PETKİM **2010 ANNUAL REPORT**

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Turkey's largest producer of petrochemicals, PETKİM reached an all-time high capacity utilization rate of 99% in 2010, producing 3,240,159 tons of gross output and 1,566,038 tons of salable products; as a result, the Company **broke its previous records in the categories of production, capacity utilization rate, sales and exports.**

In order to **render its growth and profitability sustainable and to achieve even higher operational results,** PETKİM prepared its strategic plans accordingly. The Company accelerated investments to transform its Aliağa facility, in line with its growth and investment targets, into a full-fledged chemical industry park and Value-Site.

For sustainable competition, reliable production focused on value-added products...

PETKİM PETROCHEMICALS HOLDING INC.

Established: April 3, 1965
Headquarters: Aliağa - Izmir
Field of Activity: The Company produces basic and intermediate petrochemical raw materials with a total core production capacity of 1.9 million tons. In 2010, the Company operated at 99% capacity, producing 1,566,038 tons of salable products from a total gross output of 3,240,159 tons. The tremendous opportunity offered by PETKİM's infrastructure and land ownership afford it tremendous opportunity for growth, including achieving raw materials integration.

99% Capacity utilization rate

3,240,159 tons Production

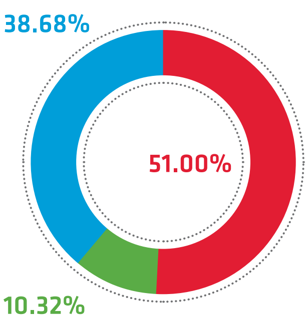
Five-Year Key Indicators (TL thousands)

	2006	2007	2008	2009	2010
Total Assets	1,838,953	1,945,724	1,698,293	2,113,203	**2,375,893**
Net Sales	2,222,333	2,178,559	2,320,433	2,057,459	**2,909,392**
Net Profit (Loss)	57,986	73,861	(151,258)	114,035	**130,085**
Exports (USD millions)	410	358	523	347	**531**
Issued Capital	204,750	204,750	204,750	204,750	**1,000,000**
Investments	96,897	72,493	70,272	69,858	**84,872**
Number of Employees	3,700	3,534	2,612	2,421	**2,457**

Net Sales (TL thousands)

Exports (USD millions)

Production (thousand tons)



Shareholding Structure	Number of Shares	Value (TL)	Share (%)
SOCAR & TURCAS Petrochemical Inc.	51,000,000,000	510,000,000.00	**51.00**
Privatization Administration	10,321,568,109	103,215,681.09	**10.32**
Other (Public Shares)	38,678,431,890	386,784,318.90	**38.68**
Privatization Administration (Group C–Privileged Shares)	1	0.01	**0.00**
Total	**100,000,000,000**	**1,000,000,000.00**	**100.00**

VISION

To be a regional force in petrochemicals

MAIN TARGET

To achieve 40% market share by 2018 through sustainable growth

MISSION

To be a petrochemicals company that:

Respects people and environment,

Is open to change,

Continuously upgrades its technology,

Aims to exceed the expectations of its stakeholders,

Draws strength from the contributions and creativity of its employees, and

Is committed to sustainable excellence.

PRINCIPLES AND VALUES

Customer satisfaction comes first.

The driving force behind our success is the team spirit of our employees.

Ensuring work safety and protecting the environment are core responsibilities.

Our suppliers are natural members of our team.

Our shared purpose is at the heart of our Company's total integration.

Producing quality is our job.

Exemplary leadership at every level.

Accountability.

Dependability.

Transparency.

For a sustainable world, environmentally friendly products and technologies...

TURKEY'S LARGEST PRODUCER OF THERMOPLASTICS

With over 50 petrochemical products in its product range, PETKİM is today one of the most important raw material suppliers of Turkish industry. Producing a wide range of raw and intermediate materials for sectors such as construction, agriculture, automotive, electricity, electronics, textiles and packaging, PETKİM has since its establishment contributed immensely to the development of Turkish industry. The products provided by the Company to the domestic market decreased manufacturing firms' dependency on foreign suppliers for raw and intermediate materials. In addition, price stability maintained by PETKİM allowed these firms to implement their production and growth projections in a sustainable manner.

EXPORTS TO OVER 60 COUNTRIES

For a considerable period of time, due to an approach that prioritizes competition and innovation, the Company has been able to carry out export activities spanning a very wide range of products. As of 2010, PETKİM's export portfolio included more than 60 countries. As a result of the Company's marketing activities in domestic and foreign markets,Turkey saves a significant amount of foreign currency.

PRODUCTION RECORD AT 3.2 MILLION TONS

With its total petrochemical raw materials production capacity of 1.9 million tons, PETKİM produced a total gross output of 3,240,159 tons and 1,566,038 salable products in 2010, attaining a capacity utilization rate of 99%. The Company's product based capacity utilization rates were 99% in ethylene, 97% in thermoplastic products, 99% in fiber intermediates and 101% in other products.

TARGET: TO PRODUCE HIGH VALUE-ADDED PRODUCTS

In the light of recent developments in the petrochemical sector and world markets, PETKİM constantly improves its human resources and upgrades its technology infrastructure. The Company plans to continue contributing to the national economy with high value-added products in the coming periods.

Production by Years (Tons)

Products	2006	2007	2008	2009	2010
ETHYLENE	490,294	486,344	495,372	500,977	512,783
Thermoplastics	625,768	675,214	647,844	666,350	691,846
PVC	133,566	155,021	131,805	137,978	148,294
LDPE	180,639	186,579	192,721	172,584	189,531
LDPE -T	116,665	122,118	112,224	140,839	138,175
HDPE	83,034	85,211	88,254	86,118	82,106
PP	111,864	126,285	122,840	128,830	133,740
Fiber Raw Materials	168,848	178,844	178,604	181,439	246,365
ACN	91,298	91,538	90,367	93,552	94,045
PTA	26,317	46,631	42.30	60,207	73,668
MEG	51,233	40,675	45,934	27,680	78,653
Other Products	1,650,159	1,548,437	1,577,364	1,608,020	1,789,164
PA	37,055	35,078	29,800	33,238	39,734
BENZENE	141,393	134,273	130,586	146,060	160,154
PROPYLENE (CG)	48,997	77,300	91,579	95,480	101,151
PROPYLENE (PG)	179,641	163,239	149,205	149,457	151,318
p-X	123,067	118,356	109,102	130,706	140,167
C5 MIX	64,705	49,939	51,791	63,856	73,490
C4	127,562	59,883	138,265	85,605	138,244
PY-GAS	356,778	348,207	347,673	348,034	369,313
CHLORINE	81,754	81,166	82,335	82,813	92,191
SODIUM HYDROXIDE (100%)	92,371	92,397	93,458	93,148	105,107
VCM	128,399	143,919	118,201	131,660	141,639
OTHER-	268,436	244,680	235,371	247,963	276,656
Total	2,935,069	2,888,838	2,899,184	2,956,786	3,240,159

Daily Use of Our Products

PP
Knitting yarn, sacks, carpet thread, ropes and hawsers, table cloths, napkins, doormats, felt, hoses, radiator pipes, fishing nets, brushes, blankets.

ACN
Textile fibers, artificial wool, ABS (Acrylonitrile Butadiene Styrene) resins.

C4
Rubber and automotive tires.

LDPE
Bags, greenhouse covers, film, cables, toys, pipes, bottles, hoses, packaging.

HDPE
Packaging film, construction and water pipes, bottles, soft drink crates, toys, jerry cans, barrels.

MEG
Polyester yarn, polyester film, antifreeze.

VCM, PVC
Pipes, window and door frames, blinds and shutters, cables, bottles, construction materials, packaging film, floor tiles, serum bags.

MASTERBATCH
Plastic bags.

BENZENE
Detergent, white goods.

TOLUENE
Solvents, explosives, pharmaceuticals, cosmetics.

o-X, PA
Pigments, plasticizers, synthetic chemicals, polyester.

p-X, PTA
Polyester fiber, polyester resin, polyester film.

For sustainable achievement,

a well-planned growth strategy...

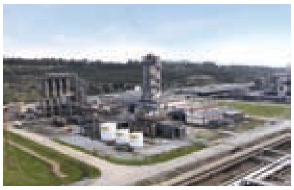
PETKİM Plants

LDPE Low Density Polyethylene Plant

2010 Output:
189,531 tons
Capacity Utilization:
100%

LDPE-T Tubular Low Density Polyethylene Plant

2010 Output:
138,175 tons
Capacity Utilization:
104%



HDPE High Density Polyethylene Plant

2010 Output:
82,106 tons
Capacity Utilization:
86%

Polypropylene Plant

2010 Output:
133,740 tons
Capacity Utilization:
93%

PVC Polyvinyl Chloride Plant

2010 Output:
148,294 tons
Capacity Utilization:
99%

ACN Acrylonitrile Plant

2010 Output:
94,045 tons
Capacity Utilization:
104%

Ethylene Glycol Plant

2010 Output:
78,653 tons of MEG
Capacity Utilization:
88%

PTA Pure Terephthalic Acid Plant

2010 Output:
73,668 tons
Capacity Utilization:
105%

Aromatics Plant
2010 Output:
160,154 tons of Benzene
Capacity Utilization:
120%

Ethylene Plant
2010 Output:
512,783 tons
Capacity Utilization:
99%

CA Chlorine Alkali Plant
2010 Output:
92,191 tons of Chlorine Gas
Capacity Utilization:
92%

VCM Vinyl Chloride Monomer Plant
2010 Output:
141,639 tons
Capacity Utilization:
93%

Plastic Processing Plant
FFS Roll Film Unit
2010 Output:
2,718 tons
Capacity Utilization:
68%

Masterbatch Unit
2010 Output:
3,392 tons
Capacity Utilization:
34%

PA Phthalic Anhydride Plant
2010 Output:
39,734 tons
Capacity Utilization:
117%

Turkey's refinery, petrochemicals, energy and logistics center

The integrated production plant of PETKİM, Turkey's leading petrochemicals company, is located in Aliağa, Izmir. Aiming to fully leverage the geographic advantages of the region surrounding the "PETKİM Peninsula," the Company focuses on growth and investment policies and strategies. These include the security of raw materials and the establishment of a Value-Site based on the four integrated pillars of refinery, petrochemicals, energy and logistics, in order to compete effectively with the foremost petrochemicals production plants across the globe.

PETKİM Plants Auxiliary Processing Units

Güzel Hisar Dam
Clearance Volume:
13 million m³
Active Volume:
137 million m³
Total Storage Volume:
150 million m³

Waste Water Treatment Plant
Water Pool Storage Capacity:
80,000 m³
Usage Areas:
Fire water, raw water, processed water, cooling water and drinking water
2010 Treated Water Output:
17,258,886 tons

Demineralized Water Unit
Post-increase Capacity:
1,700 m³/h
2010 Production:
5,877,563 tons

Energy Production
Steam Production Unit
Installed Capacity:
1,200 tons/h XHS
2010 Production:
5,968,684 tons

Electricity Production - Distribution
Post-modernization Capacity
Total Power Generated:
226 MW
2010 Output:
1,188,946 MWh
Electricity Produced/Total Electricity Consumption:
96%

Waste Water Purification Unit

Installed Capacity:
550 m^3/h Oily Waste Water
120 m^3/h Domestic Waste Water
1,000 m^3/h Chemical Waste Water

Solid-Liquid Waste Incinerator

Installed Capacity:
0.85 ton/h Solid Waste
1.07 ton/h Treatment Sludge
0.34 ton/h Waste Oil

Nitrogen Gas Supply

Post-increase Capacity:
43,000 Nm^3/h Nitrogen Gas
2010 Nitrogen Production:
145,609,012 Nm^3

Port

2010 Ship Count:
715
Loading/Shipping volume:
3,325,272 tons

With **3.2 million tons** of gross output and **1.6 million tons** of salable products, PETKİM achieved **a record high capacity utilization of 99%, the highest in its history.**


All-time production record of 3.2 million tons

For sustainable profitability, a tradition of result-oriented and robust performance...

Equity (TL thousands)

1,600,347	**2010**
1,470,263	2009
1,356,593	2008

Total Assets (TL thousands)

2,375,893	**2010**
2,113,203	2009
1,698,293	2008

Summary Balance Sheet (TL thousands)	**2009**	**2010**
Current Assets	854,483	**1,106,015**
Non-Current Assets	1,258,720	**1,269,878**
Total Assets	2,113,203	**2,375,893**
Short-Term Liabilities	566,076	**681,909**
Long-Term Liabilities	76,864	**93,637**
Equity	1,470,263	**1,600,347**
Total Equity and Liabilities	2,113,203	**2,375,893**

Summary Income Statement (TL thousands)	**2009**	**2010**
Net Sales	2,057,459	**2,909,392**
Gross Profit	113,866	**229,207**
Operating Profit	41,499	**127,141**
EBITDA	153,535	**217,661**
Net Profit for the Year	114,035	**130,085**

Important Ratios	**2009**	**2010**
Current Account Ratio	1.51	**1.62x**
Liquidity Ratio	0.91x	**0.90x**
Financial Leverage Ratio	0.30x	**0.33x**
Debt Ratio (Total Debt/Equity)	0.44x	**0.48x**
Gross Profit Margin (%)	5.53	**7.88**
Operating Profit Margin (%)	2.02	**4.37**
EBITDA Margin (%)	7.46	**7.48**
Net Profit Margin (%)	5.54	**4.47**

Credit Ratings (Fitch Ratings, 15.06.2010)

Foreign Currency	**Local Currency**	
Long-Term FX Credit Rating	Long-Term Local Currency Credit Rating	Long-Term National Currency Rating
BB- Negative Outlook	**BB-** Negative Outlook	**A (Tur)** Negative Outlook

EBITDA (TL thousands)

217,661	**2010**
153,535	2009
(4,819)	2008

Net Profit for the Year (TL thousands)

130,085	**2010**
114,035	2009
(151,258)	2008

For sustainable growth, continuous supply of products to the Turkish industry...

1965-1970
- PETKİM Petrochemical Corporation is established with TL 250 million in capital.
- Initial investments are made for the first PETKİM production facility at Yarımca, İzmit.
- Construction of the Ethylene, PE, CA, VCM and PVC plants at the Yarımca Complex is completed and trial operations begin.
- A decision is made to establish a second petrochemical complex in the Aliağa region.

1971-1975
- Production begins at the Çanakkale Plastics Processing Plant.
- The DDB plant within the Yarımca Complex is established and begins operations.
- PETKİM's capital is increased to TL 1.5 billion.
- Expansions at the Ethylene and LDPE plants within the Yarımca Complex are completed.
- The CB, Synthetic Rubbers (SBR-CBR), Styrene and PS plants at the Yarımca Complex begin operations.

1976-1983
- Expansions of the VCM and PVC plants at the Yarımca Complex are completed and the Caprolactam units begin production.
- As a result of the rapid growth of the Turkish automotive industry, the Petlas Tire Works Corporation is established on August 19, 1976 under the management of PETKİM.
- PETKİM's capital is increased to TL 8 billion, TL 40 billion and finally, TL 100 billion.
- Auxiliary plants and shared facilities at the Aliağa Complex are completed.

1984-1989
- Plants at the Aliağa Complex begin production.
- The Aliağa and Yarımca complexes are converted into subsidiary companies named Alpet Corporation and Yarpet Corporation, respectively.
- PETKİM is brought within the scope of the state privatization program under the provisions of law number 3291 dated May 28, 1986.

1990-1995

- PETKİM's capital is raised to TL 2 trillion in 1990 and TL 3 trillion in 1991.
- Alpet and Yarpet, PETKİM subsidiaries, are absorbed into PETKİM along with all of their assets and liabilities, on the basis of their balance sheets as of August 31, 1990.
- PETKİM's Headquarters and the Aliağa Complex organizations are merged, and the Yarımca Complex is restructured into Yarımca Complex Management.
- As a result of expansion and rehabilitation projects, capacity increases are achieved at the Aliağa Complex's LDPE, HDPE, PP and ACN plants in 1993 and the Yarımca Complex's PVC, PS, CB, SBR, CBR and BDX plants in 1995.

1996-1999

- PETKİM earns a TS-EN-ISO 9002 Quality Assurance Certificate.
- The Company's record-keeping is converted from the Paid-up Capital System to the Authorized Capital System. The Company increases its capital to TL 117 trillion, on the basis of TL 114 trillion transferred from the Revaluation of Fixed Assets Fund.

2000-2004

- Investments to replace the mercury cells used in chlorine production with membrane cells and to increase the chlorine production capacity of the Chlorine Alkali Plant to 100,000 tons/year are completed and production begins.
- A second 20 MW condensing-type turbo-generator goes into operation at the Electric Power Generation Unit in 2001.
- Capital is increased from TL 117,000 billion to TL 204,750 billion.
- On the basis of the Privatization High Council's decree, the Yarımca Complex is sold to Tüpraş.
- The second expansion of the HDPE Plant, which increased production capacity from 66,000 tons/year to 96,000 tons/year, is completed in 2001.
- The addition of a 17th reactor to the PVC plant is completed, increasing production capacity by 10,000 tons/year, in 2001.
- The Çanakkale Plastic Processing Plant is shut down and the equipment from the plant is transferred to the Aliağa Complex.
- The construction and installation of the Solid-Liquid Waste Incineration Unit is completed in 2002 and the unit begins operations in 2003.
- PETKİM's dry cargo jetty is opened for service to third parties.

2005–2007

- Investments in the expansion of the Ethylene, LDPE and PP plants are begun in 2004 and completed in 2005. The capacities of the plants increase from 400,000 tons/year to 520,000 tons/year for Ethylene, from 190,000 tons/year to 310,000 tons/year for LDPE, and from 80,000 tons/year to 144,000 tons/year for PP. This represents the largest investment program undertaken in the past 18 years.
- At the Aromatics Plant, PX capacity is increased from 100,000 tons/year to 136,000 tons/year, while benzene capacity is increased from 123,000 tons/year to 134,000 tons/year.
- In a transparency survey conducted in 2006 by Standard & Poors and Sabancı University, PETKİM is ranked one of Turkey's "Five Most Transparent Organizations".
- Following investments totaling USD 90 million, a 57 MW Gas Turbine goes into operation at the Steam Production and Electric Power Generation Units in 2007. The steam boilers are also converted to be able to operate on both fuel-oil and natural gas, providing not only fuel flexibility but also making PETKİM's operations more environmentally friendly.
- In March 2007, PETKİM's Solid-Liquid Waste Incineration Unit begins accepting waste from third party companies for incineration.
- In 2007, a co-extruder unit producing FFS roll film goes into operation at the Bag Production Unit, and the use of FFS bags for all solid products is gradually phased-in to replaced the older, less efficient bags.
- A privatization tender for the state-owned shares of PETKİM, equivalent to a 51% stake in the Company, using the block sale method was announced. The tender, which is open to the public, takes place on July 5, 2007, and the sale of the shares to the second highest bidder, the SOCAR & TURCAS Consortium, is approved by decision number 2007/63 of the Privatization High Council on November 22, 2007.

2008–2009,

- The official sale of the state-owned 51% block of shares in PETKİM Petrochemical Holding Inc., to the second highest bidder, the SOCAR & TURCAS Consortium, for USD 2.04 billion is formally completed. The agreement for the transfer of 51% of PETKİM's shares to SOCAR & TURCAS Petrochemical Inc., the company established by the SOCAR & TURCAS Consortium, is signed on May 30, 2008.
- A 1.3 million m^2 parcel of land owned by PETKİM is allocated to the SOCAR & TURCAS Refinery Corporation for the establishment of a raw materials refinery.
- Major improvements in productivity are realized by upgrading technology in order to increase raw materials flexibility. PETKİM begins cracking not only naphtha but also LPG.

- As a part of PETKİM's plans to expand its logistics infrastructure, the Company initiates a feasibility study for an expanded port and begins a detailed terminal planning project.
- As a result of the Integrated Management System Certification Audit carried out by the Turkish Standards Institute, the decision is made to renew PETKİM's ISO 9001 Quality Control Certificate and also to grant the Company ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

2010

- PETKİM voluntarily joined the independent, international "Carbon Disclosure Project"; the Company established and announced its carbon emissions policies according to CDP guidelines.
- On June 23, 2010, SOCAR & TURCAS Refinery Inc. received the license for a 10 million ton capacity refinery at the PETKİM Complex.
- In order to boost the efficiency of port operations, PETLİM Port Operations and Commerce Inc. was established on November 22, 2010.
- Enterprise Resource Planning Project (ERP) is launched on October 1, 2010, and all operational processes began to be monitored through this initiative.
- The first phase of a master plan for the construction of a Value-Site, in collaboration with Jurong International, on the PETKİM Peninsula is completed.
- PETKİM's capital is increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.
- The Energy Market Regulatory Authority (EMRA) approved PETKİM's application for the construction of a wind power plant, by the decision number 2922–16 dated November 15, 2010.

For a sustainable society, a management perspective based on regional and national investment...

VAGİF ALİYEV
Chairman of the Board

ERDAL AKSOY
Vice Chairman of the Board

Distinguished shareholders and business partners,

The year 2010 was a period in which the impact of the 2008 global economic crisis on the petrochemical sector started to diminish; nonetheless, it was a difficult year in terms of recovery under the shadow of the multitude of problems associated with the world economy, booming oil prices and newly installed capacities being two among them. As of end-2010, rising oil prices, on the border of USD 100 per barrel, directly impacted the price of our raw material naphtha. The price of naphtha which rose to USD 850 per ton at the end of 2010, adversely affected the profitability of the worldwide petrochemicals sector, by increasing production costs.

Although 2010 was a year in which raw materials prices were high and uncertainties abounded, PETKİM largely attained its budget targets, achieved the highest volume of production since its establishment, broke production records in seven plants, reached its highest ever capacity utilization rate of 99% and also set an all-time export record. For the year, the Company's production rose by 10% and its turnover by 41% compared to 2009.

In 2010, PETKİM harvested the first fruits of its continuous growth and improvement strategies that the Company has implemented for many years now. The major factors at play in setting the new production record were the draw of the Turkish market and the strength of the domestic currency, as well as improvement in production lines, capacity boosting investments, technological advances and the high level of workforce productivity. In this year, the Company also identified its investment objectives, including projections for 2020. According to forecasts, the period 2011-2015 will be much more favorable for the worldwide petrochemicals sector than the period 2006-2010. At present, PETKİM enjoys one of the highest capacity utilization rates in Europe. Since European companies are losing their ability to compete effectively, PETKİM's future competitors are likely to be Middle

Eastern and Asian firms. One of our most crucial targets is to maintain the sustainability of growth and profitability in the coming years and break further records in production.

In parallel to these objectives, PETKİM will engage in a number of soon to be launched, high priority investments corresponding to its core operational areas, including a 13% capacity increase at the ethylene plant, a 20% capacity increase at the LDPE-T plant, a 44% capacity increase at the PA plant, a nearly 50% capacity increase at the PTA plant and the establishment of new PET, Ethoxylate and BDX plants whose feasibility studies are currently under way. We believe that all of these measures will contribute immensely to the profitability of PETKİM in the following years. Furthermore, losses from previous years appearing on our balance sheet will be totally eradicated as of 2011, thus allowing the Company to start distributing regular dividends to shareholders.

PETKİM continues to be a unique integrated producer in the Turkish petrochemicals sector and its products conform to world standards. With the purchase of PETKİM's majority shares by the SOCAR & TURCAS Group, a bridge was built to connect the Caspian Sea with the Aegean Sea and new opportunities and collaborations sprung up in both regions. Following privatization in 2008, the vision that we developed for PETKİM includes the implementation of projects creating long-term value. We aim to make PETKİM a regional power in the petrochemicals sector by 2018 and attain a 40% domestic market share through sustainable growth.

As part of the Refinery-Petrochemicals-Energy-Logistics Integration initiative, by 2023 the PETKİM Peninsula, one of the most important production bases in Turkey, will feature an oil refinery to safeguard raw materials security, 6 million tons of petrochemicals production, a container terminal with a capacity of nearly 1 million TEU, a port and logistics areas, a reliable level of energy generation and a cluster model featuring investments using domestic and foreign capital; as a result, PETKİM will become one of the most prominent production centers across Europe. We believe that these projects will allow the Turkish chemical and petrochemical sectors to rise to the next level in the global league.

At the initial stage of the PETKİM Value-Site Project, important steps were taken in 2010 for the establishment of the raw materials refinery in order to realize Refinery-Petrochemicals integration. On July 2010, the Energy Market Regulatory Authority (EMRA) granted our sister company, SOCAR & TURCAS Refinery Inc., a Refinery and Storage License, the most important aspect of the Refinery Project, which will completely alleviate PETKİM's high foreign dependency in the supply of its raw materials. The concept design, feasibility studies, technology and licensor choices, and basic engineering studies are complete for the SOCAR & TURCAS Aegean Refinery (STAR) Project, and a consultancy firm was designated to secure its financing. In 2011, following the selection of the main contractor firms and the provision of its financing, we intend to start the construction of the infrastructure. The construction of the refinery will fully take off in 2012 and production is planned to commence operations in 2014. The SOCAR & TURCAS Aegean Refinery will annually produce 10 million tons of products such as naphtha, jet fuel, (ultra low sulfur) diesel, LPG, petroleum coke and mixed xylenes, of which Turkey is currently a net importer; as a result, this refinery will contribute millions of dollars in reducing the Turkish current account deficit and will constitute one of the largest localization projects ever in a single site. With the launch of the refinery, other investments in the PETKİM Value-Site will also speed up. Thanks to this investment, PETKİM will guarantee raw materials security and eliminate high annual costs related to naphtha import, in terms of transport, storage and working capital. After the refinery begins operations, PETKİM will not only boost its petrochemical investments with the utmost confidence, but will also mobilize its available infrastructure, land, port, utilities as well as workforce and know-how for the refinery and generate significant additional income.

In 2010, a subsidiary company, PETLİM Port Operations and Commerce Inc. was established to ensure that the port, which currently engages only in the handling of dry and liquid cargo, can make maximum use of PETKİM's logistics support areas and participate in a new container terminal investment; consequently, the facility will become one of the most prominent ports in Turkey. In addition, PETKİM plans to host a new tank farm investment with a capacity of 1 million tons, to store different petroleum derivatives transported from countries on the Black Sea or the Mediterranean via small and medium-sized ships. PETKİM's port and tank farm projects under development will fill a significant gap in the Aegean Region and also generate additional revenue and added value for the Company.

In order to satisfy its growing energy needs and harness the high quality wind present on the peninsula, the Company obtained an autoproducer license for a 25 MW capacity wind power plant from the EMRA. The objective is to launch this energy plant based on a renewable energy source latest by year-end 2012.

In 2011, we shall continue to make vital investments towards sustainable profitability and implement our strategies at a fast pace.

Finally, we would like to express our gratitude to all those who have provided us with the greatest support on this journey, namely our dedicated employees, suppliers, customers, business partners, as well as shareholders and stakeholders, who have never denied us their full confidence.

Best regards,

BOARD OF DIRECTORS

VAGIF ALİYEV
CHAIRMAN OF THE BOARD

Born in 1959, Vagif ALİYEV graduated from the Azerbaijan Civil Engineering Institute's Hydraulic Engineering program in 1981. ALİYEV began his career at the Caspian Sea Oil & Gas Production Union's Azer Sea Oil Construction Trust, successfully moving up the ranks from engineer to senior engineer and then section manager. Since 2005, ALİYEV has been Head of Investments at the State Oil Company of Azerbaijan Republic (SOCAR) and since 2008 a member of the Board of Directors at PETKİM Petrochemicals Holding Inc. In October 2009, ALİYEV was named Chairman of the Board of Directors at PETKİM.

ERDAL AKSOY
VICE CHAIRMAN OF THE BOARD

Born in Trabzon in 1943, Erdal AKSOY is an electrical engineer with an advanced degree in business administration. AKSOY has had a varied and successful professional career and currently carries out a range of duties including: Chairman of the Board (since 1996), Executive Director and Business Development Committee Member at TURCAS Petrol A.Ş. and its subsidiaries; Founder and Chairman of the Board of AKSOY Holding A.Ş, Enak Construction and Trade Inc. and Conrad Istanbul Hotel (Yeditepe Beynelmilel Otelcilik A.Ş.); Board Member at SHELL & TURCAS Petrol A.Ş.; Vice Chairman of the Board at SOCAR & TURCAS Energy Inc., SOCAR & TURCAS Petrochemical Inc., SOCAR & TURCAS Refinery Inc., PETKİM Petrochemicals Holding Inc., RWE & TURCAS South Power Generation, RWE & TURCAS North Power Generation; Member of the Turkish Industrialists' and Businessmen's Association (TÜSİAD); and Member of the High Advisory Board of the Turkish Economic and Social Studies Foundation (TESEV). AKSOY speaks English. He is married and has two children.

OSMAN İLTER
MEMBER OF THE BOARD

Born in Milas in 1965, Osman İLTER graduated from the Gazi University Faculty of Economics and Administrative Sciences in 1989. Having begun his career in 1992 as Chairman of the Board at Köy Tarım Makineleri A.Ş., İLTER has held the position of Vice President of the Republic of Turkey's Privatization Administration since 2003. In 2004, İLTER was appointed Chairman of the Board of PETKİM, and since 2008, he has been a Member of the Board of Directors. İLTER speaks English. He is married and has two children.

