FOR LIFE...

PETKİM **2011 ANNUAL REPORT**

As Turkey's largest producer of petrochemicals, we continued our production with a capacity utilization rate of 88%, which is below the average in Europe, in a year dominated by shrinkage in demand, more severe competition, increase in raw material costs and reduction in the capacity utilization of many plants in the region.

We made investments of US$ 90 million.

We expanded our trade volume by breaking into new markets; our exports reached a record-breaking level of US$ 834 million. As a result of our transit trade activities, we built a petrochemical bridge from the Caucasus to Europe.

Despite such a challenging year, we achieved to increase our success rate while gaining the trust of our customers.

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Turkey's leading petrochemical company

More than 50
Strategical petrochemical products

3 million tons
of production

The idea of establishing a petrochemical industry in Turkey was entered into the agenda during the First Five year Development Plan period. Petkim Petrokimya Holding A.Ş. was established on April 3, 1965 under the leadership of TPAO, following research and evaluation.

Petkim made its initial infrastructure investment with five plants constructed at the Yarımca Complex in 1970. Following the complementary investments at Yarımca, within the framework of the Third Five-year Plan, works began to establish Petkim's second complex in the Aliağa region. The Aliağa Complex, established at optimum capacity with the latest technology of that period, started operating in 1985.

On May 30, 2008, in a privatization tender with the block sale method, 51% of the public shares of PETKİM was sold to SOCAR&Turcas Petrochemical for USD $2,040,000,000.

With over 50 petrochemical products in its product range, Petkim is the most important raw material supplier of the Turkish industry and has a privileged position in the private sector in terms of its profitability and production performance. The products in Petkim's portfolio are utilized as raw and intermediate materials for sectors such as construction, agriculture, automotive, electricity, electronics, packaging and textiles as well as pharmaceutical, paint, detergent and cosmetics. Having significant advantages in terms of infrastructure and land, Petkim has been in a deep-rooted transformation process, including raw material integration, on the way of becoming the largest petrochemical complex in Europe. Petkim, which has annual average gross production of three million tons, is committed to continue adding value to our national economy and being a source of pride by respecting people and using environment-friendly production technology contributing to our cultural, social, economic life.

OUR EXPORTS HIT RECORD LEVELS

Our export volume reached US$ 834 million; 50% of our new customers were acquired by means of export transactions.

Reliable shareholding structure

FIVE-YEAR KEY INDICATORS (TL THOUSANDS)

	2007	2008	2009	2010	2011
Total Assets	1,945,724	1,698,293	2,113,203	2,375,893	2,671,127
Net Sales	2,178,559	2,320,433	2,057,459	2,909,392	3,891,322
Net Profit (Loss)	73,861	(151,258)	114,035	130,085	102,341
Exports (US$ million)	358	523	347	531	834
Issued Capital	204,750	204,750	204,750	1,000,000	1,000,000
Investments	72,493	70,272	69,858	84,872	151,897
Number of Employees	3,534	2,612	2,421	2,457	2,585

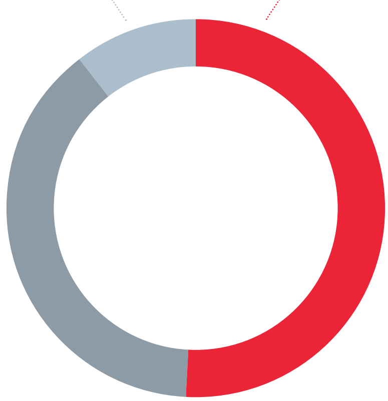
SHAREHOLDING STRUCTURE

10.32%
Privatization Administration

Number of Shares
10,321,568,109
Value (TL)
103,215,681.09

51.00%
SOCAR&Turcas Petrokimya A.Ş.

Number of Shares
51,000,000,000
Value (TL)
510,000,000.00



38.68%
Other (Public Shares)

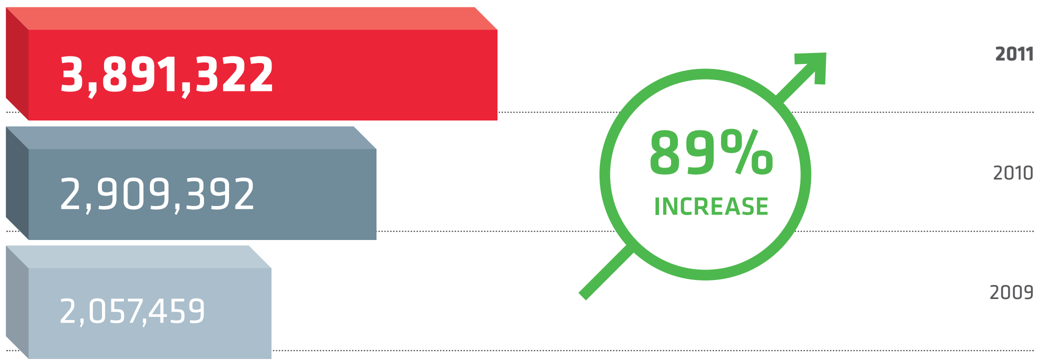
Number of Shares
38,678,431,890
Value (TL)
386,784,318.90

0.00%
Privatization Administration
(Group C–Privileged Shares)

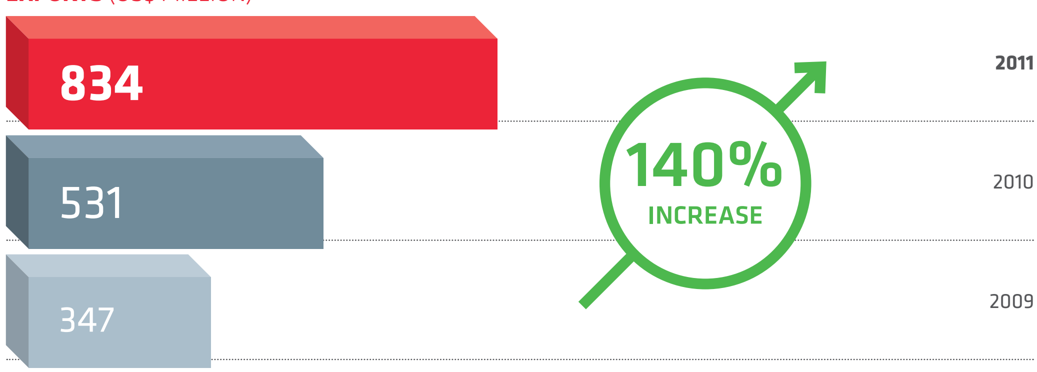
Number of Shares
1
Value (TL)
0.01

In 2011, Turcas Petrol A.Ş., which held 25% ownership in SOCAR&Turcas Enerji A.Ş., indirect major shareholder of the Petkim holding 51% of total shares, sold out its shares to State Oil Company of Azerbaijan Republic (SOCAR). Following this sale, title name of SOCAR&Turcas Enerji A.Ş. was registered as SOCAR Turkey Enerji A.Ş., and shares of SOCAR in SOCAR Turkey Enerji A.Ş. increased up to 99.99%.

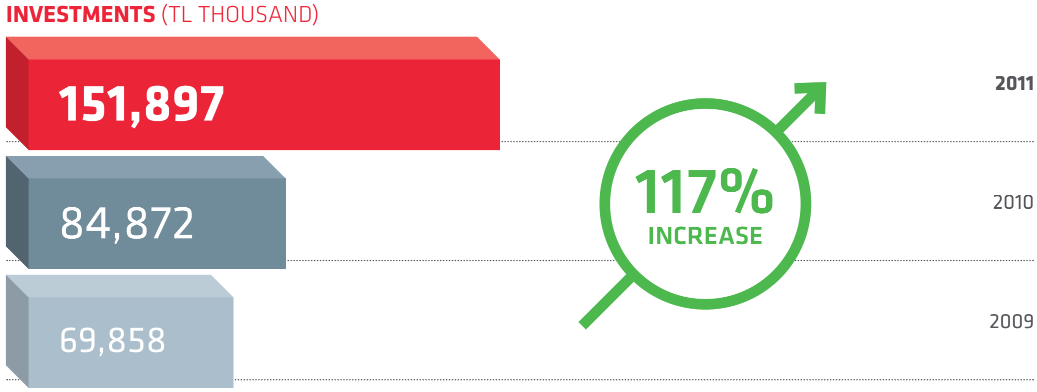
NET SALES (TL THOUSAND)



EXPORTS (US$ MILLION)



INVESTMENTS (TL THOUSAND)



A regional power beyond the Turkish market

VISION

Our vision is

- **to sustain our leadership in the Turkish market through continuous growth and**
- **to be a major player region in petrochemical industry.**

MISSION

Petkim;

- Petkim produces high quality petrochemical products in its integrated and high technology premises and it imports high quality petrochemical products, compatible with international standards.
- Petkim sells its products in domestic market and in international opportunity markets with a strong customer focus.
- Petkim cares about innovation, it takes quality as its philosophy of life and grows with its partners by increasing Petkim's market value and profitability.
- Petkim keeps the competence, satisfaction and loyalty of its employees at maximum level with innovative human resource applications.
- Petkim follows universal ethical values, saves the environment, provides occupational health and safety, supports and adds value to the society with a sustainability perspective.

OUR VALUES

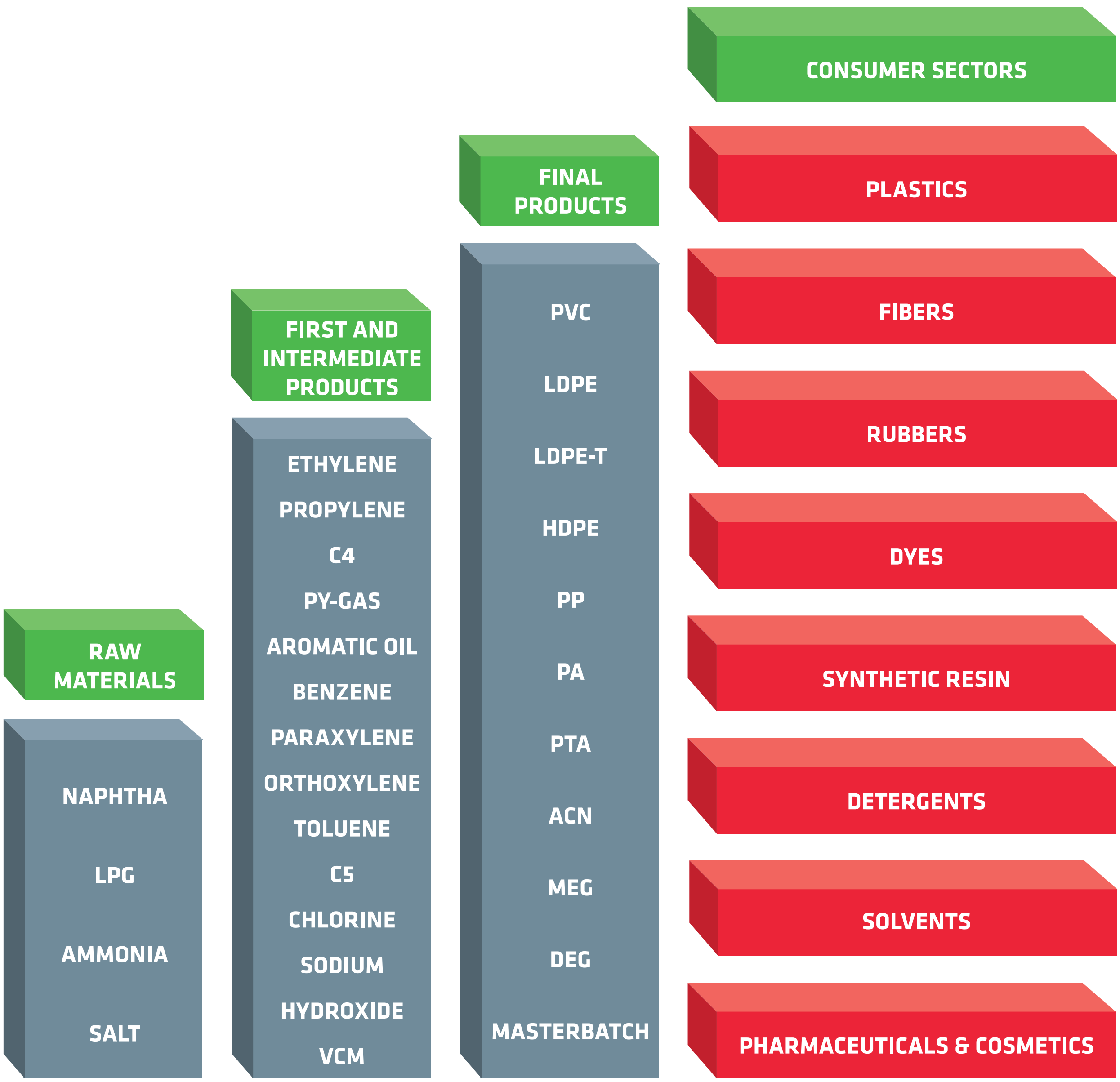
- Adding value to our customers
- Employee focused approach
- Creativity and innovation
- Occupational health and safety
- Taking responsibility for a sustainable future
- Product quality and continuity
- Adding value through partnership

OUR COMPETITIVE ADVANTAGES

- Deep-rooted experience and dynamic human resource
- Strong brand name and reputation
- Customer focused products and services
- Advanced technology
- Integrated production
- The best and fastest quality control and technique service
- Strong R&D know-how and physical infrastructure

Petkim products are everywhere in life

PETKİM PETROCHEMICALS



Daily Use of Our Products

APPLICATIONS OF THE PRODUCTS

ETHYLENE

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.

C4

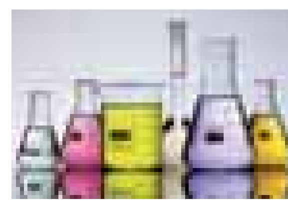
BUTADIENE
Rubber and automotive tires.

PROPYLENE

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.

AROMATICS



BENZENE
Detergent, white goods.

TOLUENE
Solvents, explosives, pharmaceuticals, cosmetics.

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

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

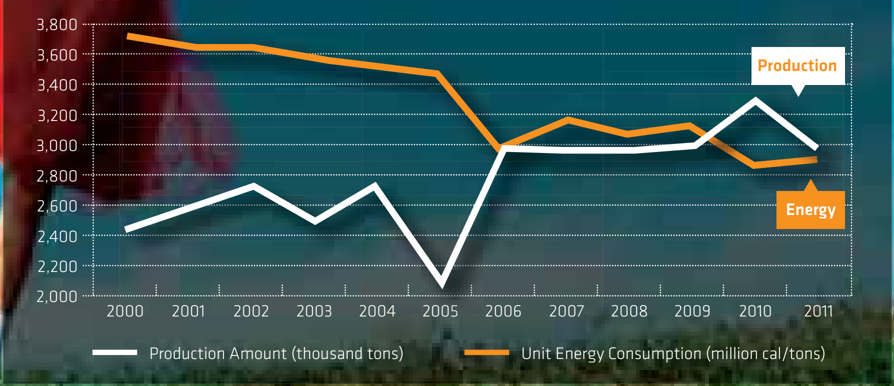
Added-value focused work processes, environmentally friendly production

PRODUCTION BY YEARS (TONS)

PRODUCTS	**2007**	**2008**	**2009**	**2010**	**2011**
ETHYLENE	486,344	495,372	500,977	512,783	453,519
THERMOPLASTICS	**675,214**	**647,844**	**666,350**	**691,846**	**652,775**
PVC	155,021	131,805	137,978	148,294	145,491
LDPE	186,579	192,721	172,584	189,531	189,330
LDPE-T	122,118	112,224	140,839	138,175	105,527
HDPE	85,211	88,254	86,118	82,106	89,801
PP	126,285	122,840	128,830	133,740	122,626
FIBER RAW MATERIALS	**178,844**	**178,604**	**181,439**	**246,365**	**242,536**
CAN	91,538 90,367	93,552	94,045	98,072	
PTA	46,631	42,303	60,207	73,668	60,269
MEG	40,675	45,934	27,680	78,653	84,195
OTHER PRODUCTS	**1,548,437**	**1,577,364**	**1,608,020**	**1,789,164**	**1,572,283**
PA	35,078	29,800	33,238	39,734	31,650
BENZENE	134,273	130,586	146,060	160,154	111,762
PROPYLENE (CG)	77,300	91,579	95,480	101,151	101,066
PROPYLENE (PG)	163,239	149,205	149,457	151,318	141,592
p-X	118,356	109,102	130,706	140,167	106,935
C4	59,883	138,265	85,605	138,244	143,020
PY-GAS	348,207	347,673	348,034	369,313	348,002
CHLORINE	81,166	82,335	82,813	92,191	79,032
SODIUM HYDROXIDE (100%)	92,397	93,458	93,148	105,107	87,672
VCM	143,919	118,201	131,660	141,639	128,790
OTHER	294,619	287,162	311,819	350,146	292,762
TOTAL	**2,888,838**	**2,899,184**	**2,956,786**	**3,240,159**	**2,921,113**

WE INCREASED OUR PRODUCTIVITY

While increasing our production, we obtained energy efficiency due to new technologies



Total Production of Petkim Complex by Years/Unit Energy Consumption

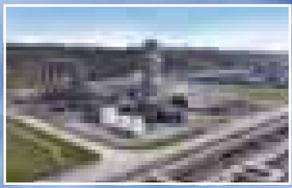
A petrochemical complex at international standards

