

AKSA AKRİLİK KİMYA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT
FOR THE SIX MONTHS PERIOD ENDED
30 JUNE 2010

1- AKSA IN BRIEF

Scope and Purpose

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 in the factory of Yalova in 1971, which is established on the field of 550 dunam. It started exporting in 1977. Aksa is the largest integrated manufacturer of acrylic fiber under single roof in the world, which has come 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 1500 tons/year and started commercial sales simultaneously in the second half of 2009. In the second quarter of 2009, AKSA added energy generation to its subject of activities by acquiring an energy generation plant. Today in the 5 continents, in 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, environmently 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 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
Total	100,00	185.000.000

2. MAIN FINANCIAL INDICATORS SINGLE BALANCE SHEET

	30.06.2010	31.12.2009	
	USD	USD	
Assets	851.089.644	808.967.429	
Current Assets	439.359.240	390.651.679	
Cash and cash equivalents	83.783.942	64.003.400	
Trade receivables	226.153.725	218.250.685	
Inventories	86.514.826	73.591.934	
Other Current Assets	42.906.747	34.805.660	
Non-Current Assets	411.730.404	418.315.750	
Trade receivables	4.239.674	7.791.927	
Financial Investments	17.233.930	18.023.690	
Tangible Non-current Assets	363.904.135	353.983.765	
Intangible Non-current Assets	3.764.995	4.393.378	
Other Non-current Assets	22.587.669	34.122.989	
Liabilities	851.089.644	808.967.429	
Short Term Liabilities	253.877.428	209.146.157	
Financial Liabilities (Net)	102.396.192	87.856.246	
Trade Payables	137.481.941	109.854.229	
Taxes on profit for Period	3.392.959	347.559	
Other Short-term Liabilities	10.606.336	11.088.123	
Long Term Liabilities	130.999.387	121.144.233	
Financial Liabilities (Net)	105.180.000	91.253.333	
Trade Payables	0	1.697.212	
Derivative financial instruments	3.413.718	2.514.707	
Provision related to employee benefits	6.281.177	6.306.406	
Deferred Tax Liability	6.971.268	9.477.656	
Other Long-term Liabilities	9.153.224	9.894.920	
Equity	466.212.829	478.677.039	
Single Income Statement USD	30.06.2010	30.06.2009	
NET SALES	419.909.604	224.978.411	
OPERATING PROFIT	26.701.980	11.903.083	
EBITDA	42.068.905	26.017.336	
NET PROFIT	19.101.111	13.287.662	
Ratios	30.06.2010	31.12.2009	30.06.2009
Current Ratio	1,73	1,87	2,39
Liquidity Ratio	1,39	1,52	2,07
EBITDA Margin	10,02%	11,47%	11,56%
Net Profit Margin	4,55%	4,51%	5,91%
ROIC	2,24%	3,27%	1,87%
ROE	4,10%	5,52%	2,90%

3- INDUSTRY OF ACRYLIC FIBER AND CARBON FIBER IN BRIEF

The global demand for acrylic fiber in 2010 is expected to realize the same as it realized in 2009, 2 millions of ton. The demand for acrylic fiber in Turkey is expected to realize as 255 thousands of tons in 2010 while it realized 240 thousands of tons in 2009. In addition, the sensitivity of acrylic fiber industry to the fluctuation of petrochemical raw material prices will continue to lead the level of demand.

The demand for acrylic fiber in China in January-May 2010 period has realized 353 thousands of tons with an increase of %3 comparing to the corresponding period of previous year. The amount of exported acrylic fiber of China in January-May 2010 increased %18,64 comparing to the corresponding period of previous year .

The carbon fiber market is 40.000 tons/year at present. It is forecasted that the market will grow 3 to 6 times larger in 10 years. The growth will basically base on industrial consumption fields.

4- INVESTMENTS

In the first six months of 2010, Akxa invested 42,7 millions of US dollar

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. AKSA joined the JEC Composite Fair carried out in Paris in 13-15 April 2010, which brings together all segments of global composite industry 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, USA, England and Turkey, also the negotiations continue for Automotive, Wind Energy and Pressure Vessels sectors

AKSA, which can successfully produce seven types of carbon fiber, aims to have a sales amount of 780 ton and the sales in the first half 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.

AKSA aims to complete energy power plant with a burning system working with alternative mixtures with the capacity of 100 Mwe electricity and 350 tons of wapor until the end of 2010. Akxa plans to save huge amounts with 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 - FIRST HALF

Aksa turned over 420 millions of \$ during the half of 2010. The exports, having a portion of % 35,3 in the net sales realized 148 millions of \$.

The price of acrylic fiber has risen to 2500 USD/Ton as a result of the increase in the price of the main raw material acrylonitrile depending on the increase of the oil price. This resulted as an increase in the acrylic fiber price. The price of acrylic fiber has increased %59 comparing to the corresponding period of previous year. The capacity utilization rate has been %89 in the first half of 2010. Sales quantity has increased by %11,7 compared to to the corresponding period of previous year.

Aksa has gained 42 millions of \$ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and 19 million \$ net profit in the first quarter of 2010.

Total assets of The Company has been 851 millions of \$. Trade receivables have realized 230,4 millions of \$ with a decrease of %2 compared to the end of 2009. Short-term liabilities have been 254 millions of \$ with an increase of %21,4 compared to the end of 2009.

During 2010, the Company distributed dividends stemming from its 2009 net profit in the amount of 15.500.000 TL and 743.806 TL to its shareholders and members of the board respectively (16.243.806 TL in aggregate).

6- EXPECTATIONS FOR 2010

The acrylic fiber manufacturer Aksa, which is appreciated with its technology and production capacity all over the world, predicts to obtain turnover between 800 and 850 millions of \$ in 2010. Our expectation of increase in sales income and price depends on the expectation of increase in global price of raw materials Aksa predicts the average capacity utilization rate to be the same as it realised in 2009 and the portion of export in the total sales to remain the same as 300-350 millions of \$.

7- BOARD OF DIRECTORS

In the Ordinary General Meeting held in 26 April 2010 the members of the board of directors are as follows:

Board of Directors:

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

Auditors:

The auditors elected in the Ordinary General Meeting held in 26 April 2010 are as follows:

Bülent ÜSTÜNEL
Yasin Hilmi YAZAN