BATU AKSOY
MEMBER OF THE BOARD

Born in Istanbul in 1977, Batu AKSOY graduated from Johns Hopkins University, Faculty of Electrical and Computer Engineering in 1998. AKSOY is a Board Member and the Chief Executive Officer of TURCAS Petrol A.Ş. He is also the Founder and Member of the Boards of Directors of AKSOY Holding, Enak Construction and Foreign Trade, TURCAS Petroleum, SOCAR & TURCAS Energy, SOCAR & TURCAS Petrochemicals, SOCAR & TURCAS Refinery, PETKİM Petrochemicals Holding, PETROKİM International Trading, TURCAS Energy Holding, TURCAS Electricity Generation, TURCAS Electricity Wholesale, TURCAS Gas, TURCAS Wind, RWE & TURCAS South Electricity Generation, and RWE & TURCAS North Electricity Generation.

AKSOY is a Member of the Board of the Petroleum Platform Association (PETFORM), which he presided over in 2006-2008; he is also a member of the Energy Working Group of the Turkish Industrialists' and Businessmen's Association (TÜSİAD) and the Young Presidents Organization (YPO). AKSOY speaks English.

DAVID MAMMADOV
MEMBER OF THE BOARD

Born in 1955, David MAMMADOV graduated in 1980 with a degree in Chemical Engineering from the M. Azizbeyov Petroleum and Chemicals Institute in Azerbaijan. MAMMADOV began his career in 1976 as an Operator at the Baku Oil Refinery. Since 2005, he has been Vice President in charge of refineries at the State Oil Company of Azerbaijan Republic (SOCAR). Since 2008, MAMMADOV has served as a Member of the Board of Directors at PETKİM.

FARRUKH GASSIMOV
MEMBER OF THE BOARD

Born in 1959 in Baku, Farrukh GASSIMOV graduated with a law degree from Baku State University in 1981 and received a doctorate from the Moscow Public Studies and Law Institute in 1985. From 1985 to 1991, he served as a Lecturer and Associate Professor at the Baku Public Administration and Politics University. Since 2006, he has been Deputy Head of the Legal Department at SOCAR and since 2009, a Member of the Board of PETKİM.

KENAN YAVUZ
MEMBER OF THE BOARD

Born in 1959 in Bayburt, Kenan YAVUZ graduated from the Management Department of the Ankara Academy of Commercial and Economic Sciences in 1981. In 1984, he received an MBA degree from the Istanbul University, Institute of Management Economics. YAVUZ started his professional career at MAKO Electrical Industry and Trade Inc., a joint venture of Koç Holding and Magneti Marelli, where he held various managerial positions in sales, purchasing, planning, finance and marketing. In 2000, YAVUZ completed an advanced degree at Yeditepe University, Institute of Social Sciences. From 2003 to 2004, he served as a Member of the Audit Committee at the recently privatized Bursa Natural Gas Distribution Inc. (Bursagaz). In March 2004, YAVUZ was appointed to the Board of Directors of PETKİM, and in May 2004, he was named General Manager. YAVUZ was the General Manager and Member of the Board of Directors at PETKİM Petrochemicals Inc. until May 2008, and served as General Manager of PETKİM from May 2008 – November 2009. In October 2009, he was again appointed to the Board PETKİM. In November 2009, he was appointed CEO of SOCAR & TURCAS Energy Group Inc. YAVUZ has been working as president of SOCAR & TURCAS Group Companies since September 2010.

YAVUZ is also a Board Member of the Aegean Region Chamber of Industry, International Competitiveness Research Institute and Association of Energy Productivity. He speaks English. He is married and has two children.

AUDIT COMMITTEE

NURETTİN DEMİRCAN
AUDIT COMMITTEE MEMBER

Born in 1955 in Karamürsel, Nurettin DEMİRCAN graduated from Marmara University's Faculty of Management. With 34 years of professional experience, DEMİRCAN is Accounting Director at TURCAS Petrol A.Ş. and Member of the PETKİM Audit Committee.

CEMAL YUSUF ATA
AUDIT COMMITTEE MEMBER

Born in 1960 in Kastamonu, Cemal Yusuf ATA graduated from the Management Faculty of Anatolian University. He is the Director of the Department of Shareholder Relations at TURCAS Petrol A.Ş. and a Member of the Audit Committee at PETKİM.

FERRUH MURAT BENZER
AUDIT COMMITTEE MEMBER

Born in 1970 in Sungurlu, Ferruh Murat BENZER graduated from the Geodesy and Photogrammetry Department of Yıldız University. BENZER has been a specialist at the Privatization Administration since 2003 and is a Member of the Audit Committee at PETKİM.

Exporting at competitive prices with a very large product range over a long period of time, PETKİM **shipped USD 531 million of its products to over 60 countries in 2010.**


All-time export record with USD 531million.

For sustainable growth, past achievements inspire further success ...

MEHMET HAYATİ ÖZTÜRK
General Manager

Distinguished shareholders and business partners,

With sustainable growth as one of the most crucial components of its competitive power, PETKİM is proud to have had a successful year in line with the vision developed and the synergy created by the SOCAR & TURCAS partnership.

Achieving a capacity utilization rate of 99% in 2010, PETKİM broke the previous production, sales and export records of its 45-year long history. In 2010, the Company's total production rose by 10% and total sales by 40% with respect to the previous year. PETKİM's turnover reached TL 2,909 billion with a profit of TL 130 billion.

As a supplier of raw materials for a number of sectors including electronics, construction and automotive, the Company, thanks to its strong performance during the crisis, played a key role in helping the Turkish economy to recover with relatively limited damage. In the post-crisis growth period as well, PETKİM played a key role by maximizing production in line with its strategy of meeting the demands of its loyal customers and becoming more active in product imports.

The world petrochemical sector started the year 2010 with a more consolidated position than the year prior. The first signs of exit from the crisis appeared in the second half of 2009, and resulted in positive growth for emerging economies first, and then for the more developed economies. Economic growth continued into 2010.

The newly extended capacity of 4 million tons of ethylene generated an expectation of contraction in the market at first because of the over supply, but then the subsequent demand kept the market buoyant. Global demand for ethylene increased by 4% to 115 million tons in 2010. The industry's capacity utilization rate, which fell to about 60% during the global downturn, has climbed back to 80% in the following periods.

By the end of 2010, oil prices hovered around USD 100 per barrel, and exerted pressure on production costs. Soaring oil prices were directly reflected in naphtha prices, which reached USD 850 per ton towards the end of 2010, and pushed up production costs and lowered profits. In EU countries, reduced spending and new taxes by governments had an adverse impact on customer confidence. Despite the weakening of the Euro creating a competitive advantage for European exporters, their export volumes nevertheless contracted rapidly.

In 2010, the Turkish market also witnessed similar developments. Demand remained high throughout the year. In 2010, Turkish demand for thermoplastics increased by 13% from the previous year. The buoyancy of the Turkish market will be an important driving force allowing PETKİM to realize its future projections.

In this respect, the Company's growth strategies focus on vertical integration in Refinery-Petrochemicals-Energy-Logistics and the production of new high value-added goods. PETKİM aims to grow with a cluster model; with the help of domestic and foreign investors, the Company is transforming the PETKİM Peninsula into a Chemical Industry Park. For this purpose, efforts began in 2010 to enable PETKİM to make optimal use of its land and infrastructure, and lay the groundwork for a master plan of the Refinery-Petrochemicals-Energy-Logistics value chain. As part of the project, a consultancy agreement was signed with Jurong International, founder of the chemical industry park in Singapore's Jurong Island, which currently implements chemical park field plans in over 40 countries. The first phase of the Chemical Industry Park initiative was completed in 2010.

The petrochemical refinery investment undertaken by SOCAR & TURCAS Refineries Inc. on the premises of PETKİM launched in 2010 after obtaining the necessary license; accordingly, PETKİM geared up its investments to boost capacity and expand its product range. High priority work is currently underway to alleviate bottlenecking in the Ethylene, LDPE-T, and PA plants. In parallel with our investment plans, the Company's primary objective is to boost its competitiveness by upgrading technology and to maintain sustainable growth.

In 2010, the Company placed great emphasis on R&D activities, and continued to develop new products and processes by collaborating with universities and industrial corporations.

PETKİM makes investments in line with its strategic objectives and pays utmost attention to those investments designated "necessity" and "priority." With approximately USD 100 million in investments planned for 2011, the Company targets to maximize the capacity of the plants, upgrade technology, diversify energy resources with efficiency boosting investments, and reduce the weight of energy expenses in overall production costs.

The Energy Market Regulatory Authority approved PETKİM's license application for a Wind Power Plant with a 25 MW capacity, to meet the additional energy demand resulting from the capacity increases; the Company received an autoproducer License during the year. PETKİM plans to initiate this investment in 2011.

On November 2010, PETLİM Port Operations and Commerce Inc. was established to ensure the development of the Company's ports, their better management, and the pursuit of income generating activities in a more efficient manner. The Company is currently introducing the PETKİM port to potential investors and exploring possible strategic partnership opportunities.

Aiming to become a global player, PETKİM is dedicated to implementing an environmental sustainability approach. This approach gained fresh momentum when the Company decided to join the Carbon Disclosure Project in 2010 on a voluntary basis.

Committed to the belief that the success of an organization can only be guaranteed by highly qualified personnel, the Company completed the third session of the PETKİM Employment Guaranteed Workforce Training which was initiated in 2008. With the addition of the successful graduates of this program to PETKİM's workforce as technicians in 2011, a total number of 650 qualified technical employees commenced their careers at PETKİM in the last three years.

The Board of Directors is extremely sensitive towards practices necessitated by Good Governance and makes sure that Corporate Governance Principles are internalized and fully implemented. Making the utmost effort to comply with the Corporate Governance Principles issued by the CMB, PETKİM saw its corporate governance rating assessed by the Kobirate International Credit Rating and Corporate Governance Services Inc. rise to 8.19 in 2010, up from 7.71 in the previous year.

In 2011, the objectives of raising productivity and profitability in all our operational processes shall continue to be a top priority. We aim to achieve a level of performance that will meet the expectations of all stakeholders.

I would like to express my gratitude to all of our employees, business partners, shareholders and social stakeholders, for their immense contributions to our robust organizational structure.

Kind regards,


T-2101 B
HAM TA

SENIOR MANAGEMENT

MEHMET HAYATİ ÖZTÜRK
GENERAL MANAGER

Born in 1952 in Keskin, Kırıkkale, M. Hayati ÖZTÜRK graduated from Hacettepe University, Faculty of Chemistry and Chemical Engineering with an advanced degree in chemical engineering in 1976. ÖZTÜRK started at PETKİM in 1977 as a Project Engineer at the PETKİM Complex at Yarımca. Since then he has taken on various roles within the Company in the fields of technical control, research, commercial affairs, finance, investments, projects and planning.

In 2001, ÖZTÜRK was appointed Assistant Manager of Refineries at Tüpraş-Körfez. The same year, he was named Assistant General Manager of PETKİM Holding, and he continued in that position until the end of 2009. With 34 years of experience, ÖZTÜRK was appointed General Manager of PETKİM by Board of Directors decision No: 55/119 on January 8, 2010.

ÖZTÜRK is also a Member of the Board of the Turkish Chemical Industrialists' Association. He speaks English and French. He is married and has two children.

ABDULKADİR TUNCER
ASSISTANT GENERAL MANAGER

Born in Orta, Çankırı in 1951, Abdulkadir TUNCER graduated from Ankara University, Faculty of Chemical Engineering. He has worked in various roles for PETKİM since 1976. TUNCER was promoted to the position of Assistant General Manager for Operations on September 30, 2002 and continues to hold that position. TUNCER, who has 35 years of professional experience, speaks English. He is married and has three children.

ALİ ÖZTÜRK
ASSISTANT GENERAL MANAGER

Born in Çan, Çanakkale in 1951, Ali ÖZTÜRK studied at the Ankara M.R. Uzel Chemical Studies Institute from 1965 to 1968 on a scholarship from PETKİM. He continued his studies in 1976, again on a PETKİM scholarship, at Middle East Technical University in Ankara in 1976 earning a degree in Chemical Engineering. ÖZTÜRK received an MBA from the Ankara Economic and Commercial Studies Academy in 1977.

ÖZTÜRK worked as a technician for a short period at the Yarımca Plant in 1968 before going on leave for undergraduate study; he restarted work at PETKİM as a chemical engineer in 1976. He has been Assistant General Manager (Logistics) since April 2006. He speaks English. He is married and has one child.

HATİCE KAYGIN
ASSISTANT GENERAL MANAGER

Hatice KAYGIN graduated from the Istanbul University Law School in 1981 and served as a judge until 1989. She began working for PETKİM on June 2, 1989 and was a corporate counsel until November 1994. From 1994 to 1998, KAYGIN served as Legal Counselor, and from 1999-2003 as Chief Legal Counselor. Since July 21, 2003, she has been PETKİM's Assistant General Manager (Human Resources). She is married and has two children.

CEMAL ŞAFAK AYIŞIĞI
ASSISTANT GENERAL MANAGER

Born in Istanbul in 1965, C. Şafak AYIŞIĞI graduated from Bosphorus University's Business Faculty in 1989. AYIŞIĞI has 22 years of professional experience, having begun his career with Ernst & Young Turkey as an Auditing Specialist in 1989. After serving in various positions, he became Assistant General Manager for Performance Managing and Budgeting, and Director for the Financial Control and Planning Group at Finansbank from 1997-2008. Since October 2008, AYIŞIĞI has been Finance Director at SOCAR & TURCAS Inc., and since April 2009 Assistant General Manager (Finance) at PETKİM. He speaks English and Italian.

BÜLENT NACİ SUNAY
ASSISTANT GENERAL MANAGER

Born in Ankara in 1954, Bülent Naci SUNAY graduated from Hacettepe University's Management Faculty in 1978. He completed his studies in 1982 at the Embry Riddle Aeronautical University with a Master's degree in Aviation Management. In 1986, SUNAY began work for Texaco Latin America/West Africa as an ERP system analyst. SUNAY filled various marketing and business development positions at Texaco until 2002; when Chevron and Texaco merged, he became Strategic Business Development Manager for Chevron-Texaco Global Trading/FAMM. With 24 years of professional experience, and 18 in the oil and gas sector, SUNAY retired from Chevron-Texaco in 2004 and later continued work at a private oil and gas trading and consultancy firm. In April 2009, he was appointed Assistant General Manager (Sales and Marketing) at PETKİM.

GROWTH PERSPECTIVE

GROWTH BY PROVIDING RAW MATERIALS SUSTAINABILITY

GROWTH BY A FOCUS ON VALUE-ADDED PRODUCTS

GROWTH THROUGH ENVIRONMENTALLY FRIENDLY AND PRODUCTIVITY ENHANCING INVESTMENTS

GROWING WITH THE UPSTREAM INVESTMENT BY SOCAR & TURCAS REFINERIES INC., AND GUARANTEEING PETKİM'S RAW MATERIALS SECURITY.

As an upstream investment to meet PETKİM's raw materials demand, SOCAR & TURCAS Refineries Inc. began construction of a refinery with a 10 million ton crude petroleum processing capacity, on the premises of the Aliağa Complex. An Environmental Impact Assessment report was completed in 2009 and the Refinery License was obtained in 2010. The conceptual and feasibility studies for the project were finished by January 2010. In March 2010, the license agreements were finalized and basic and detailed engineering operations commenced. The refinery project is planned to be operational in the second half of 2014.

EXPANDING THE PRODUCT RANGE, GROWING THROUGH DOWNSTREAM INVESTMENTS TO IMPLEMENT THE CLUSTER MODEL WITH A FOCUS ON HIGH VALUE-ADDED PRODUCTS

In 2010, in order to augment the productivity of the plants and units of the Company, renovation, modernization and technology investments were implemented. To this end, an investment of USD 56 million was realized. Feasibility and engineering initiatives were carried out in order to expand the capacity of the plants and generate new products. Investments were pursued to overcome bottlenecks at the Ethylene, LDPE-T and PA plants.

As part of its R&D activities, the Company continued ongoing research projects that focus on high value-added products. As a result of these initiatives, studies on cross-linked polyethylene (XLPE) for the cable industry and triethylene glycol for various other industries (polyester, solvent, dehydrator for natural gas) were completed. Investment initiatives to produce XLPE have also commenced.

MAINTAINING SUSTAINABILITY THROUGH INVESTMENTS IN THE ENVIRONMENT AND ENERGY EFFICIENCY

In order to upgrade technology and increase productivity in plants, Program Logic Control (PLC) and Distributed Control Systems (DCS) were installed and updated; in addition, Advanced Process Control (APC) project is currently in progress.

Among the energy efficiency and environmental protection projects, the Company carried out in 2010, the Electrolyzer System Rehabilitation Project was initiated at the Chlorine Alkali Plant. The water pre-treatment project for the PTA Plant will make the production process more environmentally friendly and lower the plant's production costs. A furnace rehabilitation project is under way at the Aromatics Plant to reduce both energy consumption per unit and smokestack gas emissions.

Within the framework of PETKİM's environmental policies, a new unit with advanced treatment technology and higher capacity is to be installed at the exit of the waste incinerator unit in order to meet the demands of capacity increases and new investments at the plants. In addition, to meet the cooling water demand of the new refinery at the Aliağa Complex, an investment for the construction of a cooling water tower is planned.

GROWING BY BOOSTING LOGISTICS POWER

GROWING THROUGH THE EXPANSION OF THE PORT TO AUGMENT PETKİM'S LOGISTICS POWER AND FLEXIBILITY.

One of PETKİM's greatest advantages is its logistics capability, including its port and ease of access to the domestic market. Plans were made for the construction of piers, container docks and a terminal at the PETKİM port for the new refinery with 10 million TEU capacity, and a filled up space and a dock for the tank terminal.

The Company was engaged in activities to improve PETKİM's port in order to manage it more economically, undertake revenue generating efforts in a more efficient manner, promote the facility to prospective investors and realize potential strategic partnership opportunities. Negotiations are in process with leading firms in the sector for strategic partnerships, concerning the expansion of the PETKİM's port and its logistics capabilities.

GROWING THROUGH ENERGY INVESTMENTS

GROWING WITH THE ENERGY INVESTMENTS VITAL FOR COST MANAGEMENT, PRODUCTIVITY AND SUSTAINABILITY.

Since PETKİM is one of the leading consumers of energy in Turkey, sustainability of energy resources is as important as its costs. With this in mind, the Company initiated the flexible use of fuel oil/natural gas in 2006 so as to generate energy in a more economic and environmentally friendly manner; with the addition of a new gas turbine, the installed electricity generation capacity was raised to 226 MW.

To lower energy costs, a complex unit energy consumption program was launched at the Work Center System, to ensure the real-time monitoring of per-unit energy consumption. In addition, the Energy Optimization project was initiated in 2010 to improve the efficiency at the Energy Production Plant; the project is scheduled for implementation towards mid-2011.

To demonstrate its commitment to and increase the use of renewable sources of energy, PETKİM made an application to Energy Market Regulatory Authority to establish a Wind Power Plant (RES). EMRA granted the Company an Autoproducer License for the RES Project with its decision number 2922–16 and dated December 15, 2010. Work related to this project is under way.

GROWTH THROUGH PRODUCTIVITY

GROWTH THROUGH PROJECTS THAT INCREASE PRODUCTIVITY TO REACH THE AMBITIOUS TARGETS OF THE YEAR 2018.

In 2009, PETKİM launched important transformation projects in order for the Company to reach its 2018 goals, and quicken decision-making, manage processes and spread a corporate philosophy of continuous productivity increases.

The major initiatives undertaken within this framework were the Enterprise Resource Planning (ERP) and Manufacturing Execution System (MES) projects. In 2010, the first phase of the ERP Project was completed and the second phase is scheduled for completion in 2011. The MES Project, which constitutes the integrated information infrastructure of the ERP System was put into operation in 2009.

PETKİM’s Growth Strategy

PETKİM pursues Refinery-Petrochemicals-Energy-Logistics Integration at full speed.

PETKİM Value-Site 2018

PETKİM TARGETS THE INTEGRATION OF CORE AREAS SUCH AS REFINERY, PETROCHEMICALS, ENERGY AND LOGISTICS IN ALİAĞA AND TO TRANSFORM THE REGION INTO A CHEMICAL PARK THROUGH A CLUSTER MODEL WITH THE HELP OF DOMESTIC AND FOREIGN INVESTORS, AND TO ENABLE FURTHER GROWTH WITH A FOCUS ON NEW, HIGH VALUE-ADDED PRODUCTS.

TO THIS END, THE COMPANY SIGNED A CONSULTANCY AGREEMENT WITH JURONG INTERNATIONAL TO PREPARE A MASTER PLAN FOR THE REFINERY-PETROCHEMICALS-ENERGY-LOGISTICS VALUE CHAIN THAT WILL ENABLE THE OPTIMUM USE OF ITS INFRASTRUCTURE AND LAND ASSETS. THE AFOREMENTIONED FIRM ESTABLISHED A CHEMICAL PARK IN SINGAPORE'S JURONG ISLAND AND HAS UNDERTAKEN THE PLANNING OF CHEMICAL PARKS IN OVER 40 COUNTRIES. THIS PROJECT COMPRISES THE VISION PLAN, GROWTH STRATEGY, LAND USE AND INFRASTRUCTURE PLANNING EFFORTS OF PETKİM. AT PRESENT, THE FIRST PHASE OF THE CHEMICAL PARK IS COMPLETE.

Raising the stakes **by setting new records in production, sales and exports**

In 2010, the year of recovery from the global economic crisis, PETKİM set all-time records in production, sales and exports. The sharp rise in the capacity utilization rates of plants in the Aliağa Production Complex, positive outcomes of wide-ranging productivity increasing initiatives, favorable domestic market conditions, and expansion of the import and export volumes are the main drivers of the Company's remarkable success in 2010.

HIGHEST LEVELS OF PRODUCTION AND TURNOVER IN ITS 45-YEAR HISTORY

In 2010, PETKİM achieved the highest levels of production and turnover in its 45-year history. While the capacity utilization rate of the world petrochemical industry was in the range of 70-80% in 2010, PETKİM attained 99%. For the year, PETKİM's production rose by 10% and its turnover by 41% compared to 2009.

REFINERY LICENSE OBTAINED

In 2010, another important step was taken in the establishment of a refinery with a 10 million ton crude oil processing capacity on the premises of the Aliağa Plant, in order to meet PETKİM's rising raw materials demand. SOCAR & TURCAS Refineries Inc., which will operate the facility, received a Refinery License in 2010, following the approval of the Environmental Impact Assessment Report in the prior year.

INVESTMENT IN WIND POWER PLANT MOVES FORWARD

In line with its environmental sustainability approach, PETKİM aims to make use of renewable wind power by constructing a Wind Power Plant on the grounds of its Aliağa Complex. In 2010 as EMRA granted approval of the Company's plan, work related to the project and engineering phases have started.

FIRST PHASE OF VALUE-SITE COMPLETED

With the purpose of establishing an integrated Chemical Industry Park on the Aliağa Complex in the core operational areas of refinery, petrochemicals, energy and logistics, PETKİM signed a consultancy agreement with Singapore's Jurong International, a firm with unique expertise and know-how in this field. The first phase of the project comprising field and infrastructure planning was completed in 2010.

ACTIVE PARTICIPATION IN THE CARBON DISCLOSURE PROJECT

In 2010, PETKİM joined the Carbon Disclosure Project (CDP), and announced its own policies on carbon emissions and climate change. Among the 50 invited companies traded on the ISE, only 10 responded positively to this important project. PETKİM collaborated with domestic and foreign partners to calculate greenhouse gas emissions, and planned reduction strategies within the framework of the CDP.

ALL-TIME LOWEST FIGURE ON LOST TIME INCIDENT INDEX

As a result of PETKİM's ongoing efforts to improve its Health-Education-Environment performance, the Company's Lost Time Incident Index (LTI) fell from 1.6 to 1.0 during the year.

A SIGNIFICANT AWARD BY SSI

The Social Security Institution (SSI) granted PETKİM the first place award for the protection of its employees' rights and the regular payment of social security contributions.

NEW MEMBERS JOINED THE PETKİM FAMILY

Pursuing employment growth since 2004, PETKİM added 64 white-collar and 197 blue-collar personnel to its ranks in 2010.

Continuously improving its value-added product range and technology infrastructure, PETKİM posted a **record turnover of TL 2.9 billion in 2010.**


All-time record setting turnover of
TL 2.9 billion

PRODUCTION

IN 2010, PETKİM ATTAINED ITS ALL-TIME HIGHEST LEVEL OF PRODUCTION, WITH 3,240,159 TONS OF GROSS OUTPUT AND 1,566,038 TONS OF SALABLE PRODUCTS.

Production record set with a capacity utilization rate of 99%
With its mission of offering high quality products and services exceeding customer expectations, PETKİM achieved its all-time highest level of overall production in 2010, with 3,240,159 tons of gross output and 1,566,038 tons of salable products. The Company, meeting its yearly production program targets, reached a year-end capacity utilization rate of 99% by the factors of high capacity production and staying operational.

High capacity utilization across all units
An examination of the performance of individual units reveals that the Ethylene, Aromatics, Acrylonitrile (ACN), Chlorine Alkali, Polypropylene (PP), Phthalic Anhydride (PA) and Pure Terephthalic Acid (PTA) plants yielded the highest production levels in the history of PETKİM. Capacity utilization was 99% in ethylene, 97% in thermoplastics, 99% in the raw materials of fiber, and 101% in other products. The overall capacity utilization in the complex was 99%.

Energy efficiency investments started to bear fruit
The Company continued its renovation initiatives to increase productivity at plants on the PETKİM Peninsula throughout the year. As a result of the 35 energy efficiency projects completed during the year, the Company saved TL 5.6 million.

Significant drop in workplace accidents
PETKİM's dedicated efforts to improve its Health-Safety-Environment performance continued throughout 2010. Thanks to the Company's work in this area, there was a significant decline in the number of workplace accidents and PETKİM's LTI (Lost Time Incident) Index fell from 1.6 to 1.0.

In addition, the utility needs of the PETKİM's plants were met in an uninterrupted manner through the use of auxiliary facilities.

MARKETING AND SALES

PETKİM BOOSTED ITS PRESENCE IN THE IMPORTED PRODUCTS MARKET IN LINE WITH ITS STRATEGY OF INCREASING MARKET SHARE AND MEETING THE TOTAL DEMAND OF ITS CUSTOMERS

Increased demand for petrochemical raw materials in Asia, Africa and Eastern Europe

In 2010, locations of production facilities in the global petrochemical industry shifted from developed nations to regions rich in raw materials and with high market potential. In this process, a concomitant change occurred in the geographical distribution of the demand for the petrochemical products. While the demand for petrochemical products fell in more economically developed regions, such as Western Europe, the US and Japan, it increased in Asia, Africa and Eastern Europe.

PETKİM restructured its sales, marketing and distribution network

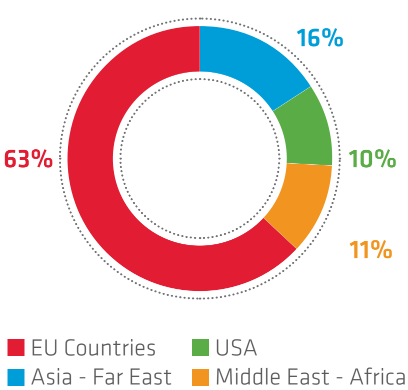
PETKİM restructured its sales, marketing and distribution network in 2010 to better service its clients that the Company sees as business partners. In addition to the Sales and Marketing Directorate in Izmir, an equivalent office was established in Istanbul, a vast market for petrochemical products. In order to fully implement the strategy of getting closer to the market and customers, and to step up distribution and logistics activities, a Sales Logistics Directorate was also established. In Istanbul, sales from the storehouse and warehouse were actively increased to better serve the Marmara Region, where petrochemical products are widely consumed. PETKİM signed agreements with leading logistics firms in Mersin and İskenderun for the use of storehouses and warehouses for sales to the Southeastern Anatolian Region. Work is in progress to expand the distribution network in Anatolia.

New financial instruments developed to meet customer needs

PETKİM boosted its transaction volume by developing new financial instruments in line with the expectations and needs of its business partners. Within this framework, the Finance Loan System was launched as a new lending mechanism. This web based customer information system allows customers to

MARKETING AND SALES

2010 Exports by Region



conduct transactions such as ordering and allocation online. In addition, individual units of the Company inform customers about their strategies and policies at regular on-site visits, regional and sector meetings, as well as at national and international fairs.

PETKİM expanded its imported product range to meet the total demand of its loyal customers

PETKİM stands out in the imported product market with its strategic partnerships with manufacturers in the supply of imported products, its advanced technology infrastructure and superior expertise and know-how. In 2010, the Company expanded its import facilities, which it started with thermoplastics products, by adding new products such as IPA, MEG, CAUSTIC, TOLUENE, MX and Arom Oil to its portfolio in line with its strategy to meet all the demands of its customers. The total volume of imports rose to 100,000 tons, nearly three-fold higher than the level in 2009.

PETKİM initiated a strategy of targeting new export markets during the economic crisis. To this end, the Company increased the number both of products exported, as well as the target countries particularly those in South America. PETKİM's exports in 2010 expanded 53% over the prior year and reached USD 531 million.

Customer satisfaction surveys continued

For 2010, PETKİM planned 302 customer visits in 31 provinces in order to introduce the sector, its products and activities, and to ascertain customer complaints, demands and expectations as a part of its CRM activities. During the year, the Company realized 278 of these visits in 25 provinces, corresponding to 92% fulfillment of the program. In addition, regional meetings allowed the Company to reach out to business partners and inform them about changes in sales policies, PETKİM's future plans and the promotion of products or services.

DOMESTIC AND GLOBAL COOPERATION

Cooperation for the improvement of production processes
Considering cooperation and innovation as core to its corporate principles, PETKİM engages in long-term collaborations with a number of domestic and foreign firms, universities, research institutes and public agencies. Through such collaborations, the Company aims to improve its current products and processes, and develop new products to maintain its competitive advantage. A range of R&D projects were carried out for this purpose in 2010. In addition, discussions are ongoing with the Marmara Research Center of TÜBİTAK (The Scientific and Technological Research Council of Turkey) and universities to make improvements to current production processes in 2011.