PETKİM PLANTS

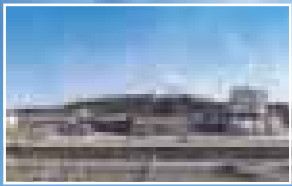
Ethylene Plant
2011 Output:
453,519 tons
Capacity Utilization:
87%

LDPE Low Density Polyethylene Plant
2011 Output:
189,330 tons
Capacity Utilization:
100%

LDPE-T Tubular Low Density Polyethylene Plant
2011 Output:
105,527 tons
Capacity Utilization:
66%



HDPE High Density Polyethylene Plant
2011 Output:
89,801 tons
Capacity Utilization:
94%

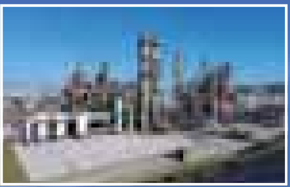


Polypropylene Plant
2011 Output:
122,626 tons
Capacity Utilization:
85%

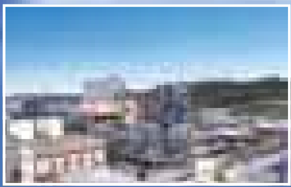
VCM Vinyl Chloride Monomer Plant
2011 Output:
128,790 tons
Capacity Utilization:
85%

PVC Polyvinyl Chloride Plant
2011 Output:
145,491 tons
Capacity Utilization:
97%

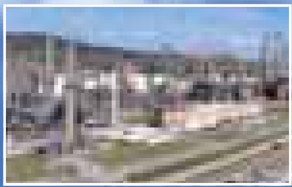
ACN Acrylonitrile Plant
2011 Output:
98,072 tons
Capacity Utilization:
109%



Ethylene Glycol Plant
2011 Output:
84,195 tons MEG
Capacity Utilization:
95%

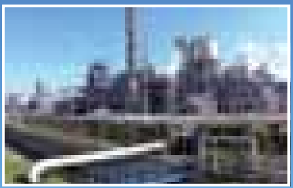


PA Phthalic Anhydride Plant
2011 Output:
31,650 tons
Capacity Utilization:
93%

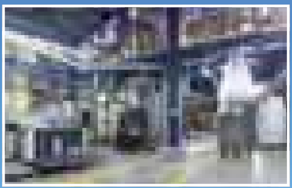


Aromatics Plant
2011 Output:
111,762 tons Benzene
Capacity Utilization:
83%

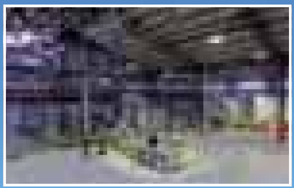
CA Chlorine Alkali Plant
2011 Output:
79,032 tons Chlorine Gas
Capacity Utilization:
79%



PTA Pure Terephthalic Acid Plant
2011 Output:
60,269 tons
Capacity Utilization:
86%



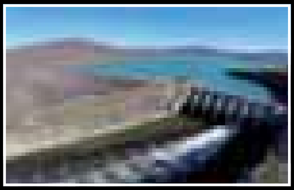
FFS Roll Film Unit
2011 Output:
2,516 tons
Capacity Utilization:
63%



Masterbatch Unit
2011 Output:
3,563 tons
Capacity Utilization:
36%

Production infrastructure focused on productivity and energy saving

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

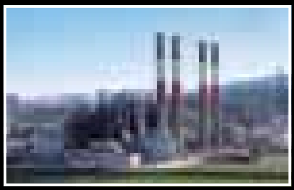
Usage Areas:
Fire water, raw water, processed water, cooling water and drinking water

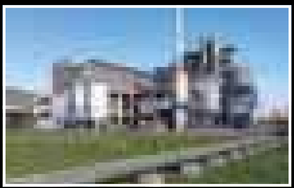
2011 Treated Water Output:
16,298,496 m³

Water Unit

Post-increase Capacity:
1,700 m³/h

2011 Production:
5,600,819 m³





Energy Production

Steam Production Unit
Installed Capacity:
1,200 tons/h XHS
2011 Production:
5,676,672 XHS

Electricity Production-Distribution
Total Power Generated:
226 MW
2011 Output:
1,116,483 MWh
Electricity Produced/Total Electricity Consumption:
99%

Water Purification Unit

Installed Capacity:
550 m³/h Oily Waste Water
120 m³/h Domestic Waste Water
1,000 m³/h Chemical Waste Water

Solid-Liquid Waste Incinerator

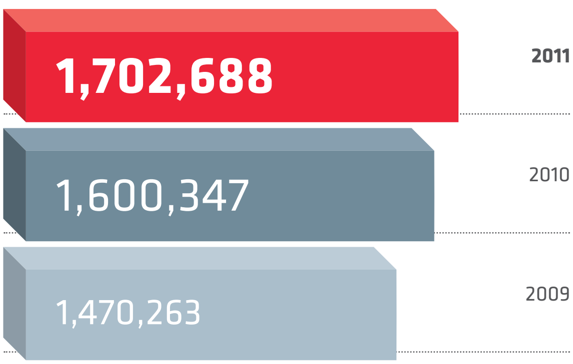
Installed Capacity:
0.85 ton/h Solid Waste
1.07 ton/h Treatment Sludge
0.34 ton/h Waste Oil

Port

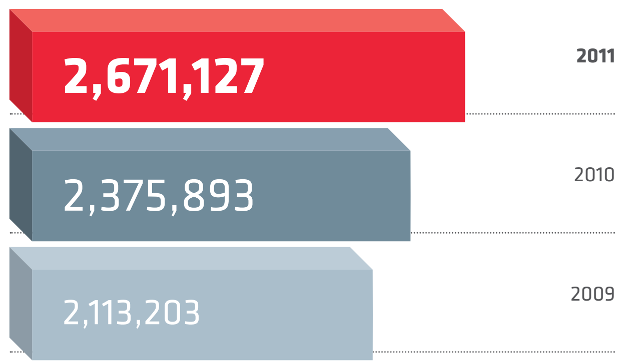
2011 Ship Count:
828
Loading/Shipping volume:
3,573,724 tons

Strong equity structure and profitable business processes

EQUITY (TL THOUSAND)



TOTAL ASSETS (TL THOUSAND)



SUMMARY BALANCE SHEET

(TL thousand)	2010	**2011**
Current Assets	1,106,015	1,333,922
Non-Current Assets	1,269,878	1,337,205
Total Assets	**2,375,893**	**2,671,127**
Short-Term Liabilities	681,909	841,241
Long-Term Liabilities	93,637	127,198
Equity	1,600,347	1,702,688
Total Equity and Liabilities	**2,375,893**	**2,671,127**

Summary Income Statement

(TL thousand)	2010	**2011**
Net Sales	2,909,392	**3,891,322**
Gross Profit	229,207	**174,697**
Operating Profit	127,141	**162,942**
EBITDA	217,661	**215,512**
Net Profit for the Year	**130,085**	**102,341**

CREDIT RATINGS (Fitch Ratings, 07.07.2011)

FOREIGN CURRENCY	LOCAL CURRENCY	
Long-Term FX Credit Rating	Long-Term Local Currency Credit Rating	Long-Term National Currency Rating
BB- Outlook Stable	**BB-** Outlook Stable	**A+ (Tur)** Outlook Stable

IMPORTANT RATIOS	2010	**2011**
Current Ratio	1.62x	1.59x
Liquidity Ratio	0.90x	0.87x
Financial Leverage Ratio	0.33x	0.36x
Debt Ratio (Total Debt/Equity)	0.48x	0.57
Gross Profit Margin (%)	7.88	4.49
Operating Profit Margin (%)	4.37	4.19
EBITDA Margin (%)	7.48	5.54
Net Profit Margin (%)	4.47	2.63

A dynamic corporate structure targeting ongoing development

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

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

1976-1983
- Expansions of the VCM and PVC plants at the Yarımca Complex were completed. Additionally, the Caprolactam units began production.
- Due to the rapid growth of the Turkish automotive industry, Petlas Lastik Sanayi A.Ş. was established to produce tires on August 19, 1976 under the management of Petkim.
- Petkim's capital was increased to TL 8 billion, TL 40 billion and finally, TL 100 billion.
- Auxiliary plants and shared facilities at the Aliağa Complex were completed.

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

1990-1995
- Petkim's capital was raised to TL 2 trillion in 1990 and TL 3 trillion in 1991.
- Alpet and Yarpet, Petkim subsidiaries, were absorbed into Petkim along with all of their assets and liabilities on the basis of their balance sheets as of August 31, 1990.
- Petkim's Headquarters and the Aliağa Complex organizations were merged, and the Yarımca Complex was restructured into Yarımca Complex Management.
- As a result of expansion and rehabilitation projects 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, a significant increase was achieved in Petkim's production capacity.

1996-1999

- Petkim earned a TS-EN-ISO 9002 Quality Assurance Certificate.
- The Company's record keeping was converted from the Paid-up Capital System to the Authorized Capital System. The Company increased 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 were completed and production began.
- A second 20 MW condensing-type turbo-generator went into operation at the Electric Power Generation Unit in 2001.
- Capital was increased from TL 117,000 billion to TL 204,750 billion.
- As per the Privatization High Council's decree, the Yarımca Complex was sold to Tüpraş.
- The second expansion of the HDPE Plant, which increased production capacity from 66,000 tons/year to 96,000 tons/year, was completed in 2001.
- The addition of a 17th reactor to the PVC Plant was completed, increasing production capacity by 10,000 tons/year, in 2001.
- The Çanakkale Plastic Processing Plant was shut down and the equipment from the plant was transferred to the Aliağa Complex.
- The construction and installation of the Solid-Liquid Waste Incineration Unit was completed in 2002 and the unit began operations in 2003.
- Petkim's dry cargo jetty was opened for service to third parties.

2005-2007

- Investments in the expansion of the Ethylene, LDPE and PP plants were begun in 2004 and was completed in 2005. The capacities of the plants increased 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 was increased from 100,000 tons/year to 136,000 tons/year, while benzene capacity was increased from 123,000 tons/year to 134,000 tons/year.
- In a transparency survey conducted in 2006 by Standard & Poors and Sabancı University, Petkim was ranked one of Turkey's "Five Most Transparent Organizations".
- Following investments totaling US$ 90 million, a 57 MW gas turbine went into operation at the Steam Production and Electric Power

A leading petrochemical producer, which with its innovative vision, provides insight into the future of Turkey

Generation units in 2007. Additionally, in order to attain fuel flexibility, the steam boilers were converted to be able to operate on natural gas as well as fuel oil.

- In March 2007, Petkim's Solid-Liquid Waste Incineration Unit began accepting waste from third party companies for incineration.
- In 2007, a co-extruder unit producing FFS roll film went into operation at the Bag Production Unit, and the use of FFS bags for all solid products was gradually phased-in to replace the older, less efficient bags.
- A privatization tender for the state-owned shares of Petkim, equivalent to a 51% stake in the Company, using the block sale method was announced. The tender, which was open to the public, took place on July 5, 2007, and the sale of the shares to the second highest bidder, the SOCAR & TURCAS Consortium, was 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 Petkim Petrochemical Holding Inc., to the second highest bidder, the SOCAR & TURCAS Consortium, for US$ 2.04 billion was formally completed. The agreement for the transfer of 51% of Petkim's shares to SOCAR & TURCAS Petrochemical Inc., the company established by the SOCAR & TURCAS Consortium, was signed on May 30, 2008.
- A 1.3 million m^2 parcel of land owned by Petkim was allocated to the STAR Rafineri A.Ş. for the establishment of a raw materials refinery.
- Major improvements in productivity were realized by upgrading technology in order to increase raw materials flexibility. Meanwhile, Petkim began cracking not only naphtha but also LPG.
- As a part of Petkim's plans to expand its logistics infrastructure, the Company initiated a feasibility study for an expanded port and began a detailed terminal planning project.
- Following of the Integrated Management System Certification Audit carried out by the Turkish Standards Institute, the decision was made to renew Petkim's ISO 9001 Quality Control Certificate and to grant the Company ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

2010

- Petkim voluntarily joined the independent, international Carbon Disclosure Project (CDP); the Company established and announced its carbon emissions policies according to CDP guidelines.
- On June 23, 2010, STAR Rafineri A.Ş. received the license for a 10 million ton capacity refinery at the Petkim Complex.
- In order to boost the efficiency of port operations, Petlim Limancılık Ticaret A.Ş. was established on November 22, 2010.
- Enterprise Resource Planning Project (ERP) was launched on October 1, 2010, and all operational processes began to be monitored through this initiative.
- As of June 29, 2010, Petkim's capital was increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.
- The Energy Market Regulatory Authority (EMRA) approved Petkim's application for the construction of a wind power plant, by the decision number 2922–16 dated November 15, 2010.

2011

- On October 25, 2011, the foundation of a 10 million ton capacity refinery, owned by STAR Rafineri A.Ş., to be built at Petkim Complex was laid.
- Due to the investments completed on October 25, 2011 in LDPE-T Plant, a capacity increase of 20% was achieved.
- On September 9, 2011, the Oxygen, Nitrogen and Compressed Air Unit of Petkim were sold to Air Liquide, one of the leading industrial gas producers in the world.
- As of December 30, 2012, Turcas, which owned 25% shares in SOCAR & Turcas Enerji A.Ş., transferred all of its shares to Socar. The name of SOCAR & Turcas Enerji A.Ş was changed to SOCAR Turkey Enerji A.Ş.
- In August 2011, the furnace rehabilitation project ongoing since 2009 at the Aromatics Plant was successfully completed. As a result of this investment; in addition to a productivity increase and improvement in environmental emissions, a significant decrease in energy costs was ensured.

MESSAGE FROM THE BOARD OF DIRECTORS

VAGİF ALİYEV
Chairman of the Board

Distinguished shareholders and business partners,

In its fourth year after privatization, Petkim continues with solid steps and in line with the vision and objectives of SOCAR Turkey Enerji A.Ş., establishment of the State Oil Company of the Azerbaijan Republic (SOCAR) in Turkey.

STAR Refinery is the most important part of this vision, which we call a "Value-Site." The foundation of the refinery was laid during a spectacular ceremony on October 25, 2011. On behalf of the Board of Directors, I would like to express my gratitude to İlham Aliyev, esteemed President of the Azerbaijan Republic and Recep Tayyip Erdoğan, the Prime Minister of the Turkish Republic, who honored us with their presence during the ceremony. Owing to the Star Refinery investment, which will make the Petkim Peninsula one of the most important petrochemical production centers in Europe, Azerbaijan ranked first in terms of direct foreign investments in Turkey, significantly accelerating the economic integration between the two countries.

Petkim's investments for capacity expansion are of the utmost importance for ongoing refinery-petrochemical-energy-logistics integration at the Petkim Peninsula.

The first step on the way to integration: STAR Refinery

Through this project, which is Turkey's first cluster model in the petrochemical industry, different companies operating with refinery-petrochemical-energy-logistics will take place at the same location based on horizontal and vertical integration. The companies will buy and sell raw material to/from each other and through the sharing of common costs, will create synergy. Within the framework of this integration project, which will enable investor companies as well as Petkim to significantly improve their competitive strength, we handed over our Oxygen, Nitrogen and Compressed Air Unit to the French company Air Liquide, the 17th largest chemical company in the world.

Negative impacts observed in the global economy since the second half of 2011 have elevated various risks for the petrochemical industry in the forthcoming period. Nevertheless, in line with our vision, as well being aware and taking responsibility, we are determined to complete projects that we had previously planned and started. Following the STAR Refinery investment, we are targeting the start of energy and port investments and will accordingly increase our share in the domestic market from 25% to 40% by 2023.

We aim to increase our production capacity with further investments in our plants before the STAR Refinery will become operative in 2015. Within the framework of our ongoing capacity expansion investments, we target the increase of capacities at the Ethylene, PA, PTA units. Additionally, we plan to begin production butadiene, which is the major feedstock of synthetic rubbers and engineering polymers at the BDX unit and high value-added cross-linked polyethylene at XLPE unit. In addition to the investment for the expansion of our chemical product range amounting to US$ 300 million, we continue investing in various fields of energy and logistics. In addition to our refinery investment,, we plan to reach an investment total of approximately US$ 6 billion on the Petkim Peninsula by 2015.

On October 25, 2011, in addition to the refinery's groundbreaking, we have inaugurated the LDPE-T Plant, equipped with state-of-the-art technology within the framework of the capacity expansion investment. Additionally, we held a groundbreaking ceremony for a vocational high school in Aliağa, which will carry the name and memory of our great leader Heydar Aliyev, founder of contemporary Azerbaijan. We believe that this school, together with the two vocational high schools previously built by SOCAR in Adana-Ceyhan and Kars, will serve as an educational bridge between Turkey and Azerbaijan. Our target is to employ graduates from these schools at the Petkim Industrial Complex and at other industrial companies within the region.

In the period ahead, we aim to increase our value-added production as well as our employment potential without losing enthusiasm for investment and our belief for a promising future for both Turkey and Azerbaijan.

It is the source of our greatest pride for our families to see that our initial objectives, of which we first dreamed, then planned and finally realized one after another are enhancing the development and prosperity of people in Turkey and Azerbaijan, a "Single Nation, Two States."

With my deepest regards,

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 Petkim Petrokimya Holding A.Ş. In October 2009, ALİYEV was named Chairman of the Board of Directors at Petkim.

