

AKSA AKRİLİK KİMYA SANAYİ A.Ş.

BOARD OF DIRECTORS' REPORT
FOR THE INTERIM PERIOD ENDED
30 JUNE 2009

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. 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 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
Oppenheimer Quest International ValueFund	9,97	18.444.500
Other	31,73	58.700.500
Total	100,00	185.000.000

2- MAIN FINANCIAL INDICATORS

SOLO BALANCE SHEET

US DOLLAR

	30.06.2009	30.06.2008	31.12.2008
Assets	730,478,871	782,816,070	723,569,279
Current Assets	345,041,979	427,688,586	383,400,399
Cash and cash equivalents	31,997,073	10,043,324	39,846,007
Trade receivables	215,565,041	263,547,136	251,120,874
Inventories	44,061,685	104,463,225	63,737,622
Other Current Assets	53,418,181	49,634,901	28,695,896
Non-current Assets	385,436,892	355,127,484	340,168,879
Trade receivables	8,663,959	9,041,433	8,374,931
Affiliates/Subsidiaries	17,736,272	22,209,888	17,945,031
Tangible/Intangible Non-current Assets	340,167,997	322,516,431	290,580,414
Other Non-current Assets	18,868,664	1,359,732	23,268,504
Liabilities	730,478,871	782,816,070	723,569,279
Short-term Liabilities	150,068,175	190,762,804	165,349,548
Financial Liabilities (Net)	48,640,046	53,842,655	66,719,223
Trade Payables	71,434,388	124,833,297	75,028,919
Taxes on profit for Period	-	-	5,234,401
Other Short-term Liabilities	29,993,740	12,086,852	18,367,005
Long-term Liabilities	110,114,057	57,611,495	96,441,783
Financial Liabilities (Net)	92,950,000	36,500,000	80,070,000
Provision related to employee benefits	4,922,170	8,275,191	4,923,202
Deferred Tax Liability	12,241,887	12,836,304	11,448,581
Equity	470,296,639	534,441,772	461,777,947

Solo Income Statement USD

NET SALES	228,954,363	372,609,171	684,847,738
OPERATING PROFIT	22,430,439	23,343,530	36,778,846
EBITDA	27,718,979	34,304,997	63,609,612
NET PROFIT	13,220,189	24,173,448	57,236,868

Ratios

Current Ratio	2,30	2,24	2.32
Liquidity Ratio	2,01	1.69	1.93
EBITDA Margin	12,11%	9.21%	9.29%
Net Profit Margin	5,77%	6,49%	8.36%
ROIC	1,81%	3,09%	7.91%
ROE	2,81%	4,52%	12.39%

3- ACRYLIC FIBER INDUSTRY IN BRIEF

The demand for acrylic fiber has realized approximately 2 millions of ton in 2008 with a decrease of %20 compared to the previous year. However in 2009, the demand has begun to increase in the global market especially in the Far East and Middle East by the beginning of February. The main reasons of the demand increase is the decrease in inventories of semi-finished goods and raw materials, the settling down of the price decrease of raw materials, and the increase of the utilization rate of acrylic fiber in the production of cotton yarn and in the plush market as a result of the shrinkage of the price margin between polyester and acrylic fiber. Furthermore the cheapening of acrylic fiber leaded to the revival of the market of knit and knit thread. Fiber manufacturers all around the world, especially in the Far East, increased their capacity utilization rate (CUR) by %5-%10 every month. Fiber manufacturers in China, which had worked with %65 CUR in the last quarter of 2008, have increased their CUR to %80-%85. During the first 5 months of 2009 the demand for acrylic fiber in China has actualized 345.000 tons with a decrease of %4. The acrylic fiber import of China has actualized 70.000 tons with a diminish of %13. Strong global demand for acrylic fiber, which rises to the more normal levels as of July and August, is expected to continue until the end of year.

The capacity utilization rate of Aksa in the period of January-June 2009 is %76,5 and is expected to be between %70 - %75 throughout the year.

4- INVESTMENTS

In the first half year of 2009, Aksa invested 57,6 millions of US dollar in the strategic fields that it determined in 2007.

Aksa, which commissioned process of carbon fiber production plant with the capacity of 34 ton/year in 26.06.2008, has accelerated brand marketing activities and sample studies. Sample orders are received from target customers. Furthermore, in order to improve the market in Turkey, presentations of carbon fiber have been made and connections have been built up with the companies in target industries and their sample orders are supplied. In order to build up and improve a strong composite sector in Turkey, the R&D projects have been started with the universities. The operations of commissioning commercial facility, which has the capacity of 1.500 ton/year, have been started on May 2009; the first commercial products are planned to be dispatched out to the customers on August 2009. AKSA joined the JEC Composite Fair carried out in Paris in 24-26 March 2009, which brings together all segments of global composite industry. The samples of carbon fiber, fabric and composite have been shared with the participants of fair. The samples of AKSACA have been assessed in terms of quality and visuality and they have been found impressive. The samples of fabric were also appreciated. The Company has decided to join the international fairs that will be arranged in Chicago, Shanghai, Singapore in 2009.

In order to increase its competitive strength by decreasing energy costs, Aksa has decided to establish a 100 MWe capacity energy power plant with alternative fuel burning system within the factory plant in Yalova. The investment is going on as planned. The investment is aimed to be completed until the end of 2010. By this investment Aksa will save up to %40 on energy costs.

5- ASSESSMENT OF 2009

Aksa turned over 229 millions of \$ during the first half year of 2009. The export, whose portion in the net sales is %42,6, has realized 97,4 millions of \$.

The price of the acrylic fiber has fallen by %33 compared to the previous year as a result of the decrease in the price of the main raw material acrylonitrile depending on the decrease of the oil price. The capacity utilization rate has been %76,5 in the first half year due to the fact that the unfavourable impacts of the crisis on the demand, which became evident on October 2008, has diminished in the global markets on February 2009 and domestic markets on April 2009. Sales quantity has diminished by %10,1 compared to the same period of the previous year.

Aksa has gained 27,7 millions of \$ EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and 13,2 million \$ net profit in the first half year of 2009.

Total assets of The Company has been 730,5 millions of \$. Trade receivables have been 215,6 millions of \$ with a decrease of %14,2 compared to the end of 2008. Short-term liabilities have been 150 millions of \$ with a decrease of %9,2 compared to the end of 2008. Inventories has actualized 44 millions of \$ with a decrease of %31 compared to the end of 2008 as a result of both the decrease in commodity prices and the efficient inventory management.

Aksa has accomplished the procedure of raising its capital from 110.000.000 TL to 185.000.000 TL as of 30.05.2009.

6- EXPECTATIONS FOR 2009

The acrylic fiber manufacturer Aksa, which is appreciated with its technology and production capacity all over the world, predicts to obtain net sales between 500 and 550 millions of \$ in 2009. Our expectation of decrease in sales income compared to 2008 depends on the expectation of reduction in global price of acrylic fiber between %20 and %30 compared to the average of 2008. Aksa predicts the average capacity utilization rate to be between %75-%80 in 2009 and the portion of export in the total sales to remain the same as 200-250 millions of \$.

7- BOARD OF DIRECTORS

In the Ordinary General Meeting held in 27 April 2009 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 AYAZ
Member	:	Hasan DENİZKURDU
Member	:	Ayça DİNÇKÖK
Member General Manager	:	Mustafa YILMAZ

Auditors:

The auditors elected in the Ordinary General Meeting held in 27 April 2009 are as follows:

Bülent ÜSTÜNEL
Yasin Hilmi YAZAN