



**AKSA**

Akrilik Kimya Sanayii A.Ş.



**AKSA AKRİLİK KİMYA SANAYİİ A.Ş.**

**BOARD OF DIRECTORS REPORT  
FOR THE PERIOD**

**01.01.2013-30.06.2013**

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**I - COMPANY PROFILE**

**Company Information**

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

**Production Facility**

<b>Address:</b>	Denizçalı Köyü, Yalova Karamürsel yolu 13. Km 115 Yalova, Türkiye
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**Web Site** : www.aksa.com

**E-mail** : aksa@aksa.com, yatirimciiliskileri@aksa.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**

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.

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**I -COMPANY PROFILE (Continued)**

**Capital and Shareholder Structure**

Capital and shareholders structure of the Company as of 30 June 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
<b>Total</b>	<b>185.000.000</b>	<b>100,00</b>

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

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**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	1 Years
Raif Ali DİÇKÖK	Member	08.05.2013	1 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, in half year of 2013 the demand is around 140 thousand tons. Akxa closed the year 2012 and still operating in 2013 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 Akxa'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 in half year of 2013 the demand is 409 thousand tons. 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. Akxa 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.

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### **III – SALES**

Aksa turned over 442 million US Dollars in half year of 2013 (2012: 470 million US Dollars). The exports, was realized as 146 million US Dollars (2012: 173 million US Dollars) and having a portion of 33% (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 14.21% (in 2012: 12.21%).

### **IV – PRODUCTION AND CAPACITY**

Aksa realised average 98% of capacity utilization rate in the half year of 2013 (2012 half year average: 98%). The lower capacity utilization rate due to the fire in first quarter has been compensated by the production planning in second quarter.

### **V – RESEARCH AND DEVELOPMENT ACTIVITIES**

Aksa allocated 1.9 million US Dollars to R & D activities in the half year of 2013 (2012: 2.3 million US Dollars).

### **VI - INVESTMENTS**

Aksa spent 30 million US Dollars in capital expenditure in the half year of 2013 (2012:17 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 2<sup>nd</sup> 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

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**VII – DEVELOPMENTS FOR THE YEAR (Continued)**

4. Main and only operating activities of Ak-Tops Tekstil Sanayi A.Ş., which is the subsidiary of the Company at the rate of 60%, are manufacturing and dyeing of acrylic fiber. In fact, it has operated as a natural extension of the Company and also, process of production and delivery has an entegrated structure within the Company's facility. Therefore, necessity of restructuring and simplification was considered. USD 26,350,000 was valued as fair value of Ak-Tops according to valuation report dated on 27 June 2013 of İş Yatırım Menkul Değerler A.Ş. which was assigned by related Board of directors minutes. Value of minority shares of Ak-Tops was calculated as USD 10,540,000 based on the valuation report of İş Yatırım Menkul Değerler A.Ş.. This amount was paid to aforementioned shareholders pro-rata of their shares and 800,000 shares (TL 800,000) with a nominal value per TL 1 has acquired on 7 August 2013.

As a result of these transactions, Ak-Tops Tekstil Sanayi A.Ş. is the affiliate of the Company at the rate of 100%.

**VIII - INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES**

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

	Jun'12	Dec'12	Jun'13	Performance	
				Jun '12- Jun '13	Dec '12- Jun '13
<b>ISE 100 (XU100)</b>	62.543	78.208	76.295	22%	-2%
<b>ISE CHEM (XKMYA)</b>	38.195	47.291	44.380	16%	-5%
<b>AKSA</b>	<b>3,86</b>	<b>4,67</b>	<b>6,78</b>	<b>76%</b>	<b>45%</b>