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 Petkim, and since 2008, he has been a Member of the Board of Directors. İLTER speaks English. He is married and has three children.

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 Petkim.

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 Petkim.

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 Petkim, and in May 2004, he was named General Manager. Following the privatization of Petkim on May 30, 2008, YAVUZ continued to serve as General Manager.

On October 23, 2009, he was again appointed to the Board of Petkim. On November 9, 2009, he was appointed CEO of SOCAR & TURCAS Energy Group A.Ş. YAVUZ has been working as President of SOCAR & TURCAS Group companies since September 4, 2010. Following the restructuring of SOCAR & Turcas Enerji A.Ş. on January 1, 2012 and title change of the company as SOCAR Turkey Enerji A.Ş., YAVUZ has been appointed CEO of the new company. He also continues to serve as a member of the Board in Petkim.

YAVUZ was also a board member of the Aegean Region Chamber of Industry between 2009-2011. Presently, he is a board member of the International Competition Research Institute and Association of Energy Productivity (ENVERDER). YAVUZ has various published interviews and articles in national and international media and speaks English. He is married and has two children.

FERRUH MURAT BENZER
AUDIT COMMITTEE MEMBER

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

KORAY ATALIK
AUDIT COMMITTEE MEMBER

Born in 1984 in Istanbul, Koray ATALIK graduated from the Department of Economics in Istanbul University and began to work as an independent auditor at PricewaterhouseCoopers. He took responsibility in various independent and private audits and IFRS conversion projects. ATALIK joined SOCAR Turkey Enerji A.Ş. in 2011 as a Planning and Control Specialist. Being a Certified Public Accountant, ATALIK also serves as a member of Audit Committee in Petkim Petrokimya Holding A.Ş.

ÖMER ADSIZ
AUDIT COMMITTEE MEMBER

Born in 1979 in İzmir, Ömer ADSIZ graduated from Selçuk University, Department of Law in 2002. He obtained his first masters' degree in banking and finance from Dowling University, New York, and the second one in international commercial law from Temple University.

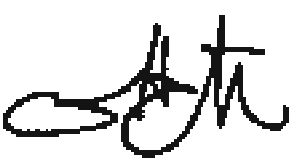
Ömer ADSIZ has been a legal counselor since 2002. He worked as an international lawyer in New York between 2007-2010. He has been working as a law advisor for SOCAR Turkey Enerji A.Ş. since 2011.

He was also advisor to Turkish-American Inter-parliamentary Friendship Group in 2007-2010; Vice Chairman at the Turkish American Business Improvement and Development Council between 2008-2010; member of the Board at Turkish American Chamber of Commerce and Industry. Currently, he is Vice Chairman at International Law Center Association. ADSIZ is also a member of Audit Committee in Petkim Petrokimya Holding A.Ş.

WE TOOK IMPORTANT STEPS FOR A SUSTAINABLE FUTURE

Making a quantum leap within the context of Petkim "Value-Site" 2023 vision, the foundation of STAR Refinery was laid in 2011

MEHMET HAYATİ ÖZTÜRK
GENERAL MANAGER



Distinguished shareholders and business partners,

2011 has been a year in which we have increased our competitive edge and completed two important investment projects. We have made significant strides toward the accomplishment of the clustering model and above all, laid a foundation to ensure refinery-petrochemical integration. On October 25, 2011, the epoch-making groundbreaking ceremony for the STAR Refinery, financed by our main shareholder, the STEAŞ Group, has further strengthened our pride. As a result of this refinery investment that will provide raw materials for our plants, the products produced at Petkim will be processed at existing and new petrochemical plants. This investment will increase our Company's competitive strength and prove as important to Turkey as it is for Petkim

In 2011, the debt crisis in Europe as well as economic problems in the USA along with efforts to slow the economy in China, caused a decrease in global growth and accordingly, a contraction in global demand.

As a result, oil prices, which began increasing at the end of 2010, reached US$ 111/barrel, on the average, during 2011. During the second half of the year, profit margins significantly decreased as a result of the companies' inventory reduction policies because of raising oil prices and shrinkage in demand.

Industrial capacity utilization rates decreased on the global scale, particularly in Europe, affecting Turkey as well. The increase in domestic demand for thermoplastic products, which has been around 11% annually except during the global crisis in 2008, fell to the level of 5% in 2011.

Sustainable corporate structure based on competitive advantage

Nevertheless, considering that plastics consumption per person is 50 kg/year in Turkey, compared to that of Western Europe and the USA, where it is 70-90 kg/year, is an indication that our country has an unsaturated market with a great potential to grow.

Despite the global economic downturn and uncertainties as well as shrinkage in demand, Petkim, achieved an increase in its sales by 6% and its turnover by 34% in 2011, while the profit for the year was TL 102,341 thousands.

In 2011, in addition to capacity expansion investments, general maintenance works, carried out every four years at Petkim plants, particularly at the Ethylene Plant, have been completed. Within the framework of these tasks, production in every plant was stopped for different periods of time between May 2011-August 2011. Operating at maximum capacity except during these stops, as of year-end 2011, the capacity utilization rate of our plants was 88%.

In line with our sustainable growth target, Petkim allocated US$ 90 million for investment expenditures during 2011. Our expenditures consisted of modernization, technology upgrading, energy and efficiency increase investments as well as investments to increase capacity at the Ethylene, PA, PTA and LDPE-T plants. Additionally, we continued our investments in BDX and XLPE, units wich are new production fields for us.

With the modernization and expansion investment started in 2009 and completed in 2011 at the LDPE-T Plant, a 20% capacity increase was attained. Meanwhile, the furnace rehabilitation project at the Aromatics Plant was completed in line with our targets. With this project, which aimed at decreasing per unit energy consumption and exhaust gas emissions, we achieved a decrease in flue gas and CO_2 emissions as a result of a decline in fuel consumption. Particularly the value of NOX emissions in exhaust gas was lowered to meet the requirements for the global standard. In 2012, we plan to invest US$ 175 million for modernization, technology upgrading, energy, environment, capacity expansion and new production.

In 2011, Petkim took a critical step toward growing through a cluster model including domestic and foreign investors and transforming the Petkim Peninsula into a Chemical Industry Park.

The Oxygen, Nitrogen and Compressed Air Unit at the Petkim Peninsula was handed over to Air Liquide, one of the largest industrial gas producers in the world, on the condition that Air Liquide will provide additional investment, new technology and increase operational productivity.

With this cooperation, Petkim aims to focus on its core business of petrochemical production and will increase productivity. Within the framework of the clustering concept, the Company's increasing demand for industrial gas will be met by additional capacities provided by Air Liquide, as in the good examples of chemical industry parks all over the world.

During the last year, the Board of Directors and the Executive Management were committed to adopting Corporate Governance Principles, finding solutions for improvement and ensuring full compliance. With all of these efforts, Petkim's corporate governance rating assessed by the Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. rose to 8.52 in 2011, up from 8.19 the previous year.

Carrying out activities in line with our continuous improvement approach, Petkim is committed to conducting business based on productivity and profitability. I would like to express my gratitude to all our employees, business partners, customers, suppliers, shareholders and stakeholders, for their immense contributions to our robust organizational structure.

It is my sincerest wish to share our Company's to further success and prosperity with you in the period ahead.

Kind regards,

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 Petkim in 1977 as a Project Engineer at the Petkim 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 Petkim Holding, and he continued in that position until the end of 2009. With 34 years of experience, ÖZTÜRK was appointed General Manager of Petkim by the 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 in 1975. He began to work at Petkim Yarımca Complex in 1976 and served as Production Engineer and Auxiliary Plants Production Manager. He took responsibility during the construction and start-up period of the plants in Aliağa at the beginning of 1980s and as a Chief Engineer, started the production in Steam Production and Aromatics Plant. Afterwards, he worked as Production Manager in PVC, PTA. PP, Chlorine Alkali, VCM, LDPE, HDPE plants, respectively. TUNCER served as Production Group Manager during 2000-2002 and Assistant General Manager responsible for Operations during 2002-2011. As of October 1, 2011, he was appointed Assistant General Manager responsible for Projects and Investments. TUNCER speaks English. He is married and has three children.

NİHAT GÜRBÜZ
ASSISTANT GENERAL MANAGER

Born in Evciler Village of İvrindi, Balıkesir, Nihat GÜRBÜZ graduated from Ankara University, Faculty of Chemical Engineering in 1975. During 1975-1983, he worked as Project, Planning and Operations Engineer at Sümerbank's chemistry and textile plants. On August 22, 1983, he began to work at Petkim Aliağa Petrochemical Complex as a Production Engineer. Later, he served as Engineer, Chief Engineer, Assistant Manager and Manager of Production at VCM, PP and Ethylene plants. On October 13, 2004, he was appointed Head of Department responsible for the production in the plants and between June 4, 2008-October 1, 2011, he took the position of Production Group Manager responsible for production and maintenance. Since October 2011, was appointed Assistant General Manager responsible from Operations. GÜRBÜZ, who has 36 years of professional experience, speaks English. He is married and has two children.

ALİ EKREM ASLAN
ASSISTANT GENERAL MANAGER

Born in 1967 in Kilis, Ali Ekrem ASLAN graduated from Hacettepe University, Faculty of Engineering, Department of Chemical Engineering in 1990. He began his professional life as an Operations Engineer in Nuh Çimento. ASLAN began to work in Petkim Petrokimya Holding A.Ş. in February 1993 and served as Engineer and Expert Engineer at PIF and LDPE plants between 1993-2003, Chief Engineer/ Manager at LDPE-T Plant during 2003-2006, Production Planning and Control Manager between 2006-2008, and, in 2009, Business Transformation Manager directly responsible to General Manager. From November 2009 to October 1, 2011, he worked as Business Transformation & ERP/ MES Group Manager in Petkim Petrokimya Holding A.Ş. Ali Ekrem ASLAN was appointed Assistant General Manager responsible for Asset Management on October 1, 2011. He speaks English. He is married and has three children.

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 Petkim 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 Petkim's Assistant General Manager responsible for Human Resources. She is married and has two children.

NATİG DAMIROV
ASSISTANT GENERAL MANAGER

Born in 1980, in Şirvan (Ali Bayramlı), Azerbeijan, Natig DAMIROV graduated from Yıldız Teknik University, Faculty of Mechanical Engineering, Department of Industrial Engineering. In 2003, he began his professional career at TEKFEN-AZFEN Alyans in Baku as a Coordinator/Quality Control Engineer; later on, in 2005, he worked as Project Manager in Baku-Yevlakh DAN Ltd. In 2009, he began to work in Petkim Petrokimya Holding A.Ş. as a Purchasing Executive and become Purchasing Manager in 2010. Since 2011, he has been appointed Assistant General Manager of Procurement. Speaking Turkish, English and Russian, DAMIROV is married and has two children.

CEMAL ŞAFAK AYIŞIĞI
ASSISTANT GENERAL MANAGER

Born in Istanbul in 1965, C. Şafak AYIŞIĞI graduated from Bosphorus University, 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 Turkey Enerji A.Ş. and since April 2009 Assistant General Manager responsible for Finance at Petkim. He speaks English and Italian.

SAKİT SAMADOV
ASSISTANT GENERAL MANAGER

Born in 1981 in Gamur Village, Azizbeyov Region, which was previously belonged to Azebaijan and now within the borders of Armenia, Sakit SAMADOV graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Management and completed his MBA at the same university. Presently continuing with his PhD in marketing, SAMADOV began his professional life in 2002 in Beyka Holding as a Foreign Trade Specialist. He worked as Marketing Strategies and Human Resources Advisor in Taşkıran Mobilya and as Scientific Advisor in Dalan Kimya and Batı Lastik, working specifically on “organizational loyalty and job satisfaction”. Served as Marketing and Public Relations Manager in Metropolitan Ltd, Baku, in 2008, SAMADOV began to work as Marketing and Sales Coordinator in STEAŞ in 2009.

Sakit Samadov took the position of Sales and Marketing Group Manager from March 1, 2011 to October 1, 2011 in Petkim Petrokimya Holding A.Ş. Afterwards, he was appointed Assistant General Manager responsible for Sales and Marketing. Having good command of Russian and English, SAMADOV is married and has one child.

A global brand in the oil and natural gas industry: SOCAR

THE STATE OIL COMPANY OF THE AZERBAIJAN REPUBLIC (SOCAR)

Passing through a deep-rooted transformation period recently, SOCAR adopted a simplified organizational structure and established a stronger logistics infrastructure.

The State Oil Company of the Azerbaijan Republic (SOCAR) ranks among the world's largest oil companies. SOCAR was established in 1992 with the aim of benefitting from oil and natural gas reserves of the country and improving the administrative structure of the industry. As of February 1, 2012, total number of the employees in SOCAR reached 73,868.

Including onshore and offshore oil and gas fields of Azerbaijan, SOCAR is involved in every field of the petroleum and petrochemical industry, such as exploiting and processing; producing and transporting oil, gas and gas condensate, plus marketing the products in domestic and international markets.

With its highest service quality as well as significant scientific and technical potential, SOCAR has sufficient production capacity for meeting Azerbaijan's domestic demand for oil and petroleum products and exporting the excess supply. The Company takes advantage of its well-supported and experienced human resources, who are able to develop solutions in exploring onshore and offshore oil and gas fields, in addition to exploiting and processing of the products.

The Company has crane ships, tankers, pipeline vessels as well as vessels for seismic investigations and oil exploration.

The target of the recent reforms is to transform SOCAR into an international company. In line with this target, the Company adopted a simplified organizational structure instead of previous multi-step management system and established a stronger logistics infrastructure.

In 2009 and 2010, Azerigaz and Azerikimya, the most important state-owned companies of Azerbaijan, have been acquired by SOCAR. The Company determinedly works on establishing oil refineries, chemical and petrochemical complexes with the latest technologies. SOCAR has investment projects in various foreign countries including Georgia, Turkey, Ukraine, Switzerland and Romania. While expanding the network of oil stations with its own brand, SOCAR opened the Kulevi Oil Terminal as well.

SOCAR is interested in oil exploration and production of oil and gas projects as well as refinery and distribution of oil derivatives on international level, and continues its contacts in order to participate in these kinds of projects.

A GIANT INVESTMENT STRENGTHENING TURKISH-AZERBAIJANI BROTHERHOOD

This investment, which will change the face of Izmir and significantly increase the energy potential of Turkey, also supports our targets for 2023. Today, in addition to the groundbreaking of STAR Refinery, we are also officially opening Petkim's LDPE-T Plant.

RECEP TAYYİP ERDOĞAN

Republic of Turkey
Prime Minister

This groundbreaking ceremony has the utmost important for all of us. This amount of investment can be made only to a friendly and ally country. The new plants to be established in Petkim will serve both Turkish and Azerbaijani people.

İLHAM ALİYEV

Republic of Azerbaijan
President

IN LINE WITH ITS VALUE SITE VISION, PETKİM PURSUES REFINERY-PETROCHEMICALS-ENERGY-LOGISTICS INTEGRATION AT FULL SPEED.

The transformation of Petkim land on the Aliağa Peninsula, which has geographically an advantageous position, into a global Chemical Industry Park consists of an integration in refinery-petrochemicals-energy-logistics as well as growth through a cluster model that includes domestic and foreign investors. Within the framework of the growth plan, during the first phase of the efforts carried out to lay the groundwork for a master plan of the refinery-petrochemicals-energy-logistics value chain, which will enable Petkim to make optimal use of its land and infrastructure. In this context, the vision and development strategy of Petkim were defined and preliminary land use and exploratory infrastructure planning works were completed.

Accomplishing the first implementation within this context, the Oxygen, Nitrogen and Compressed Air Unit at the Petkim Peninsula was handed over to Air Liquide, one of the largest industrial gas producers in the world, under the condition that Air Liquide will provide additional investment, new technology and increase operational productivity. This cooperation, Petkim aims to focus on its core business, petrochemical production, and increase productivity.

Significant improvements were recorded in raw material sustainability, product range enhancements, market share increase as well as logistics and energy investments in order to achieve the targets related to the clustering model.

GROWTH PERSPECTIVE-CLUSTERING MODEL (VALUE SITE 2023)

GROWTH BY ENSURING RAW MATERIALS SUSTAINABILITY

THROUGH AN IMPORTANT STEP IN LINE WITH PETKİM "VALUE-SITE" 2023 VISION, THE GROUNDBREAKING OF STAR REFINERY WAS HELD IN 2011.

In order to meet the raw material requirement of Petkim, the work to establish a refinery with 10 million tons of crude oil processing capacity by STAR Rafineri A.Ş. began in Aliağa. The groundbreaking of STAR Refinery was held on October 25, 2011, in a ceremony with the participation of Mr. İlham Aliyev, president of the Azerbaijan Republic and Mr. Recep Tayyip Erdoğan, the prime minister of the Turkish Republic. Concept design, feasibility and basic engineering works of the project have been completed whereas engineering, procurement, construction/installation works are at tender phase.

GROWTH BY FOCUSING ON CAPACITY EXPANSION AND HIGH VALUE-ADDED PRODUCTS

PETKİM CONTRIBUTES TO DOMESTIC PRODUCTION AND REDUCTION IN EXTERNAL DEPENDENCE BY INVESTING A SIGNIFICANT AMOUNT IN R&D ACTIVITIES EVERY YEAR.

Petkim attained a productivity increase in its production infrastructure as a result of the investments in capacity expansion, energy efficiency, health-safety-environment, technology, modernization and maintenance in 2011.

