	Independent Member	26.03.2013	3 Years
Ant BOZKAYA	Independent Member	26.03.2013	3 Years

Audit Committee:

Name Surname	Title	Start
Timur ERK	Chairman of audit committee	08.05.2013
Ant BOZKAYA	Member	08.05.2013

Corporate Governance Committee:

Name Surname	Title	Start
Ant BOZKAYA	Chairman of corporate governance committee	08.05.2013
Raif Ali DİNÇKÖK	Member	08.05.2013

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

I - COMPANY PROFILE (Continued)

Early Detection of Risks Committee:

Name Surname	Title	Start	Time
Ant BOZKAYA	Chairman of early detection of risks committee	08.05.2013	3 Years
Raif Ali DİÇKÖK	Member	08.05.2013	3 Years

Company Management:

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

II - INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF

In 2012, 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 2012 was around 270 thousand tons and Aksa closed the year 2012 containing its 14% global market share.

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 2012 realised at 807 thousand tons and has not changed significantly compared to previous year. The ratio of total demand met by domestic production of China is 73% 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 280 tons in 2012. 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.

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 1.850-1.900 USD/ton for the year 2012. Expectation for 2013 is to realize a more stable trend and finish the year at the level of 1.700-1.800 USD/ton.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

III – SALES

Aksa turned over 218 million US Dollars in first quarter of 2013 (2012: 230 million US Dollars). The exports, was realized as 60 million US Dollars (2012: 85 million US Dollars) and having a portion of 27% (2012:37%) in the total revenue. The sales mix that shifted to local market have influence on the operational profitability compared to last year. EBITDA rate has increased to 14.50% (in 2012: 11.85%).

IV – PRODUCTION AND CAPACITY

Aksa realised average 94% of capacity utilization rate in the first quarter of 2013 (2012 first quarter average: 99%). The decrease in the capacity utilization rate is due to the fire in January 2013.

V – RESEARCH AND DEVELOPMENT ACTIVITIES

Aksa allocated 1.3 million US Dollars to R & D activities in the first quarter of 2013 (2012: 2.4 million US Dollars).

VI - INVESTMENTS

Aksa spent 16 million US Dollars in capital expenditure in the first quarter of 2013 (2012:19 million USD Dollars). Investments are mainly related to second phase of energy plant and modernization projects.

VII – DEVELOPMENTS FOR THE YEAR

1. In the General Assembly Meeting dated 26 March 2013, it is decided to reserve 13.463.540 TL as 1st legal reserves and 8.030.000 as 2nd legal reserve per Turkish Commercial Code and the Company's Articles of Association and distribute cash dividends in the amount of 89.550.000 TL to Company Shareholders and remaining profit is allocated as extraordinary reserves. Dividend payments have been completed in 1 April 2013.
2. There have been a fire in our Company's Yalova plant at finished good warehouse as of 27 January 2013 around 8:30 a.m. and the fire is interfered immediately by the technical teams. Firefighters from nearby districts prevented the spread of fire out of the finished goods warehouse. Finished goods warehouse, some machinery and stocks that are located in the warehouse are damaged due to the fire. A draft loss settlement proposal for the damaged products and property has been done. Based on the proposal 5 million USD has been received as advance from the insurance companies. As of today, final survey and compensation files are not prepared, but net book values of the damaged products and property are below the loss settlement proposal.
3. Early Detection of Risks Operations that have been done by Corporate Governance Committee has been separated by establishing a new committee according to CMB's related communiqué. In 2013 Early Detection of Risks Committee is separated from Corporate Governance Committee. Committee performs operations regarding detection of risks about dangers affecting company's existence, development and continuing operations and precautions related with those risks.

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

VIII - INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES

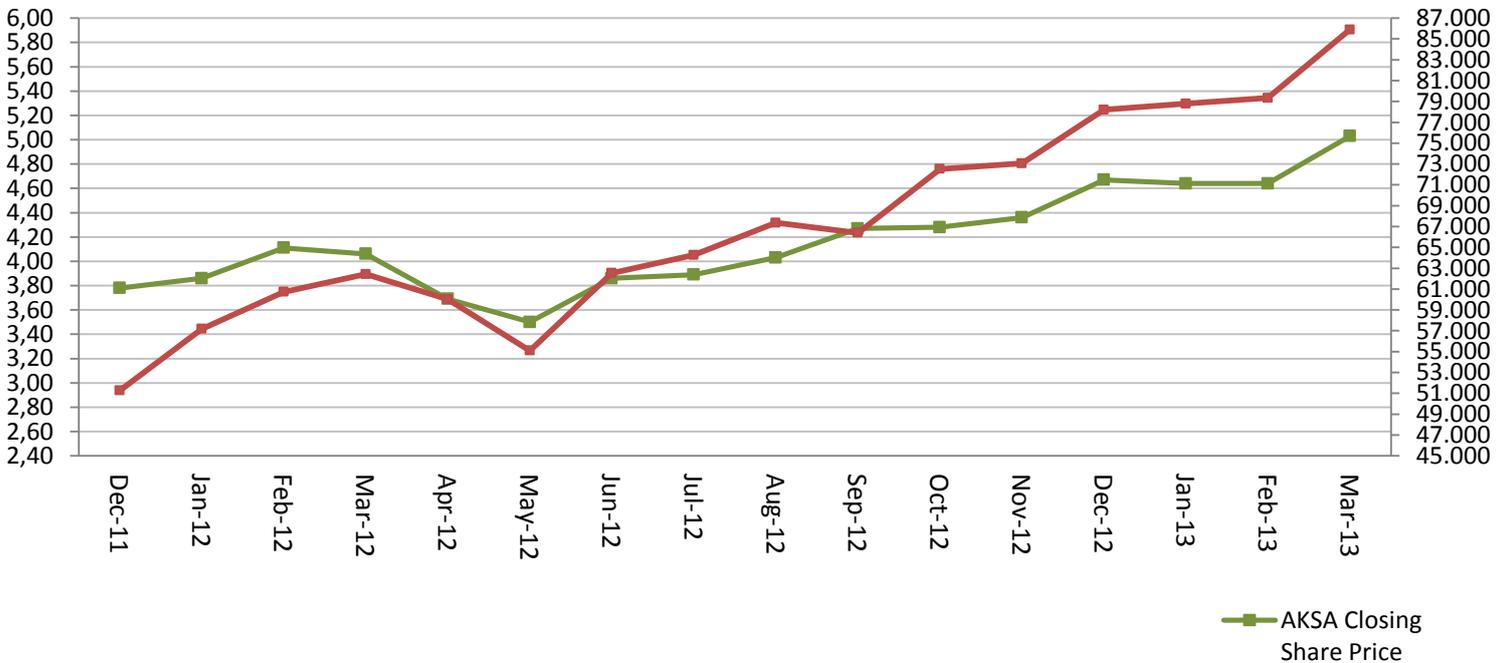
Comparison of AKSA - ISE-100 – ISE Chemistry Performance of the Company Shares:

	Mar'12	Dec'12	Mar'13	Performance	
				Mar '12- Mar '13	Dec '12- Mar '13
ISE 100 (XU100)	62.423	78.208	85.899	38%	10%
ISE CHEM (XKMYA)	42.687	47.291	51.045	20%	8%
AKSA	4,06	4,67	5,03	24%	8%

Comparison of AKSA Market Cap:

	Mar'12	Dec '12	Mar'13	Performance	
				Mar '12- Mar '13	Dec '12- Mar '13
Market Cap (mn TL)	751	864	931	24%	8%

AKSA - ISE-100 Closing Stock Indicator:



AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

IX - EXPECTATIONS FOR 2013

Aksa aims to generate net revenue around 900 million US Dollars in 2013. Total capacity utilization rate for the year is expected to be around 90 %-95 % range and planned to have 30% share of exports in total sales. The amount of budgeted capital expenditure for the year 2013 is around 90 million US Dollars.

X - RISK MANAGEMENT

The Company holds a monthly Finance and Risk Management Committee meeting to undertake its risk management more effectively. This Board is headed by the General Manager and the other members include members of the Executive Committee, the Finance Director, 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.

Early Detection of Risks Operations that have been done by Corporate Governance Committee has been separated by establishing a new committee according to CMB's related communiqué. In 2013 Early Detection of Risks Committee is separated from Corporate Governance Committee. Committee performs operations regarding detection of risks about dangers affecting company's existence, development and continuing operations and precautions related with those risks.

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.

X - RISK MANAGEMENT (Continued)

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	31 March 2013	31 March 2012
Current Ratio	1,38	1,61
Liquidity Ratio	1,06	1,23
EBITDA Margin	14,50%	11,85%
Net Profit Margin	8,50%	9,13%
Return on Invested Capital (ROIC)	2,10%	2,40%
Return on Equity (ROE)	3,65%	3,85%

AKSA AKRİLİK KİMYA SANAYİİ A.Ş.
BOARD OF DIRECTORS REPORT FOR THE PERIOD
1 JANUARY 2013-31 MARCH 2013

XI – KEY FINANCIAL INDICATORS (Continued)

CONSOLIDATED PROFIT LOSS	31 March 2013	31 March 2012
STATEMENT SUMMARY (*)	(‘000 USD)	(‘000 USD)
Net Sales	218.034	229.604
Operating Profit	28.852	20.414
EBITDA	31.625	27.217
Net Profit	18.538	20.955

CONSOLIDATED BALANCE SHEET SUMMARY (*)	31 March 2013	31 December 2012
	(‘000 USD)	(‘000 USD)

Assets	881.096	873.419
Current Assets	399.646	388.342
Cash and Cash Equivalents	96.173	79.363
Trade Receivables	173.339	178.657
Inventories	92.815	92.525
Other Current Assets	37.317	37.797

Non-Current Assets	481.450	485.077
Trade Receivables	0	2.519
Financial Investments	734	744
Investments Accounted For By The Equity Method	123.580	127.758
Property,Plant and Equipment	349.882	346.704
Intangible Assets	2.582	2.704
Goodwill	3.311	3.360
Other Non-Current Assets	1.361	1.287

Liabilities	881.096	873.419
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Short Term Liabilities	288.718	240.994
Financial Liabilities	74.339	95.589
Trade Payables	186.714	137.141
Corporate Tax Liability	5.414	3.311
Other Short-term Liabilities	22.250	4.953

Long Term Liabilities	84.871	87.759
Financial Liabilities	69.826	72.437
Derivative Financial Instruments	776	967
Provision for Employment Termination Benefits	9.134	9.063
Deferred Tax Liability	4.609	4.736
Other Long-term Liabilities	525	556

Equity	507.507	544.665
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Translation to US Dollars of these consolidated financial statements solely for the presentation purpose and for the translation of balances sheet items 1,8087 TL (31 December 2012: 1,7826) is used as closing foreign exchange rate and for the translation of profit loss statement items 1,7805 (31 March 2012:1,7897) is used as average foreign exchange rate.