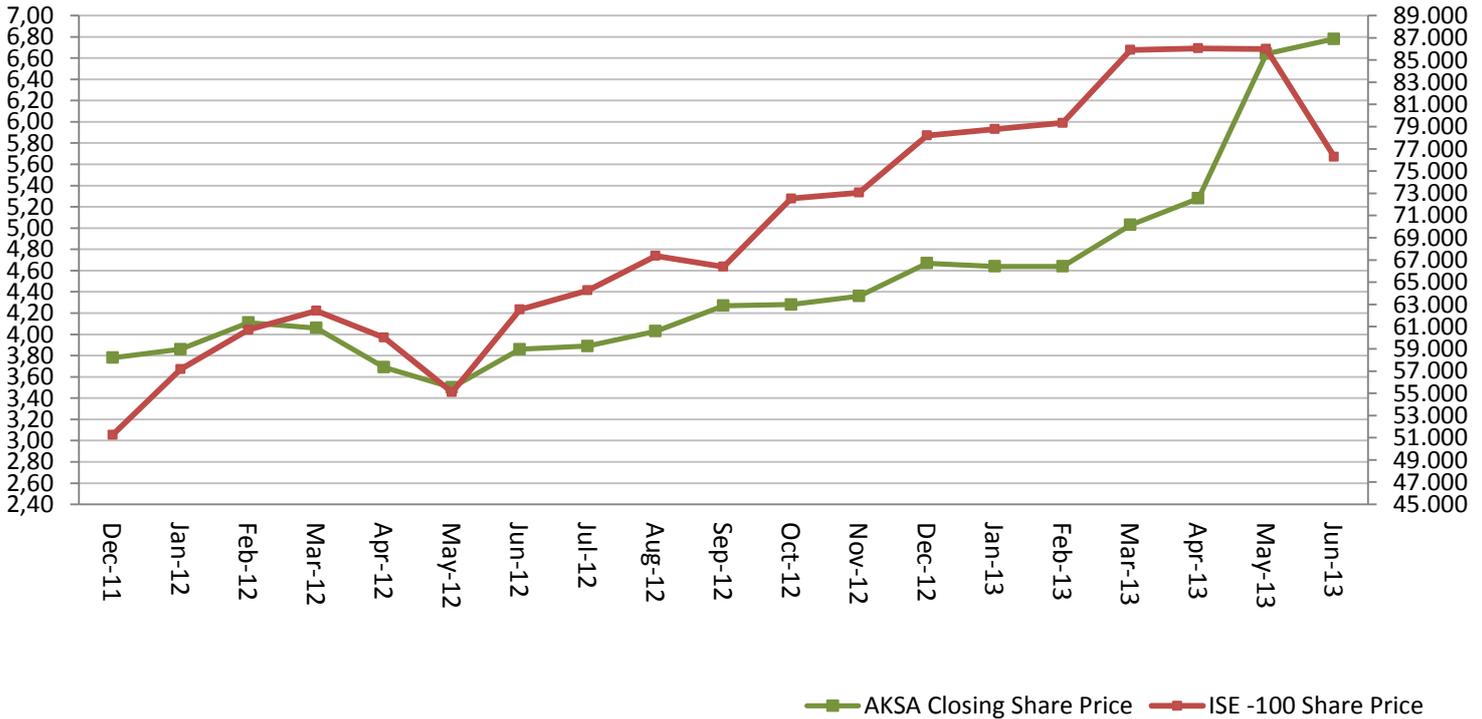
**Comparison of AKSA Market Cap:**

	Jun'12	Dec '12	Jun'13	Performance	
				Jun '12- Jun '13	Dec '12- Jun '13
<b>Market Cap (mn TL)</b>	714	864	1.254	76%	45%

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**VIII - INFORMATION ON THE PERFORMANCE OF THE COMPANY SHARES**  
**(Continued)**

**AKSA - ISE-100 Closing Stock Indicator:**



**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.

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**X - RISK MANAGEMENT (Continued)**

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. 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.

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**

<b>RATIOS</b>	<b>30 June 2013</b>	<b>30 June 2012</b>
Current Ratio	1,52	1,61
Liquidity Ratio	1,19	1,23
EBITDA Margin	14,21%	12,21%
Net Profit Margin	7,96%	13,59%
Return on Invested Capital (ROIC)	4,11%	7,26%
Return on Equity (ROE)	7,04%	11,64%

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**XI – KEY FINANCIAL INDICATORS (Continued)**

<b>CONSOLIDATED BALANCE SHEET SUMMARY (*)</b>	<b>30 June 2013</b>	<b>31 December 2012</b>
	<b>(‘000 USD)</b>	<b>(‘000 USD)</b>
<b>Assets</b>	<b>856.547</b>	<b>873.419</b>
<b>Current Assets</b>	<b>395.787</b>	<b>388.342</b>
Cash and Cash Equivalents	95.664	79.363
Trade Receivables	180.668	178.657
Inventories	85.902	92.525
Other Current Assets	33.552	37.797
<b>Non-Current Assets</b>	<b>460.760</b>	<b>485.077</b>
Trade Receivables	0	2.519
Financial Investments	689	744
Investments Accounted For By The Equity Method	121.320	127.758
Property,Plant and Equipment	328.037	346.704
Intangible Assets	5.284	2.704
Goodwill	3.111	3.360
Other Non-Current Assets	2.318	1.287
<b>Liabilities</b>	<b>856.547</b>	<b>873.419</b>
<b>Short Term Liabilities</b>	<b>259.660</b>	<b>240.994</b>
Financial Liabilities	92.053	95.589
Trade Payables	157.833	137.141
Corporate Tax Liability	5.500	3.311
Other Short-term Liabilities	4.273	4.953
<b>Long Term Liabilities</b>	<b>96.747</b>	<b>87.759</b>
Financial Liabilities	83.968	72.437
Derivative Financial Instruments	562	967
Provision for Employment Termination Benefits	7.915	9.063
Deferred Tax Liability	4.079	4.736
Other Long-term Liabilities	223	556
<b>Equity</b>	<b>500.140</b>	<b>544.665</b>

Translation to US Dollars of these consolidated financial statements solely for the presentation purpose and for the translation of balances sheet items 1,9248 TL (31 December 2012: 1,7826) is used as closing foreign exchange rate and for the translation of profit loss statement items 1,8086 (30 June 2012:1,7936) is used as average foreign exchange rate.