In line with the efforts carried out to increase the market share of Petkim, basic engineering work for the capacity increase in the Ethylene Plant had been completed in 2010; whereas in 2011, after the signing of the engineering, procurement construction contract, detail-engineering work was started. Meanwhile, the capacity expansion investments in LDPE-T Plant were completed in 2011 and the plant started operations. With regard to the capacity increase project of PA plants started in 2010, engineering work was completed, its construction-installation work was tendered in 2011 and the project is at procurement phase.

In EO/EG Plant, the work began to establish a new EO purification unit in order to produce pure ethylene oxide and to invest in an ethoxylate plant based on ethylene oxide. The establishment of an EO purification unit is at tender phase whereas regarding the ethoxylate plant, partnership negotiations are ongoing. Petkim also continues its work on establishing a new BDX Plant. Moreover, preliminary work with licensing firms continues on acrylic acid and carbon black projects, which are among Petkim's potential investments. With these investments, the Company aims at increasing its market share and widening its product range.

Petkim contributes to domestic production and reduction in external dependence by investing a significant amount in R&D activities every year. The raw material of medium-voltage cables, XLPE; triethylene glycol, particularly used in the textile and automotive industries; and PVC resins produced for Petkim own needs are pioneer applications developed by the R&D Center of the Company.

GROWTH BY INVESTING IN ENERGY

PETKİM UNDERLINED ITS ENVIRONMENT FRIENDLY APPROACH WITH ITS INVESTMENTS IN WIND ENERGY, THE MOST IMPORTANT RENEWABLE SOURCE OF ENERGY.

Committed to the use of renewable sources of energy, Petkim obtained an Autoproducer License from Energy Market Regulatory Authority in February 2011, to establish a Wind Power Plant (RES) with a capacity of 25 MW. At the tender phase, the work for this turnkey project is ongoing. Petkim once more revealed its environmentally friendly approach with this RES Project, the most important renewable source of energy.

GROWTH BY BOOSTING LOGISTICS POWER

PETKİM CONDUCTS ITS PORT OPERATIONS THROUGH PETLİM LİMANCILIK TİCARET A.Ş., A 100% SUBSIDIARY OF THE COMPANY, AND WORKS ON ESTABLISHING A STRATEGIC PARTNERSHIP WITH APM TERMINALS B.V., A LEADING COMPANY IN ITS SECTOR, IN ORDER TO ENHANCE ITS PORT INFRASTRUCTURE.

One of Petkim's greatest advantages is its logistics capability, including its port and ease of access to the domestic market. The Company made plans for the construction of piers, a filled up space and a dock for containers and the tank terminal at the Petkim port. Petkim conducts its port operations through Petlim Limancılık Ticaret A.Ş., a 100% subsidiary of the Company, and works on establishing a strategic partnership with APM Terminals B.V., a leading company in its sector, in order to enhance its port infrastructure.

Petkim and Petlim signed a preliminary agreement with APMT on February 13, 2012. Negotiations are ongoing for signing a long-term operating agreement related to a container dock to be established in Petkim Complex and operated by APMT.

A Journey to the Integration of Refinery, Petrochemicals, Energy and Logistics

Petkim "Value-Site" 2023

LOCATED IN THE ALIAĞA PENINSULA, GEOGRAPHICALLY AN ADVANTAGEOUS POSITION, PETKİM IS DETERMINED TO TAKE SOLID STEPS FORWARD THROUGH THE TRANSFORMATION PROCESS INTO A GLOBAL CHEMICAL INDUSTRY PARK (VALUE SITE), IN WHICH DOMESTIC AND FOREIGN INVESTORS OPERATE WITHIN THE FRAMEWORK OF A CLUSTER MODEL IN REFINERY, PETROCHEMICALS, ENERGY AND LOGISTICS.

Indispensable parts of the production chain in Petkim: Technical safety, environment, quality&productivity

PRODUCTION

Capacity utilization rate in Petkim production plants was 88% due to the stops during general maintenance and expansion works.

Carrying out its production activities within the framework of a total quality and efficient source utilization approach, Petkim had a busy year in terms of general maintenance, rehabilitation and expansion investments. Due to the stops during general maintenance, which is done every four years, and the expansion works, capacity utilization rate was 88% whereas 94% of the production program targets was achieved.

Record-breaking level of production at Acrylonitrile (ACN) Plant

Despite the uncertainties in the global economy, capacity utilization rates were above the Europe average. Meanwhile, record-breaking level of production was achieved at Acrylonitrile (ACN) Plant in 2011.

Being one of the most important industrial conglomerates of Turkey with its product range consisting more than 50 petrochemical products, Petkim achieved 2.9 million tons of gross output and 1.5 tons of salable products in 2011. In the meantime, record-breaking level of production was achieved at Acrylonitrile (ACN) Plant with a capacity utilization rate of 109%.

WE WORKED WITHOUT ACCIDENT

Adopting work safety regulations with meticulous attention and uninterruptedly continuing employee training, we accomplished to decrease our accident rate

Work health and safety implementations at global standards

PRODUCTION

Saving TL 6.2 million as a result of energy efficiency investments
Production capacity increased by 20% up to 160,000 tons/year as a result of efficiency work at LDPE-T Plant, one of the most important plants of Petkim. During the year, for energy efficiency in the furnaces of Aromatics Plant were also successfully carried out. As a result of the 17 energy efficiency projects completed during the year, the Company saved TL 6.2 million.

Significantly improving in Complex Reliability Index every year, Petkim continued its efforts in 2011 to decrease the unplanned stops in plants with proactive and predictive maintenance management approach.

Drop in workplace accidents continues
Petkim considers its efforts on health, safety and environment as an indispensable part of its core business. Despite the intensive maintenance work, there was a significant decline in the LTI (Lost Time Incident) Index value in 2011.

Auxiliary Processing Units met the utility needs of the Petkim's plants in an uninterrupted manner during the year. Production continuity in the plants has been successfully ensured by means of uninterrupted service provided by waste incinerator, shared pipeline and port throughput units.

Corporate customer relations management through an efficient distribution network

MARKETING AND SALES

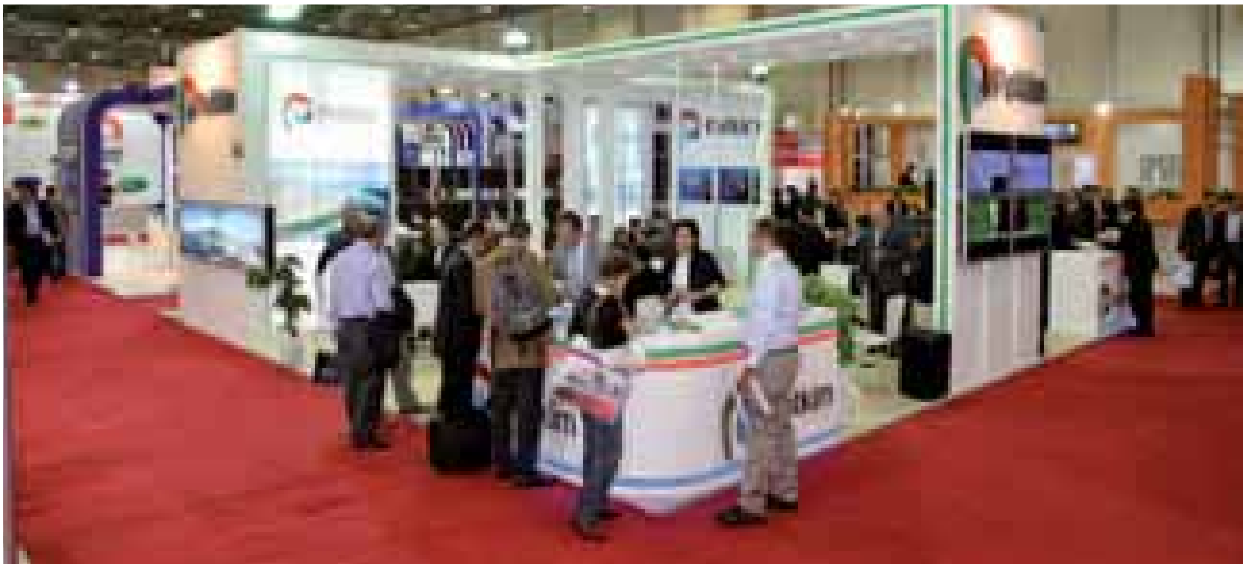
In line with its expanding commercial activities, Petkim opened two new storehouses in Konya and Kayseri in addition to its existing storehouses and warehouses in Istanbul, Mersin and İskenderun.

Demand shrinkage due to financial crisis

During the first quarter of 2011, global petrochemical industry displayed a rapid growth performance. From the second quarter, the contraction in the world economy influenced the petrochemical industry causing a sharp fall in demand and product prices, whereas crude oil prices and accordingly raw material prices remained high. In addition to these factors, narrowing profit margins caused one of the worst production performances of the last years in the global petrochemical industry.

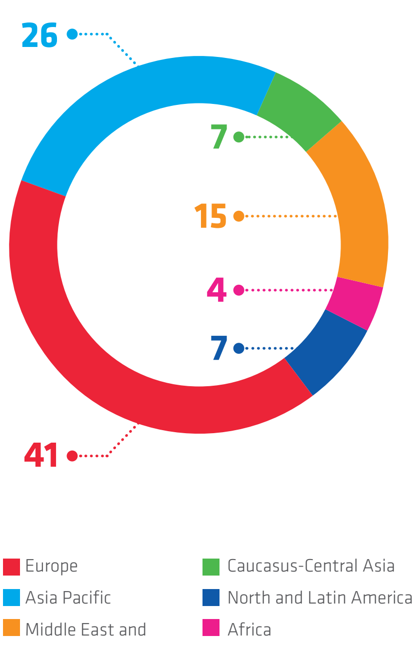
The decline in demand for petrochemical products has been impacted by the economic downturn and deepening debt crisis in Europe, credit tightening in China to cool the economy against inflation increase, strong effects of the Arab Spring on North Africa and the Middle East and decreasing growth expectations for the global economy. Supply surplus created by the additional capacity of four million tons in 2010, further raised the expectations for shrinkage in the petrochemical industry. Narrowing market conditions led inventory minimization on consumers' side; meanwhile, China, which is the largest market for the producers in the Middle East, began to export its product surplus. These developments caused intensification in regional price competition as well as contraction and swing in existing trade channels.

Country-wide sales and marketing network



SALES AND MARKETING

2011 EXPORTS BY REGION (%)



Capacity utilization rates declined throughout the sector.
In 2011, the average prices for crude oil and raw material naphtha rose to US$ 111 per barrel and US$ 950 per ton, respectively. Together with these negative factors, increasing costs and shrinking profit margins triggered by the expectation of economic crisis decreased capacity utilization rates in the sector. In 2011, European petrochemicals producers took advantage of the decline in euro/US dollar parity and increased their market share in the Turkish market while the crisis in Europe adversely affecting exports from Turkey.

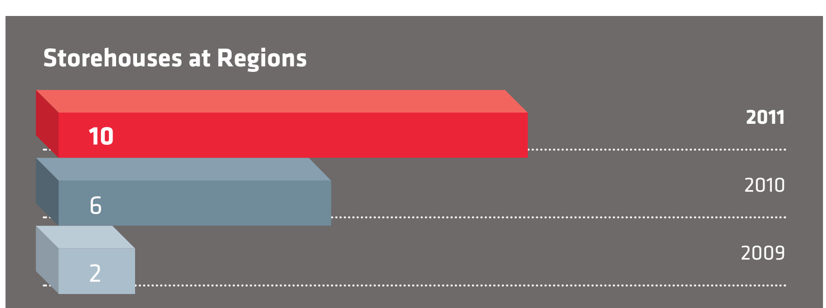
A global brand exporting more than 60 countries all over the world
Investing significant amounts every year in product development and technology, Petkim has also a leading position in the Turkish industry with respect to its export activities. Benefiting from its wide range of product range as well as effective marketing processes, the Company exports to 67 countries all over the world as of the end of 2011; thus, provides significant amount of foreign currency inflow.

Our distribution network expanded

In 2011, Petkim focused on maximizing production in line with its strategy of meeting the demands of its loyal customers and becoming more active in product imports. In 2011, the Company expanded its import facilities, which it started with thermoplastics products, by adding new products such as MPG (mono propylene glycol) 2EH (2 ethyl 1 hexanol), EA (ethyl acetate), MC (methylene chloride) to its portfolio. With this transformation, Petkim became an active and important player in the petrochemicals market in addition to its position as a producing company.

Corporate customer relations management through efficient distribution network

In line with its customer portfolio expansion strategy in domestic and international markets, Petkim continued its customer visits, regional meetings and fairs in 2011 as well. The Company gained 246 new customers, 123 being export customers, as a result of these efforts. Of these customers, 83 were return customers and 163 were potential customers. Technical training for customers, increased by 4% in 2011 up to 539 person/hour. In line with its increasing commercial activities, Petkim opened two new storehouses in Konya and Kayseri in addition to its existing storehouses and warehouses in Istanbul, Mersin and İskenderun. Thus, the Company expanded its distribution network in Anatolia and made train and inland transportation eligible for the deliveries to this network. Petkim boosted its transaction volume by developing new financial instruments in line with the expectations and necessities of its business partners. Additionally, as of 2011, all of the customer operations began to be performed online via a web based Customer Information System.



Effective domestic and global cooperation processes

GLOBAL AND DOMESTIC COOPERATION

Located in Nemrut region, which has a competitive market structure, Petkim Port increased its income from port activities by 37% and income from warehouses by 100% in 2011.

Petkim continued its efforts for "naturalization" of the economy by reducing external dependence, decreasing costs, boosting the procurement process as well as creating the market possibilities for domestic producers and suppliers. In this framework, a supplier satisfaction survey, being done every year, as well as the information obtained from supplier visits/meetings was evaluated and more cooperation possibilities with suppliers were created.

One of Turkey's most prominent port in terms of low waiting periods

Located in the Nemrut region, which has a competitive market structure, the Petkim Port increased its income from port activities by 37% and income from warehouses by 100% in 2011. Depending on the number of vessels and mooring times, the portside occupancy rate was 60% on the average throughout 2011.

Being continuously improved in line with changing international market conditions and necessities, Petkim Port is one of Turkey's most prominent ports with low waiting periods and contemporary cost management systems.

The port is opened to third parties as well as Petkim's business partners. Up until today, 4,863,083 tons of third party freight was handled and the number of third party ships utilizing the port reached 1,607. As a direct result of its sustainable excellence approach and high quality standards, Petkim Port is planned to serve increasing number of third parties in the following period.

WE BROKE INTO NEW MARKETS

Building a transit trade bridge between the Caucasus and Europe, we achieved high level of sales

Laboratory infrastructure equipped with state-of-the-art technology

GLOBAL AND DOMESTIC COOPERATION

Certificate of Competence to Petkim Environmental Analysis Laboratory
Within the framework of Regulation on Competency of Environmental Measurement and Analysis Laboratories, as of August 1, 2011, Petkim Environmental Analysis Laboratory obtained a four-year Certificate of Competence issued by Ministry of Environment, Forestry and Urban Planning.

At PP Plant, in cooperation with user company, Petkim produced transparent PP used in thermoform production and two new product types used in BOPP production, PP-FH250 and PP-FH360. Similarly, in cooperation with user companies, Petkim made test production of pipes using carbon black masterbatches in B0552 product. The samples taken from three different type pipes (natural, added-Sisan masterbatch and added-Polyone masterbatch) were tested and requirements of TS 418-2 EN 12201-2 were met.

Ongoing development, ongoing training

HUMAN RESOURCES

Petkim provided its thirty eligible employees with a three-semester MBA program in Istanbul University, Institute for Excellence in Business Education.

Petkim Employment Guaranteed Workforce Training Program
In 2004, Petkim decided to start an employment campaign to meet stakeholder expectations, satisfy employees and gather everyone around a common denominator. The campaign continued in 2011 with great success. The third year of the "Petkim Employment Guaranteed Workforce Training" was developed for graduates of vocational high schools, vocational colleges and technical education faculties. In 2011, 650 successful technical graduates were employed by Petkim through this program. In addition, 61 white-collar employees started work at Petkim.

Career Development Project
In 2009, PETKİM initiated the 360 Degrees Skills Based Performance Evaluation program to assist employees in their career development plans. Within the framework of the project, every year the employees are supported with information and feedback meetings as well as receiving training to prepare their career development plans before the 360 Degrees Skills Based Performance reviews. The Company implemented the program for all white-collar personnel and career development plans were completed for them.

Employee Satisfaction Survey
To regularly monitor employee satisfaction levels at Petkim, an Employee Satisfaction Survey has been conducted each year since 2006. As in the previous years, in 2011, based on the feedback received from employees, Petkim made the required improvements in business processes.

Our most important asset: qualified and experienced human resources

HUMAN RESOURCES

New Idea Management

In order to benefit from creative and innovative ideas of its employees and to increase their contributions to corporate development, Petkim implements a Suggestion System within the company. To date, out of a total 2,176 feasible employee suggestions, 1,446 have been successfully applied into the business processes. Additionally, in order to turn creative ideas of employees to innovative improvement of the Company, within the context of New Idea Management, 64 applications were evaluated through the Creative Ideas Forum.

A significant award from the Social Security Institution (SSI)

Being meticulous in making payments of its employees social security premiums on time in full, Petkim ranked first in the Aegean Region in terms of the total premium amount paid in 2011.