Customer-focused quality management
PETKİM places special importance on collaborations in Quality Control and Technical Service, with the awareness that customer satisfaction depends particularly on providing high quality products and meeting their expectations. With the Customer-focused Integrated Management System Policy approach, the Company does its utmost to ensure that customer technical requests are addressed in the shortest possible time, and that training and education programs are offered for the more efficient use of products. Due to increasing concerns about quality, competition, environmental awareness and compliance with international legislation, incoming and met customer demands increased in 2010.

A robust bridge between Azerbaijan and Turkey
After the acquisition of AzerKimya by SOCAR, a number of technical and commercial collaborations were established between PETKİM and AzerKimya. PETKİM's technical teams visited Azerbaijan and shared their experience with AzerKimya employees. In addition, there were further instances of cooperation to ensure that AzerKimya products can be marketed in Turkey and PETKİM products in Azerbaijan.

Traffic increased in PETKİM Port
In 2004, PETKİM opened its port to third parties in order to meet the demands of the region's industrial companies. In the Aegean Region, the port is used by industries particularly from Uşak, Denizli, Manisa, Izmir and their surrounding districts. The number of third party ships utilizing the port jumped from 18 in 2004 to 307 in 2010. Dry and liquid cargo, as well as ro-ro, container and project freight are loaded and unloaded at the port, where 982,652 tons of third party freight was handled in 2010.

As part of PETKİM's growth plans, work is under way for the expansion of the port. In 2010, the port's storage capacity was increased and 65,000 m^2 of temporary storage and warehouse space was rehabilitated.

HUMAN RESOURCES

PETKİM HAS ACTIVELY CULTIVATED A CORPORATE CULTURE AMONG ITS EMPLOYEES THAT ALLOWS FOR A BALANCED APPROACH TO ORGANIZATIONAL AND INDIVIDUAL OBJECTIVES. AS A RESULT, THE COMPANY HAS TURNED HUMAN RESOURCES INTO ONE OF ITS MOST IMPORTANT ASSETS.

In order to realize its mission, achieve its vision and remain strong despite an increasingly difficult and ever changing competitive environment, PETKİM adopted the "continuous development, continuous improvement" principle; this approach has helped the Company make significant headway in human resources strategies and workforce productivity. For more than 45 years, PETKİM has functioned much like an educational institution to improve its workforce at every level. The end result is that the Company now has even greater potential thanks to its well-skilled, professional and loyal personnel.

The third session of the "PETKİM Employment Guaranteed Workforce Training" program was held in 2010. In 2004, PETKİM decided to start an employment campaign to meet stakeholder expectations, satisfy employees and gather everyone around a common denominator. The campaign continues today with great success. The third year of the "PETKİM Employment Guaranteed Workforce Training" was developed for graduates of vocational high schools, vocational colleges and technical education faculties. In 2011, 650 successful technical graduates will be employed by PETKİM through this program. In addition, according to the Company's white-collar employment policy, 64 white-collar employees started work at PETKİM in 2010.

Career Development Program
In 2009, PETKİM initiated the "360 Degrees Skills Based Performance Evaluation" program to assist employees in their career development plans. In 2010, the Company implemented the program for all white-collar personnel and career development plans will be completed for them.

Employee Satisfaction Survey
To regularly monitor employee satisfaction levels at PETKİM, an "Employee Satisfaction Survey" has been conducted each year since 2006. The survey helped the Company to identify areas for improvement based on feedback received from personnel.

PETKİM Suggestion System
The PETKİM Suggestion System continues to be a successful tool to allow the Company to benefit from the creative and innovative ideas of its employees, to increase their contributions to corporate activities and to implement their suggestions in the best way. To date, out of a total 1,933 feasible employee suggestions, 1,242 have been implemented.

A significant award from the Social Security Institution (SSI)
The Social Security Institution (SSI) awarded PETKİM with the first place prize for protecting employee rights with the regular payment of social security contributions in 2010.

Continuous training, continuous development
In line with its "Augmentation of Internal Communications and Employee Participation" strategy, the Company accumulated its 45 years of corporate know-how in the PETKİM Information Center, which opened its doors in its new location in 2010. The Center aims to supplement employee training opportunities and further support their continuous development. In addition, the Company launched an e-library system through its intranet which allows employees to access a variety of resources in the Electronic Information Pool.

Internal communications expanded with TV and newspaper
In 2010, PETKİM launched internal TV broadcasts and a newspaper, "PETKİM Ailem" (My PETKİM Family), to expand its internal communication channels. Additionally, the "PETKİM Yaşam" (PETKİM Life) magazine continues to be published as a reflection of the Company's view on the outside world.

THE ENVIRONMENT

AS IT ADVANCES TOWARD ITS GOAL OF BECOMING A REGIONAL POWERHOUSE, PETKİM CONDUCTS ALL ITS ACTIVITIES WHILE SIMULTANEOUSLY DOING ITS PART TO ENSURE ENVIRONMENTAL SUSTAINABILITY.

The protection and development of its environmental values across diverse areas form the basis of the sustainable development philosophy that guides all of PETKİM's activities. The Company's participation in the Carbon Disclosure Project (CDP), in accordance with this philosophy, has been one of its most significant steps in promoting environmental sustainability; as such, PETKİM has become one of the leading Turkish companies in the battle against climate change. Despite the absence of any such legal obligation in Turkey, PETKİM considers greenhouse gas emissions as a risk factor. Accordingly, the Company implements energy efficiency projects to reduce emissions, searches for alternative or renewable energy resources, and strives to decrease energy consumption per unit of production. In addition, PETKİM sets carbon dioxide emission reduction targets, undertakes life cycle analyses for its products, and works on green branding options, in a deliberate and committed manner.

For all its investments, PETKİM assesses the environmental impact at the planning stage and issues EIA reports. Regarding the Company's 2010 investments, the "Dock and Jetty Capacity Increase" project received a favorable EIA result; EIA reports for the investment projects "PA Plant Capacity Increase" and "Aromatics Plant Equipment Renewal and Modernization" were presented to the Ministry of the Environment and Forestry; and the EIA process for a total of 16 integrated projects was initiated. During the period, no legal actions relating to its environmental performance were filed against PETKİM.

Environmental sustainability at the core of PETKİM's operations

Confidently advancing towards its strategic goal of becoming a global player, PETKİM considers environmental sustainability to be a cornerstone of its efforts to realize its objectives. This approach gained momentum when the Company was granted the ISO 14001 Environmental Management System certificate. PETKİM also implemented numerous environmental sustainability initiatives which include the continuous tracking of environmental dimension analyses, updating the environmental legislation and monitoring of

compliance to the legislation, efficient waste management, continuous monitoring of emissions, calculation and reduction of greenhouse gas emissions, augmentation of energy efficiency, controlling marine pollution, efficient and productive operation of the waste water treatment facility and the hazardous waste incinerator unit, promotion of an environmental culture within the Company, and monitoring of the environmental performance of the Company/employees.

Active participation in the Carbon Disclosure Project (CDP)
The calculation and management of greenhouse gas emissions are key components of PETKİM's environmental sustainability policies. Accordingly, the Company voluntarily decided to participate in the Carbon Disclosure Project which encourages companies to announce the levels of greenhouse gas emissions and develop policies to combat climate change. Fifty companies trading on the ISE were invited to join the CDP but only 10, including PETKİM, chose to participate. After joining the Project, the Company calculated its greenhouse gas emissions and developed reduction strategies; for this purpose, PETKİM entered into collaboration agreements with domestic and foreign partners. The calculation of total greenhouse gas emissions of PETKİM's 2010 operations was based on the Greenhouse Gas (GHG) Protocol, Intergovernmental Panel on Climate Change's (IPCC) Scope I and Scope II and the "Our Impact" program.

Creating awareness for the reduction of carbon dioxide emissions
PETKİM employees are increasingly aware of the economic and environmental benefits of the reduction of carbon dioxide emissions at the Company's plants. With the purpose of lowering carbon dioxide emissions, PETKİM implements energy efficiency projects across the organization, makes use of alternative and renewable energy resources, and reduces per unit energy consumption. In addition, the Company plans to conduct life cycle analyses and introduce green branding for PETKİM products.

Calculation of greenhouse gas emissions
Another area in which the Company makes progress in its environmental responsibility is the calculation of greenhouse gas emissions. PETKİM's studies on the calculation and management of greenhouse gas emissions was presented as an exemplary case study to the participants of the United Nations Climate Change Summit (COP16) held in Cancun, Mexico, in December 2010.

Environment and Integrated Management System
Environmental management at PETKİM functions under an Integrated Management System that comprises the ISO 9001 Quality Management System, OHSAS 18001 Occupational Health and Safety Management System, and ISO 14001 Environmental Management System. Under the Integrated Management System, Risk Assessment Charts are used to evaluate environmental dimensions of all possible hazards in work areas. The Company then develops plans and implements precautions to prevent against the hazards identified. In addition, Risk Assessment Charts generated under the Integrated Management System are constantly updated by a designated team.

INTEGRATED MANAGEMENT SYSTEM AND PETKİM'S JOURNEY TO EXCELLENCE

MAKING PROGRESS AT FULL SPEED IN ITS JOURNEY TO EXCELLENCE, PETKİM COOPERATES WITH EXPERT CONSULTANTS TO UPGRADE ITS MANAGEMENT APPROACH ACCORDING TO THE EFQM EXCELLENCE MODEL UPDATED IN 2010.

Integrated Management System Policy
Due to its Integrated Management System created in terms of its vision, mission, principles and values, PETKİM strives to make progress and gain the trust of all its stakeholders as well as to contribute to sustainable development while in compliance with legal and regulatory requirements.

For this purpose, the Company is committed to:

- Devising systems to safeguard occupational health and safety, and to avoid workplace accidents in its operations,
- Respecting humankind and its environs through a focus on the protection of the environment,
- Reducing waste, increasing recycling, and making productive use of natural resources and efficient use of energy,
- Increasing collaborations with neighboring facilities, the relevant authorities and local government on the issues of Health-Safety-Environment,
- Becoming customer-focused and meeting customer expectations in a sustainable way,
- Closely monitoring technological advances and undertaking design and development efforts for products/processes,
- Creating the necessary structures to intervene in emergencies,
- Being transparent towards its stakeholders in its operations,
- Raising awareness among its employees and
- Implementing and continuously enhancing ISO 9001, ISO 14001 and TS 18001 standards.

PETKİM's journey to excellence continues
While making rapid progress on its journey towards excellence, PETKİM continues to collaborate with expert consultants to upgrade its management approach along the lines of the 2010 EFQM Excellence Model. The Company focused on management approaches falling under the two most important criteria of the model, Strategic Planning and Process Management, and updates are under way. In order to monitor activities identified in the Strategic Plan, prepared in four-year terms, performance criteria will be integrated with their associated processes.
A Current Situational Analysis is under way so as to provide input to the Strategic Planning Studies. This analysis comprises feedback from stakeholders; current and future market analysis; competitor and competition analysis; Social, Economic, Political and Technological analysis; assessment of collaborations; analysis of comparative and educational information; performance criteria analysis; and internal and external audit analyses. At PETKİM, Self-Assessment Studies are conducted each year according to the EFQM Excellence Model and the results provide another input for Strategic Planning.

Izmir branch of KalDer, the Turkish Quality Association, awarded PETKİM the "Grand Prize" and the "Achievement Prize" under the "Successful Team of the Year Awards" category, at its annual Search for Excellence Symposium.

CORPORATE SOCIAL RESPONSIBILITY

IN 2010, THE IZMIR ASSOCIATION OF INDUSTRIALISTS AND BUSINESSMEN (İZSİAD) PRESENTED PETKİM WITH THE "CONTRIBUTION TO IZMIR" PRIZE WHICH IS CONSIDERED TO BE THE MOST PRESTIGIOUS AWARD IN THE CITY.

Full support to education

Because they are the key to our future, PETKİM has constructed a number of facilities in Aliağa and the neighboring region to serve children. The Company built PETKİM Elementary School, Gazi Elementary School, TED College, Aliağa Petrokimya Elementary School and Latife Hanım Elementary School in Aliağa and nearby districts; plans for the construction of Haydar Aliyev Technical and Industrial Vocational High School in Aliağa center are currently under way.

Close contact and cooperation with foundations

Under the university-industry cooperation program, PETKİM provides materials, equipment and technical supplies to universities, scientific institutes and vocational high schools. In various faculties, PETKİM experts share their experience and expertise with students. In addition, students from vocational high schools and universities are given the chance to undertake internships at PETKİM.

PETKİM continues to support sector bodies and university students

PETKİM grants its full support to symposia held by universities. In 2010, the Company sponsored numerous events such as the 1st National Chemistry Student Platform organized by EgeChe Community for Academic and Sector Gatherings; Polymer Composites Symposium held by the Chamber of Chemical Engineers; Sector Self-Assessment Summit by Association of Plastic Industrialists (PAGDER); the 7th Education, Science, Culture, Arts and Technology Festival by Izmir National Education Directorate; Hacettepe University's 4th Chemical Engineering Process Design Competition; and "What to Produce" events and project competition organized by Izmir High Technology Institute's Chemical Engineering Department. PETKİM managers have also had the chance to share their experience and expertise with students and other participants.

CORPORATE SOCIAL RESPONSIBILITY

PETKİM helps Haydar Aliyev Friendship and Remembrance Forest to flourish
In June 2009, a forest fire in Yeni Foça devastated some 200 hectares of land. In cooperation with the Aegean Forest Foundation, PETKİM planted 11,000 saplings in this area and later decided to turn this one-off event into an ongoing activity. The forest also became a symbol of the friendship between Turkey and Azerbaijan. Many other regional industrial companies, inspired by PETKİM's initiative, collaborated with the Aegean Forest Foundation to undertake similar projects. In addition, the Company regularly plants trees on the premises of the Aliağa Complex and around company housing; special importance is placed to foster a love for trees among the children of employees.

PETKİM declares 2011 a "Smoke-Free Year"
Making yet another corporate breakthrough in Turkey, PETKİM launched the most extensive stop smoking campaign in the private sector. With the objective of total smoking cessation among employees, the Company will cover one-third of the related medical expenses of personnel who are willing to quit this habit. As a result of this campaign, many employee smokers requested cessation therapy.

PETKİM receives "Contribution to Izmir" prize in 2010
In 2010, the Izmir Association of Industrialists and Businessmen (İZSİAD) presented PETKİM with the "Contribution to Izmir" prize, considered to be the most prestigious awards in the city. The awards committee stated that the prize was given to PETKİM since it houses Turkey's most important "localization project", namely, the SOCAR & TURCAS Aegean Refinery and the Company continues to expand employment and production in the face of the global economic crises.

Aliağa PETKİM, the Province's Pride in Basketball
Sponsored by PETKİM, the Aliağa PETKİM Basketball Team has become an indispensable part of the social life of Aliağa residents. Through its successful performance in the Beko Primary Basketball League, the Team serves as a positive role model for young people and helps to engage youth in sports activities.

LÖSEV Building donated by PETKİM
PETKİM has provided the Turkish Pediatric Leukemia Foundation (LÖSEV) with a seven-story, 12-office building rent-free and with a 20 year lease; in doing so, the Company plays a major role in making the lives of children with leukemia easier.

Joint Project with Ege TV
PETKİM is the primary sponsor of a program called "Real Economy," which airs each Friday night at 8:30 p.m. on Ege TV, the largest regional television channel in Turkey. In the program, which is produced and presented by Serkan Aksüyek, PETKİM's Corporate Communication Director, challenges facing the Turkish real economy are discussed along with expectations and possible solutions. Broadcast during prime time, the program is closely followed by the business community in the Aegean Region.

Open Door Days
In 2010, PETKİM took a great step forward as part of its social responsibility initiatives and opened its doors to local residents. In the scope of this program, students and parents from schools in the district were invited to PETKİM, and given information about the plants and premises by expert personnel. Launched in November 2010 and to continue through 2011, "Open Door Days" will increase the awareness about PETKİM among the local community.

INVESTOR RELATIONS

PETKİM'S INVESTOR RELATIONS UNIT SHARES INFORMATION, EXCLUDING COMMERCIAL SECRETS, IN A TRANSPARENT, CONSISTENT AND EASILY ACCESSIBLE MANNER WITH THE PUBLIC AND COMPANY STAKEHOLDERS, IN ACCORDANCE WITH CMB'S CORPORATE GOVERNANCE PRINCIPLES.

At PETKİM, relations with shareholders are managed by the Investor Relations Unit, which is part of the Finance Department. The unit shares information, (except for confidential information and commercial secrets), in a transparent, consistent and easily accessible manner with the public and Company stakeholders, in accordance with CMB's Corporate Governance Principles.

The unit also has the following duties:

Monitoring all issues related to legislation and public disclosure, including the Company's information policy, and providing information to the public when deemed necessary,

Ensuring the maintenance of records regarding the shareholders in a sound, secure and updated manner,

Conducting transactions regarding share certificates,

Responding to requests from shareholders, potential investors and analysts for written and oral information (except for information deemed a commercial secret),

Updating the Investor Relations web site,

Ensuring that the General Assembly Meeting is in compliance with current legislation and regulations, and the Articles of Association of the Company,

Preparing the documents related to the General Assembly Meeting in communication with the other relevant units of the Company, and presenting these documents to the shareholders,

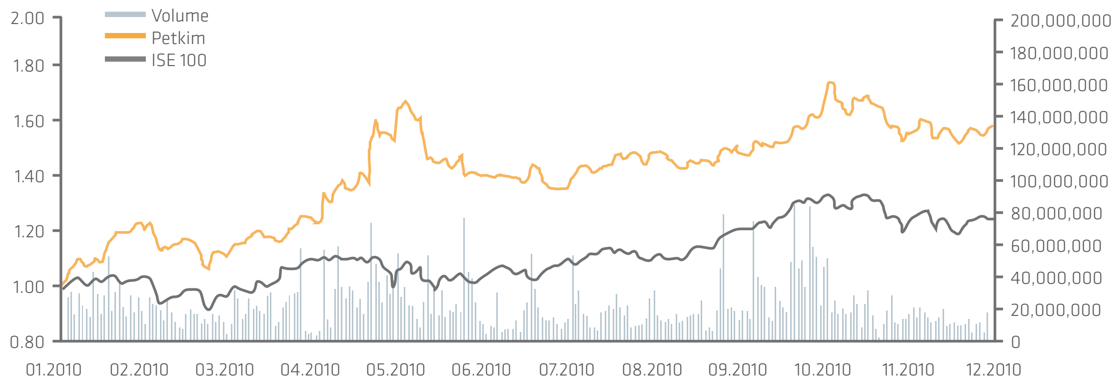
Ensuring that results of the General Assembly Meeting are sent to shareholders and that all measures are taken to guarantee investor satisfaction.

In 2010, the PETKİM Investor Relations Unit had one-to-one meetings with 80 domestic and international investment firms and fund managers.

PETKİM's 2010 Istanbul Stock Exchange (ISE) Performance

The shares of PETKİM Petrochemicals Holding Inc. are traded on the Istanbul Stock Exchange under the symbol, "PETKM".

Reuters Code: PETKM.IS
Bloomberg Code: PETKM.IT
IPO Date: June 19, 1990
Paid-up Capital: TL 1,000,000,000
International Ownership: 18%



PROFIT DISTRIBUTION POLICY

According to the decision of Board of Directors dated December 12, 2010 and numbered 57/123, the determination of Profit Distribution Policy in 2010 and in the forthcoming years is as follows;

According to the Articles numbered 37, 38 and 39 in the Articles of Association of the Company namely, "Determination of Profit", "Reserve Funds" and "Time and Manner of the Payment of the Profit", the profit distribution policy is formed within the framework of the Turkish Commercial Code and the provisions of Capital Market Legislation.

- In line with the determination of Profit Distribution Policy in 2010 and in the forthcoming years, the Company, in principle, accepts to distribute profits to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.

- In the event that distributable profit is available in accordance with relevant communiqués of the CMB, the profit distribution resolution is to be taken by the Board of Directors, as long as the amount is not below 50% of the distributable profit within the framework of the provisions of Capital Market Legislation and Turkish Commercial Code, and shall be submitted to the approval of General Assembly; and the distribution shall be completed within the legal time allotted.

- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend, shall be distributed to Board Members.

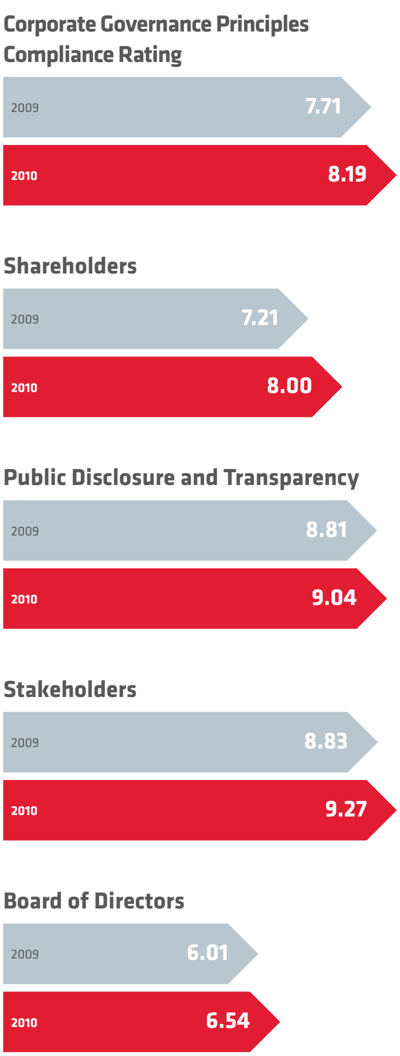
- A consistent policy shall be followed recognizing both the interests of the shareholders and the Company in the implementation of the Profit Distribution Policy.

- The date of distribution shall be decided by the General Assembly upon proposal of the Board. Profit distribution payments shall be completed within the legal time allotted. The relevant legislation, communiqués, and regulations of CMB shall be followed in regards to other profit distribution matters.

- In the event that the calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.

- When no profit is distributed, the Board of Directors shall inform the shareholders at the General Assembly meeting about the reasons and how the undistributed profits are to be allocated.

- The profit distribution policy and the time of profit distribution are also mentioned in the Corporate Governance Principles Compliance Report.



1. Corporate Governance Principles Compliance Report

In corporate governance practices the Company makes the utmost effort to comply with the Corporate Governance Principles of the Capital Markets Board (the Principles). In areas where compliance cannot be met, PETKİM provides reasons for the failure to comply and also announces precautions taken against potential conflicts of interest that could arise from noncompliance. The Company updates its annual report and web site in compliance with the Principles and for the use of its stakeholders. Stakeholders can access detailed information via the corporate web site or direct their inquiries to the Investor Relations and Financial Analysis Unit.

With regard corporate governance practices related to the Principles, the Company cooperated with TCR Corporate Governance and Credit Rating Services Inc. in 2009 and Kobirate International Credit Rating and Corporate Governance Services Inc. in 2010. The Company's credit rating rose to 8.19 in 2010, up from 7.71 the previous year. PETKİM's 2009 rating had already shown that the Company complies with the Principles to a large extent and implements most of the required policies and measures; the fact that the corporate governance rating rose further in 2010 is an indicator of the Company's commitment in this area.

In line with the relevant CMB directive on the matter, PETKİM's corporate governance rating was calculated via an assessment carried out under four weighted categories (shareholders, public disclosure and transparency, stakeholders, Board of Directors) and the detailed report can be accessed via the corporate web site (www.petkim.com.tr).The comparative breakdown of the rating in different categories is shown in the chart.

1.1. Reasons for as Yet Unapplied Corporate Governance Principles

- The lack of an independent Board Member and the absence of cumulative voting method: the Company's Articles of Association do not allow for the designation of an independent Board Member. A cumulative voting system has not been adopted by the Company as it is not deemed to be a convenient practice.
- The absence in the Articles of Association of the shareholders' right to appoint an independent auditor and lack of additional stipulations concerning minority rights: The Articles of Association feature no stipulation concerning the shareholders' right to appoint an independent auditor at the General Assembly; however, the shareholders' right to information and inspection are protected by Article 348 of the Turkish Commercial Code.
- Privileges concerning voting rights: The Group C share belonging to the Privatization Administration corresponds to a legal regulation and the Company does not have the capacity to make related amendments.
- The absence in the Articles of Association of the right of shareholders and stakeholders to call Board of Directors to a meeting: The 2010 Ordinary General Assembly to be held on March 31, 2011 will make the necessary amendment to the Articles of Association and add this stipulation.

1.2. Activities in the Period for Compliance with the Principles

In 2010, the Corporate Governance Committee continued its activities and important steps were taken for compliance with the Corporate Governance Principles. Under the guidance of the Corporate Governance Committee, work was undertaken to improve compliance with the Principles.

One significant development was the initiation of the amendment process to the Articles of Association towards compliance with Corporate Governance Principles.

The Company's web site and annual report were revised so as to make the necessary changes to fully comply with the Principles.

The following relevant principles were implemented during the organization of the General Assembly: Provision of information as concerns the candidates to Board membership, the announcement of the agenda and relevant information documents at least three weeks prior to the Assembly, provision of information on privileged shares, participation of managers at the meeting, invitation of the media and stakeholders to the meeting, open voting via raising hands and the announcement of this procedure to partners, and the publication of examples of power of attorney documents.

In the period ahead, the necessary efforts will be carried out to comply with the Principles, and changes in legislation and practices will be taken into account.

SECTION 1: SHAREHOLDERS

2. Shareholder Relations Unit

PETKİM's Investor Relations and Financial Analysis Unit, a part of the Finance Department, is responsible for managing relations with current and potential shareholders, responding to questions by investors and analysts in the most efficient manner, and undertaking efforts to increase the Company's value.

Within the context of shareholder relations, the Company is committed to carrying out the following activities in accordance with Capital Markets Board Principles:

- To fulfill the requirements of Capital Markets Board (CMB) legislation, to make the necessary internal and external disclosures for compliance with the Corporate Governance Principles, to undertake improvements, and to maintain communications with relevant institutions including the Istanbul Stock Exchange (ISE) and the Central Registry Agency (CRA).
- To organize Special Circumstance Announcements to be made to the public within the framework of current legislation and the Company's Public Disclosure Policy, and to pass these on to the Public Disclosure Platform (PDP), and to monitor all public disclosures within the framework of current legislation and the Company's Public Disclosure Policy,
- To make improvements for compliance to the Corporate Governance Principles,
- To organize the Special Circumstance Disclosures to be made public within the framework of current legislation and the Company's Public Disclosure Policy, and to pass these on to the ISE,
- To ensure the maintenance of shareholder records in a sound, secure and updated manner,
- To conduct transactions regarding share certificates,
- To provide accurate, complete and regular information to shareholders, as well as to current and potential investors, regarding the Company's activities, financial outlook and strategies,
- To respond to the written and oral information demands of analysts carrying out research on the Company (excluding commercial secrets), to support the Company in the best manner and to ensure that reports prepared for investors are accurate and complete,
- To provide information to investors via organizing and attending meetings and conferences, and cooperating with domestic and foreign firms to organize or attend the same,
- To prepare and update information published on the corporate web site (www.petkim.com.tr) in the section titled Investor Relations, in both Turkish and English,
- To carry out all transactions related to Ordinary and Extraordinary General Assembly meetings, in accordance with current legislation and the Articles of Association of the Company.
- The contact information for the Investor Relations and Financial Analysis Unit follows below:

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In 2010, the Investor Relations and Financial Analysis Unit received an average of 150 information requests per month via e-mail and telephone; all of these requests were answered. During the year, the Unit's personnel attended seven overseas and three domestic conferences and met with over 70 investors at these conferences. In addition, two meetings were held to inform analysts about the Company; in total, 120 analysts were informed by the senior management as to PETKİM's financial situation, strategies and operations.

3. Exercise of Shareholders' Right to Obtain Information

There is no discrimination among the shareholders with respect to the exercise of the right to obtain information. All necessary information and documents relevant to shareholders' exercise of their rights is presented without discrimination between any shareholders and is available on the corporate web site, (www.petkim.com.tr). Developments that may affect the exercise of the shareholders' rights are sent as an explanation to the CMB, ISE and Public Disclosure Project (PDP) system; within the context of the PDP, such information is also disclosed on our web page as announcements in both English and Turkish.

During the year 2010, approximately 150 information requests from shareholders (except for confidential information and commercial secrets) were received and answered in the most efficient and rapid manner each month on a range of subjects including Company activities, General Assembly meetings and stock certificate procedures.

In 2010, a total of 358 new registrations were made with regard to new stock purchase coupons, dividend coupons, stock certificate changes and registration procedures for share/rights holders.

4. Information pertaining to the General Assembly

The General Assembly meeting is held pursuant to the decision of the Board of Directors. The invitation to the General Assembly meeting, its date, place and agenda items are duly announced three weeks in advance of the meeting in the Istanbul Securities Exchange Special Circumstance Announcement, the Turkish Trade Registry Journal and through advertisements placed in national newspapers.

From the time of the announcement of the General Assembly meeting, all relevant documents including the annual report, financial tables and statements, the profit distribution proposal, informational documents relating to the Assembly agenda, the latest version of the Articles of Association, as well as proposals for amendments to the text of the Articles of Association, were made available at the Company's headquarters and on the web site so as to provide access to the greatest number of shareholders in the easiest way. All right/stakeholders and the media were invited to the 2009 Ordinary General Assembly in accordance with the transparency principle, although they did not exercise the right to speak and vote stemming from the current laws and legislation.