Ongoing training, ongoing development

Attaching great importance to continuous development, Petkim provides individual and professional development programs for its employees based on its Training and Development Procedure. These programs are realized either at the Company or at consultant firms' training centers in Turkey or abroad. Petkim provides a wide range of training programs including computer technologies, logistics, accounting, trade, sales and marketing, investment, project development, human resources, quality management, EFQM, technical operations and maintenance in plants. Training sessions on work health and safety, security and fire-fighting on fire are provided with technical equipment at reinforced rooms and practice fields.

In 2011, 86 employees attended "Trainer's Training" Program in Istanbul University, Institute for Excellence in Business Education, and obtained trainer certificate. In 2011, training per employee was 37 hours, of which 56% was in-house training and 44% was provided by professional training companies.

MBA, Excellence in Business Education
Petkim provided thirty eligible employees with a three-semester MBA program in Istanbul University, Institute for Excellence in Business Education.

Within the context of cooperation between Azeri Kimya and Petkim, 12 employees of Azeri Kimya attended information sharing/training programs in Petkim. Meanwhile, within the framework of cooperation with Bergama Vocational College, students of the Resource Technology department were provided lectures at Petkim Research and Training Center by internal trainers of the Company. In parallel to the cooperation with universities and vocational schools, a number of student were offered apprenticeship opportunities during the summer and winter periods in 2011.

Internal communications expanded with TV broadcasts and a newspaper
In 2010, Petkim launched internal TV broadcasts and a newspaper, "Petkim Ailem" (My Petkim Family), to expand its internal communication channels. With their content becoming richer every thanks to employees' contributions, both the TV broadcasts and the newspaper took their place among the indispensable assets of the Company. Additionally, the "Petkim Yaşam" (Petkim Life) magazine continues to be published as a reflection of the Company's view on the outside world.

Job Evaluation
In 2011, Petkim completed a "Job Evaluation" work in order to review the business processes of blue-collar employees with a scientific method. During five months, plants and units were visited; following the review of business processes, a job analysis survey was conducted. Based on the results of this survey, job families were developed by the Job Evaluation Team. As of January 1, 2011, the results began to be implemented for blue-collar employees recruited in 2006 and thereafter.

Collective Labor Agreement
All the blue-collar employees in Petkim are union members. As of August 1, 2011, collective labor agreement was signed covering the period between January 1, 2011 and December 31, 2012.

Environmental and human friendly production

ENVIRONMENT

In line with its decision in 2011 to participate, Petkim continued its Carbon Disclosure Project activities started in 2010 and announced the calculated levels of greenhouse gas emissions for the projects taking place in the Company's five-year growth plan.

With its principle of "Taking Responsibility for a Sustainable Future", Petkim carries out its efforts to protect of environment, ensure work health and safety in conformity with its sustainability mission. Environmental management at Petkim 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. Within the framework of environmental legislation, Petkim continuously monitors the performance of the Company with environmental dimension analyses. According to the Periodic Control Plan, these initiatives include various stages such as water and waste water management, continuous monitoring of emissions/immissions, efficient waste management, controlling environmental impacts of port operations, calculation and reduction of greenhouse gas.

Emissions: Petkim obtained A-class Emission License in March 2011. In parallel to internal monitoring program of the Company, compliance to the legislation is continuously monitored by controlling exhaust gas emissions and ambient air quality. Analyzers are continuously used at 11 chimneys, which have high level of thermal power and results are monitored online. Lastly, in the first quarter of 2011, flue gas analyzers were also put into use in four chimneys of Aromatics Plant and Petkim's total investment in this field reached approximately US$ 1.4 million.

Petkim considers management of greenhouse gas emissions as an indispensable part of its sustainability efforts. In 2010, Petkim joined the Carbon Disclosure Project (CDP), which announces policies and strategies on carbon emissions and climate change, and became one of the leading companies in Turkey in this field. CDP

is supported by 551 fund management companies, managing totally US$ 71 trillion of international funds.

In line with its decision to participate in the project, in 2011, Petkim continued its Carbon Disclosure Project activities started in 2010 and announced the calculated levels of greenhouse gas emissions for the projects taking place in the Company's five-year growth plan. Thus, within the framework of the CDP, Petkim developed new energy efficiency projects and emission reduction strategies for its existing and future projects. Petkim's commitment to reducing CO_2 emissions is of great importance in terms of raising awareness on this issue. Within this context, in 2011, Aromatics Plant Furnace Rehabilitation Project as well as Chlorine Alkali Plant Electrolyzer System Rehabilitation Project allowed a significant amount of energy savings decreasing CO_2 emission of Petkim by 9%.

Management of chemicals: Since chemical industry carries critical risks and has highly adverse impacts on the environment, Petkim is particularly meticulous about the management of chemicals. In parallel to legal regulation, Petkim has accomplished significant improvements in this field since 2010. Related employees in the Company were provided Material Safety Data Sheets (MSDS) preparation training and a MSDS team was constituted with 20 employees who have TSI certificates. Additionally, in line with the Regulation on Controlling Major Industrial Accidents, which offers a wide range of framework about chemicals, dangerous materials and substances in Petkim were included into Seveso Notification System. On the other hand, as per the Regulation on Inventory and Controlling of Chemicals, all dangerous chemicals more than one ton, produced in the Company or imported, were notified in Chemicals Inventory Notification System.

Activities combatting marine pollution: In 2011, according to the Company's reporting requirements, there were not any marine spills to be reported. According to the number 5312 "Law on Emergency Action and Compensation for Damage in Marine Pollution with Oil and Other Hazardous Agents" and related regulations, 15 employees were provided with OPRC and HNS training. Within the framework of the same law, a service procurement contract was signed with a licensed company in 2011 in order to be prepared and take action against second and third degree marine spills. Additionally, "Marine Pollution Emergency Response" implementations were conducted once in every six months.

Effective recycling and waste management implementations

ENVIRONMENT

Waste-to-energy Campaign: Another important project of Petkim in 2011 is "Our Waste Enlightens the Future Project" by ENVERDER (Turkish Energy Efficiency Association). Under Petkim's main sponsorship, this project includes collection of waste to be used in the process of creating energy. For this purpose, starting from the primary schools in Aliağa, collection systems were established and awareness works were conducted throughout the country.

Petkim believes that environmental sustainability can be enhanced by creating awareness among the employees and the society. In this direction, employees are provided HSE (Health, Safety, Environment) training whereas Open Door Days Program are organized for the people in the region.

WE CONTINUED OUR INVESTMENTS

Investing US$ 90 million in energy saving, improvement and expansion, we continued to establish the infrastructure for Petkim's future growth

Technology investments for increased customer satisfaction

MANAGEMENT OF TECHNOLOGY

Investments for increased customer satisfaction

In 2011, Petkim realized a series of investments to decrease maintenance costs and consumption of film and energy used in packaging, as well as to increase customer satisfaction. These investments started with the stretch hood packaging machine for PVC Plant which was taken in operation in May 2011. In addition to this investment, procurement of packaging machine for the first line in LDPE Plant and higher-capacity FFS machine for LDPE-T Plant were completed.

Technology Investments

In line with the target of increasing technological productivity in Petkim plants, set up and upgrading of Program Logic Control (PLC) and Distributed Control Systems (DCS) started in 2011. Meanwhile, DCS set up in Aromatics and KA plants, and updating of existing DCS system in LDPE-T Plant were completed.

As it was planned in the investment program, DCS set up work was completed at ACN Plant, whereas it continues at PA and PTA plants. Additionally, at VCM Plant, Advanced Process Control projects, started to decrease unit energy consumption and increase production, were completed. In the Ethylene Plant, where APC implementation was completed, performance tests will be done in 2012. Meanwhile, the ongoing APC project in Aromatics Plant will be finalized in 2012.

Investments amounted to US$ 90 million

TECHNOLOGY MANAGEMENT

In parallel to its growth perspective, Petkim realized significant amount of investments in energy efficiency, HSE (Health, Safety, Environment), technology, modernization and expansion in 2011.

Investments for energy efficiency
In order to increase energy efficiency by decreasing flue gas emissions and unit energy consumption, the furnace rehabilitation project at Aromatics Plant was completed in 2011. The engineering works of the project was finalized in 2010, and procurement, installation and commissioning works were successfully completed in 2011.

Another project being conducted in this field is electrolyzer system rehabilitation of Chlorine Alkali Plant. This investment includes replacement of anodes and cathodes together with membranes in 44 membrane-covered electrochemical cells. Replacement of anodes was completed in 2009 and cathodes of 26 electrolyzers were changed. This project will be finalized when the remaining 18 electrolyzers' cathodes are changed in the forthcoming period.

Investments for HSE (Health, Safety, Environment)
Among Petkim's HSE investments in 2011, there is the replacement of R22, used in cooling systems of PVC, VCM, KA and YYPE plants, with chemicals without ozone-depleting substances. In this project, procurement of cooling systems at KA and YYPE plants were completed whereas the others are at procurement phase. Additionally, environmentally friendly production as well as a decrease in production costs was aimed for with the pretreatment project of waste water in the PTA Plant. The project's basic and detailed contracts as well as a contract regarding procurement of some equipment were signed. In addition, Catalyst Recovery and Mother Liquor Solid Recovery units will be established within the framework of this project; their engineering, procurement and construction-installation works have been already finalized.

PETKİM'S JOURNEY TO EXCELLENCE AND INTEGRATED MANAGEMENT SYSTEM

Making progress in its journey to excellence in line with its target of winning National Quality Award, Petkim reviewed its business processes and identified its new process framework according to the EFQM Excellence Model.

Integrated Management System (IMS)
With its Integrated Management System created within the context of its vision, mission and corporate values, Petkim strives to make progress and gain the trust of its stakeholders as well as to contribute to sustainable development while always being 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 and 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 with participation of its employees.

The Integrated Management System Monitoring was conducted by Turkish Standards Institute between December 19-22, 2011. Since there was no discrepancy identified, ISO 9001 Quality Management System, ISO 14001 Environment Management System and TS 18001 Work Health and Safety Management System certificates of the Company were renewed.

Current Situational Analysis comprises feedback from stakeholders; current and future market analysis; competitor and competition analysis; social, economic, political and technological analysis (SEPT); assessment of supply chain and collaborations; analysis of information from benchmarking studies and other investigation tools; analysis of creative ideas, KPI analysis; and internal and external audit analyses.

In line with its vision and mission, Petkim reviewed all of its business processes and process structures as well as identified primary and secondary performance indicators and their owners. These processes were described in "Approaches" and "Functional Relationship Schemes".

In order to realize its mission and to attain its vision, Petkim identified its main business targets, primary performance indicators and secondary process performance indicators as well as determined its objectives in conformity with its Strategic Plan and processes. The Company developed an KPI Monitoring System to track its performance and achievement level. This system allows the Company to monthly monitor its performance and identify the processes to be improved by using gap analyses and improvement plans.

WE TOOK RESPONSIBILITY FOR A SUSTAINABLE FUTURE

R&D activities focused on product development

R&D ACTIVITIES

Considering R&D activities as an indispensable component of its corporate development, Petkim further strengthened its position in the fields of technology and product development in 2011.

Through pilot scale surveys and laboratory research at its R&D Center, Petkim sustains its domestic and international competitive strength in technology. These studies are focused on product development, product improvement, process development and modeling, process improvement, catalyst and energy efficiency. Through these studies, Petkim aims to contribute to domestic production and reduction of external dependency. Triethylene gylicol, particularly used in textile and automotive industries and PVC resins produced for the Company's needs are pioneer implementations developed by the R&D Center up until today. The raw material for medium-voltage cables, XLPE, which Petkim produced for the cable industry in 2011, is one of the most demanded raw materials by leading cable producers in Turkey. In order to meet this demand, work is ongoing for an investment to achieve an annual production of 30 thousand tons.

Petkim supports best reference practices in terms of university-industry cooperation. Up until today, the Company contributed various projects in order to ensure that know-how created at universities serves to the development of the Turkish industry. These projects are also supported by grant support projects provided by Tübitak/Teydeb and San-Tez. Petkim also took place as a partner in an EU-supported technology development program undertaken by UNIDO-ICHET. The Company focused its attention on patent applications in order to protect intellectual property rights of know-how generated by its R&D activities.

- Petkim's ongoing R&D activities are focused on:
- Recovery of high value-added chemicals in processes' side streams
- Treatment of waste water
- Decreasing CO_2 emissions, a global problem
- Expanding product range with new types of products

- New process development
- Decreasing costs and ensuring energy efficiency

Petkim's R&D projects supported by TÜBİTAK, TEYDEB and SAN-TEZ

Project Name:
Recovery of Carrier-Diluting Chemicals Used in Ethylene Polymerization Process of Low-density Polyethylene Production
Supported by:
TÜBİTAK, TEYDEB

Project Name:
Development of High Corona Stable PP Product in Metalized BOPP Film Applications
Supported by:
TÜBİTAK, TEYDEB

Project Name:
Production of Environmentally Friendly, Halogen-free Flame-retardant (HFFR) Inhibited Polymeric Material for Cable Industry
Supported by:
TÜBİTAK, TEYDEB

Project Name:
Increasing Efficiency of Cogeneration System in Petrochemical Complex
Supported by:
TÜBİTAK, TEYDEB

Project Name:
Preparation of Catalysts for Oxidative Dehydrogenation of Propane to Propylene in Ethylene Plant C3 Column
Supported by:
TÜBİTAK, TEYDEB

Project Name:
Production of Metolazone Catalysts and Reproducibility of Metolazone based PP and PE
Supported by:
SAN-TEZ

Project Name:
Generating Microorganisms for Degradation of Xenobiotic Hydrocarbons to be used in Waste water Treatment
Supported by:
SAN-TEZ

Project Name:
Pure Brine Production from Seawater by Electrodialysis for Chlorine Alkali System
Supported by:
SAN-TEZ

Efficient resource management for future generations

SUSTAINABILITY

Petkim's Sustainability Board, which was established in 2010, succeeded to ensure coordination between production processes and environmental and social priorities.

With the inclusion of "Taking Responsibility for a Sustainable Future" into its corporate values in 2010, Petkim once again exhibited its sensitivity to this issue. Using various tools in order to put its values into effect at all levels of its corporate structure, the Company created a Sustainability Board to carry out its activities in this field in a more coordinated manner.

Conducting its activities to protect the resources of future generations, primary targets of the Sustainability Board are as follows:

- To create corporate approaches in conformity with the concept of "sustainability" to be applied at all activities and processes of the Company, and to evaluate the critical changes as well as new approaches introduced during the implementation phase
- To guide the activities of related departments and encourage different points of view
- To evaluate different functions' ideas and share them broadly within the Company
- To monitor and ensure that sustainability-related processes operate properly
- To make recommendations about the changes in indicators and approaches
- To carry out required training activities and guide improvement practices

The Sustainability Board aims to ensure that economic, social and environmental operations of Petkim are conducted in accordance with the principle of "sustainability". The Board began its activities by preparing improvement plans to track main processes identified under the basic process of sustainability management. The main processes under the basic process of sustainability management are identified as follows:

- Management of environment
- Management of workplace health
- Management of contribution to the society
- Management of corporate governance
- Management of communication with stakeholders

Following this endeavour, the Board identified the required approaches related to the processes.

The approaches identified by the Board are as follows:

- Approach to management of corporate governance
- Approach to management of environment
- Approach to management of work health and safety
- Approach to management of communication with stakeholders
- Approach to management of contribution to the society
- Approach to risk management

The Sustainability Board prepared "sustainability" section in the Current Situational Analysis, which provides input to the studies of the Strategic Plan for 2012-2015, and thus ensured that sustainability-related issues were included in corporate strategies.

Reference projects in education and environment

CORPORATE SOCIAL RESPONSIBILITY

Considering corporate social responsibility activities as an indispensable part of its core business, Petkim successfully carried out its projects, which are particularly focused on education and environment, and contributed to social development in 2011 as well.

Modern schools for the young generation
Petkim attaches great importance to enhancement of education possibilities for the young generation. With the aim of supporting education in Turkey, the Company built Petkim Elementary School in Petkim Complex, Gazi Elementary School, TED Aliağa College, Petrokimya Elementary School in Aliağa center, Latife Hanım Elementary School in Karşıyaka, Izmir and Gulf Petkim Elementary School.

Meanwhile, Petkim broke ground for Haydar Aliyev Technical and Industrial Vocational High School in Aliağa center on October 25, 2011. The school, which will be constructed as a campus for 720 students, is planned to be open by the 2012-2013 academic year.

Close contact and cooperation with higher education institutions
In 2011, under the university-industry cooperation program, Petkim provided materials, equipment and technical supplies to universities, scientific institutes and vocational high schools. In addition, a large number of students from vocational high schools and universities are given the chance to undertake internships at Petkim plants.

Open Door Days 2011
In 2011, Open Door Days, started to establish closer relations with local community in Aliağa, was expanded to include Izmir and continued to draw great attention. During the year, more than 400 visitors were informed about Petkim's production processes, work safety implementations and environmental sensitivity.

Uninterrupted support to sector bodies and university activities
In 2011, Petkim continued to grant its full support to symposia held by universities. During the year, the Company sponsored numerous events such as University-Industry Cooperation Student Community from Dokuz Eylül University, MÜSİAD R&D Workshop, Plastech Fair, which will be organized for the first time in May, 2012 by İZFAŞ; Polymer Composites Symposium held by the Chamber of Chemical Engineers; Sector Self-Assessment Summit held by Plastic Industry Platform in Izmir and Bursa, and "What to Produce" events and project competition organized by Izmir High Technology Institute's Chemical Engineering Department. In the meantime, Petkim managers have had the chance to share their experience and expertise with students and other participants.

Heydar Aliyev Friendship and Remembrance Forest
In June 2009, a forest fire in Yeni Foça devastated some 200 hectares of land. In cooperation with the Aegean Forest Foundation, Petkim planted 11,000 saplings in this area and later decided to turn this one-off event into an ongoing activity. In 2011, the Company presented 11.300 saplings to the nature again in an area of 75 square meters. The forest also became a symbol of the friendship between Turkey and Azerbaijan. Many other regional industrial companies were also inspired by Petkim's initiative. In addition, the Company regularly plants trees on the premises of the Aliağa Complex and around company housing; giving special importance to foster a love for trees among the families and children of employees.

2011 was declared a "Smoke-Free Year"
Making yet another corporate breakthrough in Turkey, Petkim launched the most extensive stop smoking campaign in the private sector. When the Company declared an objective of total smoking cessation among its employees, the campaign drew interest beyond expectations. In this campaign, Petkim management covers one-third of the related medical expenses of participants. Since December 2010, 220 employees have applied to Smoking Cessation Policlinic opened by Medical Services.

Smiling Caps, Smiling Faces Project main sponsorship
Pioneered by Aliağa City Council, the project aims at recycling of plastic caps of every stripe and color. Petkim is the main sponsor of the project; and the income generated will be used for handicapped. Within the framework of the project, which will be realized throughout the country, a remembrance forest will be planted in every city. The income obtained from the sales of saplings will be transferred to cooperatives established by the project team.

Reference projects in social responsibility

CORPORATE SOCIAL RESPONSIBILITY

Success based on support provided for three seasons

Aliağa Petkim Basketball Team

Petkim has sponsored the Aliağa Petkim Basketball Team since 2008-2009 season, when the team made the step up to Beko Premier Basketball League. Thanks to the support provided for three seasons, Aliağa Petkim Basketball Team exhibited the most successful performance of the Premier Basketball League in 2011-2012 season and has become an indispensable part of the social life of Aliağa.

This sponsorship project, which takes an important place among Petkim's corporate social responsibility activities in education, culture, art and sports, endeavours to protect youth against harmful habits by engaging them in sports activities.

Aliağa Petkim Basketball Team is one of the youngest teams in the Premier Basketball League. Petkim supports especially the young players and encourages youth of the region to take place in the team.

Joint Project with Ege TV

Petkim continues to be the main 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 for three years by Serkan Aksüyek, Petkim's Corporate Communication Director, challenges facing the Turkish real economy are brought to public attention along with expectations and possible solutions. The program is closely followed by the business community in the Aegean Region.

WE PRODUCED FOR TURKEY

With our turnover amounted TL 4 billion,
we made a great contribution to decrease current
account deficit of Turkey

CORPORATE GOVERNANCE AND INVESTOR RELATIONS

In 2011, the Corporate Governance and Investor Relations Executive Directorate participated in a total of 12 roadshows, including four in abroad, and conferences. During the year, the monthly average of information requests was 180, all queries were answered via e-mail or telephone.

Being aware of the fact that Petkim is one of the largest industrial companies in Turkey, Corporate Governance and Investor Relations Executive Directorate works devotedly to increase both customer satisfaction and shareholders' value through social responsibility approach as well as corporate governance and investor relations implementations at international standards.

In line with Capital Market Board's provisions, Corporate Governance and Investor Relations Executive Directorate, directly responsible to the General Manager, was established within the structure of Petkim as of January 1, 2012. Füsun Ugan was appointed Corporate Governance and Investor Relations Coordinator to be responsible for meeting obligations stemming from Capital Board Legislation and ensuring coordination in corporate governance practices. The Relations with Shareholders Unit was also gathered under the roof of this Executive Directorate.

Duties and responsibilities of Corporate Governance and Investor Relations Executive Directorate are as follows:

- To ensure compliance with the relevant legislation, Articles of Association and other internal arrangements regarding the exercise of shareholder rights and measures to ensure the exercise of these rights,
- To undertake Petkim's obligations pursuant to the Capital Markets legislation and to ensure coordination in corporate governance practices,
- To report to the Board of Directors regarding its own area of responsibility,
- To strengthen Petkim's capacity of compliance to CMB legislation; carrying out relations with investors, analysts and regulatory institutions in capital markets,
- To plan and coordinate its activities.

In 2011, the monthly average of information requests was 180 and Corporate Governance and Investor Relations Executive Directorate answered all queries via e-mail or telephone. The Corporate Governance and Investor Relations Executive Directorate participated in six investor conferences in Turkey and four abroad, meeting more than 90 investors. Additionally, two analysts meetings were organized during the year and 80 analysts were updated as regards to the Company's financial situation, strategies and activities.

Petkim has been constantly improving its compliance to the Corporate Governance Principles beginning with its initial 7.71 rating in 2009. Paralleling with the Company's achievements, this figure rose to 8.52 in 2011. This rating indicates that the Company is largely in compliance with Corporate Governance Principles, determined to make related improvements in this field and deserves to be traded on the ISE's Corporate Governance Index.

Füsun UGAN
Corporate Governance and Investor Relations Coordinator
Tel.: 0 232 616 12 40 / 4575

İlkay ÇETİN
Corporate Governance and Investor Relations Assistant Manager
Tel.: 0 232 616 12 40 / 4438

Corporate Governance and Investor Relations Executive Directorate
Tel.: 0 232 616 61 27
0 232 616 12 40/2256-3917-4460
E-Mail: yatirimci.iliskileri@petkim.com.tr
investor.relations@petkim.com.tr

Share Performance of Petkim in 2011

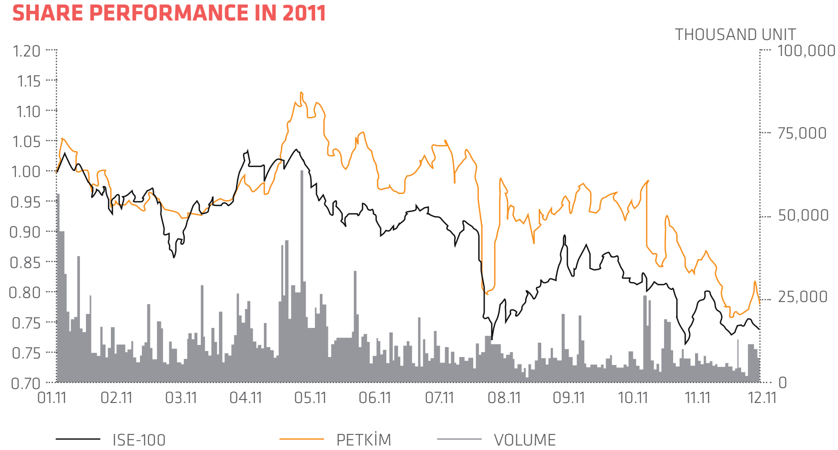
Petkim Petrokimya Holding A.Ş. shares started trading at ISE National Market on July 9, 1990, under the stock symbol of "PETKM". As of 2011 end, the Company is listed in ISE30, CHEMISTRY, INDUSTRY and Corporate Governance indexes.

In 2011, Petkim share price saw the lowest 1.91 and the highest 2.75, concluding the year with a share performance above the ISE-30 and ISE-100 indexes at 1.97. Since the global crisis negatively impacted the ISE in 2011, ISE-100 and ISE-30 indexes decreased by 22% and 24%, respectively, whereas the decline in Petkim shares remained at 15%. The Daily average trade volume of Petkim shares were US$ 17 million. Based on the data from CRA (Central Registry Agency) the share of foreign investors in publicly traded shares was 26% as of the year-end.

Reuters Code : PETKM.IS
Bloomberg Code : PETKM.IT

Date of Public Offering: 19.06.1990
Paid-in Capital: TL 1,000,000,000

SHARE PERFORMANCE IN 2011



SHARE PRICE MOVEMENTS
(As of closing values)

TL		US$		YEAR-END CLOSING	
Lowest	Highest	Lowest	Highest	TL	US$
1.91	2.75	1.02	1.80	1.97	1.04

PETKİM PETROKİMYA HOLDİNG A.Ş.
AGENDA OF THE 2011 ORDINARY GENERAL ASSEMBLY

1. Opening and election of the Presidential Committee;
2. Authorizing the Presidential Committee to sign the Minutes of General Assembly Meeting and the Attendance Sheet;
3. Reading, discussion and approval of the Annual Report of the Board of Directors for 2011;
4. Reading, discussion and approval of the Auditors' Report pertaining to the year 2011;
5. Reading, negotiation and approval of the balance sheet, profit/loss accounts pertaining to the year 2011;
6. Release of the Chairman and members of the Board of Directors on account of their activities and account for the year 2011;
7. Release of the members of the Supervisory Board on account of their activities and account for the year 2011;
8. Discussion of the proposal of the Board of Directors on the distribution of profit pertaining to the year 2011 and rendering a decision thereon;
9. Decision on the amendment of Articles 3, 8, 11, 12, 13, 15, 30 and 42 of the Articles of Association of the Company;
10. Appointments of the Members of Board of Directors, that became vacant due to resignation and temporarily selected by Board of Directors, submission for the approval of General Assembly to be effective at the date of selection in accordance with article no. 315 of Turkish Commercial Code and article no. 11 of Our Company's Articles of Association and proposal of appointments as independent members in accordance with Communiqué Serial: IV, No: 56 on the "Definition and the Enforcement of the Corporate Governance Principles" issued by Capital Markets Board;
11. Appointments of the Members of Supervisory Board, that became vacant due to resignation and temporarily selected by Supervisory Board, submission for the approval of General Assembly to be effective at the date of selection in accordance with article no. 351 of Turkish Commercial Code and article no. 22 of Our Company's Articles of Association;
12. Appointments of the Members of Board of Directors, that became vacant due to resignation and whose number increased due to the amendment of Articles of Association of the Company;
13. Re-election or change of the members of the Supervisory Board, whose terms of office have expired;
14. Approval of the Independent Audit Firm selected by the Board of Directors for the auditing of the company's activities and accounts for 2012 and 2013, on proposal of the Auditing Committee, pursuant to the Communiqué on the "Independent Audit Standards in Capital Markets" issued by the Capital Market Board
15. By means of considering the Communiqué issued by the Capital Market Board with the Serial IV and No 56, informing the General Assembly as regards the remunerations to be paid to the members of the Board of Directors and the top executives;
16. Negotiation and resolution of the remunerations to be paid to the members of the Board of Directors and Supervisory Board;
17. Granting permission to the shareholders who control the management, the Members of the Board of Directors, the top executives, and blood and in-law relatives of them up to and including second kin to perform the transactions provided for in Articles 334 and 335 of Turkish Commercial Code;
18. Informing the Shareholders about the donations and supports granted by our Company within the year 2011;
19. By means of considering the Communiqué issued by the Capital Market Board with the Serial IV and No 41, informing the General Assembly as regards the transactions made with related parties within the year 2011;
20. Informing the General Assembly as regards the Working Principles of "Corporate Governance Committee", "Early Detection of Risk Committee" and "Audit Committee"
21. Pursuant to the resolution of the Capital Market Board with the date 09/09/2009 and number 28/780, informing the General Assembly as regards the guarantees, pledges and mortgages given by the Company in favor of third parties and income or benefits attained by the same;
22. Discussion of the offers and wishes and closing.

PRIVILEGED SHAREHOLDER MEETING DATED 8TH MAY 2012 AT 13.00 FOR GROUP A SHAREHOLDERS AGENDA

1. Opening and composition of the Presidential Committee;
2. Authorizing the Presidential Committee to sign the Minutes of General Assembly Meeting and the Attendance Sheet;
3. Approval of the decision of Petkim Ordinary General Assembly dated 8th May 2012 at 11.00 a.m. with agenda item number of 9 on the amendment of Articles 3, 8, 11, 12, 13, 15, 30 and 42 of the Articles of Association of the Company;
4. Discussion of the offers and wishes and closing.

PRIVILEGED SHAREHOLDER MEETING DATED 8TH MAY 2012 AT 13.00 FOR GROUP B SHAREHOLDERS AGENDA

1. Opening and composition of the Presidential Committee;
2. Authorizing the Presidential Committee to sign the Minutes of General Assembly Meeting and the Attendance Sheet;
3. Approval of the decision of Petkim Ordinary General Assembly dated 8th May 2012 at 11.00 a.m. with agenda item number of 9 on the amendment of Articles 3, 8, 11, 12, 13, 15, 30 and 42 of the Articles of Association of the Company;
4. Discussion of the offers and wishes and closing.

PRIVILEGED SHAREHOLDER MEETING DATED 8TH MAY 2012 AT 13.00 FOR GROUP C SHAREHOLDERS AGENDA

1. Opening and composition of the Presidential Committee;
2. Authorizing the Presidential Committee to sign the Minutes of General Assembly Meeting and the Attendance Sheet;
3. Approval of the decision of Petkim Ordinary General Assembly dated 8th May 2012 at 11.00 a.m. with agenda item number of 9 on the amendment of Articles 3, 8, 11, 12, 13, 15, 30 and 42 of the Articles of Association of the Company;
4. Discussion of the offers and wishes and closing.

PROFIT DISTRIBUTION

DIVIDEND DISTRIBUTION PROPOSAL

Our company's net profit of the fiscal year 01.01.2011-31.12.2011 according to the consolidated financials prepared in accordance with CMB Communiqué Serial: XI No: 29 is TL 102,341,325.00.

As per the CMB Communiqué Serial IV No: 27, the Board of Directors unanimously decided to submit the following to the approval of the General Shareholders' Assembly: To distribute TL 55,800,000 from net distributable profit of TL 56,463,887.73, which was calculated based on the legal records of the Company, as dividend to be covered by current period net profit.

In case the aforementioned dividend distribution proposal is accepted by the General Assembly, in accordance with the legal records,
- Shareholders who are full-fledged tax payers in Turkey and limited taxpayer companies obtaining dividends through an agency or a permanent representative in Turkey shall be paid 0.0558 kurus (kr) gross=net cash dividend per share with a nominal value of 1,00 kr at the rate of 5.58%.
- Other shareholders shall be paid 0.0558 kr gross, 0.04743 kr net dividend per share with a nominal value of 1,00 kr at the rate of 5.58%.

2011 DIVIDEND DISTRIBUTION TABLE OF PETKİM PETROKİMYA HOLDİNG A.Ş. (TL)

	Acc. to CMB	Acc. to statutory records
1) Paid/Issued Capital	1,000,000,000	1,000,000,000
2) Total Legal Reserves (in accordance with statutory records) - -		
If there is information about privilege in dividend distribution as per AoA		
3) Profit for Tax of the Year	117,795,725.00	95,998,739.20
4) Tax Expenses (*)	15,454,400.44	1,232,644.70
5) NET PROFIT FOR THE PERIOD	102,341,324.56	94,766,094.50
6) Prior Years' Losses	–	35,330,423.20
7) First Legal Reserves	2,971,783.57	2,971,783.57
8) NET DISTRIBUTABLE PROFIT	99,369,540.99	56,463,887.73
9) Donations Made During the Year	312,759.96	
10) NET DISTRIBUTABLE PROFIT INCLUDING DONATIONS THAT IS THE BASE OF CALCULATIONS OF FIRST LEGAL RESERVES	99,682,300.95	56,463,887.73
11) First Dividend	50,000,000.00	
12) Dividend Paid to Preference Shares	-	
13) Dividend Paid to the Board Members, Employees, etc.	-	
14) Dividend Paid to the Redeemed Share Owners	-	
15) Second Dividend	5,800,000.00	
16) Second Legal Reserves	580,000.00	
17) Status Reserves	-	-
18) Special Reserves	-	-
19) EXTRAORDINARY RESERVES	42,989,540.99	83,887.73
20) Other Distributable Sources		
- Prior Year's Profit	-	-
- Extraordinary Reserves	-	-
- Other Distributable Reserves in Accordance with Legislation	-	-
Earnings per Share (Kr)	0.1023	
Dividend per Share (Kr) (Gross)	0.0558	

INFORMATION ON DISTRIBUTED PROFIT SHARE RATES

Information on Dividend per Share

	GRUP	Total dividend (TL)	Group Gross Dividend Paid to Share with a Nominal Value of TL 1 Kr	
			Amount Kr	Rate %
	A			
	Socar & Turcas Petrokimya A.Ş.	6,138,000.00	0.0558	5.58
	Privatization Administration	5,759,435.00	0.0558	5.58
	Other (Publicly Owned)	21,582,564.99	0.0558	5.58
GROSS	B			
	Socar & Turcas Petrokimya A.Ş.	22,320,000.00	0.0558	5.58
	C			
	Privatization Administration	0.00	0.0558	5.58
	Total:	55,800,000.00		
	A			
	Socar & Turcas Petrokimya A.Ş.	6,138,000.00	0.05580	5.580
	Privatization Administration	4,895,519.75	0.04743	4.743
	Other (Publicly Owned) (**) 18,345,180.25	0.04743	4.743	
NET	B			
	Socar & Turcas Petrokimya A.Ş.	22,320,000.00	0.05580	5.580
	C			
	Privatization Administration	0.00	0.04743	4.743
	Total:	51,698,700.00		

(*) The decree supplemented to temporary 69th. Article of Income Tax Law with the law no. 6009 limits the investment allowance at 25%. Despite the Supreme Court upheld stay of execution for the decree with its decision published on Official Gazette dated February 2, 2012 no 28208, uncertainties are ongoing about the applications of the Ministry of Finance following this recent situation. Hence, in calculation of tax reserves on its legal records, the Company did not reflect the impact, which will arise in case the Supreme Court's decision is applied, on its consolidated financial statements prepared as of December 31, 2011.