Before the General Assembly, examples of power of attorney documents to be used for those who would be represented by proxies were in the announcements and could be found on the web site. Before the meeting, the voting procedure was announced and shareholders were informed via electronic means.

The General Assembly meeting was held on 31 March 2010 at the Holding Headquarters. The shareholders and their representatives applying to the Company with blocking letters, Board Members, Auditors, the General Manager and Assistant General Managers and personnel of the Investor Relations Unit and the Finance Manager carrying out the preparations for the General Assembly of the Company attended the General Assembly Meeting.

The meeting quorum was 12,650,413,506 (61.78%) shares and two stakeholders attended the meeting by proxy, while 13 stakeholders attended the meeting in person. The press did not attend the meeting. No term was prescribed for the registry to the share register to procure the participation of the holders of the registered shares at the General Assembly meeting.

Issues related to the 2009 Ordinary General Assembly held on 31 March 2010 were published in the Turkish Trade Registry Journal, No. 7543, dated 14 April 2010. The minutes of the General Assembly can be accessed via the corporate web site (www.petkim.com.tr).

In the General Assembly, the shareholders exercised their right to ask questions and the questions were answered by the Board of Directors. No one took the floor in the petitions and requests section of the meeting. The minutes were drawn up pursuant to the agenda items of the General Assembly. The Minutes of the General Assembly were announced to the public the same day in the ISE Special Circumstances Announcement and were registered in the Turkish Trade Registry Journal. The Minutes, list of attendees, agendas, informational documents and ads were also presented on the corporate web site for all investors.

Decisions made by the Board with respect to changes in the Company's capital and management structure, the division or change of shares, significant sales or purchases of material or immaterial assets, warrants, rents, guarantees, notes or assurances such as mortgages or other securities given to third parties are presented to the General Assembly. While making such decisions in the General Assembly would, it is believed, prolong the workflow and reduce the Company's ability to act quickly in accordance with changing market conditions, shareholders are able to make their views known with respect to these types of decisions during the General Assembly.

5. Voting Rights and Minority Rights

Article 32 of the Articles of Association of the Company states that shareholders who attend General Assembly Meetings shall have one vote per share. In the Articles of Association there is no provision that prevents a non-shareholder to cast a vote as proxy. Votes cast through proxies are in accordance with CMB regulations. According to Article 15 of the Company's Articles of Association, Group C Shares have privileged voting rights concerning nominating candidates for the Board.

Minority shares are represented in the General Assembly directly or through their proxies. There is no cross-shareholding relationship with our majority shareholders. There is no provision in the Articles of Association of the Company on the cumulative voting method. No change was made to a provision in the Articles of Association allowing minority shareholders to send a representative to the Board of Directors through the cumulative voting method. This issue will be evaluated by the General Assembly after the rights of all shareholders have been brought to a proper level through legal arrangements.

There is no cross-shareholding relationship concerning the Company's capital. Since the implementation of the cumulative voting method is left to the free will of publicly traded joint-stock companies by the relevant communiqué of CMB, the Company did not make use of this method in 2010.

There is no provision in the Articles of Association concerning the shareholders' right to demand the appointment of a special auditor at the General Assembly; however, the shareholders' right to information and inspection is guaranteed by the Article 348 of Turkish Commercial Code.

6. Profit Distribution Policy and Profit Distribution Date

The Company's profit distribution procedures are set out in Articles 37, 38 and 39 of the Articles of Association of the Company and according to the Turkish Commercial Code and Capital Market regulations. With regard to the Company's profits, no privileges are granted by the Articles of Association.

Information pertaining to PETKİM's Profit Distribution Policy is published on the page 50 of the annual report and on the corporate web site (www.petkim.com.tr) under the link: Investor Relations/Share Certificates/Profit Distribution Policy.

7. Transfer of Shares

Restrictions on the transfer of shares have been made in Articles 8 and 9 of the Articles of Association of the Company.

Article 8: Group C shares belong to the Prime Ministry Privatization Administration. The privileges hereby granted to this class of shares by the Articles of Association shall continue for as long as the Prime Ministry Privatization Administration holds Group C shares. With the conversion of Group C shares into Group A shares, the "Right to nominate a candidate for the Board of Directors" granted by Article 11 shall also transfer to the holders of Group A shares.

In accordance with the last paragraph of Article 15, in case it has been decided to void the rights assigned to Group C shares, the share class shall be transformed into Group A shares. In this case, Group C's right to nominate a candidate for the Board of Directors is transferred to Group A.

Article 9: The effect of transfer of the registered share/shares of the Company depends on the fact that a transfer is registered in the share book.

Except for the shares offered and to be offered to the public by means of the Istanbul Stock Exchange, the approval of the Board of Directors is a prerequisite for the validity of the share transfer of the Company.

In the event that the transfer is not registered in the share book, then the shareholder according to the Company is the person whose name appears in the share register. Registration to the share register is performed by the decision of the Board of Directors. Reserving the last clause of Article 418 and the provision of Article 419 of the

Turkish Commercial Code, the Board of Directors may refrain from registering a transfer in the share book without providing any reasons.

The affirmative vote of the members of the Board of Directors elected to represent Group C shares is a requirement regarding the registration to the share register.

Group C share certificates may be transferred to another Turkish Public Institution having, in principle, the authorities assigned to the Prime Ministry Privatization Administration of the Republic of Turkey by Law number 4046. In such a case, the transfer shall immediately be registered in the share register without the need for a Board of Directors decision.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Policy of the Company

The Company's "Information Policy" was formulated according to Capital Markets Governance Principles and the CMB communiqué Series: VIII, No: 54 on Principles of Special Circumstance Announcements, and went into effect on 8 June 2009 with the Board of Directors decision number 46/108.

The goal of the information policy rests on open and effective communications to ensure the timely and equal sharing of information regarding the Company's past performance and future expectations with shareholders, investors, capital market specialists and market participants within the framework of basic accounting principles, the Capital Markets Board regulations and relevant legal requirements.

The Board of Directors is responsible for the implementation, monitoring and development of the public disclosures and the information policy at PETKİM. Disclosures are the responsibility of and coordinated by the Finance Department, the Investor Relations and Financial Analysis Unit, the Accounting Department, the Human Resources Department, the Audit Committee, under the supervision of the Board of Directors.

Detailed information on the information policy is available online at the Company's web site, www.petkim.com.tr.

9. Special Circumstance Announcements

During the year 2010, 40 special circumstance announcements were made to the ISE in accordance with the regulations of the CMB. No additional information was requested by the Capital Markets Board and the Istanbul Stock Exchange for the announcements made for special circumstances. The Capital Markets Board has not imposed any sanctions on the Company caused by any noncompliance to special circumstance announcements. The special circumstance announcements are regularly sent via e-mail to domestic and foreign investors by the Investor Relations and Financial Analysis Unit. All of the Company's special announcements were made in a timely fashion. The Company's shares are not listed on a foreign stock exchange.

10. Company Web Site and Contents

PETKİM actively uses its corporate web site to ensure the fastest and most efficient communications with shareholders as envisioned by CMB Corporate Governance Principles. According to Article 1.11.5 in Section II of the CMB Corporate Governance Principles, information is given via the internet on: trade register information, latest partnerships and management structure, detailed information on privileged shares, trade registers in which changes are published, the Articles of Association in their latest form along with date and number, announcements of special circumstances, annual reports, periodic financial statements and tables, prospectuses, circulars relating to public offerings, the agendas of General Assembly meetings, lists of attendees, forms for vote by proxy, rating reports, analyst reports and frequently asked questions. The web site's contents and structure have been developed in line with CMB principles both in English and Turkish. The Investor Relations Unit is responsible for the preparation of the Investor Relations section, for updating and correcting information and adding new information. The site is continually updated in order to provide increasingly higher levels of service in line with the Company's goal of continuous improvement.

11. Announcement of Real Person Final Controlling Shareholder/Shareholders

Information with regard to the shareholdings of the Company's real person final controlling shareholders and the distribution of the Company's capital is provided on the web site under Investor Relations/Corporate Governance/Capital and Shareholding Structure.

12. Announcement to the Public of Persons with Access to Insider Information

Any and all necessary precautions have been taken to prevent the use of inside information. Information is considered "Company Information" when it has been learned while working at the Company, belongs to the Company, is undesirable for others to learn and can be classified as a trade secret. Employees at PETKİM protect Company Information while working at PETKİM and afterwards and use it directly or indirectly only for its intended purpose.

PERSONS WITH ACCESS TO INSIDER INFORMATION

Members of the Board Of Directors

Vagif Aliyev	Chairman of the Board
Erdal Aksoy	Vice Chairman of the Board
Osman İlter	Board Member
S. Batu Aksoy	Board Member
David Mammadov	Board Member
Farrukh Gassimov	Board Member
Kenan Yavuz	Board Member, SOCAR&TURCAS Enerji A.Ş., CEO. President of SOCAR & TURCAS Group Companies

Audit Committee Members

Ferruh Murat Benzer	Audit Committee Member
Nurettin Demircan	Audit Committee Member
C. Yusuf Ata	Audit Committee Member

Company Management

M. Hayati Öztürk	General Manager
Abdülkadir Tuncer	Assistant General Manager
Ali Öztürk	Assistant General Manager
C. Şafak Ayışığı	Assistant General Manager
Bülent N. Sunay	Assistant General Manager
Hatice Kaygın	Assistant General Manager
Nilüfer Yalçın	Technical Consultant to the CEO of SOCAR&TURCAS Enerji A.Ş. Technical Consultant to the President of SOCAR & TURCAS Group Companies

No employee can use information gained from within the Company during the course of carrying out his or her duties in order to profit from the buying or selling of the Company's shares. All personnel with access to inside information provide a written letter of undertaking on this subject.

The list of members of the Board of Directors, auditors and high-level managers who, at the time of the report, have access to inside information are listed below. A full list of personnel with access to inside information is available on the corporate web site and is updated at the time of any changes.

All employees are aware that insider trading transactions are prohibited. (Insider trading is defined as obtaining information about the financial situation of a publicly traded company or information that could affect its share value before other investors, and engaging in the trade of shares in a manner contrary to competition and honesty.) Accordingly, neither managers nor other employees of the Company can use financial information about the Company obtained via various ways, or any data or documents that might influence the value of the Company's publicly traded shares in any trade inside or outside the stock exchange in order to serve the interests of themselves or of third parties.

As per Corporate Governance Principles, in the event the list of personnel with access to inside information is revised, the up-to-date list is announced via the web site.

SECTION 3: STAKEHOLDERS

13. Provision of Information to Stakeholders

Announcement to the public of information with regard to the issues relevant to shareholders relating to our Company are made via special circumstance disclosures to the ISE and made public on the web site of the Company and via printed or visual media.

One-on-one or group meetings are held with suppliers and customers for information sharing. To keep stakeholders informed, teleconferences are held with investors and banks and investor meetings are held with domestic shareholders.

The disclosure of information inside the Company is realized through the corporate portal, the PETKİM Bulletin and via the electronic communications-documentation system and by holding communications meetings during the year.

14. Stakeholders' Participation in Management

The participation of shareholders in Management by representing the 38.68% publicly held portion of our Company is made possible by Articles 11 and 22 of the Articles of Association.

Additionally, corrective and preventive activities are carried out in light of evaluations of the customer communications system, questionnaires and periodic meetings.

A Performance Management System has been established and studies for the improvement of its processes are under way. Employee suggestions to add value are shared with management through the "Suggestion System" as part of the Suggestion Tracking System. These opinions and suggestions are evaluated by the authorized units and those deemed appropriate are implemented accordingly. In addition, blue-collar employees have the chance to present their suggestions and requests via their trade union.

The Employee Satisfaction survey, which is carried out once a year, provides another forum for employees to express their thoughts regarding the Company and to make suggestions for improvements.

15. Human Resources Policy

The HR policy of our Company consists of: Continuing its leading position in Turkish industry with further capacity expansions, satisfying its shareholders' expectations, adding to the value of its employees, being open to changes, being a regional leader, using its resources efficiently as a global company, showing concern for the environment, safety and occupational health, complying with quality standards, constantly developing its technology, drawing strength from the creativity of its employees, and using its human resources in an efficient manner on its way to becoming an increasingly customer-oriented company. The main goal of our HR policy is to conduct activities such as human resources planning, selection, recruitment and appointment to service departments, as well as development, design and implementation of plans for the identification and fulfillment of training needs, identification of competences, performance and career management in accordance with the scientific methods required to carry out our Company's activities in an efficient and proactive manner.

The main principles of our Human Resources policy consist of the following:

- Define and apply the system for analyzing human resource skills and recruiting appropriate personnel to enable our Company to carry out its activities in an efficient and proactive manner.
- Determine and apply training programs imparting the necessary knowledge, skills, talent and conduct to employees in order to ensure that personnel are kept up-to-date with any changes in the nature of the business, that job satisfaction is augmented, and that they are more successful in the workplace; and accordingly to assess the results on behalf of the Company.
- Develop a Performance Management System, which enables personnel to see results and to assess the results of his/her success, and provide fair and equal chances in the application of this system.
- Design and implement a career management system that provides constant progress for the personnel of the Company and prepares them for responsibilities above their current positions, and evaluate employees who are eager to assume greater responsibility at all levels in the most efficient way.
- Gather data on human resources needs and working conditions within the Company's job descriptions, and by evaluating that data, conduct job analysis and prepare job definitions in accordance with changing conditions.
- Establish working conditions that are appropriate to the business processes carried out, develop systems that encourage success and creativity and maintain job satisfaction at the highest possible level.
- Provide training opportunities at home and abroad in order to develop personnel's professional knowledge and skills.
- Guide the applications that will be implemented by soliciting employee opinions via questionnaires, and the like.
- By soliciting employees' opinions via questionnaires and other methods, shape the future practices of the Company.
- Develop a "Corporate Culture and Concept" to motivate personnel regarding their jobs, foster organizational loyalty and provide for the social and cultural needs of personnel, all with the ultimate aim of increasing the productivity of the Company.

As provided for by article 34 of rule 2821 of the Labor Law under the heading, "Appointment and qualification of union representatives at the workplace," a head representative and representatives of the Petrol-İş trade union are presented with the authority to negotiate collective bargaining agreements.

On the subject of employee complaints regarding discrimination, and if they were lodged, what steps were taken:
There have been no complaints of discrimination from employees.

16. Information on Relations with Customers and Suppliers

RELATIONS WITH CUSTOMERS:
The Company places great importance on relations with customers, whom it views as business partners. Every mode of communication is utilized including face-to-face meetings (customer visits, regional/sector meetings, fairs, and the like), electronic communications, fax and telephone in order to maintain good relations with customers.

The contact information of all personnel who are in contact with customers is published on the corporate web site under the link "Contact Us".

As part of our efforts to transform customer relations to an information-based corporate system, the "Customer Information System" was further developed with the transition to SAP. Further improvement and development continue on the basis of feedback received from customers.

Every year a "Product and Service Evaluation Survey" is conducted. Feedback from business partners is assessed and the outcomes are reflected via modifications to business processes. In addition to this perception survey, in June 2009, an online Complaint Evaluation Survey started to be conducted. In 2010, the number of participants rose to 82, up from 37 in the previous year.

All complaints from customers related to products and services are evaluated as soon as possible. In 2010, 185 complaints were received. The target was to respond to these complaints in 6.5 calendar days and the actual response time was very close to the target.

The necessary precautions have been taken to ensure that there are no conflicts of interest from firms providing services concerning subjects such as investment consulting, investment analysis and rankings; these have been stated in the Rules of Ethics.

RELATIONS WITH SUPPLIERS:
The Company places special importance on its suppliers, with the view that "all suppliers are naturally members of the team". Every year a Supplier Satisfaction Survey is conducted in order to obtain information about their needs and expectations, and their perceptions about the Company. The following data was obtained from the 2010 survey:

a) Domestic Suppliers:
A survey invitation was sent to 842 suppliers who submitted a bid to the Company and received orders in 2009-2010; of whom, 186 participated in the survey.

b) Foreign Suppliers:
A survey invitation was sent to 420 suppliers who submitted a bid to the Company and received orders in 2009-2010; of whom, 55 participated in the survey.

As a result of the 2009 Supplier Satisfaction Survey:
a) In three critical issues, which revealed a low level of satisfaction, 40% of suppliers who expressed their opinion as "bad" or "very bad" were invited for discussion and 57 suppliers gave feedback in 2010,
b) Thirty-three foreign suppliers who the Company visited in 2010 also gave feedback.

As a result of the feedback received from suppliers, the Company identified areas for improvement and took necessary actions.

The Company supplies various services through outside subcontractors. In order to ensure that suppliers which serve as subcontractors comply with the legal requirements of the Labor Law, Subcontracting Directive, and Occupational Health and Safety Directive and that the occupational health and safety controls are conducted, the Joint Occupational Health and Safety Center was formed and put into operation.

The SAP system launched in 2010 will be integrated with the current Supplier Information System in 2011 in order to provide information to suppliers on performance points, payments, and the like; in addition, suppliers will be able to submit bids via this system.

17. Social Responsibility

For PETKİM, investment in the environment is not a cost item
The Company sees investment in the environment not as a cost item but as an indispensable component of its competitive structure. As its mission is to be a petrochemical company that respects humanity and the environment, PETKİM prioritizes occupational safety and the protection of the environment.

PETKİM prioritizes its responsibilities towards society
As they are our future, PETKİM has constructed a number of facilities in Aliağa and the surrounding region to serve children. The Company built PETKİM Elementary School, Gazi Elementary School, TED College, Aliağa Petrokimya Elementary School and Latife Hanım Elementary School in Aliağa and neighboring districts; plans for construction of Haydar Aliyev Technical and Industrial Vocational High School in the Aliağa district center is in its final stage.

-Close contact and cooperation with foundations
Under the "University-Industry Cooperation" program, PETKİM provides support to universities, scientific institutes and vocational schools in the form of materials, supplies and technical equipment. In addition, students from vocational high schools and universities are given the opportunity to undertake internships at PETKİM.

- PETKİM opens up to the public with "Open Door Days"
In order to forge closer ties with the local community of Aliağa, the Company launched Open Door Days, which was met with great interest. Over 400 citizens received information about the Company's sensitivity towards the environment, production processes and occupational safety concerns. In 2011, this activity will expand to other regions of Aliağa, as well as to Izmir.

- PETKİM continues to support sector bodies and university students
In 2010, the Company sponsored numerous events such as the 1st National Chemistry Student Platform organized by the EgeChe Community for Academic and Sector Gatherings; the Polymer Composites Symposium held by the Chamber of Chemical Engineers; the Sector Self-Assessment Summit by the Association of Plastic Industrialists (PAGDER); the 7th Education, Science,

Culture, Arts and Technology Festival by the Izmir National Education Directorate; Hacettepe University's 4th Chemical Engineering Process Design Competition; and "What to Produce" events and project competition organized by Izmir High Technology Institute's Chemical Engineering Department. PETKİM managers have also had the opportunity to share their experiences and expertise with students and other participants.

- PETKİM helps Haydar Aliyev Friendship and Remembrance Forest to flourish
In June 2009, a forest fire in Yeni Foça devastated some 200 hectares of land. In cooperation with the Aegean Forest Foundation, PETKİM planted 11,000 saplings in the damaged area and later decided to turn this event into an ongoing activity. The forest also became a symbol of the friendship between Turkey and Azerbaijan. Many other industrial companies in the region were inspired by PETKİM's example and collaborated with the Aegean Forest Foundation to undertake similar projects. In addition, the Company regularly plants trees on the grounds of the Aliağa Complex and company housing; PETKİM also places special importance in developing a love for trees among the children of employees.

- PETKİM declares 2011 a "Smoke-Free Year";
In yet another corporate breakthrough in Turkey, PETKİM launched the most extensive stop smoking campaign in the private sector. The Company's objective is complete smoking cessation among its employees, who showed a greater than expected interest in the polyclinic's campaign. PETKİM is committed to covering one-third of the related medical expenses of employees willing to quit this habit.

- PETKİM receives "Contribution to Izmir" prize in 2010
In 2010, the Izmir Association of Industrialists and Businessmen (İZSİAD) presented PETKİM with the "Contribution to Izmir" prize, considered to be the most prestigious award in the city. The award was given to the Company since it is home to Turkey's most important "localization project," the SOCAR & TURCAS Aegean Refinery and for the continued expansion of employment and production in the face of the global economic crises.

- Aliağa PETKİM, The Province's Pride in Basketball
Sponsored by PETKİM, the Aliağa PETKİM Basketball Team is an important part of the social fabric of the Aliağa community. The team serves as a positive role model for young people through its successful performance in the Beko Primary Basketball League and also helps engage youth in sports activities.

- LÖSEV Building Donated by PETKİM
PETKİM has provided the Turkish Pediatric Leukemia Foundation (LÖSEV) with a seven-story, 12-office building rent free and with a 20-year lease. In doing so, the Company has played a key role in giving comfort and support to children with leukemia.

- Joint Project with Ege TV
PETKİM is the primary sponsor of a series called "Real Economy," which airs each Friday night at 8:30 p.m. on Ege TV, the largest regional television channel in Turkey. Produced and presented by Serkan Aksüyek, PETKİM's Corporate Communications Director, the program explores the challenges facing the Turkish real economy as well as its expectations and solutions. Broadcast in prime time, "Real Economy" is closely followed by the business community in the Aegean Region.

- PETKİM and the Environment
The protection and development of its environmental values across diverse areas form the basis of the sustainable development philosophy that guides all of PETKİM's activities. The Company's participation in the Carbon Disclosure Project (CDP) in accordance with this philosophy has been one of its most significant steps in promoting environmental sustainability; as such, PETKİM has become one of the leading Turkish companies in the battle against climate change. Despite the absence of any such legal obligation in Turkey, PETKİM considers greenhouse gas emissions as a risk factor. Accordingly, the Company implements energy efficiency projects to reduce emissions, searches for alternative or renewable energy resources, and strives to decrease energy consumption per unit of production. In addition, PETKİM sets carbon dioxide emission reduction targets, undertakes life cycle analyses for its products, and works on green branding options, in a deliberate and committed manner. In the current stage of this process, the Company's activities and experiences are shared first with the local population, and then stakeholders in national and international arenas.

For all its investments, PETKİM assesses the environmental impact at the planning stage and issues EIA reports. With regard to the Company's 2010 investments, the "Dock and Jetty Capacity Increase" project received a favorable EIA result; EIA reports for the investment projects "PA Plant Capacity Increase" and "Aromatics Plant Equipment Renewal and Modernization" were presented to the Ministry of the Environment and Forestry; and the EIA process for a total of 16 integrated projects was initiated. During the period, no legal actions relating to its environmental performance were filed against PETKİM.

SECTION 4: BOARD OF DIRECTORS

18. The Structure and Composition of the Board of Directors and Independent Members

The names of the members of the Board of Directors as selected according to the Company's Articles of Association are below.

Vagif Aliyev	Chairman of the Board
Erdal Aksoy	Vice Chairman of the Board
Osman İlter	Board Member
S. Batu Aksoy	Board Member
David Mammadov	Board Member
Farrukh Gassimov	Board Member
Kenan Yavuz	Board Member

The Board of Directors is composed of seven members selected by the General Assembly.

Comprehensive information regarding Board Members is available in the initial pages of the Annual Report and on our web page. The rules for selection of the Board are defined in detail in Articles 11-18 of the Articles of Association.

The chairman and members of the Board of Directors are permitted with the approval of the General Assembly to engage in transactions which fall within the scope of the Company's area of operations in their own name or on behalf of third parties and to be shareholders in companies that engage in the same line of business under the provisions of articles 334 and 335 of the Turkish Commercial Code. In 2010, none of the said directors engaged in such a transaction.

There are no independent Board Members. However, all members of the Board are professionals with many years of experience in various sectors and individuals with experience in the field in which the Company operates. The Company benefits to the highest degree from the reservoir of knowledge and experience of its Board Members. Board Members can freely express their opinions and views without outside influence.

All of the Company's Board members are non-executive members of the Board.

The term of Board membership is two (2) years. The General Assembly may remove Board members before the completion of their term. Members who have completed their terms may be elected to consecutive terms.

19. The Qualifications of Board Members

The minimum qualifications sought for the election of members to the Board of Directors of the Company are in compliance with Articles 3.1.1, 3.1.2 and 3.1.5 of Section IV of the Corporate Governance Principles of the CMB.

As per Article 12 of the Articles of Association of the Company, a person should have the following qualifications in order to be elected to the Board of Directors: not to have been placed under restraint; to be a shareholder in the Company; and not to have been convicted of any infamous crimes. In the event that non-shareholder persons are elected as members, they may start serving on the Board of Directors after they receive the title of shareholder.

20. Mission, Vision and Strategic Targets of the Company

As in every year, at the beginning of 2010, the Strategic Management Review (SMR) analyzed the process performances, stakeholder satisfaction and expectations, market conditions, and competitors; various activities were evaluated with the SWOT analysis and short-, medium- and long-term strategies were determined. The vision, mission, principles and values of the Company were revised and updated at the meeting.

The 2010 strategies include the following items that aim to meet stakeholders' needs and expectations: Augmentation of the Company's Value, Revenues, Competitive Edge, Customer Satisfaction, Market Share, Productivity, Production Volume, R&D and Subsidiary Industrial Capacities, Employee Satisfaction and Motivation, Environmental and Occupational Health Performance, Preventing Unfair Competition, Reinforcing PETKİM's Social Reputation; Implementation of Business Transformation Projects, Establishment of the Corporate Risk Management Structure, Being Active in Investor Relations.

The Corporate Performance Management System has been applied for six years in order to efficiently spread corporate strategies throughout the organization and measure the success in the implementation of these strategies according to the main outcome of the SMR meeting, the Company Scorecard. Accordingly, performance target scorecards were prepared for all white-collar employees in line with the "Balanced Scorecard" methodology.

The Critical Success Factors indicating how corporate strategies shall be implemented and the performance indicators determining the measurement of their efficiency are also established at the SMR meetings with a view to ensuring the measurement and assessment of the strategies. Targets for the performance indicators included in the performance scorecard are determined on the basis of the program budget and consideration of the experiences of the previous years.

During the year, the monitoring of corporate performance is carried out at monthly budget meetings, Guidance Committee meetings and Board of Directors meetings. The performance on the basis of the performance scorecards is evaluated quarterly in the Guidance Committee meetings attended by the senior management and at the end of the year in the general evaluation meeting. In such meetings, the explanations pertaining to performance indicators falling below targeted levels are examined in detail and the issues that will constitute input for the SMR meetings where the strategies of the following year are established, are resolved by the management.

In order to exceed the expectations of shareholders, the Company continuously monitors conditions in domestic and foreign markets, as well as information that will allow the determination of future performance targets, using a variety of resources such as electronic or printed documents, conferences, and seminars. At meetings where developments in the sector and market are discussed, sector data and PETKİM's own database is utilized to make due assessments; policies and strategies are updated when necessary, in line with the expectations of stakeholders.

In 2010, at the SMR meeting held on January 30-31, the vision, mission and corporate strategies were revised, and the strategies for 2010 were determined and the Balanced Scorecard, which is the performance scorecard of the General Manager, was prepared.

The vision and mission of the Company is available on PETKİM's web site at www.petkim.com.tr, in the Company's intranet portal and in the Annual Report.

21. Risk Management and Internal Control Mechanisms

The Risk Management and Internal Control Department was formed in 2010 in order to develop the Company's risk management and internal control system.

The function of Risk Management and Internal Control Department is to analyze the Company's operations, procedures, risk management standards and efficiency, as well as the observation quality, in order to establish an efficient internal control system on management activities, risk management, operations and accounting practices.

Risk management and internal control activities are monitored through different operational applications; however, these critical activities have a strong interconnection, since they serve each other's purposes. The Company's four critical risk definition groups are: business strategy risks, operational risks, organizational risks, and finance and market risks. The detailed "PETKİM Risk Assessment Matrix, 2011" lays out the Company's internal control plan. Business plans and control processes are developed via the adaptation of risk management. The risk management and internal control structure was created to ensure that daily operations are in compliance with legal requirements and are financially reported in an accurate fashion. Under the supervision and responsibility of the Board of Directors, the Risk Management and Internal Control Department defines enterprise risks and carries out activities to minimize exposure to these risks.

The Company pursues the following targets in its risk management and decision making policy:

- Ensuring the quality and efficiency of Company operations,
- Implementing and preserving appropriate asset management,
- Complying with international and domestic legislation, regulations and requirements,
- Ensuring that risks are defined and evaluated in the decision making mechanism,
- Making sustainability efficient, and
- Protecting the Company's reputation.

The monitoring of the internal control system are conducted via the organizational schema indicated in the pyramid above. While defining its internal control targets, the Company manages risks in an internal control framework and by taking into account the relevant business process principles as per the "PETKİM Risk Assessment Matrix, 2011." Although the internal control system has been defined in a very efficient manner, it must be taken into account that internal control can be subject to certain limitations and may not detect or prevent all inconveniences. Due to this reason, the internal control framework and application of business process principles need to be supported by corporate governance and an honest and ethical business philosophy should be cultivated among the Company personnel.

Corporate Governance

Corporate governance as an administrative method can be defined as the efficient and productive management and control of the Company. Efficient corporate governance is directly related to efficient internal control systems. This structure must be reinforced with the Company's efficient risk management policy. The Company places great importance on corporate governance and accordingly Audit Committee and Risk Management Committee regularly analyze the operational quality of internal controls.

Internal Control Framework

The Company's internal control framework has been created in line with the internationally recognized internal control structure known as the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The implementation of COSO elements is central to the internal control activities.

Business Process Principles

In order to build the Company's business cycles on productive, ethical and appropriate foundations, the process analyses are planned to be carried out on the basis of units.

Outlook for 2011

The Audit Committee is responsible for the application of managerial authority in all fields, especially in financial reporting. The complete independence of audit functions is also supervised by the Audit Committee. In line with these objectives, the committee meets once at least every three months. During the evaluation of the Company's approach to risks and internal control issues, the Audit Committee communicates actively with the Risk Management Committee. In this respect, "PETKİM Risk Assessment Matrix, 2011" was analyzed by the Risk Management Committee and the Audit Committee. All risks stemming from the nature of the business and operations are managed with controls and audit processes consistent with the Company's risk appetite. In 2010, the Risk Management and Internal Control Department was established. In the coming year, the "PETKİM Annual Internal Audit Program, 2011" will be implemented in conjunction with the "PETKİM Risk Assessment Matrix, 2011." This program essentially consists of a series of audit activities to be applied independently in different units. Special audit projects will also be implemented according to the professional judgments and needs of the Risk Management and Internal Control Department or the demands of the Audit Committee.

22. Authorities and Responsibilities of the Members of the Board and Company Directors

The authorities and responsibilities of the Board members and directors of the Company are expressly stated in Article 16 of the Company's Articles of Association. The Board of Directors is the management and representative body of the Company.

The Board of Directors is responsible for all the duties other than those assigned to the General Assembly under the Law and the Articles of Association, and has all authorities that such duties require.

The Board of Directors may transfer a part or all of its management and representation authority to one or more members and to the general manager, or managers who are not Board members, and may also form executive committees from or outside the Board in order to conduct its duties and exercise its authorities in accordance with the provisions of Article 319 of the Turkish Commercial Code. However, no transfer of authority can be made by the Board of Directors regarding matters on which Group C privilege exists.

23. The Activities and Principles of the Board of Directors

The Board of Directors shall convene as the operations of the Company require and shall regardless convene at least once a month. In the year 2010, the Board of Directors convened 19 times. The place of meeting is the Company's headquarters. Another place may be used for meeting by the decision of the Board of Directors.

The Board of Directors may convene when at least four members are in attendance. The Board of Directors makes its decisions on the basis of the affirmative votes of at least four members. A member who has not attended four consecutive meetings without the permission of the Board of Directors or without reasonable grounds shall be deemed to have resigned. The decisions of the Board of Directors may be taken also by the receipt of written affirmative opinions of all members on a suggestion regarding a certain subject matter submitted by one of the members, unless one of the members demands to hold a meeting. In order to be valid, the decisions of the Board of Directors must be in writing and signed. In case a decision quorum cannot be reached on a certain subject matter, then the matter is deemed to have been rejected.

The management and representation of the Company before third parties is the duty of the Board of Directors. The Board of Directors may partially or completely delegate this representation authority to others. The validity of the documentation to be given and the agreements to be concluded by the Company depends on the fact that they are signed by the authorized signatories of the Company and bear the official seal of the Company.

The different opinions and grounds for opposing votes explained in the Board meetings are recorded in the decision minutes. However, recently, there has been no public announcement, due to the nonexistence of any opposing opinions or differences of opinion.

24. Prohibition on Carrying out Transactions with the Company and Competition Restraint

As per Articles 334 and 335 of the Turkish Commercial Code, the members of the Board of Directors may not carry out transactions with the Company in their own account or on behalf of others without the permission of the General Assembly. In 2010, the members of the Board did not carry out any transactions with the Company or compete with the Company in any of its areas of operation.

25. Ethical Rules

The Company's Ethical Rules were adopted with the decision of the Board of Directors in line with the declaration of the CMB's Corporate Governance Principles and was announced to the public.

The above-mentioned Ethical Rules can be viewed on the corporate web site, www.petkim.com.tr.

26. Number, Structure and Independence of the Committees Established by the Board of Directors

In order for the Company's Board of Directors to perform its duties and fulfill its responsibilities, the Corporate Governance Committee and Risk Management Committee were formed alongside the Audit Committee.

The committee in charge of audit acts with the consent of the Board and within the framework of the Board's working principles. The Audit Committee consists of two Board members not having an executive function and not having a title of delegate.

The Board of Directors resolution dated 8 October 2010 and numbered 69-139 indicates the working principles of the Corporate Governance Committee, made up of two non-executive members of the Board, and the Risk Management Committee, made up of two non-executive directors of the Board and one executive member.

The working principles of the committees can be accessed via the corporate web site (www.petkim.com.tr).

A Board member may not hold a position on more than one committee.

27. Financial Compensation Provided to the Board of Directors

Remuneration and other benefits to which Board Members shall be entitled are determined at the General Assembly. There is no further remuneration to reflect the performance of the Company.

The Company does not lend money or loan nor give neither indemnities nor similar securities to any of its Board members or to directors of the Company.

PETKİM PETROKİMYA HOLDİNG A.Ş.
AGENDA OF THE 2010
ORDINARY GENERAL ASSEMBLY

1. Opening speech and forming the Executive Board.
2. Authorizing the Executive Board to sign the minutes of the General Assembly and the list of attendees.
3. Reading, discussing, and voting on the Board's Activity Report for 2010.
4. Reading, discussing and voting on the Audit Committee's Report for 2010.
5. Reading, discussing and voting on the balance sheet and profit and loss statements for 2010.
6. Discharging the Board Chairman and members of Board of Directors for accounts and activities in 2010.
7. Discharging of Audit Committee members for accounts and activities in 2010.
8. Reelecting or changing of Board Members whose terms have expired.
9. Reelecting or changing of Audit Committee members whose terms have expired.
10. Discussing and making a decision related to the remuneration of Board Members and Audit Committee Members.
11. Discussing and making a decision related to the Board of Directors' proposal for the distribution of the profit for the year 2010.
12. Amendments to Articles 3, 6, 8, 11, 12, 15, 30 and 37 of the Articles of Association and the addition of Article 42 following Article 41.
13. Granting authorization to the Chairman and Members of the Board to undertake transactions provided for in Articles 334 and 335 of the Turkish Commercial Code.
14. Informing the Shareholders about the donations and support granted by the Company in 2010.
15. Informing the General Assembly about transactions with related parties, in accordance with Capital Markets Board Communiqué Series: IV, No:41.
16. Informing the General Assembly about collaterals, pledges and mortgages granted by the Company on behalf of third parties, and the income or benefit accrued to said parties, as per the Capital Markets Board's decision dated 9 September 2009, numbered 28/780.
17. Discussing proposals and petitions, and closing speech.

PREVIOUS TEXT

PURPOSE AND FIELDS OF ACTIVITY OF THE COMPANY:

Article 3- *The company's purposes and fields of activities are as follows:*
a) To establish and run factories and facilities in Petrochemical, chemical and other industry fields in and outside the country;
b) To procure raw materials and auxiliary materials, elements and chemicals required for obtaining petrochemical materials, chemical and other materials domestically and from abroad; to process and to produce these materials; to carry out domestic and foreign trade of these materials;
c) To pack the products to be obtained in each stage of production activities and to establish packaging industry for the same; to exploit and/or sell waste, subsidiary products and materials of various quality; to establish and run plants for annihilation of the waste materials and dangerous waste which are not available for exploitation; to render waste removal services to third parties; to sell of all kinds of scrap materials;
ç) To found and run new foundations enterprises which provide manufacture and production of all the above mentioned materials, and to found and operate sea and road structures in relation thereto; to expand the existing enterprises; to purchase the already founded enterprises partially or in whole and to operate the same;
d) To enter into undertakings in and outside the country in order to found and run plants related to the field of activity; to make cooperation and partnership agreements regarding its own field of activity with domestic and foreign real and judicial persons; to participate in already founded companies or to establish new companies;
e) To establish warehouses, sales points and regional organizations in and outside the country; to open branches and liaison offices; to perform procurement activities; to participate in companies which will perform such activities; to sell as wholesale or retail and export its own finished goods and products and also the finished goods and products that it imported or purchased;
f) To perform activities essential for the manufacture of the equipment to be used in maintenance and reparation of the enterprises, in investments of maintenance, completion and renewal and in expanding and new enterprise investments; to found enterprises required for these purposes; to increase capacities of the machinery; to exploit the over-capacity; to produce the energy required by the enterprises when necessary;
g) To make patent, brand, license, know-how, procurement, engineering, construction, installation and similar agreements with domestic and foreign companies;
ğ) To perform and make third persons perform, training, research and development works in its field of activity, to render laboratory analysis services to third parties and institutions;
h) To make third persons perform transportation services; to perform transportation services in cases where transportation requires a peculiarity and necessity;
ı) To acquire movable or immovable properties in order to meet its requirements regarding its field of activity; to establish or to annul the rights in remover its own or other persons' immovable

CURRENT TEXT

PURPOSE AND FIELDS OF ACTIVITY OF THE COMPANY:

Article 3- The Company's purposes and fields of activities are as follows:
a) To found and run factories and facilities in Petrochemical, chemical and other industry fields in and outside the country;
b) To procure raw materials and auxiliary materials, elements and chemicals required for obtaining petrochemical materials, chemical and other materials domestically and from abroad; to process and to produce these materials; to carry out domestic and foreign trade of these materials;
c) To pack the products to be obtained in each stage of production activities and to establish packaging industry for the same; to exploit and/or sell waste, subsidiary products and materials of various quality; to establish and run plants for annihilation of the waste materials and dangerous wastes which are not available for exploitation; to render waste removal services to third parties; to sell of all kinds of scrap materials;
ç) To found and run new foundations enterprises which provide manufacture and production of all the above mentioned materials, and to found and operate sea and road structures in relation thereto; to expand the existing enterprises; to purchase the already founded enterprises partially or in whole and to operate the same;
d) To enter into undertakings in and outside the country in order to found and run plants related to the field of activity; to make cooperation and partnership agreements regarding its own field of activity with domestic and foreign real and judicial persons; to participate in already founded companies or to establish new companies;
e) To establish warehouses, sales points and regional organizations in and outside the country; to open branches and liaison offices; to perform procurement activities; to participate in companies which will perform such activities; to sell as wholesale or retail and export its own finished goods and products and also the finished goods and products that it imported or purchased;
f) To perform activities essential for the manufacture of the equipment to be used in maintenance and reparation of the enterprises, in investments of maintenance, completion and renewal and in expanding and new enterprise investments; to found enterprises required for these purposes; to increase capacities of the machinery; to exploit the over-capacity; to produce the energy required by the enterprises when necessary;
g) To make patent, brand, license, know-how, procurement, engineering, construction, installation and similar agreements with domestic and foreign companies;
ğ) To perform and make third persons perform, training, research and development works in its field of activity, to render laboratory analysis services to third parties and institutions;
h) To make third persons perform transportation services; to perform transportation services in cases where transportation requires a peculiarity and necessity;
ı) To acquire movable or immovable properties in order to meet its requirements regarding its field of activity; to establish or to annul

PREVIOUS TEXT

properties when necessary; to dispose of, lease and rent out movable and immovable properties; to establish usufruct and servitude, real estate encumbrance and various rights for and against the same; to sell immovable and movable properties when necessary;
i) To give indemnity, guarantee, mortgage and pledge guaranteeing the debts of itself or companies which it participates in their capital, provided that the requisite explanations within the scope of special circumstances required by Capital Market Board are made; and to take indemnity, guarantee, mortgage and pledge guaranteeing its credits; to release and modify the pledges;
j) To provide relations with all sections related to this industry in the trade performed via importation and exportation in the relevant industry field; to participate in industry, engineering and consultancy fields; to enter into tenders and undertakings;
k) To perform and provide engineering services in its field of activity in and outside the country;
l) To borrow loans from domestic and foreign sources in order to realize its purposes;
m) To establish partnerships to purchase and/or to merge with the already founded partnerships related to its scope of activities; to participate in the enterprises to be founded; reserving the provisions of Article 15/last clause of the Capital Markets Law,
n) To establish a production plant within the scope of auto-producer license essentially in order to meet its own electricity and heating energy requirement in accordance with the electricity market law; to produce electricity and heating energy; in case of an over-production, to sell the produced electricity and heating energy and/or capacity to other license holder judicial persons and individual consumers in accordance with the law in question; to perform activities regarding importation of plant and related equipment and fuel;
o) Within the framework of the legislation, to carry out activities with respect to the import from abroad or purchase domestically of the natural gas in bulk and by retail and with respect to the utilization and storage of the imported and purchased natural gas;
ö) To carry out Pilotage and Tugboat activities, to carry out operation/port operation activities at port, cruise port, passenger terminal, port side, pier, shelter, berth, fuel/liquefied petroleum gas pipe line and float systems and similar seaside facilities, to render port operation services, to procure that such services are also rendered by third parties by means of leasing or other methods when necessary; to purchase, to have constructed and to lease and sell the required naval vessels, to establish local and foreign partnerships on this subject in necessary cases, to operate warehouse and to render warehouse services.

Upon the amendments of the Articles of Association, it is required to obtain the assent of the Capital Market Board and to attain the consent of the Ministry of the Industry and Commerce.

CURRENT TEXT

the rights in remover its own or other persons' immovable properties when necessary; to dispose of, lease and rent out movable and immovable properties; to establish usufruct and servitude, real estate encumbrance and various rights for and against the same; to sell immovable and movable properties when necessary;
i) To give indemnity, guarantee, mortgage and pledge guaranteeing the debts of itself or companies which it participates in their capital, provided that the requisite explanations within the scope of special circumstances required by Capital Market Board are made; and to take indemnity, guarantee, mortgage and pledge guaranteeing its credits; to release and modify the pledges;
j) To provide relations with all sections related to this industry in the trade performed via importation and exportation in the relevant industry field; to participate in industry, engineering and consultancy fields; to enter into tenders and undertakings;
k) To perform and provide engineering services in its field of activity in and outside the country;
l) To borrow loans from domestic and foreign sources in order to realize its purposes;
m) To establish partnerships to purchase and/or to merge with the already founded partnerships related to its scope of activities; to participate in the enterprises to be founded; reserving the provisions of Article 15/last clause of the Capital Markets Law,
n) To establish a production plant within the scope of auto-producer license essentially in order to meet its own electricity and heating energy requirement in accordance with Law No. 4268 on the electricity market and relevant legislation; to produce electricity and heating energy; in case of an over-production, to sell the produced electricity and heating energy and/or capacity to other license holder judicial persons and individual consumers in accordance with the law in question; to perform non-commercial activities regarding the provision of equipment and fuel for the electricity generation plant;
o) Within the framework of the legislation, to carry out activities with respect to the import from abroad or purchase domestically of the natural gas in bulk and by retail and with respect to the utilization and storage of the imported and purchased natural gas;
ö) To carry out Pilotage and Tugboat activities, to carry out operation/port operation activities at port, cruise port, passenger terminal, port side, pier, shelter, berth, fuel/liquefied petroleum gas pipe line and float systems and similar seaside facilities, to render port operation services, to procure that such services are also rendered by third parties by means of leasing or other methods when necessary; to purchase, to have constructed and to lease and sell the required naval vessels, to establish local and foreign partnerships on this subject in necessary cases, to operate warehouse and to render warehouse services.
p) To grant aid and donations to social foundations, associations, educational institutions and other relevant individuals, agencies and institutes, as per the principles set out by the Capital Market Board.

Prior approval of Board of Directors is required before the granting of any donation or aid by the Company as indicated in Article 3, Clause p of the Articles of Association.

PREVIOUS TEXT

Furthermore, in the event that the Company obtains license from the Energy Market Regulatory Authority and if it is requisite pursuant to the legislation related with the attained license, the approval of the Energy Market Regulatory Authority shall also be obtained for the amendments of the articles of association other than the change of domicile address.

CAPITAL:

Article 6- *The company has accepted the Registered Capital system as per the provisions of the Capital Market Law numbered 2,499, and has been entered into this system under the permission of the Capital Market Board dated 07.12.1998 and numbered 11838.*

The permission of Registered Capital ceiling given by the Capital Market Board shall be valid for the years 2009-2013 (5 years). Even if the permitted Registered Capital ceiling not being reached at the end of the year 2013, in order for the Board of Directors to render a decision on the capital increase after the year 2013, it is obligatory for the Board of Directors to obtain the authorization of the General Assembly for a new period provided that the permission is obtained from the Capital Markets Board for a ceiling previously permitted or for a new ceiling amount. In case of the failure to obtain such authorization, the company shall be deemed to have exited from the Registered Capital system.

a) Registered Capital:
The Registered Capital of the company is 300.000.000 (three hundred million) Turkish Liras. This capital has been divided into 30.000.000.000 (thirty billion) shares each bearing a nominal value of 1 (one) Kurus.

b) Issued Capital:
The issued capital of the company is 204.750.000 (two hundred and four million seven hundred and fifty thousand) Turkish Liras. This capital has been divided into 20.475.000.000. (twenty billion four hundred seventy five million) shares each having a nominal value of 1 (one) Kurus. The entire capital has been paid-up.

c) Between the years 2009-2013, the Board of Directors is entitled to increase the issued capital by issuing new shares at the times deemed necessary by the Board of Directors and in compliance with the provisions of the Capital Market Law, provided that this increase stays within the Registered Capital Ceiling.

The shares representing the capital are followed up from the records within the framework of the principles of dematerialization.

CURRENT TEXT

Upon the amendments of the Articles of Association, it is required to obtain the assent of the Capital Market Board and to attain the consent of the Ministry of the Industry and Commerce. Furthermore, in the event that the Company obtains license from the Energy Market Regulatory Authority and if it is requisite pursuant to the legislation related with the attained license, the approval of the Energy Market Regulatory Authority shall also be obtained for the amendments of the Articles of Association other than the change of domicile address.

CAPITAL:

Article 6- The company has accepted the Registered Capital system as per the provisions of the Capital Market Law numbered 2499, and has been entered into this system under the permission of the Capital Market Board dated 07.12.1998 and numbered 11838.

The permission of Registered Capital ceiling given by the Capital Market Board shall be valid for the years 2009-2013 (5 years). Even if the permitted Registered Capital ceiling not being reached at the end of the year 2013, in order for the Board of Directors to render a decision on the capital increase after the year 2013, it is obligatory for the Board of Directors to obtain the authorization of the General Assembly for a new period provided that the permission is obtained from the Capital Markets Board for a ceiling previously permitted or for a new ceiling amount. In case of the failure to obtain such authorization, the company shall be deemed to have exited from the Registered Capital system.

a) Registered Capital:
The Registered Capital of the company is 300.000.000 (three hundred million) Turkish Liras. This capital has been divided into 30.000.000.000 (thirty billion) shares each bearing a nominal value of 1 (one) Kuruş.

b) Issued Capital:
The issued capital of the company is 1.000.000.000 (one billion) Turkish liras. This capital has been divided into 100.000.000.000 (one hundred billion) shares each having a nominal value of 1 (one) Kuruş. The entire capital has been paid-up.

c) Between the years 2009-2013, the Board of Directors is entitled to increase the issued capital by issuing new shares at the times deemed necessary by the Board of Directors and in compliance with the provisions of the Capital Market Law, provided that this increase stays within the Registered Capital Ceiling.

The shares representing the capital are followed up from the records within the framework of the principles of dematerialization.

PREVIOUS TEXT

SHARE CERTIFICATES:

Article 8- *The shares of the company have been separated into three groups as A, B and C Groups, and they have been subscribed to the shareholders pro rata to their capitals as shown herein below:*

Share Group	Name of Shareholder	Type of Share	Total Share Quantity	Value of the Shares (TL)
A	SOCAR & TURCAS Petrokimya A.Ş.	Registered	2,252,250,000	22,522,500.00
B	SOCAR & TURCAS Petrokimya A.Ş.	Registered	8,190,000,000	81,900,000.00
A	Other	Registered	7,919,414,100	79,194,141.00
A	Privatization Administration	Registered	2,113,335,899	21,133,358.99
C	Privatization Administration	Registered	1	0.01
Total			20,475,000,000	204,750,000.00

C group share belongs to Prime Ministry Privatization Administration. The privileges assigned to C group share by the present Articles of Association shall continue as long as Prime Ministry Privatization Administration owns the C group share. With the conversion of the C group share into A group, the "right to nominate a candidate for Board of Directors" assigned to C Group with the Article 11 of the present articles of association shall be transferred to the shareholders holding A group shares.

In accordance with the last paragraph of Article 15, in case it is decided to void the rights assigned to C group share, the share shall transform into A group share. In this case, C Group's right to nominate a candidate for Board of Directors is transferred to the A Group.

BOARD OF DIRECTORS:

Article 11-*Management and representation of the Company are carried out by the Board of Directors. The Board of Directors is authorized to perform all kind of works other than the General Assembly is obliged to perform according to the laws. The Board of Directors consists of 7 members elected by the General Assembly. The General Assembly should form the Board of Directors with 3 candidates who get most votes in the selection performed amongst A group shareholders, 3 candidates who get most votes in the selection performed amongst B group shareholders, and 1 candidate shown by C group shareholder.*
The following principles are applied for A group shareholders in determining candidates for the Board of Directors:

CURRENT TEXT

SHARE CERTIFICATES:

Article 8- The shares of the company have been separated into three groups as A, B and C Groups, and they have been subscribed to the shareholders pro rata to their capitals as shown herein below:

Share Group	Name of Shareholder	Type of Share	Total Share Quantity	Value of the Shares (TL)
A	SOCAR & TURCAS Petrokimya A.Ş.	Registered	11,000,000,000	110,000,000.00
B	SOCAR & TURCAS Petrokimya A.Ş.	Registered	40,000,000,000	400,000,000.00
A	Other	Registered	38,678,431,890	386,784,318.90
A	Privatization Administration	Registered	10,321,568,109	103,215,681.09
C	Privatization Administration	Registered	1	0.01
Total			1,000,000,000.00	1,000,000,000.00

C group share belongs to Prime Ministry Privatization Administration. The privileges assigned to C group share by the present Articles of Association shall continue as long as Prime Ministry Privatization Administration owns the C group share. With the conversion of the C group share into A group, the "right to nominate a candidate for Board of Directors" assigned to C Group with the Article 11 of the present Articles of Association shall be transferred to the shareholders holding A group shares.

In accordance with the last paragraph of Article 15, in case it is decided to void the rights assigned to C group share, the share shall transform into A group share. In this case, C Group's right to nominate a candidate for Board of Directors is transferred to the A Group.

BOARD OF DIRECTORS:

Article 11-Management and representation of the Company are carried out by the Board of Directors. The Board of Directors is authorized to perform all kind of works other than the General Assembly is obliged to perform according to the laws. The Board of Directors consists of 7 members elected by the General Assembly. The General Assembly should form the Board of Directors with 3 candidates who get most votes in the selection performed amongst A group shareholders, 3 candidates who get most votes in the selection performed amongst B group shareholders, and 1 candidate shown by C group shareholder.

PREVIOUS TEXT	**CURRENT TEXT**
a) In case that the public offering ratio of the A group shares is 20% (20% or more) of the total capital, the right to determine one of the 3 Board of Directors member candidates assigned to A group belongs to A group, and the right to determine 2 candidates belongs to B group shareholders. *b) In case that the public offering ratio of the A group shares is 40% (40% or more) of the total capital, the right to determine two of the 3 Board of Directors member candidates assigned to A group belongs to A group, and the right to determine 1 candidate belongs to B group shareholders.* *c) In case that the public offering ratio of the A group shares is 55% and more of the total capital, all of 3 members shall be selected amongst the candidates to be selected and shown by A group according to the above mentioned procedure.* *ç) Showing candidate for the Board of Directors by the shareholders possessing A group shares depends on representation in the General Assembly, at which members of Board of Directors are to be selected, with a ratio of at least 1% of the A Group shares in the total capital. The shareholders having the possession of A group shares shall determine the candidates for the membership of Board of Directors in the meeting they make amongst themselves. In case that the shareholders having the possession of A group shares are not represented in the General Assembly with the ratio of 1%, the right to determine member for the Board of Directors shall be used by B group shareholders. The Board of Directors shall be selected from the candidates shown by the General Assembly.* *d) In case a vacancy occurs in the Board of Directors due to death, resignation or cessation of membership, the vacancy shall be filled with a selection performed by Board of Directors in accordance with the Article 315 of the Turkish Commerce Law. In case a membership selected to represent A group shares falls off, then the Board of Directors shall fill the vacant membership with a selection amongst the candidates shown by the members of the Board of Directors representing A group shares. In case a membership selected to represent B group shares falls off, then the Board of Directors shall fill the vacant membership with a selection amongst the candidates shown by the members of the Board of Directors representing B group shares. However, if the A group is represented by 1 member in the Board of Directors and this membership falls off, then a selection shall be made amongst the candidates shown by C group. In case the membership selected by C group falls off due to the above mentioned reasons, then the vacant membership shall be filled with a selection by Board of Directors amongst the candidate or candidates shown by C group shareholder.* *e) In case a member of the Board of Directors representing a certain legal entity notifies that he/she has no relations with the mentioned legal entity any more or in case a certain legal entity transfers its shares to a third person, then this member is deemed as resigned from the Board of Directors and the provisions indicated on the paragraph d of this article shall be applied in order to fill this vacant membership.*	The following principles are applied for A group shareholders in determining candidates for the Board of Directors: a) In case that the public offering ratio of the A group shares is 20% (20% or more) of the total capital, the right to determine one of the 3 Board of Directors member candidates assigned to A group belongs to A group, and the right to determine 2 candidates belongs to B group shareholders. b) In case that the public offering ratio of the A group shares is 40% (40% or more) of the total capital, the right to determine two of the 3 Board of Directors member candidates assigned to A group belongs to A group, and the right to determine 1 candidate belongs to B group shareholders. c) In case that the public offering ratio of the A group shares is 55% and more of the total capital, all of 3 members shall be selected amongst the candidates to be selected and shown by A group according to the above mentioned procedure. ç) Showing candidate for the Board of Directors by the shareholders possessing A group shares depends on representation in the General Assembly, at which members of Board of Directors are to be selected, with a ratio of at least 1% of the A Group shares in the total capital. The shareholders having the possession of A group shares shall determine the candidates for the membership of Board of Directors in the meeting they make amongst themselves. In case that the shareholders having the possession of A group shares are not represented in the General Assembly with the ratio of 1%, the right to determine member for the Board of Directors shall be used by B group shareholders. The Board of Directors shall be selected from the candidates shown by the General Assembly. d) In case a vacancy occurs in the Board of Directors due to death, resignation or cessation of membership, the vacancy shall be filled with a selection performed by Board of Directors in accordance with the Article 315 of the Turkish Commerce Law. The newly elected member of the Board is submitted to the approval of the next General Assembly. The said person completes the term of the person who he/she replaces, upon approval of the General Assembly. In case a membership selected to represent A group shares falls off, then the Board of Directors shall fill the vacant membership with a selection amongst the candidates shown by the members of the Board of Directors representing A group shares. In case a membership selected to represent B group shares falls off, then the Board of Directors shall fill the vacant membership with a selection amongst the candidates shown by the members of the Board of Directors representing B group shares. However, if the A group is represented by 1 member in the Board of Directors and this membership falls off, then a selection shall be made amongst the candidates shown by C group. In case the membership selected by C group falls off due to the above mentioned reasons, then the vacant membership shall be filled with a selection by Board of Directors amongst the candidate or candidates shown by C group shareholder. e) In case a member of the Board of Directors representing a certain legal entity which owns shares of the Company notifies

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QUALIFICATIONS AND ELIGIBILITY OF THE BOARD MEMBERS:

Article 12- *In order to be eligible for election to the Board of Directors, it is essential that the nominee has not been placed under interdiction; to be a shareholder in the Company; and not to be sentenced due to disgraceful offenses. In case non-shareholders are selected as members, they can start work after they receive the title of shareholder.*

The General Assembly of Shareholders may give permission for the situations stipulated in Articles 334 and 335 of the Turkish Commercial Code.

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that he/she has no relations with the mentioned legal entity any more, or in case a certain legal entity transfers its shares to a third person, or in case a Board member who has Company shares transfers his/her shares to a third person then this member is deemed as resigned from the Board of Directors and the provisions indicated on the paragraph d of this article shall be applied in order to fill this vacant membership.

QUALIFICATIONS AND ELIGIBILITY OF THE BOARD MEMBERS:

Article 12- In order to be eligible for election to the Board of Directors, it is essential that the nominee holds Company shares; is preferably a university graduate; has technical expertise in the Company's field of activity, general financial and legal information as well as managerial experience; has not been placed under interdiction nor sentenced due to disgraceful offenses; and has the capacity and determination to participate in the meetings of Board of Directors. A legal person who holds shares cannot be member of the Executive Board; however, real person representatives of the said legal person can be elected as members of the Executive Board.

As a rule, Board Members cannot do business nor compete with the Company; any action to the contrary needs to be approved by the favorable vote of three-fourths (¾) of shareholders present at a General Assembly Meeting that represents at least 50% of the Company's capital.

A Board Member cannot participate in the deliberation of issues that regard himself/herself or the interests of himself/herself, a non-Member spouse, relatives and in-laws up to third degree. In case such an issue is discussed, the said Member is obliged to inform his/her relation to the issue at hand and make sure that it is recorded in the minutes of the meeting.

MEETINGS OF THE BOARD OF DIRECTORS:

Article 15- The Board of Directors shall convene at any time required in due course of the Company's business at the headquarters or any other place deemed appropriate. However, it is obligatory to hold at least six meetings in a year. The Board of Directors is held with the participation of at least four members. The Board of Directors takes its decisions with the affirmative votes of at least four members. A member who has not participated in four consecutive meetings without permission of Board of Directors or without a reasonable ground shall be deemed to have resigned. The decisions of Board of Directors may be taken also by the receipt of written affirmative opinions of all members on a suggestion regarding a certain subject matter submitted by one of the members, unless one of the members demand to hold a meeting.