(**) In calculation of net profit share, 15% withholding was applied assuming that all of the shares open to public are owned by fully responsible real persons. Withholding rate may change based on the information received from Central Registry Agency as of distribution date.

CURRENT VERSION

THE PURPOSE AND THE FIELDS OF ACTIVITY OF THE COMPANY:

Article 3- The principal purpose and the fields of activity of the Company are as follows;
a) To establish and to operate factories, plants either at home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,
b) To process and to treat the raw materials and supplementary/ auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from home or abroad, to produce such materials/ substances, and to carry out and to perform the domestic and international trading thereof,
c) To pack any products, which may be obtained and derived at any stage of the production activities, and to establish packing and packaging industrial plants for such purpose, to recycle and/ or to sell any waste, byproducts and the materials of various qualities, and to establish and to operate plants and facilities for the disposal of the waste materials and hazardous waste which cannot be recycled, and to offer disposal services to any third persons, and to sell any and all kinds of scrap,
d) To establish and to operate new enterprises, which provide the manufacturing and the production of all of the materials and substances listed above, and to establish and to operate the marine and road organizations in relation thereto, to expand the already established enterprises, and to purchase and to operate the already established enterprises in part or in whole,
e) To commit undertakings for the establishment and operation of the plants and facilities at home and abroad in relation to its scope of activity, and to enter into and to execute cooperation and partnership agreements with
domestic and international legal and real persons in relation its own scope of activity, to participate in the already established companies, or to incorporate new companies,

NEW VERSION

THE PURPOSE AND THE FIELDS OF ACTIVITY OF THE COMPANY:

Article 3- The principal purpose and the fields of activity of the Company are as follows;
a) To establish and to operate factories, plants either at home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,
b) To process and to treat the raw materials and supplementary/ auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from home or abroad, to produce such materials/ substances, and to carry out and to perform the domestic and international trading thereof,
c) To pack any products, which may be obtained and derived at any stage of the production activities, and to establish packing and packaging industrial plants for such purpose, to recycle and/ or to sell any wastes, byproducts and the materials of various qualities, and to establish and to operate plants and facilities for the disposal of the waste materials and hazardous wastes which cannot be recycled, and to offer disposal services to any third persons, and to sell any and all kinds of scraps,
d) To establish and to operate new enterprises, which provide the manufacturing and the production of all of the materials and substances listed above, and to establish and to operate the marine and road organizations in relation thereto, to expand the already established enterprises, and to purchase and to operate the already established enterprises in part or in whole,
e) To commit undertakings for the establishment and operation of the plants and facilities at home and abroad in relation to its scope of activity, and to enter into and to execute cooperation and partnership agreements with
domestic and international legal and real persons in relation its own scope of activity, to participate in the already established companies, or to incorporate new companies,

CURRENT VERSION

f) To establish warehouses and sales points and regional organizations either at home or abroad, and to open up branches and liaison offices, and to be engaged in procuring activities, and to participate in the companies which will be engaged in such activities, and to carry out and to perform the wholesale or retail sales and the exportation of its own finished products and products as well as the finished products and products which it imports or purchases,
g) To be engaged with the activities which are fundamental to the manufacturing and production of the equipment to be used for the maintenance and repair, and the investments for sustainment, perfection, refurbishment of the enterprises, and for new business investments, and to establish any necessary enterprises for such purposes, and to increase the capacity of the machinery, and to recover any surplus capacity thereof, and to generate the energy needed by the enterprises, when required,
h) To enter into and to execute any agreements for patents, brands, licenses, know-how, procurement and supply, engineering, building & construction and assembly, and such other similar agreements with the domestic and the international firms,
i) To carry out and to perform training, research and development activities and operations within the fields falling into its scope of activity, and to have such activities and operations be carried out and performed, and to offer laboratory analysis services for any third persons and organizations,
j) To have shipping and transportation services be carried out and performed, and to carry and to perform shipping and transportation services in particular cases and when required,
k) In order to meet its need in relation to its scope of activity, to acquire movable and immovable properties, to establish and to revoke real rights on its own or on the immovable properties of the others, when required, to dispose, to lease, to lease out any movable properties or real estate, and to establish any usufruct rights and servitudes, encumbrances on real estate, and such other rights either for its favor or against its own, and to sell any immovable and movable properties when required,
l) Provided that the requisite explanations and statements to be sought by the Capital Markets Board within the scope of any extraordinary circumstances are submitted, to give bail, to warrant guarantees, mortgages and pledge for the favor of the liabilities/debts of its own or of the companies to which it subscribes, and to receive any bail, guarantees, mortgages and pledges, and to release and to amend the same in order to obtain its receivables,

NEW VERSION

f) To establish warehouses and sales points and regional organizations either at home or abroad, and to open up branches and liaison offices, and to be engaged in procuring activities, and to participate in the companies which will be engaged in such activities, and to carry out and to perform the wholesale or retail sales and the exportation of its own finished products and products as well as the finished products and products which it imports or purchases,
g) To be engaged with the activities which are fundamental to the manufacturing and production of the equipment to be used for the maintenance and repair, and the investments for sustainment, perfection, refurbishment of the enterprises, and for new business investments, and to establish any necessary enterprises for such purposes, and to increase the capacity of the machinery, and to recover any surplus capacity thereof, and to generate the energy needed by the enterprises, when required,
h) To enter into and to execute any agreements for patents, brands, licenses, know-how, procurement and supply, engineering, building & construction and assembly, and such other similar agreements with the domestic and the international firms,
i) To carry out and to perform training, research and development activities and operations within the fields falling into its scope of activity, and to have such activities and operations be carried out and performed, and to offer laboratory analysis services for any third persons and organizations,
j) To have shipping and transportation services be carried out and performed, and to carry and to perform shipping and transportation services in particular cases and when required,
k) In order to meet its need in relation to its scope of activity, to acquire movable and immovable properties, to establish and to revoke real rights on its own or on the immovable properties of the others, when required, to dispose, to lease, to lease out any movable properties or real estate, and to establish any usufruct rights and servitudes, encumbrances on real estate, and such other rights either for its favor or against its own, and to sell any immovable and movable properties when required,
l) Provided that the requisite explanations and statements to be sought by the Capital Markets Board within the scope of any extraordinary circumstances are submitted, to give bail, to warrant guarantees, mortgages and pledge for the favor of the liabilities/debts of its own or of the companies to which it subscribes, and to receive any bail, guarantees, mortgages and pledges, and to release and to amend the same in order to obtain its receivables,

CURRENT VERSION

m) In relation to the trading, which is carried out and performed by way of importation and exportation, at the relevant branch of industry, to maintain and handle relations with any and all sectors concerning such industry, to participate in the branches of industry, engineering and consulting, and to participate in the bids and tenders, and to commit any undertaking thereto,
n) To carry out and to offer engineering services either at home or abroad in relation to the businesses which are within its scope of activity,
o) In order to accomplish its purpose, to borrow from any resources either domestic or international,
p) In relation to its scope, provided that the final provision of the Article 15 of the Capital Market Law is reserved, to enter into partnerships, and to acquire any already established partnerships, and/or to merge with such partnerships, and to participate to the ones to be established,
q) In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of
commercial nature,
r) To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,
s) To carry out and to perform pilotage and trailer activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port services, and to provide that such services are offered by 3rd parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
t) To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

NEW VERSION

m) In relation to the trading, which is carried out and performed by way of importation and exportation, at the relevant branch of industry, to maintain and handle relations with any and all sectors concerning such industry, to participate in the branches of industry, engineering and consulting, and to participate in the bids and tenders, and to commit any undertaking thereto,
n) To carry out and to offer engineering services either at home or abroad in relation to the businesses which are within its scope of activity,
o) In order to accomplish its purpose, to borrow from any resources either domestic or international,
p) In relation to its scope, provided that the final provision of the Article 15 of the Capital Market Law is reserved, to enter into partnerships, and to acquire any already established partnerships, and/or to merge with such partnerships, and to participate to the ones to be established,
q) In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of
commercial nature,
r) To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,
s) To carry out and to perform pilotage, trailer and **mooring** activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, **agency, provision, bunkering services,** and to provide that such services are offered by 3rd parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
t) To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

CURRENT VERSION

The grant, by the Company, of any aid or donation mentioned within the paragraph (p) of the Article 3 of the Articles of Association of the Company, requires prior approval of the Board of Directors of the Company.
Any amendments to the articles of association require the appropriate opinion of the Capital Markets Board, and the authorization of the Ministry of Industry and Trade. Furthermore, in the event that the Company obtains a license from the Energy Market Regulatory Authority, and if it is required by the legislation related to such obtained license, any amendments to the articles of association other than the ones for the address of domicile, shall require the approval of the Energy Market Regulatory Authority.

ARTICLE 8 SHARE CERTIFICATES:
Article 8- The shares of the company have been separated into three groups nameyl A, B and C Groups, and they have been distributed to the shareholders pro rata to their shareholdings 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	51.000.000.000	510.000.000,00
B	**Socar & Turcas Petrokimya A.Ş.**	Registered	40.000.000,00	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			100.000.000.000	1.000.000.000,00

C group share belongs to Privatization Administration. The privileges granted to C group share by the Articles of Association shall continue to be valid as long as 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 the Board of Directors" granted to C group as per Article 11 of the Articles of Association shall be transferred to the shareholders holding A group shares.

In case it is decided to abolish the rights granted to C group share as per the last paragraph of Article 15, 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 A Group.

NEW VERSION

The grant, by the Company, of any aid or donation mentioned within the paragraph (p) of the Article 3 of the Articles of Association of the Company, requires prior approval of the Board of Directors of the Company.
Any amendments to the articles of association require the appropriate opinion of the Capital Markets Board, and the authorization of the Ministry of **Customs** and Trade of the Republic of Turkey. Furthermore, in the event that the Company obtains a license from the Energy Market Regulatory Authority, and if it is required by the legislation related to such obtained license, any amendments to the articles of association other than the ones for the address of domicile, shall require the approval of the Energy Market Regulatory Authority.

ARTICLE 8 SHARE CERTIFICATES:
Article 8- The shares of the company have been separated into three groups namely A, B and C Groups, and they have been distributed to the shareholders pro rata to their shareholdings 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	51.000.000.000	510.000.000,00
B	**Socar & Turcas Petrokimya A.Ş.**	Registered	40.000.000,00	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			100.000.000.000	1.000.000.000,00

C group share belongs to Privatization Administration. The privileges granted to C group share by the Articles of Association shall continue to be valid as long as 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 the Board of Directors" granted to C group as per Article 11 of the Articles of Association shall be transferred to the shareholders holding A group shares.

In case it is decided to abolish the rights granted to C group share as per the last paragraph of Article 15, 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 A group.

CURRENT VERSION

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 kinds of work other than the work that the General Assembly itself is obliged to perform according to the laws. The Board of Directors consists of 7 members elected by the General Assembly. The General Assembly, while forming the Board of Directors, shall elect 3 candidates who get the highest votes in the election performed amongst A group shareholders, 3 candidates who get the highest votes in the election performed amongst B group shareholders, and 1 candidate shown by C group shareholder. Following principles shall apply for determining candidates to the Board of Directors by A group shareholders:

a) In case that the free float rate of A group shares is 20% (20% or more) of the total share capital, the right to determine one of the 3 Board member candidates granted to A group belongs to A group, and the right to determine 2 candidates again belongs to B group shareholders.

b) In case that the free float rate of A group shares is 40% (40% or more) of the total share capital, the right to determine two of the 3 Board member candidates granted to A group belongs to A group, and the right to determine 1 candidate again belongs to B group shareholders.

c) In case that the free float rate of A group shares is 55% and more of the total share capital, all 3 members shall be elected from amongst the candidates to be elected and nominated by A group pursuant to the abovementioned procedure.

d) Nominating candidates for the Board of Directors by the shareholders possessing A group shares is subject to their representation in the General Assembly, at which members of Board of Directors are to be elected, with a ratio of at least 1% of the A Group shares in the total share capital. The shareholders having the possession of A group shares shall determine the candidates for the Board membership in the meeting they hold amongst themselves. In case shareholders possessing A group shares are not represented in the General Assembly with a ratio of 1%, the right to determine the candidate for the Board of Directors granted to these shareholders shall be exercised by B group shareholders. The Board of Directors shall be elected by the General Assembly from among these candidates.

NEW VERSION

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 kinds of work other than the work that the General Assembly itself is obliged to perform according to the laws. The Board of Directors consists of **9 (nine)** members elected by the General Assembly. The General Assembly, while forming the Board of Directors, shall elect **4 (four)** candidates who get the highest votes in the election performed amongst A group shareholders, **4 (four)** candidates who get the highest votes in the election performed amongst B group shareholders, and 1 **(one)** candidate shown by C group shareholder. Following principles shall apply for determining candidates to the Board of Directors by A group shareholders:

a) In case that the free float rate of A group shares is 20% (20% or more) of the total share capital, the right to determine two of the **4 (four)** Board member candidates granted to A group belongs to A group, and the right to determine **2 (two)** candidates again belongs to B group shareholders.

b) In case that the free float rate of A group shares is 40% (40% or more) of the total share capital, the right to determine **three** of the **4 (four)** Board member candidates granted to A group belongs to A group, and the right to determine **1 (one)** candidate again belongs to B group shareholders.

c) In case that the free float rate of A group shares is 55% and more of the total share capital, all **4 (four)** members shall be elected from amongst the candidates to be elected and nominated by A group pursuant to the abovementioned procedure.

d) Nominating candidates for the Board of Directors by the shareholders possessing A group shares is subject to their representation in the General Assembly, at which members of Board of Directors are to be elected, with a ratio of at least 1% of the A Group shares in the total share capital. The shareholders having the possession of A group shares shall determine the candidates for the Board membership in the meeting they hold amongst themselves. In case shareholders possessing A group shares are not represented in the General Assembly with a ratio of 1%, the right to determine the candidate for the Board of Directors granted to these shareholders shall be exercised by B group shareholders. The Board of Directors shall be elected by the General Assembly from among these candidates.

CURRENT VERSION

e) In the event that the seat of any member of the Board of Directors becomes vacant due to death, resignation or termination of a membership, such vacant seat shall be filled upon the selection to be made by the Board of Directors as per the Article 315 of the Turkish Trade Code. The selected member of the Board of Directors shall be submitted to the approval of the next General Assembly to be convened. Provided that such membership is approved by the General Assembly, such person shall complete the term of office of the person it substitutes. In the event that the seat of any member of the Board of Directors who was elected as a representative of Group A shareholders, becomes vacant, the Board of Directors shall fill such vacant seat by selecting from among the persons nominated by the members of the Board of Directors who were elected as representatives of Group A shareholders; and in the event that the seat of any member of the Board of Directors, who was elected as a representative of Group B shareholders, becomes vacant, the Board of Directors shall fill such vacant seat by selecting from among the persons nominated by the members of the Board of Directors, who were elected as representatives of Group B shareholders. However, in the event that A Group is represented at the Board with 1 membership and that membership becomes vacant, the selection shall be made from among the persons to be nominated by the Group C shareholders. In the event that the seat of the member who was selected by Group C, becomes vacant due to the above listed reasons, then such vacancy shall be filled in by the Board of Directors by selecting from among the person or persons to be nominated by Group C Shareholders.

f) In case it is notified that a member of the Board of Directors, representing a certain legal entity holding shares of the Company, has no longer relations with the mentioned legal entity or in case a certain legal entity holding shares of the Company transfers those shares to a third person or a member of the Board of Directors holding shares of the Company transfers those shares to a third person, then this member is deemed resigned from the Board membership and the provisions of paragraph d of this article shall be applicable for nominating a person for the vacant membership.

NEW VERSION

e) The number of independent directors who will serve at the Board of Directors, shall be determined as per the regulations of the Capital Markets Board in relation to corporate governance. The independent members of the board of directors shall be elected from among the persons to be nominated by the shareholders, in accordance with the principles and procedures prescribed within these articles of association and the regulations of the Capital Markets Board in relation to corporate governance.

f) In the event that the seat of any member of the Board of Directors becomes vacant due to death, resignation or termination of a membership, such vacant seat shall be filled upon the selection to be made by the Board of Directors as per the Article 315 of the Turkish Trade Code. The selected member of the Board of Directors shall be submitted to the approval of the next General' Assembly to be convened. Provided that such membership is approved by the General Assembly, such person shall complete the term of office of the person it substitutes. In the event that the seat of any member of the Board of Directors, who was **elected by having been nominated Group A shareholders,** becomes vacant, the Board of Directors shall fill such vacant seat by selecting from among the persons nominated by the members of the Board of Directors who were **elected by having been nominated by Group A shareholders;** and in the event that the seat of any member of the Board of Directors who was **elected by having been nominated by Group B shareholders,** becomes vacant, the Board of Directors shall fill such vacant seat by selecting from among the persons nominated by the members of the Board of Directors who were **elected by having been nominated by Group B shareholders.** However, in the event that the number of the members of the Board of Directors who were elected by having been nominated by Group A shareholders is only 1 (one), the selection shall be made from among the persons to be nominated by Group C shareholders, in case of any vacancy.