PREVIOUS TEXT

MEETINGS OF THE BOARD OF DIRECTORS:

Article 15- *The Board of Directors shall convene at any time required in due course of the Company's business at the headquarters or any other place deemed appropriate. However, it is obligatory to hold at least six meetings in a year. The Board of Directors is held with the participation of at least four members. The Board of Directors takes its decisions with the affirmative votes of at least four members. A member who has not participated in four consecutive meetings without permission of Board of Directors or without a reasonable ground shall be deemed to have resigned. The decisions of Board of Directors may be taken also by the receipt of written affirmative opinions of all members on a suggestion regarding a certain subject matter submitted by one of the members, unless one of the members demand to hold a meeting.*

The validity of the decisions of Board of Directors depends on the fact that they are in writing and signed. In case a decision quorum cannot be provided on a certain subject matter, then the referred subject matter is deemed as rejected.

The validity of the decisions that are to be taken by the Board of Directors on the following matters depends on the affirmative vote of the member of Board of Directors elected from C group:
a) Modifications on the Articles of Association that will affect the privileges assigned to C Group share,
b) Registration of the transfer of registered shares on the share book;
c) Determination of the form of letter of authority indicated in the Article 31 of the present Articles of Association;
ç) Decisions stipulating a decrease of at least 10% in the capacity of any plant owned by the company;
d) The company's establishment of a new company or partnership, acquisition a company; being partner to and/or merging with an existing company, separation, dematerialization, annulment and liquidation of the company.

The convocations for Board of Directors meetings shall be made at least three days prior to the date of meeting.

The privileges of the C group may only be limited or dismissed with an amendment to be duly made in the articles of incorporation upon the decision of Higher Commission of Privatization or the competent authority at that date.

CURRENT TEXT

Each year, following the General Assembly, Board of Directors takes decisions as regards the formation of committees.

The validity of the decisions of Board of Directors depends on the fact that they are in writing and signed. In case a decision quorum cannot be provided on a certain subject matter, then the referred subject matter is deemed as rejected.

The validity of the decisions that are to be taken by the Board of Directors on the following matters depends on the affirmative vote of the member of Board of Directors elected from C group:

a) Modifications on the Articles of Association that will affect the privileges assigned to C Group share;
b) Registration of the transfer of registered shares on the share book;
c) Determination of the form of letter of authority indicated in the Article 31 of the present Articles of Association;
ç) Decisions stipulating a decrease of at least 10% in the capacity of any plant owned by the company;
d) The company's establishment of a new company or partnership, acquisition of a company; being partner to and/or merging with an existing company, separation, dematerialization, annulment and liquidation of the company.

The convocations for Board of Directors meetings shall be made at least three days prior to the date of meeting.

The privileges of the C group may only be limited or dismissed with an amendment to be duly made in the articles of incorporation upon the decision of Higher Commission of Privatization or the competent authority at that date.

INVITATION TO THE MEETINGS AND QUORUM:

Article 30- Calls for the meetings of the General Assembly shall be made two weeks before, except the announcement and assembly days, the date of meeting pursuant to the Article 386 of the Turkish Commercial Code pertaining thereto, and relevant communiqués of Capital Market Board. The date, hour and location of assembly should be notified to the shareholders via announcement in the Turkish Trade Registry Journal, in at least one regional and/or national newspaper, and on the corporate web site. The Company is not obliged to send registered mails in order to notify the date of assembly to the shareholders possessing the share certificates transacted in the stock exchange. The agenda of the assembly should be attached to the announcement.

PREVIOUS TEXT

INVITATION TO THE MEETINGS AND QUORUM:

Article 30- *Calls for the meetings of the General Assembly shall be made two weeks before, except the announcement and assembly days, the date of meeting pursuant to the Article 386 of the Turkish Commercial Code pertaining thereto, and the date of assembly should be notified to the shareholders via registered mails. The Company is not obliged to send registered mails in order to notify the date of assembly to the shareholders possessing the share certificates transacted in the stock exchange. The agenda of the assembly should be attached to the announcement.*

The General Assembly gathers with the participation of the shareholders possessing at least half of the company capital, except the circumstances requiring a higher quorum in accordance with the Turkish Commercial Code and this Article of Association, the decisions are taken with the majority of the present votes.

The same quorums are also valid for the Company privileged shareholders' General Assembly.

In case that the aforementioned assembly quorum is not reached in the first meeting, the General Assembly shall be called for a second meeting, where no quorum is required, and the decisions are taken with the majority of the present votes. In case the resolutions of General Assembly of Shareholders in the subjects pursuant to the Article 15 which needs the authorization of the Board member representing C group depends on the affirmative vote of C group shareholder.

The General Assembly of Shareholders may also convene at any time deemed necessary without a ceremony pursuant to the provisions of Article 370 of the Turkish Commercial Code.

CURRENT TEXT

The General Assembly gathers with the participation of the shareholders possessing at least half of the company capital, except the circumstances requiring a higher quorum in accordance with the Turkish Commercial Code and this Article of Association, the decisions are taken with the majority of the present votes.

The same quorums are also valid for the Company privileged shareholders' General Assembly.

In case that the aforementioned assembly quorum is not reached in the first meeting, the General Assembly shall be called for a second meeting, where no quorum is required, and the decisions are taken with the majority of the present votes. In case the resolutions of General Assembly of Shareholders in the subjects pursuant to the Article 15 which needs the authorization of the Board member representing C group depends on the affirmative vote of C group shareholder.

The General Assembly of Shareholders may also convene at any time deemed necessary without a ceremony pursuant to the provisions of Article 370 of the Turkish Commercial Code.

In addition, upon the due written and substantiated request of shareholders who hold at least one-twentieth (1/20) of the Company's capital, Board of Directors or Auditors are under the obligation to invite the General Assembly to hold a meeting, or in case a General Assembly meeting is already scheduled, to place on the agenda those items demanded by the above mentioned shareholders. In case Board of Directors and Auditors do not fulfill this obligation, the said shareholders can apply to the relevant court and obtain the permission to gather the General Assembly or place the desired items on its agenda.

General Assembly meetings should be attended by Board Members, Auditors, and candidates to the relevant committees; as well as officials who have responsibilities concerning agenda items and/or need to make disclosures.

Unless decided otherwise by the General Assembly, the meetings are open to relevant parties and the media; however, those who attend the meeting without the status of shareholder or proxy, or without an entry card, do not have the right to make a speech or cast a vote.

PREVIOUS TEXT	CURRENT TEXT
DETERMINATION OF THE PROFIT:	**DETERMINATION OF THE PROFIT:**
Article 37- *Net profit is the amount remaining after subtracting all kinds of expenditures accepted within the scope of the laws in force from the gross revenue.*	**Article 37-** Net profit is the amount remaining after subtracting all kinds of expenditures accepted within the scope of the laws in force from the gross revenue.
Legal reserve funds and taxes are reserved from this net profit in accordance with the Article 38. Out of the remaining amount, first dividend shall be distributed to shareholders in proportion to their shares, in an amount and at a rate as determined by the Capital Market Board. From the remainder, a profit share that will be determined by the General Assembly is distributed to the members of Board of Directors provided that it does not exceed 0.1% of the total profit.	Legal reserve funds and taxes are reserved from this net profit in accordance with the Article 38. Out of the remaining amount, first dividend shall be distributed to shareholders in proportion to their shares, in an amount and at a rate as determined by the Capital Market Board. From the remainder, a profit share that will be determined by the General Assembly is distributed to the members of Board of Directors provided that it does not exceed 0.1% of the total profit.
Unless otherwise decided by the General Assembly, the remaining profit shall be distributed to the shareholders as second dividends in proportion to their shares in the paid capital.	Unless otherwise decided by the General Assembly, the remaining profit shall be distributed to the shareholders as second dividends in proportion to their shares in the paid capital.
Unless and until the statutory reserve funds prescribed by the Law and the first dividends payable to the shareholders determined in the Articles of Association are set aside, decisions as to setting aside further reserves, carrying over the profit to the next year or paying profit shares to the Board Members, officials, employees and workers of the company cannot be implemented.	Unless and until the statutory reserve funds prescribed by the Law and the first dividends payable to the shareholders determined in the Articles of Association are set aside, decisions as to setting aside further reserves, carrying over the profit to the next year or paying profit shares to the Board Members, officials, employees and workers of the company cannot be implemented.
Date and method of profit distribution is determined by the General Assembly by taking into consideration the Communiqués of the Capital Market Board.	Date and method of profit distribution is determined by the General Assembly by taking into consideration the Communiqués of the Capital Market Board.
	The Board of Directors can make advance payments of dividends, upon authorization by the General Assembly and in compliance with the Article 15 of the Capital Markets Law and the relevant regulation of the Capital Market Board. The authorization of the Board of Directors by the General Assembly to make advance dividend payments is limited with the year in which the authorization is granted. Unless the advance dividend payments of the preceding year are settled in full, no additional advance dividend payment and/or dividend can be distributed.
	Article 42- The Company and its organs strive to closely comply with the Corporate Governance Principles of the Capital Market Board. In the case of non-compliance with the said principles, however, the reasons and results of this situation are mentioned in the annual activity report and the necessary explanations are provided.

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
DECISION DATE: 11/03/2011
DECISION NUMBER: 79-151 11/03/2011

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ OF SERIES XI NO. 29, SECTION THREE ARTICLE 9

a) Having examined the independently audited balance sheet, income statement, cash flow chart, shareholders' equity change chart and relevant footnotes, as well as the annual activity report of the Company for the period of 31/12/2010,

b) We have concluded that the above mentioned report does not contain any misrepresentation of the facts on major issues, or any omissions that may be construed as misleading as of the date of the disclosure, and that,

c) The financial tables and other financial information included in the report fairly reflect the facts about the financial situation of the Company and the outcomes of its operations as regards the period concerned, within the framework of information available to us in so far as our duties and responsibilities in the Company are concerned.

Best regards,

VAGİF ALİYEV	**SAFFET BATU AKSOY**
Member	Member

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

Petkim Petrokimya Holding A.Ş.

Consolidated financial statements for the period January 1-December 31, 2010 together with report of independent auditors

Petkim Petrokimya Holding A.Ş.

Contents

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(Convenience translation of an auditors' report originally issued in Turkish)

Independent auditors' report

To the Shareholders of
Petkim Petrokimya Holding Anonim Şirketi:

We have audited the accompanying consolidated balance sheet of Petkim Petrokimya Holding Anonim Şirketi ("Petkim" or the Company) and its Subsidiary (together referred as "the Group") as at December 31, 2010 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group's Management's responsibility for the consolidated financial statements

The Group's management is responsible for the preparation and fair presentation of financial statements in accordance with financial reporting standards published by the Capital Market Board. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Market Board. Those standards require that ethical requirements are complied and independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of Petkim Petrokimya Holding Anonim Şirketi and its Subsidiary as of December 31, 2010 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Market Board.

Other matter

The financial statements of Petkim Petrokimya Holding Anonim Şirketi prepared in accordance with the financial reporting standards accepted by the Capital Market Board as of December 31, 2009 had been audited by another audit firm whose independent auditors' report thereon dated March 12, 2010 expressed an unqualified opinion.

Additional paragraph for convenience translation to English:

As at December 31, 2010, the accounting principles described in Note 2 to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the Capital Market Board. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and the cash flows in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Engagement partner

March 11, 2011
İstanbul, Turkey

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

Petkim Petrokimya Holding A.Ş.

Consolidated balance sheet at December 31, 2010

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

	Notes	Current year Audited December 31, 2010	Previous year Audited December 31, 2009
Assets			
Current assets		**1.106.014.746**	854.482.826
Cash and cash equivalents	6	**201.710.447**	175.498.537
Trade receivables			
-Trade receivables	10	**414.829.838**	337.627.264
-Trade receivables from related parties	37	**258.785**	-
Other receivables			
-Other receivables	11	**561.323**	10.022.372
-Due from related parties	37	**11.912.277**	50
Inventories	13	**434.803.848**	313.304.900
Other current assets	26	**41.938.228**	18.029.703
Non-current assets		**1.269.878.357**	1.258.720.152
Financial assets	7	**2.865**	2.865
Property, plant and equipment	18	**1.207.555.047**	1.195.372.653
Intangible assets	19	**9.517.934**	3.206.995
Investment property	17	**1.020.532**	-
Other non-current assets	26	**32.371.334**	30.879.714
Deferred income tax assets	35	**19.410.645**	29.257.925
Total assets		**2.375.893.103**	2.113.202.978

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

Petkim Petrokimya Holding A.Ş.

Consolidated balance sheet at December 31, 2010

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

	Notes	Current year Audited December 31, 2010	Previous year Audited December 31, 2009
Liabilities			
Current liabilities		**681.908.766**	566.076.485
Financial liabilities	8	**88.813.847**	87.727.988
Trade payables			
-Trade payables to third parties	10	**331.132.356**	155.283.144
-Trade payables to related parties	37	**192.507.862**	244.581.414
Other payables			
-Other payables	11	**1.010.940**	1.200.672
-Due to related parties	37	**73.272**	273.629
Provision for employee benefits	24	**6.587.042**	12.123.442
Provisions	22	**3.961.048**	4.923.839
Other current liabilities	26	**57.822.399**	59.962.357
Non-current liabilities		**93.636.886**	76.863.962
Financial liabilities	8	**7.730.000**	-
Provision for employee benefits	24	**80.262.154**	76.543.737
Other non-current liabilities	26	**5.644.732**	320.225
Total liabilities		**775.545.652**	642.940.447
Equity		**1.600.347.451**	1.470.262.531
Share capital	27	**1.000.000.000**	204.750.000
Adjustment to share capital	27	**486.852.283**	1.282.102.283
Restricted reserves	27	**-**	-
Accumulated deficit	27	**(16.589.752)**	(130.624.846)
Net profit for the year		**130.084.920**	114.035.094
Total equity and liabilities		**2.375.893.103**	2.113.202.978

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

Petkim Petrokimya Holding A.Ş.
Consolidated statement of comprehensive income for the year ended December 31, 2010

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

	Notes	Current year Audited January 1 December 31, 2010	Previous year Audited January 1 December 31, 2009
Sales	28	**2.909.391.891**	2.057.459.379
Cost of sales	28	**(2.680.185.051)**	(1.943.592.965)
Gross profit		**229.206.840**	113.866.414
Research and development expenses	29	**(2.125.414)**	(1.444.604)
Marketing, selling and distribution expenses	29	**(17.486.384)**	(13.165.881)
General administrative expenses	29	**(74.391.642)**	(53.593.950)
Other operating income	31	**8.253.488**	23.472.938
Other operating expense	31	**(16.315.391)**	(27.636.319)
Operating profit		**127.141.497**	41.498.598
Finance income	32	**146.702.807**	106.732.564
Finance costs	33	**(133.912.104)**	(83.499.972)
Profit before taxation		**139.932.200**	64.731.190
Taxation on income			
-Current year tax expense	35	-	-
-Deferred tax (expense)/income	35	**(9.847.280)**	49.303.904
Net profit for the year		**130.084.920**	114.035.094
Other comprehensive income (after tax)		-	-
Total comprehensive income		**130.084.920**	114.035.094
Attributable to:			
Minority interest		-	-
Equity holders of the Parent		**130.084.920**	114.035.094
Earnings per share (kuruş)-Minority interest	36	-	-
Earnings per share (kuruş)-Equity holders of the parent	36	**0,13**	0,11

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

Petkim Petrokimya Holding A.Ş.
Consolidated statement of changes in equity for the year ended December 31, 2010
(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

	Share capital	Adjustment to share capital	Restricted reserves	Net (loss)/profit for the year	Retained earnings/ (Accumulated deficit)	Total equity
January 1, 2009	204.750.000	1.282.102.283	365.200	(151.258.150)	20.633.304	1.356.592.637
Transfers	-	-	-	151.258.150	(151.258.150)	-
Restricted reserves (Note 27)	-	-	(365.200)	-	-	(365.200)
Total comprehensive income	-	-	-	114.035.094	-	114.035.094
December 31, 2009	204.750.000	1.282.102.283	-	114.035.094	(130.624.846)	1.470.262.531
January 1, 2010	**204.750.000**	**1.282.102.283**		**114.035.094**	**(130.624.846)**	**1.470.262.531**
Transfers	**-**	**-**	**-**	**(114.035.094)**	**114.035.094**	**-**
Increase in share capital (Note 27)	**795.250.000**	**(795.250.000)**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**130.084.920**	**-**	**130.084.920**
December 31, 2010	**1.000.000.000**	**486.852.283**	**-**	**130.084.920**	**(16.589.752)**	**1.600.347.451**

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

Petkim Petrokimya Holding A.Ş.
Consolidated statement of cash flows
for the year ended December 31, 2010

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

	Notes	Current year Audited January 1-December 31, 2010	Previous year Audited January 1-December 31, 2009
Cash flows from operating activities:			
Profit before taxation		**139.932.200**	64.731.190
Adjustments to reconcile profit before tax to net cash generated from operating activities:			
Depreciation and amortisation	18-19	**59.268.092**	98.999.429
Interest income	32	**(35.514.453)**	(40.475.363)
Interest expense	33	**14.857.542**	15.878.445
Provision for legal cases, net	31	**(273.193)**	2.276.165
Provision for employment termination benefits-net	24	**11.675.933**	7.575.025
Gain on sales of fixed assets		**(147.633)**	(184.323)
Provision for doubtful receivables	10-11-31	**16.882**	1.843.758
Provision for sales price differences, net		**(411.291)**	411.291
Provision for seniority incentive bonus, net	24	**3.154.063**	3.402.241
Provision for unused vacation rights, net	24	**(4.576.442)**	84.385
Impairment of inventories, net		**(46.377)**	151.310
Unrealised foreign currency losses on borrowings		**2.041.500**	863.500
Other		**265.656**	(462.145)
Operating profit before changes in operating assets and liabilities		**190.242.479**	155.094.908
Changes in the operating assets and liabilities:			
Trade receivables		**(77.576.491)**	(112.879.855)
Inventories		**(121.452.571)**	(139.469.173)
Other receivables		**(2.459.346)**	(2.820.677)
Other current assets		**(23.908.525)**	(7.344.012)
Other non-current assets		**(1.491.620)**	(3.310.356)
Trade payables		**177.304.956**	21.092.666
Trade payables to related parties		**(52.063.955)**	244.112.453
Provisions		**(543.963)**	(4.476.850)
Other payables		**(390.089)**	520.317
Other liabilities		**3.184.549**	12.958.799
Seniority incentive bonus paid, net	24	**(4.023.152)**	(4.136.504)
Employee termination benefits paid, net	24	**(11.751.557)**	(22.180.899)
Termination notification paid		**-**	(5.893.932)
Net cash generated from operating activities		**75.070.715**	131.266.885
Investing activities:			
Interest received	32	**34.049.112**	36.854.267
Purchase of property, plant and equipment and intangible assets	18-19	**(78.789.744)**	(70.393.899)
Proceeds from sales of property, plant and equipment		**155.420**	184.323
Net cash used in investing activities		**(44.585.212)**	(33.355.309)
Financing activities:			
Proceeds from borrowings		**11.355.620**	177.808.534
Redemption of borrowings		**(4.776.884)**	(119.207.654)
Interest paid		**(10.852.329)**	(8.945.109)
Net cash (used in)/generated from financing activities		**(4.273.593)**	49.655.771
Net increase in cash and cash equivalents		**26.211.910**	147.567.347
Cash and cash equivalents at the beginning of the period		**175.498.537**	27.931.190
Cash and cash equivalents at the end of the period	6	**201.710.447**	175.498.537

The accompanying notes form an integral part of these consolidated financial statements.

1. Group's organisation and nature of operations

Petkim Petrokimya Holding A.Ş. ("Petkim" or "the Company") was established on April 3, 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex. During the course of the Company, construction of other plants continued. In 1985, Aliağa Petrochemical Complex was established. The Company has 14 main plants, 1 bag production unit and 1 solid waste incineration facility. The Company operates its facilities in the petrochemical sector in Turkey.

The Company is mainly engaged in the following fields:

- To establish and operate factories and facilities in petrochemical and other related industries,
- To provide the necessary raw and supplementary materials and process, produce or trade these materials in order to obtain petrochemical and other related products,
- To package the products produced during various phases of production and to establish a packaging industry for this purpose, to evaluate and/or to sell waste, by products and substandard products, to establish and operate the necessary facilities for the destruction of the waste products,
- To establish and operate facilities and plants related with all kinds of energy and energy related industries within the framework of the laws and regulations. To obtain, use and trade all kinds of equipment, materials and chemical substances for this purpose,
- To purchase, sell, import, export, store, market and distribute all types of petroleum products, to operate facilities partially or totally with these objectives and subjects.

During the privatization of Petkim, total shares of 51% of Petkim Petrokimya Holding A.Ş. was sold to Socar & Turcas Petrokimya A.Ş. ("STPAŞ"), of which 44% of shares owned by the Republic of Turkey Ministry Privatization Administration ("Administration") and 7 % State Pension Fund ("Emekli Sandığı Genel Müdürlüğü") transferred to Republic of Turkey Social Security Institution, on May 30, 2008.

As of December 31, 2010 and December 31, 2009, the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Company is registered at the Capital Markets Board ("CMB") and its shares have been quoted in Istanbul Stock Exchange ("ISE") since July 9, 1990.

Consolidated financial statements were approved to be issued by the Board of Directors March 11, 2011 and signed by Mr. Hayati Öztürk, General Manager and Mr. Özer Aksoy, Accounting Manager, on behalf of the Board of Directors.

Subsidiaries

The Company has participated to the Petlim Limancılık Ticaret A.Ş. ("Petlim") with the capital of TL 100.000 and the share of 99,99%, according to the decision of Board of Director dated April 28, 2010 and numbered 64/132, to take over the assets of Petkim Port by the means of partial spin off and to implement port activities. Petkim and its subsidiary referred together as "the Group".

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

1. Group's oganisation and nature of operations (continued)

The number of personnel in the Group is 2.457 as of December 31, 2010 (December 31, 2009-2.421).

	December 31, 2010	December 31, 2009
Union (*)	1.939	1.930
Non-union (**)	518	491
	2.457	2.421

(*) Indicates the personnel who are members of Petrol İş Union.
(**) Indicates the personnel who are not members of Petrol İş Union.

The registered address of the Group as of the date of these consolidated financial statements is as follows:

PK. 12, 35800
Aliağa, İzmir

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

Accounting standards

The consolidated financial statements of Petkim have been prepared in accordance with the accounting and reporting principles accepted by the CMB, namely "CMB Financial Reporting Standards". The CMB regulated the principles and issued of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from January 1, 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from January 1 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from January 1 2005.

2. Basis of presentation of consolidated financial statements (continued)

Consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the weekly announcements numbered 2008/16, 2008/18, 2009/02 and 2009/04, including the compulsory disclosures.

The Group maintains its books of account and prepares its statutory consolidated financial statements in accordance with the requirements and regulations of the CMB and Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements are prepared by posting the adjustments and reclassifications to the statutory consolidated financial statements prepared according to historical cost convention in order to comply with the fair presentation principle of the CMB Financial Reporting Standards. The consolidated financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention except for the financial assets and liabilities, which are expressed with their fair values.

2.2 Reclassifications made to 2009 financial statements

The Group has made the following reclassification in the previous year financial statements retrospectively as of December 31, 2010:

The payable amounting to TL 509.220 that was booked in "Other payables to the related parties" has been reclassified to "Trade payables to the related parties" in the balance sheet as of December 31, 2009.

2.3 Changes in accounting policies

The accounting policies, which are basis of presentation of consolidated financial statements, are consistent with those of the previous financial year except for the new standards and interpretation summarized below. The Group has adopted the following new and amended IFRS and IFRIC interpretations in the periods beginning on January 1, 2010:

- IFRIC 17 Distributions of Non-cash Assets to Owners,
- IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items,
- IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended),
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
- Improvements to IFRSs, May 2008 – All amendments published, IFRS 5 is effective for the fiscal year ending December 31, 2009 except the amendment proposing "An entity that is committed to a sale involving loss of control of a subsidiary that qualifies for held-for-sale classification under IFRS 5 shall classify all of the assets and liabilities of that subsidiary as held for sale."
- Improvements to IFRSs April 2009

Adoption of the standards or interpretations does not have an impact on the consolidated financial statements or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payments
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The Group does not expect that these amendments will have any material impact on the consolidated financial statements of the Group.

Standards issued but not yet effective and not early adopted

As of the date of approval of the consolidated financial statements, standards issued but not yet effective and not early adopted by the Group is as follows:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Group does not expect that this amendment will have any effect on Group's consolidated financial position or performance.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)
The amendment is effective for annual periods beginning on or after January 1, 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively.

The Group does not expect that this amendment will have any effect on Group's consolidated financial position or performance.

IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement
The new standard is effective for annual periods beginning on or after January 1, 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Group does not expect that this amendment will have any effect on Group's consolidated financial position or performance.

2. Basis of presentation of consolidated financial statements (continued)

IAS 32 Financial instruments: Presentation and Explanatory Notes-Classification on Rights Issues (Amended)
The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Group does not expect this amendment will have any effect on Group's consolidated financial position or performance

IAS 24 Related Party Disclosures (Revised)
The revision is effective for annual periods beginning on or after January 1, 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Group does not expect that this amendment will have any impact on the Group's consolidated financial position or performance.

IAS 12 Income Taxes-Deferred Tax: Recovery of Underlying Assets (Amendment)
The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This standard has not yet been endorsed by the EU.

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various beginning on July 1, 2010. Early application is permitted in all cases and this annual improvements project has not yet been endorsed by the European Union.

IFRS 3 Business Combinations
Effective for annual periods beginning on or after 1 July 2010. This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets. Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

IFRS 7 Financial Instruments: Disclosures
Effective for annual periods beginning on or after 1 January 2011. This improvement gives clarifications of disclosures required by IFRS 7 and emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

IAS 1 Presentation of Financial Statements
Effective for annual periods beginning on or after 1 January 2011. This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements
Effective for annual periods beginning on or after 1 July 2010. This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting
Effective for annual periods beginning on or after 1 January 2011. This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

IFRIC 13 Customer Loyalty Programmes
Effective for annual periods beginning on or after 1 January 2011. This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)
Effective for annual periods beginning on or after 1 July 2011. This amendment allows users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. This Standard has not yet been endosed by EU.

The Group does not expect that these amendments will have any impact on the consolidated financial statements of the Group.

2. Basis of presentation of consolidated financial statements (continued)

2.4 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarised below:

Basis of consolidation

The consolidated financial statements comprise the financial statements of Petkim and Petlim in which Petkim has a shareholding interest of 99,99%. Subsidiary is consolidated from the date on which control is transferred to Petkim until the date on which the control is transferred out of Petkim.

As stated above, the consolidated financial statements consist of the financial statements of Petkim and its subsidiary which it controls. This control is normally evidenced when Petkim owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiary is consolidated by using full consolidation method, accordingly the registered subsidiary values are netted off with the related equity items. The equity and net income attributable to minority shareholders' are shown as minority interest in consolidated balance sheet and consolidated statement of comprehensive income.

Balances and transactions between Petkim and its subsidiary, including intercompany profits and unrealized profits and losses (if any) are eliminated. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventory consists of purchase materials, cost of conversion and other costs that are necessary to bring the inventories to their present location and condition. The costs of inventories are determined on a weighted average basis by the Group.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses (Note 13).

Spare parts and material stocks are valued at the lower of cost and net recoverable value. The cost of spare parts and material stocks consist of purchase materials and other costs that are necessary to bring them to their present location and condition. The costs of spare parts and material stocks are determined on a weighted average basis by the Group (Notes 13-26).

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses if any. Historical costs include the costs directly related to the acquisition of property plant and equipment. Costs incurred after the acquisition can be capitalised to the net book value of the assets or can be booked as another asset if and only if it is probable that the future economic benefits will flow to the Group and cost of the asset can be measured reliably. Repair and maintenance expenses are charged to the consolidated statement of comprehensive income as they incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective asset. Depreciation is provided using the straight-line method based on the estimated useful lives of the net assets (Note 18).

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

Spare parts and material stocks qualify as property, plant and equipment when they are expected to be used more than one period and only in connection with an item of property, plant and equipment. Spare parts and material stocks are carried at cost less the accumulated depreciation which is calculated over the remaining useful life of the related item of property, plant and equipment.

Buildings, machinery and equipment are capitalised and depreciated when they are in the condition necessary for operations in the manner intended by the management. Residual values of property, plant and equipment are deemed as insignificant.

Effective from 1 October 2009, the Company management reassessed the useful lives of its property, plant and equipment and determined the new useful lives of its tangible assets as follows:

	New useful life	Old useful life
Land improvements	4-50 years	4-50 years
Buildings	18-50 years	5-50 years
Machinery and equipment	8-68 years	5-50 years
Motor vehicles	5 years	5 years
Furniture and fixtures	3-20 years	3-20 years
Other fixed assets	5 years	5 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are included in the other operating income and expense accounts, in the consolidated statement of comprehensive income as appropriate.

Intangible assets

Intangible assets comprise acquired rights, information systems and software and capitalised development costs. Cost incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other expenditures on research and development activities are recognised as expense in the period in which they incurred. Intangible assets are amortised on a straight-line basis over their estimated useful lives from the date of acquisition. In case of impairment, the carrying values of the intangible assets are written-down to their recoverable amounts (Note 19).

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

2. Basis of presentation of consolidated financial statements (continued)

Investment properties

Land and buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property and accounted for at their acquisition cost in the consolidated balance sheet.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposals of investment properties are included in the other operating income and expense accounts, as appropriate (Note 17).

Research and development expenses

Research expenditures are recognized in the consolidated statement of comprehensive income when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- existence of the intention to complete the intangible asset and use or sell it.
- existence of the ability to use or sell the intangible asset.
- reliability of how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period. Capitalized development expenses are amortized in 5 years by straight-line method effective from the start of the production.

Impairment of assets

At each reporting date, the Group assesses whether there is an impairment indication for the assets, except for the deferred income tax asset and financial assets stated at fair values.

The Group assesses whether there is any indication that the book value of tangible and intangible assets, calculated by the acquisition cost less accumulated amortisation, may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. When the individual recoverable value of assets cannot be measured, the recoverable value of the cash-generating unit of that asset is measured.

2. Basis of presentation of consolidated financial statements (continued)

Impairment exists if the carrying value of an asset or a cash-generating unit is greater than its recoverable amount, which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

When the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying value, the asset's (or cash-generating unit's) carrying value is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognised in the consolidated statement of comprehensive income.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

Operating leases

The Group as the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the lessor

Rent income from lessees is recognized equally during the rent period in the consolidated statement of comprehensive income. Rent income collected as advance is recognised in the consolidated statement of comprehensive income systematically on a monthly basis using the straight line method during the rent period.

Financial assets

Financial asstes of the Group consist of cash and cash equivalents, trade receivables, due from related parties and pther receivables. Financial liabilities consist of trade payables, due to related parties, other payables and financial liabilities.

2. Basis of presentation of financial statements (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits at banks and highly liquid investments with insignificant risk of change in fair value and with maturity periods of three months or less (Note 6).

Trade receivables and provision for impairment

Trade receivables that are realised by the Group by way of providing goods or services directly to a debtor are carried at amortised cost using the effective interest rate method.

Impairment of assets

A credit risk provision for trade receivables is established when there is objective evidence that the Group is not able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

Should the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income in the consolidated statement of comprehensive income in the current period (Note 31).

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 10).

Bank borrowings

Bank borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings. The transaction costs and borrowing commissions are also recognised in the consolidated statement of comprehensive income over the outstanding period of the borrowing.

If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more than 12 months, they are classified under non-current liabilities (Note 8).

Recognition and de-recognition of financial instruments

The Group recognizes a financial asset or financial liability in its consolidated balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

2. Basis of presentation of consolidated financial statements (continued)

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

All other borrowing costs are expensed in the consolidated statement of comprehensive income in the period they incurred.

Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:
  (i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
  (ii) has an interest in the Company that gives it significant influence over the Company; or
  (iii) has joint control over the Company;
(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company as its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A number of transactions are entered into with related parties in the normal course of business (Note 37).

Current and deferred income tax

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date (Note 35).

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values.

2. Basis of presentation of consolidated financial statements (continued)

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in equity. Taxes arisen on items recognised in equity are recognized directly in equity.

Deferred income tax liabilities are recognised for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred income tax asset is recognised to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements (Note 35).

Long-term employee benefits

(a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Furthermore, the Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority (Note 24).

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the consolidated statement of comprehensive income.

(b) Defined contribution plans:

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions, as of the balance sheet date, are recorded with the best estimate of management in order to provide for the estimated obligation and are discounted, if they are material for the consolidated financial statements.

2. Basis of presentation of financial statements (continued)

Contingent assets and liabilities

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 22).

Contingent liabilities are not recognized in the consolidated financial statements, and disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is mostly probable.

Revenue recognition

Revenue is based on the invoiced amount of products sold and services given. Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realised. Net sales represent the invoiced value of goods sold less sales returns and commission and exclude related taxes.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

Dividend income is recognised when the shareholders right to receive dividend is established.

Statement of cash flows

In the statement of cash flows, cash flows during the period are classified under either operating, investing or financing activities. The cash flows raised from operating activities indicate cash flows due to the Group's operations. The cash flows due to investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments). The cash flows due to financing activities indicate the cash obtained from financial arrangements and used in their repayment. Cash and cash equivalents include cash and bank deposits and the investments that are readily convertible into cash and highly liquid assets with less than three months to maturity.

2. Basis of presentation of consolidated financial statements (continued)

Transactions in foreign currency

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of comprehensive income.

Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. In this respect, the Company management reassessed the useful lives of its tangible assets with the suggestions of an independent valuation company and revised the useful lives after 1 October 2009, prospectively. As a result of the change in the useful lives, current year depreciation charge resulted to be approximately TL 39 million less than the depreciation charge that would be recognized with the former useful lives.

Critical accounting estimates and judgements

Preparation of consolidated financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognised as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the management's best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions. Significant estimates of the Group management are as follows:

a) There are numerous transactions and calculations in the ordinary course of business, whose impact on income taxes requires significant judgement in determining the provision for income taxes. The Group recognises deferred income tax liabilities for anticipated taxable events and recognises deferred income tax assets on loss carryforwards, tax credits and deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred tax expense in the period of realization of the final tax outcome. As a result of the projections made by the Group management by using its best estimates deferred income tax asset regarding to the unused investment incentives was recognized in the consolidated financial statements (Note 35).

b) Tangible and intangible assets have been depreciated and amortised by using estimated useful lives. Estimated useful lives determined by management have been disclosed in Note 18 and Note 19.

c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 24).

2. Basis of presentation of consolidated financial statements (continued)

d) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, their individual performances after the balance sheet date up to the issuing date of the consolidated financial statements and furthermore, the renegotiation conditions with these debtors are considered (Note 10 and 11).

Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognised as an appropriation of the profit in the period they are declared.

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorised for issue.

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements (Note 40).

Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

Convenience translation into English of consolidated financial statements originally issued in Turkish

The accounting standards described above (defined as CMB Financial Reporting Standards) differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1-December 31, 2005. Accordingly, these consolidated financial statements are not intended to present the financial position, the results of operations and the cash flows in accordance with IFRS.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

3. Business combinations

None (December 31, 2009-None).

4. Joint ventures

None (December 31, 2009-None).

5. Segment reporting

As the primary operation of the Group is to produce and sell petrochemical products and as these operations have similar economical features, production processes, customer classes and distribution methods, the Group operations are considered to be as single operating segment. Accordingly, the Group management considers single operating segment, rather than multiple operating segments, when making decisions on the resources management and in the assessment of performance measurement of the operations.

6. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash	995	2.217
Banks	201.709.452	175.496.320
-Foreign currency demand deposits	30.255.841	26.616.340
-Foreign currency time deposits	62.496.478	118.664.472
-TL demand deposits	3.899.801	6.771.568
-TL time deposits	105.057.332	23.443.940
	201.710.447	175.498.537

As of December 31, 2010, foreign currency demand deposits consist of overnight deposits, bear the effective weighted average interest rates for USD and Euro 3% and 2,90%, respectively (December 31, 2009-USD 2,73-3%, Euro 2,91%).

As of December 31, 2010, TL time deposits consist of overnight deposits and time deposits maturing less than a month and bear the effective interest rates of 8,10% and 8,80%, respectively (December 31, 2009-6,58%).

The Group has no blocked bank deposits as of December 31, 2010 (December 31, 2009-None).

Based on the independent data with respect to the credit risk assessment of the banks at which the Group has deposits, are sufficient in terms of credit quality of the banks. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

7. Financial assets

	December 31, 2010		December 31, 2009	
	Share (%)	Amount	Share (%)	Amount
İzmir Teknopark Tic. A.Ş.	0,1	2.865	0,1	2.865
		2.865		2.865

Available-for-sale investments are stated at their costs less impairment losses, if any, in the consolidated financial statements, since they are not traded in active markets and their fair values could not be calculated reliably.

8. Financial liabilities

	December 31, 2010	December 31, 2009
Short-term bank borrowings	88.480.620	87.590.384
Interest accruals	333.227	137.604
	88.813.847	87.727.988

USD denominated borrowings received from various banks for financing needs by the Group amounting to TL 85.363.227 (December 31, 2009-TL 82.951.104) as of December 31, 2010 mature within 95 days (December 31, 2009-for TL and USD denominated borrowings-95 days).

Bank borrowings amounting to TL 3.450.620 as of December 31, 2010 (December 31, 2009-TL 4.776.884) are overnight loans without bearing any interest and used for the month-end Social Security Institution ("SSI") payments and Custom transactions.

The amounts and interest rates of bank borrowings as of December 31, 2010 and 2009 are as follows:

	December 31, 2010		December 31, 2009	
	Weighted average annual effective interest rate (%)	Amount	Weighted average annual effective interest rate (%)	Amount
Short-term bank borrowings				
USD borrowings (*)	1,97	85.030.000	2,14	82.813.500
TL borrowings	-	3.450.620	-	4.776.884
Interest accruals	-	333.227	-	137.604
		88.813.847		87.727.988

(*) Borrowings with fixed interest rate.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

8. Financial liabilities (continued)

The redemption schedule of borrowings according to their contractual repricing dates is as follows:

	December 31, 2010	December 31, 2009
0-3 months	**3.450.620**	4.776.884
3-12 months	**85.363.227**	82.951.104
	88.813.847	87.727.988

The fair values of bank borrowings are disclosed in Note 39.

As of December 31, 2010, the Group did not give any guarantee to the financial institutions for the TL and USD borrowings (December 31, 2009-None).

	December 31, 2010			
	Maturities	**Interest rate (%)**	**Original currency**	**TL**
Short-term bank borrowings (*)				
USD borrowings (*)	**30 June 2015**	**Libor+3.75%**	**5.000.000**	**7.730.000**
Total				**7.730.000**

The principal repayment schedule of the borrowing is as follows:

	December 31, 2010
	Original currency (USD)
2011	-
2012	1.428.571
2013	1.428.571
2014	1.428.571
2015	714.287
Total	**5.000.000**

The Group did not have any long-term bank borrowing as of December 31, 2009.

(*) Borrowings with variable interest rate.

9. Other financial liabilities

None (December 31, 2009-None).

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

10. Trade receivables and payables

a) Short-term trade receivables

	December 31, 2010	December 31, 2009
Trade receivables-net	**416.850.777**	339.639.489
	416.850.777	339.639.489
Provision for doubtful receivables	**(2.020.939)**	(2.012.225)
	414.829.838	337.627.264

As of December 31, 2010, the effective weighted average interest rates used in the calculation of unearned credit finance income of short-term trade receivables are 6,6 %, 0,3% and 0,7% for TL, USD and Euro, respectively (December 31, 2009-7,4 % and 0,3%for TL and USD denominated short-term trade receivables, respectively).

The aging analysis of trade receivables including doubtful receivables as of December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Overdue receivables	**62.400.285**	22.768.565
0-30 days	**150.437.263**	130.094.446
31-60 days	**96.328.565**	63.418.221
61-90 days	**47.902.232**	64.835.022
91 days and over	**59.782.432**	58.523.235
	416.850.777	339.639.489

As of December 31, 2010, trade receivables amounting to TL 33.099.193 (December 31, 2009-TL 22.768.565) of total overdue receivables amounting to TL 62.400.285 were past due, however, the Group holds guarantee letters amounting to TL 26.721.679 (December 31, 2009-TL 20.141.235) for such receivables (Note 38). Furthermore, trade receivables from foreign customers amounting to TL 29.301.092 are guaranteed with letter of credits. Furthermore, the Group accounted for provision for doubtful receivables for the TL 2.020.939 portion of its past due receivables (December 31, 2009-TL 2.012.225).

Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains 100% of total outstanding TL trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided for.

The average maturity dates of trade receivables are 42 days.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

10. Trade receivables and payables (continued)

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of December 31, 2010, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TL 476.461.417 (December 31, 2009-TL 376.797.795) (Note 22).

The aging of overdue receivables as of December 31, 2010 and 2009 (including doubtful receivables) is as follows:

Overdue period	**December 31, 2010**	December 31, 2009
0-1 month	**35.718.849**	3.151.989
1-3 months	**5.473.773**	3.985.021
Over 3 months	**21.207.663**	15.631.555
	62.400.285	22.768.565

The movement of the provision for doubtful receivables during the year is as follows:

	2010	2009
January 1	**(2.012.225)**	(168.467)
Additions during the year (Note 31)	**(8.714)**	(1.843.758)
December 31	**(2.020.939)**	(2.012.225)

b) Short-term trade payables

	December 31, 2010	December 31, 2009
Trade payables-net	**331.132.356**	155.283.144
	331.132.356	155.283.144

Average maturity for short-term trade payables is 1 month (December 31, 2009-1 month) as of December 31, 2010. The effective weighted average interest rates used in the calculation of unincurred finance costs of short-term trade payables are 6,5%, 0,3%, TL and USD denominated trade payables, respectively (December 31, 2009-The effective weighted average interest rates of short-term trade payables for TL, USD, EUR and GBP denominated trade payables are 7,6%, 0,2%, 0,4% and 0,5%, respectively).

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

11. Other receivables and payables

	December 31, 2010	December 31, 2009
a) Other short-term receivables		
Receivables from personnel	**33.014**	4.584.825
Receivables from Türkiye Elektrik İletim A.Ş. ("TEİAŞ")	**-**	2.792.901
Claim recoveries from insurance companies	**141.738**	2.116.038
Other	**806.776**	940.645
	981.528	10.434.409
Provision for other doubtful receivables	**(420.205)**	(412.037)
	561.323	10.022.372

The movement of the provision for other doubtful receivables during the year is as follows:

	2010	2009
January 1	**(412.037)**	(405.181)
Additions in the year (Note 31)	**(8.168)**	(6.856)
31 December	**(420.205)**	(412.037)
b) Other short-term payables		
Deposits and guarantees received	**786.449**	1.090.366
Payable to personnel	**224.491**	110.306
	1.010.940	1.200.672

12. Receivables and payables from finance sector operations

None (December 31, 2009-None).

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

13. Inventories

	December 31, 2010	December 31, 2009
Raw materials	**131.948.147**	55.914.672
Work-in-progress	**72.813.413**	73.807.338
Finished goods	**78.468.248**	91.575.388
Trade goods	**15.128.561**	10.240.795
Goods in transit	**125.041.480**	70.278.885
Other inventories	**12.232.140**	12.362.340
	435.631.989	314.179.418
Less: Provision for impairment on inventories	**(828.141)**	(874.518)
	434.803.848	313.304.900

Movements of provision for impairment on inventories for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
January 1	**(874.518)**	(20.546.990)
Credited to the statement of comprehensive income – net	**46.377**	19.672.472
31 December	**(828.141)**	(874.518)

As of December 31, 2010, the Group does not have any impairment provision for its finished goods, and work-in-progress inventory. The Group accounted for impairment provision amounting to TL 828.141 (December 31, 2009-TL 874.518) for its other inventories.

14. Biological assets

None (December 31, 2009-None).

15. Construction contract assets

None (December 31, 2009-None).

16. Financial investments accounted by equity method

None (December 31, 2009-None).

17. Investment property

In 2010, the property owned by the Company, located at Arapçiftliği Aliağa, with in the area of 1.375.000 m2 and acquisition cost 1.020.532 TL, was leased to Socar & Turcas Rafineri A.Ş. (STRAŞ) which is the 99,99% subsidiary of Socar & Turcas Enerji A.Ş. (STEAŞ) – which is the indirect major shareholder of the Company with the rate of 51%, for a period of 49 years and with the rental amount of 3.000.000 USD + VAT and rent for the following years will be escalated at the end of the related year by libor+1, by means of considering the amounts determined in the valuation reports prepared by Artı Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Elit Gayrimenkul Değerleme A.Ş. that are licenced by Capital Markets Board. Market value of the land according to the valuation reports mentioned above is estimated averagely TL 150 million. Group management announced 'Material Event Declaration' for the related subject on December 23, 2010.

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

18. Property, plant and equipment

	December 31, 2009	Additions	Transfers (**)	Disposals	December 31, 2010
Cost:					
Land	11.888.731	-	(1.020.532)	-	10.868.199
Land improvements	85.708.340	-	2.152.005	-	87.860.345
Buildings	155.289.832	-	2.235.994	-	157.525.826
Machinery and equipment	5.956.211.473	108.062	11.159.895	(136.839)	5.967.342.591
Motor vehicles	10.808.677	-	343.577	(1.202.017)	9.950.237
Furniture and fixtures	54.419.341	-	901.664	(1.467.939)	53.853.066
Other fixed assets	996.152	-	-	-	996.152
Construction in progress	110.551.928	78.506.384	(23.656.788)	-	165.401.524
	6.385.874.474	78.614.446	(7.884.185)	(2.806.795)	6.453.797.940
Accumulated depreciation:					
Land improvements	(78.848.818)	(960.174)	-	-	(79.808.992)
Buildings	(84.021.409)	(3.641.516)	-	-	(87.662.925)
Machinery and equipment	(4.967.774.200)	(52.265.284)	-	136.839	(5.019.902.645)
Motor vehicles	(10.367.698)	(179.129)	-	1.202.017	(9.344.810)
Furniture and fixtures	(48.493.544)	(1.493.977)	-	1.460.152	(48.527.369)
Other fixed assets	(996.152)	-	-	-	(996.152)
	(5.190.501.821)	(58.540.080) (*)	-	2.799.008	(5.246.242.893)
Net book value	1.195.372.653				1.207.555.047

(*) The Company reviewed the economical useful lives of property, plant and equipment and updated the useful lives effective from October 1, 2009. The depreciation expense difference amounting to TL 39 million between the consolidated statements of comprehensive income for the years ended December 31, 2010 and 2009 is due to this change.

(**) Transfers amounting to TL 6.863.653 was made to the intangible assets; and the amount of TL 1.020.532 was made to investment properties (Note 17-19)

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

18. Property, plant and equipment (continued)

	December 31, 2008	Additions	Transfers (Note 19)	Disposals	December 31, 2009
Cost:					
Land	11.064.731	-	824.000	-	11.888.731
Land improvements	82.621.128	-	3.087.212	-	85.708.340
Buildings	154.833.788	-	456.044	-	155.289.832
Machinery and equipment	5.940.582.952	1.927.069	18.438.436	(4.736.984)	5.956.211.473
Motor vehicles	10.631.320	8.613	207.008	(38.264)	10.808.677
Furniture and fixtures	52.873.555	-	1.768.157	(222.371)	54.419.341
Other fixed assets	996.152	-	-	-	996.152
Construction in progress	67.358.696	68.105.046	(24.911.814)	-	110.551.928
	6.320.962.322	70.040.728	(130.957)	(4.997.619)	6.385.874.474
Accumulated depreciation:					
Land improvements	(77.894.226)	(954.592)	-	-	(78.848.818)
Buildings	(80.720.781)	(3.300.628)	-	-	(84.021.409)
Machinery and equipment	(4.879.900.900)	(92.610.284)	-	4.736.984	(4.967.774.200)
Motor vehicles	(10.270.826)	(135.136)	-	38.264	(10.367.698)
Furniture and fixtures	(47.419.625)	(1.296.290)	-	222.371	(48.493.544)
Other fixed assets	(996.152)	-	-	-	(996.152)
	(5.097.202.510)	(98.296.930)	-	4.997.619	(5.190.501.821)
Net book value	1.223.759.812				1.195.372.653

Depreciation charges amounting to TL 58.540.080 (December 31, 2009-TL 98.296.930) for the year ended December 31, 2010 were allocated to cost of sales by TL 47.541.551 (December 31, 2009-TL 80.283.900), to idle time expenses by TL 2.174.734 (December 31, 2009-TL 5.444.530), to inventories by TL 3.526.597 (December 31, 2009-TL 7.622.342), to general administrative expenses by TL 4.989.449 (December 31, 2009-TL 4.542.501), to marketing, selling and distribution expenses by TL 155.494 (December 31, 2009-TL 145.558), and to research and development expenses by TL 152.255 (December 31, 2009-TL 258.099).

The major part of the additions to machinery and equipments as of December 31, 2010 related to the modernization of production facilities and machineries which are classified under construction in progress as of December 31, 2009 and completed in year 2010. The Group's management plans to increase the efficiency and environmental compliance with these investments. Construction in progress as of December 31, 2010 has similar characteristics with previous year's construction in progress.

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

19. Intangible assets

The movements of intangible assets and related accumulated amortisation for the years ended December 31, 2010 and 2009 were as follows:

	December 31, 2009	Additions	Transfers (Note 18)	December 31, 2010
Cost:				
Rights and software	5.057.955	-	6.863.653	11.921.608
Other	195.192	175.298	-	370.490
	5.253.147	175.298	6.863.653	12.292.098
Accumulated amortisation:				
Rights and software	(2.046.152)	(728.012)	-	(2.774.164)
	(2.046.152)	(728.012)	-	(2.774.164)
Net book value	3.206.995			9.517.934

	December 31, 2008	Additions	Transfers (Note 18)	December 31, 2009
Cost:				
Rights and software	3.998.172	-	1.059.783	5.057.955
Other	770.847	353.171	(928.826)	195.192
	4.769.019	353.171	130.957	5.253.147
Accumulated amortisation:				
Rights and software	(1.343.653)	(702.499)	-	(2.046.152)
	(1.343.653)	(702.499)	-	(2.046.152)
Net book value	3.425.366			3.206.995

Amortisation charges for the year ended December 31, 2010 were allocated to cost of sales by TL 300.086, to research and development expenses by TL 121.869 and to general administrative expenses by TL 306.057 (December 31, 2009-TL 702.499).

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

20. Goodwill

None (December 31, 2009-None).

21. Government grants

As of December 31, 2010, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 549.023 (December 31, 2009-TL 383.173) related to the research and development projects and reclassified under 'Other short term liabilities' (Note 26).

22. Provisions, contingent assets and liabilities

	December 31, 2010	December 31, 2009
a) Short-term provisions:		
Provision for legal cases	2.778.064	3.051.257
Provision for EMRA (*) contribution share	1.138.324	872.668
Provision for electricity usage	-	510.131
Other	44.660	489.783
	3.961.048	4.923.839

(*) Energy Market Regulatory Authority

	December 31, 2010	December 31, 2009
b) Guarantees received:		
Letters of guarantee received	283.213.578	351.803.171
Bank guarantees within the context of DOCS	207.029.154	40.817.651
Mortgages	2.000.000	-
	492.242.732	392.620.822
c) Guarantees given:		
Guarantee cheques given	70.000.000	70.000.000
Letters of guarantee given	42.984.867	57.855.807
Bank guarantees within the context of DOCS	54.500.000	54.500.000
	167.484.867	182.355.807

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

22. Provisions, contingent assets and liabilities (continued)

The letters of guarantee received amounting to TL 207.029.154 (December 31, 2009-TL 40.817.651) of the total letters of guarantee received amounting to TL 492.242.732 (December 31, 2009-TL 392.620.822) were bank guarantees within the context of DOCS and TL 269.432.263 (December 31, 2009-TL 335.980.144) of remaining balance of letters of guarantee received amounting to TL 285.213.578 (December 31, 2009-: TL 351.803.171) was obtained from the suppliers with respect to the sales made by the Group and guarantee letters amounting to TL 13.781.315 (December 31, 2009-: TL 15.823.027) were received from the suppliers related to goods and service purchases and TL 2.000.000 is the mortgage received.

As of December 31, 2010, the letters of guarantee given and DOCS amounting to TL 70.000.000 (December 31, 2009-TL 70.000.000) of the total letters of guarantee given amounting to TL 167.484.867 (December 31, 2009-TL182.355.807) consists of guarantee cheques given to Türkiye Petrol Rafinerileri A.Ş. related to raw material purchases, remaining letters of guarantee given amounting to TL 97.484.867 (December 31, 2009-TL 112.355.807) were allocated to: letters of guarantee given to Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) for natural gas purchase commitments by TL 54.500.000 (December 31, 2009-TL 54.500.000), to customs administrations and Republic of Turkey Prime Ministry Undersecretariat of Customs by TL 34.291.000 (December 31, 2009-TL 51.289.000), to Türkiye Elektrik Ticaret ve Taahhüt A.Ş. related to electricity purchases by TL 2.710.212 (December 31, 2009-TL 2.710.212), to EMRA by TL 4.161.000 (December 31, 2009-TL 1.761.000) and remaining balance of TL 1.822.655 (December 31, 2009-TL 2.095.595) given for other transactions to other parties.

Collaterals, Pledges and Mortgages ("CPM") provided by the Company

		December 31, 2010	December 31, 2009
A.	Total amount of CPMs given for the Company's own legal personality	**167.484.867**	182.355.807
B.	Total amount of CPMs given on behalf of		
	fully consolidated companies	-	-
C.	Total amount of CPMs given for continuation of		
	its economic activities on behalf of third parties	-	-
D.	Total amount of other CPMs		
	i) Total amount of CPMs given on behalf of the majority shareholder	-	-
	ii) Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C.	-	-
	iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
		167.484.867	182.355.807

Collaterals, pledges and mortgages amounting to TL 167.484.867 consist of USD 115.000 equivalent to TL 177.790, Euro 10.000.000 equivalent to TL 20.491.000 and TL 146.816.077 (December 31, 2009-Euro 10.000.000).

As of December 31, 2010, the ratio of the other CPM's given by the Group to the equity is 0% (December 31, 2009-0%)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

22. Provisions, contingent assets and liabilities (continued)

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of December 31, 2010 are as follows (December 31, 2009-None):

Operational leases	2010
0-1 year	4.638.000
1-5 year(s)	18.552.000
5 years and more	204.072.000
Total	**227.262.000**

23. Commitments

The Group has one purchase commitment, which is valid after January 1, 2011 for purchase of natural gas amounting to 468.000.000 cubemeter (December 31, 2009-320.000.000 squarecube and 80.000.000 squarecube) committed for 2011. Total amount of this commitment is TL 216.169.200 (December 31, 2009-TL 131.835.683 and USD 32.137.200) with respect to the average prices effective in January 2011.

24. Employee benefits

	December 31, 2010	December 31, 2009
i. Short-term employee benefits:		
Provision for unused vacation rights	**4.623.525**	9.199.967
Provision for seniority incentive bonus	**1.963.517**	2.923.475
	6.587.042	12.123.442
ii. Long-term employee benefits:		
Provision for employment termination benefits	**76.896.064**	73.544.514
Provision for seniority incentive bonus	**3.366.090**	2.999.223
	80.262.154	76.543.737

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

24. Employee benefits (continued)

Unused vacation rights

Movements of the provision for unused vacation rights are as follows:

	2010	2009
January 1	**9.199.967**	9.115.582
Used in current year-net	**(4.576.442)**	84.385
December 31	**4.623.525**	9.199.967

Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month's salary limited to a maximum of TL 2.517,01 for each year of service as of December 31, 2010 (December 31, 2009: TL 2.365,16).

The liability is not funded, as there is no funding requirement.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2010	December 31, 2009
Discount rate (%)	**4,66**	5,92
Probability of retirement (%)	**100,00**	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 2.617,70, which is effective from January 1, 2011, has been taken into consideration in the calculation of employment termination benefits of the Group (January 1, 2010-TL 2.427,04).

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

24. Employee benefits (continued)

Movements of the provision for employment termination benefits are as follows:

	2010	2009
January 1	**73.544.514**	83.223.554
Interest cost	**3.427.174**	4.926.834
Actuarial loss and service cost	**11.675.933**	7.575.025
Payments during the year	**(11.751.557)**	(22.180.899)
December 31	**76.896.064**	73.544.514

Provision for seniority incentive bonus:

The Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority.

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace. The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 30 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level.

For the non-union personnel working at the Company as of 31 May 2008, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 30 years seniority for the seniority levels in which they are entitled as of the afromentioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. For the non-union personnel started to work at the Group as of or after 1 July 2008, 30 days of gross salary for every seniority level is paid with the gross salary of the month when they are reached to the seniority level.

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

IAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	December 31, 2010	December 31, 2009
Discount rate (%)	**4,66**	5,92
Probability of retirement (%)	**100,00**	100,00

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

24. Employee benefits (continued)

The movements of the provision for seniority incentive bonus are as follows:

	2010	2009
January 1	**5.922.698**	6.284.895
Interest cost	**275.998**	372.066
Actuarial loss and service cost	**3.154.063**	3.402.241
Payments during the year	**(4.023.152)**	(4.136.504)
December 31	**5.329.607**	5.922.698

25. Pension plans

None (December 31, 2009-None).

26. Other assets and liabilities

i) Other assets

	December 31, 2010	December 31, 2009
a) Other current assets:		
Value added tax ("VAT") receivable	**35.751.092**	13.684.709
Prepaid expenses	**3.585.460**	411.098
Advances given for custom affairs	**1.017.519**	2.083.133
Income accruals from TEİAŞ	**-**	1.156.822
Other	**1.584.157**	693.941
	41.938.228	18.029.703

	December 31, 2010	December 31, 2009
b) Other non-current assets:		
Advances given	**13.331.129**	6.965.992
Chemicals	**6.039.663**	8.910.205
Spare parts	**12.915.707**	14.904.774
Other	**84.835**	98.743
	32.371.334	30.879.714

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

26. Other assets and liabilities (continued)

ii) Other liabilities

	December 31, 2010	December 31, 2009
a) Other short-term liabilities:		
Order advances received	**41.032.125**	42.591.969
Taxes and funds payable	**5.850.920**	12.374.022
Short-term deferred income (*)	**5.302.332**	124.150
Other	**5.637.022**	4.872.216
	57.822.399	59.962.357

(*) As of December 31, 2010, short-term deferred income consist of deferred rent income amounting to TL 4.544.413 regarding to the land leased to STRAŞ and TL 110.936 regarding to the land allowance income.

	December 31, 2010	December 31, 2009
b) Other long-term liabilities:		
Long-term deferred income (*)	**5.644.732**	320.225

(*) As of December 31, 2010, long-term deferred income consist of land allowance income amounting to TL 5.324.914 which was leased to STRAŞ.

27. Equity

The shareholders of the Company and their shareholdings as of December 31, 2010 and 2009 were as follows:

		December 31, 2010		December 31, 2009	
Group:	**Shareholder:**	**Amount**	**Share (%)**	Amount	Share (%)
A-B	Socar & Turcas Petrokimya A.Ş.	**510.000.000**	**51,00**	104.422.500	51,00
A	Publicly owned	**386.784.319**	**38,68**	79.194.142	38,68
A-C	Republic of Turkey Prime Ministry				
	Privatisation Administration	**103.215.681**	**10,32**	21.133.358	10,32
Total paid share capital		**1.000.000.000**	**100**	204.750.000	100
Adjustment to share capital		**486.852.283**		1.282.102.283	
Total share capital		**1.486.852.283**		1.486.852.283	

"Adjustment to share capital" represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

27. Equity (continued)

The Company's authorised registered share capital ceiling at December 31, 2010 is TL 300.000.000 and it is divided to 100.000.000.000 shares with a face value of Kuruş1 ("Kr") each. The Company's authorised share capital comprises, with a face value of Kr 1 each, 59.999.999.999 shares of type A, 40.000.000.000 shares of type B and 1 share of type C type preferred share belonging to the Administration (December 31, 2009: shares with a face value of TL1 each, 122.849.999 shares of type A, 81.900.000 shares of type B and 1 share of type C type preferred share belonging to the Administration).

The shares belonging to Administration are composed of type A and C as of December 31, 2010 (December 31, 2009-A and C type shares).

The Company's capital is composed of type A, B and C registered shares (December 31, 2009-Type A bearer share, type B and C registered shares).

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Based on the decision of Board of Directors dated April 28, 2010 and numbered 64/133, the issued capital of the Company was increased from TL 204.750.000, which is in the registered capital ceiling of TL 300.000.000 within the context of exception granted by the article 4 paragraph 7 of the communiqué "Principles of Issued Capital System" (Series IV, No: 38) indicating that "registered capital ceiling might be passed over by adding all internal reserves except cash increase to capital one time";

- Issued capital increased to TL 1.000.000.000, TL 795.250.000 of which is transferred from inflation adjustments on equity through capitalization issue on equity.

- Capital issues belong to 5th array A and B group of registered shares.

Retained earnings in the statutory financial statements are available for distribution, except for the provision for the legal reserves stated below.

27. Equity (continued)

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. On the other hand, in case of the distribution of the total net distributable profit as dividend, limited only for such case, the second legal reserve is appropriated at the rate of 9% per annum of net distributable profit in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The Group does not have any aforementioned restricted reserves as of December 31, 2010 (December 31, 2009-None).

The accumulated loss of the Group amounting to TL 16.589.752 is classified in accumulated deficit under "Equity" in the balance sheet as of December 31, 2010 (December 31, 2009-TL 130.624.846 under accumulated deficit).

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from January 1 2008, "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (like differences from inflation adjustments) shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Companies quoted on the Istanbul Stock Exchange, are authorised by the CMB to distribute dividends regarding the clauses below:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below 20% of the distributable profit after deducting the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

27. Equity (continued)

Based on the CMB decision numbered 7/242 taken on February 25, 2005; distributable profit-calculated upon the regulations of CMB related with the dividend distribution-shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Complying with the decision related to the profit distribution principles for the operating profits made in 2008 by the publicly traded companies; which is announced in the CMB communiqué numbered 1/6 and dated January 9, 2009; the companies which are obliged to prepare consolidated financial statements are allowed to calculate the profits to be distributed by considering the net profit amount included in the financial statements which are prepared according to the CMB communiqué XI, No:29 – Communiqué on Principles of Financial Reporting in Capital Markets; regardless of the decision taken by the general assembly to distribute the profit, as long as the profit portions transferred from the subsidiaries, joint managing companies and affiliates shown under the profit presented in the consolidated financial statements, to the parent's consolidated financial statements are afforded by the companies' sources according to legal bookings.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

Composition of the equity items subject to the profit distribution as per statutory financial statements of the Company is as follows:

	December 31, 2010	December 31, 2009
Legal reserves and special funds	**549.023**	-
Accumulated deficit	**(154.193.743)**	(210.769.537)
Net profit for the year	**118.863.320**	56.767.540
	(34.781.400)	(154.001.997)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

28. Sales and cost of sales

	January 1- December 31, 2010	January 1- December 31, 2009
Domestic sales	2.143.180.257	1.542.081.233
Export sales	795.704.152	538.982.342
Other sales	10.685.982	5.305.551
	2.949.570.391	2.086.369.126
Less: Other discounts	(28.322.551)	(22.378.827)
Less: Sales discounts	(10.805.267)	(6.014.039)
Less: Sales returns	(1.050.682)	(516.881)
Sales	2.909.391.891	2.057.459.379
Raw material usage	(2.094.291.900)	(1.500.031.965)
Energy	(236.539.000)	(222.489.936)
Labour	(132.453.655)	(121.553.141)
Depreciation	(47.841.637)	(80.283.900)
Cost of commercial goods sold	(107.842.361)	(41.218.941)
Packaging costs	(11.364.705)	(10.850.229)
Change in work-in-process	(993.925)	45.749.550
Change in finished goods	(13.107.140)	21.764.289
Other	(35.750.728)	(34.678.692)
Cost of sales	(2.680.185.051)	(1.943.592.965)
Gross profit	229.206.840	113.866.414

Other sales and other discounts classified under sales are composed of sales price differences between the sales order and sales transaction date. The sales prices differences for and against the benefit of the Group have been classified in other sales and other discounts, respectively.

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

29. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1- December 31, 2010	January 1- December 31, 2009
a) Research and development expenses:		
Staff costs	**1.470.695**	1.012.584
Depreciation and amortization	**274.124**	258.099
Other	**380.595**	173.921
	2.125.414	1.444.604
b) Marketing, selling and distribution expenses:		
Outsourced services	**8.805.619**	5.634.851
Staff costs	**4.585.559**	4.292.517
Sponsorship expenses	**500.000**	602.161
Depreciation and amortization	**155.494**	145.558
Other	**3.439.712**	2.490.794
	17.486.384	13.165.881
c) General administrative expenses:		
Staff costs	**18.950.633**	23.441.761
Outsourced services	**18.223.386**	6.926.351
Employment termination benefits-net	**11.675.933**	7.575.025
Energy expenses	**5.648.723**	3.171.286
Depreciation and amortization	**5.295.506**	5.245.000
EMRA contribution share	**1.138.324**	471.253
Other	**13.459.137**	6.763.274
	74.391.642	53.593.950
Total operating expenses	**94.003.440**	68.204.435

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

30. Expenses by nature

	January 1- December 31, 2010	January 1- December 31, 2009
Raw materials usage and changes in work-in-process and finished goods	2.108.392.965	1.432.518.126
Energy	242.187.723	225.661.222
Staff and labour costs	157.460.542	150.300.003
Cost of commercial goods sold	107.842.361	41.218.941
Depreciation and amortization	53.566.761	85.932.557
Outsourced services	50.203.632	27.061.434
Employment termination benefits – net	11.675.933	7.575.025
Other	42.858.574	41.530.092
	2.774.188.491	2.011.797.400

31. Other operating income/(expense)

	January 1- December 31, 2010	January 1- December 31, 2009
Other operating income:		
Rent income	2.627.900	2.133.143
Maintenance cost of energy	682.255	632.213
Income from insurance recoveries	549.864	120.882
Disability income	470.097	737.439
Income from finalised legal cases	273.193	1.720.279
Infrastructure income	264.024	250.823
Compensation from customers	15.350	13.260.469
Other	3.370.805	4.617.690
	8.253.488	23.472.938

Claims from customers include penalty charges to customers resulting from the breach of purchase commitments in accordance with the agreed terms.

	January 1- December 31, 2010	January 1- December 31, 2009
Other operating expense:		
Idle time expense	(12.122.140)	(21.836.179)
Capital increase expense	(2.792.681)	-
Provision for doubtful receivables (Note 10 and 11)	(16.882)	(1.843.758)
Provision for legal cases	-	(2.276.165)
Other	(1.383.688)	(1.680.217)
	(16.315.391)	(27.636.319)

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

32. Finance income

	January 1- December 31, 2010	January 1- December 31, 2009
Foreign exchange gain	111.188.354	66.257.201
Interest income	35.514.453	40.475.363
	146.702.807	106.732.564

33. Finance costs

	January 1- December 31, 2010	January 1- December 31, 2009
Foreign exchange loss	(118.899.111)	(67.451.927)
Interest expense	(14.857.542)	(15.878.445)
Bank commission expense	(155.451)	(169.600)
	(133.912.104)	(83.499.972)

34. Non-current assets held for sale and discontinued operations

None (December 31, 2009-None).

35. Tax assets and liabilities

i) Corporation tax:

	January 1- December 31, 2010	January 1- December 31, 2009
Current income tax expense	(24.924.982)	(9.778.761)
Carryforward tax losses used	24.924.982	9.778.761
Deferred tax (expense)/income	(9.847.280)	49.303.904
Total tax (expense)/income	(9.847.280)	49.303.904

The corporation tax rate of the fiscal year 2010 is 20% (December 31, 2009-20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution (except for the 19,8% withholding taxes paid in the event of the utilisation of investment incentive allowance within the scope of Income Tax Law temporary clause 61).

35. Tax assets and liabilities (continued)

With the article 5 of the law 6009 adopted by Turkish National Assembly on July 23, 2010 and published on the official gazette on August 1, 2010, phrase in the temporary article numbered 69 of Income Tax Law numbered 193 stating that" might be offset from the fiscal gain within the context of the laws and regulations(including tax rate) applicable at this date", was substituted as " might be offset from fiscal gain within the context of the laws and regulations(including tax rate specified in paragraph 2 article 61 of this law) applicable at this date". In addition, a phrase coming after the substituted phrase stating that "investment incentives which will be deducted from fiscal gain during determination of tax base cannot be greater than 25% of the gain and tax is calculated from remaining gain according to applicable tax rate" was also added.

With the above mentioned amendments,

a. Unused and carried investment incentive amounts might be used without any period limitation but the amount of investment incentive that can be deducted, was restricted up to the limit of 25% of fiscal gain.

b. The practice of applying income tax rate (20%-40%) applicable as of December 31, 2005 for income tax payers and 30% for corporate tax payers on remaining tax base,if any, after deducting investment incentive was abandoned and principle of using applicable tax rate (15%-35% for income tax payers and 20% for corporation tax payers) of the period investment incentive used is adopted.

c. With the phrase added to paragraph 1 of article 69 ("including tax rate specified in paragraph 2 article 61 of this law") 19,8% of income tax cut is applied to fiscal gains for which investment incentive (applied before April 24, 2003) is applied but ceded to following period due to inadequate fiscal gain, parallel to former application. Hence, 19,8% stoppage application, formerly called "withholding investment incentive" remained unchanged.

As a result of the above mentioned amendments, the Group booked TL 19.816.737 additional deferred tax asset over its unused investment incentives as of December 31, 2010.

Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

35. Tax assets and liabilities (continued)

Transfer pricing

The Law No: 5520 Article 13, which made new arrangements to transfer pricing was effective from January 1 2007. With the aforementioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. In this respect, corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction, has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

The reconciliations of the taxation on income for the years ended December 31, 2010 and 2009 were as follows:

	January 1- December 31, 2010	January 1- December 31, 2009
Profit before taxation on income	**139.932.200**	64.731.190
Tax calculated at enacted tax rates	**(27.986.440)**	(12.946.238)
Tax losses on which no deferred income tax asset was recognized	-	15.835.477
Unused investment incentives on which deferred income tax assets recognized	**19.816.737**	37.570.664
Carryforward tax losses deducted from taxable profit	-	9.778.761
Disallowable expenses	**(1.149.935)**	(735.687)
Other	**(527.642)**	(199.073)
	(9.847.280)	49.303.904

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

35. Tax assets and liabilities (continued)

ii) Deferred taxes

The Group recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the CMB Financial Reporting Standards and the statutory tax financial statements.

For the companies operating in Turkey, deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (December 31, 2009-20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2010 and 2009 were as follows:

	Taxable temporary differences		Deferred income tax assets/(liabilities)	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	**377.981.239**	354.393.868	**(75.596.248)**	(70.878.774)
Unincurred finance cost	**1.637.902**	172.561	**(327.580)**	(34.512)
Deferred income tax liabilities	**379.619.141**	354.566.429	**(75.923.828)**	(70.913.286)
Carryforward tax losses	**92.490.838**	216.579.537	**18.498.168**	43.315.907
Unused investment incentives	**286.937.004**	187.853.322	**57.387.401**	37.570.664
Employment termination benefits and seniority incentive bonus provision	**82.225.671**	79.467.212	**16.445.134**	15.893.442
Rent allowance fee	**5.435.850**	-	**1.087.170**	-
Provision for unused vacation rights	**4.623.525**	9.199.967	**924.705**	1.839.993
Provision for legal cases	**2.778.064**	3.051.257	**555.613**	610.251
Provision for doubtful receivables	**-**	1.760.861	**-**	352.172
Unearned credit finance income	**1.850.453**	1.744.035	**370.091**	348.807
Provision for sales price differences	**-**	411.291	**-**	82.258
Other	**330.957**	788.584	**66.191**	157.717
Deferred income tax assets	**476.672.362**	500.856.066	**95.334.473**	100.171.211
Deferred income tax asset-net			**19.410.645**	29.257.925

The movement of deferred income taxes is as follows:

Deferred income asset – net

	2010	2009
January 1	**29.257.925**	(20.045.979)
Current year deferred tax (expense)/income	**(9.847.280)**	49.303.904
December 31	**19.410.645**	29.257.925

35. Tax assets and liabilities (continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. However, tax losses cannot be carried back to offset profits earned in previous periods. As of December 31, 2010, the Group has the right to offset its carryforward tax losses of 2008 amounting to TL 92.490.838 (December 31, 2009 – TL 216.579.537) on which it has recognised deferred income tax assets, against its future taxable income until the end of the year 2013. Considering the expiration period of the cumulative tax losses the realisation of the related tax benefit through the future taxable profit is deferred probable by the Group's management with respect to its future projections. In this respect, the Group's management recognised deferred income tax assets for the total amount of the carryforward tax losses.

As of December 31, 2010, the Group has unused investment incentive amounting to TL 286.937.004 (December 31, 2009-TL 263.559.294) without withholding tax and amounting to TL 11.360.156 (December 31, 2009-TL 10.547.963) with withholding tax. As of December 31, 2010, the Group management recognised deferred income tax asset on the portion of unused investment incentive for which the realisation of the related tax benefit through the future taxable profit has deemed probable with respect to its projections.

36. Earnings per share

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

Earnings per share is calculated by dividing net profit for the period to weighted average number of shares in issue during that period.

	January 1- December 31, 2010	January 1- December 31, 2009
Net profit for the year	**130.084.920**	114.035.094
Weighted average number of shares with nominal value of Kr 1 each (thousand)	**100.000.000**	100.000.000
Earnings per share (Kuruş)	**0,13**	0,11

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

37. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2010 and 2009 and significant intercompany transactions were as follows:

i) Balances with related parties:

	December 31, 2010	December 31, 2009
a) Other receivables from related parties		
STRAŞ [2]	**11.912.277**	-
Republic of Turkey Prime Ministry Privatisation Administration [1]	**-**	50
	11.912.277	50
b) Trade receiavables from related parties		
SOCAR Azeri Kimya [2]	**258.785**	-
	258.785	-
c) Short term trade payables to related parties:		
SOCAR Trading S.A. [2]	**177.841.817**	241.168.298
Petrokim Trading Ltd. ("Petrokim") [2]	**9.000.897**	2.944.155
Turcas Gaz Toptan Satış A.Ş. (Turcas Gaz) [2]	**4.889.004**	-
STEAŞ [2]	**826.000**	509.220
	192.557.718	244.621.673
Less: Unearned credit finance income	**(49.856)**	(40.259)
	192.507.862	244.581.414

Short term trade payables to related parties mainly resulted from naphtha and LPG purchases. Average maturity for short-term trade payables to related parties is 45 days.

d) Other payables to related parties		
Due to shareholders [2]	**73.272**	74.196
Socar & Turcas Petrokimya A.Ş. ("STPAŞ") [1]	**-**	199.433
	73.272	273.629

Other payables to STEAŞ and STPAŞ mainly consist of service purchases from related parties.

[1] Shareholders of the Company
[2] Other related parties

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

37. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

	January 1- December 31, 2010	January 1- December 31, 2009
a) Finance costs/(income) from related party transactions:		
SOCAR Trading S.A.	**2.159.337**	1.419.080
Petrokim	**(180.349)**	-
	1.978.988	1.419.080

Finance costs from transactions with SOCAR Trading S.A. consist of foreign exchange gains/losses from naphtha purchases during the year.

b) Service purchases from related parties:		
STEAŞ	**8.400.888**	878.196
STPAŞ	**169.011**	441.854
	8.569.899	1.320.050

Service purchases from STEAŞ and STPAŞ consist of consultancy and advisory charges.

c) Product purchases from related parties:		
SOCAR Trading S.A.	**1.157.896.437**	239.749.218
Petrokim	**124.499.670**	21.257.946
Turcas Gaz	**36.016.916**	-
	1.318.413.023	261.007.164

Product purchases from SOCAR Trading S.A. and Petrokim in the period ended December 31, 2010 consist of naphtha and LPG which are used as raw materials in the production of the Group.

d) Sales to related parties		
SOCAR Azeri Kimya	**258.785**	-
	258.785	-
e) Rent income from related parties		
STRAŞ	**116.483**	-
	116.483	-

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

37. Transactions and balances with related parties (continued)

f) Key management emoluments

	January 1- December 31, 2010	January 1- December 31, 2009
i. Key management emoluments-short term:		
Payments for salary and seniority incentives	**2.446.527**	2.492.610
Provision for unused vacation	**122.733**	71.590
Provision for seniority incentive	-	52.882
	2.569.260	2.617.082
ii. Key management emoluments-long term:		
Provision for seniority incentives	**62.744**	44.783
Provision for employment termination benefits	**27.687**	19.781
	90.431	64.564
	2.659.691	2.681.646

The Group classifies the general manager, assistant general managers, board of directors and audit committee members as executive management.

Key management emoluments consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management

a) Credit risk:

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompanies) in every agreement. As part of its sales policy, the Group obtains collateral at on amount of 100% of total outstanding TL trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits. The credit risk exposure in terms of financial instruments as of December 31, 2010 and 2009 were as follows:

	Receivables					
	Trade receivables (1)		Other receivables			
December 31, 2010	Related parties	Third parties	Related parties	Third parties	Bank deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	258.785	414.829.838	11.912.277	561.323	201.709.452	629.271.675
-The part of maximum credit risk covered with guarantees etc.	-	232.456.114	-	-	-	232.456.114
	-	-	-	-	-	-
A. Net book value of financial assets neither past due nor impaired (3)	258.785	354.450.492	11.912.277	561.323	201.709.452	568.892.329
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	60.379.346	-	-	-	60.379.346
-The part covered by guarantees etc.	-	56.022.771	-	-	-	56.022.771
D. Net book value of assets impaired	-	-	-	-	-	-
-Past due (gross book value)	-	2.020.939	-	420.205	-	2.441.144
-Impairment amount (-)	-	(2.020.939)	-	(420.205)	-	(2.441.144)
-The part of net value covered with guarantees etc.	-	-	-	-	-	-
-Not due (gross book value)	-	-	-	-	-	-
-Impairment amount (-)	-	-	-	-	-	-
-The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

December 31, 2009	Receivables					
	Trade receivables (1)		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	337.627.264	50	10.022.372	175.496.320	523.146.006
-The part of maximum credit risk covered with guarantees etc.	-	294.684.537	-	-	-	294.684.537
A. Net book value of financial assets not due or not impaired (3)	-	316.870.924	50	10.022.372	175.496.320	502.389.666
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	20.756.340	-	-	-	20.756.340
-The part covered by guarantees etc.	-	20.141.235	-	-	-	20.141.235
D. Net book value of assets impaired	-	-	-	-	-	-
-Past due (gross book value)	-	2.012.225	-	412.037	-	2.424.262
-Impairment amount (-)	-	(2.012.225)	-	(412.037)	-	(2.424.262)
-The part of net value covered with guarantees etc.	-	-	-	-	-	-
-Not due (gross book value)	-	-	-	-	-	-
-Impairment amount (-)	-	-	-	-	-	-
-The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fibre material sales.
(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.
(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.
(4) Group management, predict that there will not be any problems with the collection of overdue financial assets based on its past experiences. The aging of related amounts is as follows:

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

December 31, 2010		Trade receivables	
	Related parties	Third parties	Total
1-30 days overdue	-	35.718.849	35.718.849
1-3 months overdue	-	5.473.773	5.473.773
Over 3 months overdue	-	19.186.724	19.186.724
Total overdue receivables	-	60.379.346	60.379.346
The part covered by the guarantees		56.022.771	56.022.771
			4.356.575

December 31, 2009		Trade receivables	
	Related parties	Third parties	Total
1-30 days overdue	-	3.151.989	3.151.989
1-3 months overdue	-	3.985.021	3.985.021
Over 3 months overdue	-	13.619.330	13.619.330
Total overdue receivables	-	20.756.340	20.756.340
The part covered by the guarantees	-	20.141.235	20.141.235
			615.105

b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers lines from high-quality lenders. In order to maintain continous liquidity, the Group management closely monitors the collection of trade receivables on time in order to prevent any financial burden that may result from late collections and arranges cash and non-cash credit limits with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of December 31, 2010 and 2009 are as follows:

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

December 31, 2010:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than3 months(I)	3-12 months(II)	1-5 years(III)
Non-derivative financial liabilities					
Bank borrowings-short term	88.813.847	88.926.963	3.887.107	85.039.856	-
Bank borrowings-long term	7.730.000	9.213.250	81.239	248.423	8.883.588
Trade payables	331.132.356	332.650.389	332.650.389	-	-
Trade payables to related parties	192.507.862	192.557.718	192.557.718	-	-
Other payables to related parties	73.272	73.272	73.272	-	-

December 31, 2009:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than3 months(I)	3-12 months(II)	1-5 years(III)
Non-derivative financial liabilities					
Bank borrowings	87.727.988	88.197.934	4.776.884	83.421.050	-
Trade payables	155.283.144	155.415.446	155.415.446	-	-
Trade payables to related parties	244.581.414	244.621.673	244.621.673	-	-
Other payables to related parties	273.629	273.629	273.629	-	-

c) Market risk:

i) Foreign exchange risk

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange-denominated cost items, the determination of sales prices by the Group in foreign exchange terms is a factor that decreases the foreign exchange risk in the cash flows.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

	December 31, 2010				December 31, 2009			
	TL Equivalent	**USD**	**EUR**	**Other**	TL Equivalent	USD	EUR	Other
1. Trade receivables	**261.496.488**	**136.646.321**	**24.518.704**	-	174.837.918	108.509.123	5.302.843	-
2a. Monetary financial assets (Cash, bank accounts included)	**92.752.319**	**38.369.657**	**16.309.961**	**5.061**	147.402.085	87.875.333	6.982.879	1.290
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**354.248.807**	**175.015.978**	**40.828.665**	**5.061**	322.240.003	196.384.456	12.285.722	1.290
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	**354.248.807**	**175.015.978**	**40.828.665**	**5.061**	322.240.003	196.384.456	12.285.722	1.290
9. Trade payables	**274.447.389**	**171.159.193**	**4.776.072**	**20.358**	325.166.670	214.851.528	99.590	606.722
10. Financial liabilities	**85.363.227**	**55.215.542**	-	-	82.951.104	55.091.389	-	-
11a. Monetary other liabilities	-	-	-	-	6.265.292	4.040.350	84.126	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**359.810.616**	**226.374.735**	**4.776.072**	**20.358**	414.383.066	273.983.267	183.716	606.722
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	**7.730.000**	**5.000.000**	-	-	-	-	-	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15)	**7.730.000**	**5.000.000**	-	-	-	-	-	-
17. Total liabilities (12+16)	**367.540.616**	**231.374.735**	**4.776.072**	**20.358**	414.383.066	273.983.267	183.716	606.722
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	-	-	-	-	-	-	-	-
18a. Amount of asset nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
18b. Amount of liability nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability)/asset position (8-17+18)	**(13.291.809)**	**(56.358.757)**	**36.052.593**	**(15.297)**	(92.143.063)	(77.598.811)	12.102.006	(605.432)
20. Net foreign currency asset/(liability) position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**(13.291.809)**	**(56.358.757)**	**36.052.593**	**(15.297)**	(92.143.063)	(77.598.811)	12.102.006	(605.432)
21. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
22.Hedged amount for current assets	-	-	-	-	-	-	-	-
23.Hedged amount for current liabilities	-	-	-	-	-	-	-	-

Petkim Petrokimya Holding A.Ş.
Notes to the consolidated financial statements for the year ended December 31, 2010 (continued)
(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

Table of sensitivity analysis for foreign currency risk:

December 31, 2010	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1-Asset/Liability denominated in USD-net	(8.713.064)	8.713.064	-	-
2-The part hedged for USD risk (-)	-	-	-	-
3-USD effect-net (1+2)	(8.713.064)	8.713.064	-	-
Change of EUR by 10% against TL:				
4-Asset/Liability denominated in EUR-net	7.387.537	(7.387.537)	-	-
5-The part hedged for EUR risk (-)	-	-	-	-
6-EUR effect-net (4+5)	7.387.537	(7.387.537)	-	-
Change of other currencies by 10% against TL:				
7-Assets/liabilities denominated in other foreign currencies-net	(3.654)	3.654	-	-
8-The part hedged for other foreign currency risk (-)	-	-	-	-
9-Other foreign currency effect-net (7+8)	(3.654)	3.654	-	-
Total (3+6+9)	(1.329.181)	1.329.181	-	-

38. Financial instruments and financial risk management (continued)

December 31, 2009	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1-Asset/Liability denominated in USD-net	(11.684.052)	11.684.052	-	-
2-The part hedged for USD risk (-)	-	-	-	-
3-USD effect-net (1+2)	(11.684.052)	11.684.052	-	-
Change of EUR by 10% against TL:				
4-Asset/Liability denominated in EUR-net	2.614.396	(2.614.396)	-	-
5-The part hedged for EUR risk (-)	-	-	-	-
6-EUR effect-net (4+5)	2.614.396	(2.614.396)	-	-
Change of other currencies by 10% against TL:				
7-Assets/liabilities denominated in other foreign currencies-net	(144.650)	144.650	-	-
8-The part hedged for other foreign currency risk (-)	-	-	-	-
9-Other foreign currency effect-net (7+8)	(144.650)	144.650	-	-
Total (3+6+9)	(9.214.306)	9.214.306	-	-

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

The total export and import amounts for the years ended December 31 are as follows:

	2010		2009	
	Original amount	**TL**	Original amount	TL
USD	**375.947.212**	**564.322.445**	246.202.390	375.436.275
EURO	**116.689.800**	**231.142.758**	75.217.871	161.738.539
TL	**371.405**	**371.405**	-	1.807.528
Total export		**795.836.608**		538.982.342
USD	**1.148.660.505**	**1.730.998.962**	776.794.796	1.190.670.290
EURO	**45.416.252**	**89.558.672**	21.031.285	44.398.019
British Sterling	**2.599.693**	**6.008.751**	1.239.926	3.017.047
Japanese Yen	**207.740.000**	**3.772.849**	119.889.700	2.061.011
Swiss Frank	**1.507.852**	**2.215.686**	584.593	828.811
Total import		**1.832.554.920**		1.240.975.178

ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by balancing interest rate sensitive assets and liabilities.

The Group's interest rate position as of December 31, 2010 and 2009 is presented below:

	2010	2009
Financial instruments with fixed interest rate		
Financial liabilities		
-USD financial liabilities	**85.363.227**	82.951.104
-TL financial liabilities	**3.450.620**	4.776.884
Financial instruments with variable interest rate		
-USD financial liabilities	**7.730.000**	-

At December 31, 2010, if interest rates of USD denominated financial liabilities with variable interest rates has strengthened/ weakened by 100 base point with all other variables held constant, net income before taxes would have been TL 38.650 lower/ higher as a result of interest expenses.

The total bank borrowings used by the Group consist of the loans with fixed interest rate as of December 31, 2009.

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

38. Financial instruments and financial risk management (continued)

iii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphta prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Turkey. While the Company determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sectoral publications and Company's production levels, stock levels and order amounts received.

d) Capital risk management:

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including borrowings, trade payables and other payables, other short-term and long-term liabilities, as shown in the balance sheet) less cash and cash equivalents:

	December 31, 2010	December 31, 2009
Total debt	**684.735.408**	549.349.429
Less: Cash and cash equivalents (Note 6)	**(201.710.447)**	(175.498.537)
Net debt	**483.024.961**	373.850.892
Total equity	**1.600.347.451**	1.470.262.531
Debt/equity ratio	**%30**	25%

(Amounts expressed in Turkish Lira ["TL"], unless otherwise indicated.)

39. Financial instruments (fair value and financial risk management disclosures)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realise in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable.

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties, are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

The carrying amounts and the fair values of the borrowings as of December 31, 2010 and 2009 were as follows:

	December 31, 2010		December 31, 2009	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Short-term liabilities				
USD credits	85.363.227	85.777.985	82.951.104	83.314.811
TL credits	3.450.620	3.450.620	4.776.884	4.776.884
Long-term liabilities				
USD credits	7.730.000	7.730.000	-	-

40. Subsequent events

None.

41. Disclosure of other matters

None.

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