In the event that the seat of the member who as elected by Group C becomes vacant due to the above listed reasons, then such vacancy shall be filled in by the Board of Directors by electing the person or persons to be nominated by the Group C Shareholders. **In the event that the seat of the independent member of the board of directors becomes vacant, the regulations of the Capital Markets Board in relation to corporate governance shall be adhered.**

g) In case it is notified that a member of the Board of Directors, representing a certain legal entity holding shares of the Company, has no longer relations with the mentioned legal entity or in case a certain legal entity holding shares of the Company transfers those shares to a third person or a member of the Board of Directors holding shares of the Company transfers those shares to a third person, then this member is deemed resigned from the Board membership and provision (e) of this article shall be applicable for nominating a person for the vacant membership.

CURRENT VERSION	NEW VERSION
QUALIFICATIONS OF AND ELECTION CONDITIONS FOR THE BOARD MEMBERS:	**QUALIFICATIONS OF AND ELECTION CONDITIONS FOR THE BOARD MEMBERS:**
Article 12- Members of the Board of Directors shall be elected from among the persons who are shareholders of the Company, who are preferably university graduates, who have technical knowledge and/or general financial and legal knowledge and managerial experience in the fields of activity in which the Company is engaged, who have not been placed under interdiction and have not been sentenced for disgraceful offenses and who have the opportunity and determination to participate in all meetings of the board of directors. A legal entity that is a shareholder cannot be a director; however, natural persons representing such legal entity can be elected as the member of the Board of Directors.	**Article 12-** Members of the Board of Directors shall be elected from among the persons who are shareholders of the Company, who are preferably university graduates, who have technical knowledge and/or general financial and legal knowledge and managerial experience in the fields of activity in which the Company is engaged, who have not been placed under interdiction and have not been sentenced for disgraceful offenses and who have the opportunity and determination to participate in all meetings of the board of directors. **Independent Board Members shall be elected from among the persons bearing the qualifications required as per the regulations of the Capital Markets Board in relation to corporate governance. Persons, who do not bear some of those qualifications, may be elected as independent board members in accordance with the principles and the procedures prescribed by the Capital Markets Legislation in the event that the referred legislation allows such election.** A legal entity that is a shareholder cannot be a director; however, natural persons representing such legal entity can be elected as the member of the Board of Directors.
As a rule, members of the Board of Directors may not enter into business transactions and compete with the Company and the contrary is possible with the resolution to be rendered with the affirmative vote of ¾ of shareholders present in the General Assembly Meeting where at least 50% of the capital of the Company is represented.	**The members of the board of directors, the shareholders holding the managerial control of the Company, senior executives and the spouses and the kinsmen and the relatives by marriage up to second degree of such persons shall be subject to Turkish Commercial Code and the regulations of the Capital Markets Board in relation to corporate governance, for entering into any business with or entering into competition with the Company or the affiliates thereof.**
Members of the Board of Directors shall not participate to the discussion of issues regarding themselves or concerning the benefit of themselves, and of their spouses and relatives by blood and affinity up to third degree who are not a member of the Board of Directors. In the event that such an issue is to be discussed, the members of the Board of Directors are liable to notify the Board of their relevance and to have such relevance written in the minutes.	Members of the Board of Directors shall not participate in the discussion of issues regarding themselves or concerning the benefit of themselves, and of their spouses and relatives by blood and affinity up to third degree who are not a member of the Board of Directors. In the event that such an issue is to be discussed, the members of the Board of Directors are liable to notify the Board of their relevance and to have such relevance written in the minutes.
BOARD MEMBERS' TERM OF OFFICE:	**BOARD MEMBERS' TERM OF OFFICE:**
Article 13- Board members' term of office is 2 (two) years. The General Assembly may dismiss Board members before the expiry of the term. Board members whose term of office has expired may be re-elected.	**Article 13-** The members of the Board of Directors **shall be elected for a maximum term** of office **of 3 (three)** years. The General Assembly may dismiss Board members before the expiry of the term. Board members whose term of office has expired may be re-elected.

CURRENT VERSION

MEETINGS OF THE BOARD OF DIRECTORS:

Article 15- The Board of Directors shall convene at any time necessitated by 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 also be taken by the receipt of written affirmative opinions of all members on a proposal submitted by one of the members regarding a certain subject matter, unless one of the members requests to hold a meeting.

Every year the Board of Directors shall make decisions regarding the establishment of the committees following the General Assembly meeting.

The validity of the decisions of Board of Directors is subject to the fact that they are in writing and signed. In case a decision quorum on a certain subject matter cannot be constituted, 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 is subject to the affirmative vote of the member of Board of Directors elected from C group:

a) Amendments to 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 ledger;

c) Determination of the form of letter of proxy indicated in the Article 31 of the Articles of Association;

d) Decisions envisaging a 10% decrease in the capacity of any plant owned by the company;

e) Establishment of a new company or partnership, acquisition of a company, participating to and/or merging with existing companies, demerger of the Company, changing the type of the Company, termination and liquidation of the Company.

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

NEW VERSION

MEETINGS OF THE BOARD OF DIRECTORS:

Article 15- The Board of Directors shall convene at any time necessitated by the Company's business at the headquarters or any other place deemed appropriate. However, it is obligatory to hold at least **6 (six)** meetings in a year. The Board of Directors is held with the participation of at least **5 (five)** members. The Board of Directors takes its decisions with the affirmative votes of **5 (five)** members. A member who has not participated to 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 also be taken by the receipt of written affirmative opinions of all members on a proposal submitted by one of the members regarding a certain subject matter, unless one of the members requests to hold a meeting.

Every year the Board of Directors shall make decisions regarding the establishment of the committees following the General Assembly 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 on a certain subject matter cannot be constituted, 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 is subject to the affirmative vote of the member of Board of Directors elected from C group:

a) Submission of the amendments to the Articles of Association that will affect the privileges assigned to C Group share to the General Assembly's approval,

b) Registration of the transfer of registered shares on the share ledger;

c) Determination of the form of letter of proxy indicated in the Article 31 of the present Articles of Association;

d) Decisions envisaging a 10% decrease in the capacity of any plant owned by the company;

e) Establishment of a new company or partnership, acquisition of a company, participating to and/or merging with existing companies, demerger of the Company, changing the type of the Company, termination and liquidation of the Company.

Pursuant to the Corporate Governance Principles for the transactions, which are deemed to be Significant Transactions, and any and all kinds of related party transactions of the company, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons, the mandatory regulations in relation to Corporate Governance Principles of the Capital Markets Board shall be adhered.

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

CURRENT VERSION

The privileges of the C group may only be limited or abolished 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- Announcements for General Assembly meetings shall be made two weeks before, except the announcement and meeting days, pursuant to Article 368 of the Turkish Commercial Code and the communiqués of the Capital Market Board, in the Turkish Trade Registry gazette and at least in one local and/or national gazette and on the web site of the Company by specifying the date, hour and place of the meeting. The Company does not have an obligation to send registered mails for the notification of the date of the meeting to the shareholders possessing company shares traded on the stock exchange. The agenda of the assembly should be attached to the announcement.

The General Assembly, except the circumstances requiring a higher meeting quorum as per the Turkish Commercial Code and this Article of Association, convenes with the participation of shareholders possessing at least half of the Company's share capital, and the decisions are taken with the majority of the present votes.

Same quorums are also valid for the Company's Privileged Shareholders' General Assemblies.

In case that the aforementioned General 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 Board resolutions which are stated in Article 15 and which require approval of Board member representing C Group shareholders necessitate General Assembly approvals, such approvals are subject to the affirmative vote of C group shareholders.

NEW VERSION

The privileges of the C group may only be limited or abolished 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- Announcements for General Assembly meetings shall be made **at least 3 (three)** weeks **before**, except the announcement and meeting days, pursuant to Article 368 of the **Turkish Commercial Code and the regulations of the Capital Markets Board** in relation to corporate governance, in the Turkish Trade Registry gazette and at least in one local and/or national gazette and on the web site of the Company by specifying the date, hour and place of the meeting. The Company does not have an obligation to send registered mails for the notification of the date of the meeting to the shareholders possessing company shares traded on the stock exchange. The agenda of the assembly should be attached to the Announcement. **All issues required to be announced and all other notifications and explanations required to be made to the shareholders together with the general assembly meeting announcement as per the provisions of Capital Market Law and relevant legislation shall be posted on the website of the Company.**

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.

Same quorums are also valid for the Company's Privileged Shareholders' General Assemblies.

In case that the aforementioned General 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 Board resolutions which are stated in Article 15 and which require approval of Board member representing C Group shareholders necessitate General Assembly approvals, such approvals are subject to the affirmative vote of C group shareholders.

Pursuant to the Corporate Governance Principles in the event that the transactions which are deemed to be Significant Transactions, and any and all kinds of related party transactions of the company, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons are submitted to the approval of the general assembly as per the mandatory regulations in relation to Corporate Governance Principles of the Capital Markets Board, general assembly meeting and decision quorums shall be determined in accordance with the regulations of the Capital Markets Board.

CURRENT VERSION

The General Assembly may also convene without a ceremony as per the provisions of Article 370 of the Turkish Commercial Code when necessary.

Upon written and reasoned requests of the shareholders possessing share certificates corresponding to at least one twentieth of the share capital of the Company, the Board of Directors or Auditors are liable to call the General Assembly for an extraordinary meeting or, if the meeting of the General Assembly has already been called, to add to the agenda the discussion of the issues required by the referred shareholders. In the event that the Board of Directors and the Auditors do not perform the referred liability, upon application of such shareholders, the competent court permits them to call the General Assembly or to have the requested issues added to the agenda.

Participation of the members of the board of directors, auditors and the candidates to the General Assembly meetings as well as the presence of the persons having responsibility related to the issues in the agenda and who are required to make explanations for the issues in the agenda are permissible.

Unless otherwise is decided by the General Assembly, the meetings are held in a manner open to the relevant persons and press, however the participants of the meeting without obtaining an entry card with the capacity of shareholder or proxy do not have the right to talk and vote.

Article 42 - The Company and the organs thereof, shall endeavor to act meticulously in order to complying with the Corporate Governance Principles of the Capital Markets Board. However, if the mentioned principles are not practiced in full, then the grounds for such situation shall be stated within the annual report, and a disclosure in relation thereto shall be made.

NEW VERSION

The General Assembly may also convene without a ceremony as per the provisions of Article 370 of the Turkish Commercial Code when necessary.

Upon written and reasoned requests of the shareholders possessing share certificates corresponding to at least one twentieth of the share capital of the Company, the Board of Directors or Auditors are liable to call the General Assembly for an extraordinary meeting or, if the meeting of the General Assembly has already been called, to add to the agenda the discussion of the issues required by the referred shareholders. In the event that the Board of Directors and the Auditors do not perform the referred liability, upon application of such shareholders, the competent court permits them to call the General Assembly or to have the requested issues added to the agenda.

Participation of the members of the board of directors, auditors and the candidates to the General Assembly meetings as well as the presence of the persons having responsibility related to the issues in the agenda and who are required to make explanations for the issues in the agenda are permissible.

Unless otherwise is decided by the General Assembly, the meetings are held in a manner open to the relevant persons and press, however the participants of the meeting without obtaining an entry card with the capacity of shareholder or proxy do not have the right to talk and vote .

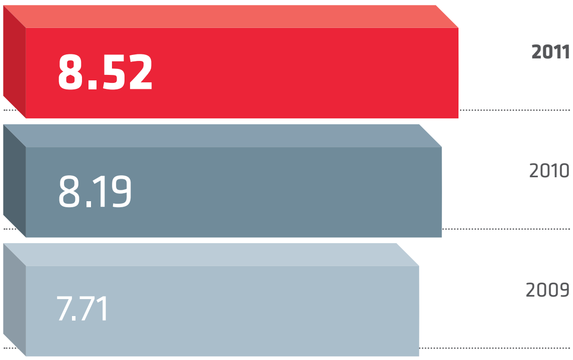
COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES

Article 42 - Corporate Governance Principles, implementation of which are prescribed to be mandatory by the Capital Markets Board, shall be adhered. Transactions, which are performed by not complying with the mandatory principles, and the board resolutions so adopted, shall be ineffective, and shall be deemed to be contrary to the Articles of Association.

The Company and the organs thereof, shall endeavor to act meticulously for complying with the Corporate Governance Principles, implementation of which are not prescribed as mandatory by the Capital Markets Board. However, if the mentioned principles are not practiced in full, then the grounds for such situation shall be stated within the annual report, and a disclosure in relation thereto shall be made.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES



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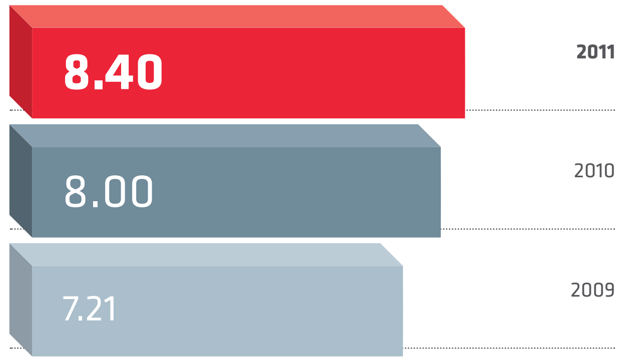

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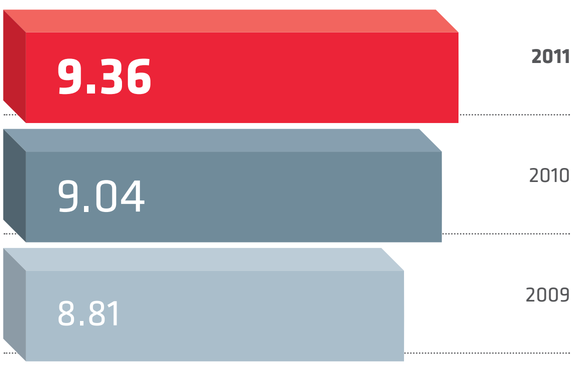
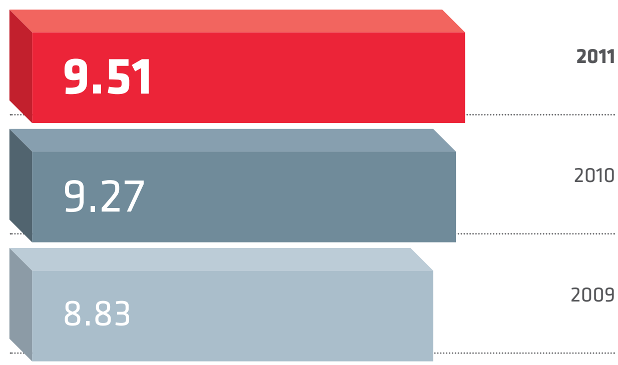
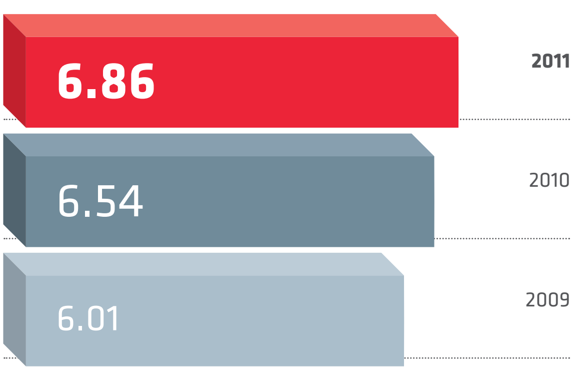


STAKEHOLDERS



BOARD OF DIRECTORS



1. Corporate Governance Principles Compliance Report

In corporate governance practices, the Company makes the utmost effort to comply with the Corporate Governance Principles (the Principles) of the Capital Markets Board (CMB). In areas where compliance cannot be met, Petkim provides reasons for the failure to comply and 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 Corporate Governance and Investor Relations Executive Directorate.

The Company began to be rated in 2009 with regard to corporate governance practices related to the Principles. Kobirate International Credit Rating and Corporate Governance Services Inc. rated the Company in 2010 and 2011. The Company's credit rating rose to 8,52 in 2011, up from 8,19 the previous year. Petkim's 2011 rating shows that the Company complies with the Principles of CMB to a large extent and deserves to be traded on the ISE's Corporate Governance Index.

In line with the relevant CMB directive on the matter, Petkim's corporate governance rating was calculated via an assessment carried out under four weighted categories (shareholders, public disclosure and transparency, stakeholders, Board of Directors). 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. However, the Company continues to work on changes in the Articles of Association and election of independent Board Member. A cumulative voting system has not been adopted by Petkim 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.

1.2. Activities in the Period for Compliance with the Principles

In 2011, the Company continued its activities for compliance with the CMB's Corporate Governance Principles Series IV, No. 56.

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

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.

SECTION 1: SHAREHOLDERS

2. Shareholder Relations Unit

Petkim's Corporate Governance and Investor Relations Executive Directorate 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 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 Corporate Governance and Investor Relations Executive Directorate follows below:

Füsun UGAN
Corporate Governance and Investor Relations Coordinator
Tel.: 0 232 616 12 40 / 4575

İlkay ÇETİN
Corporate Governance and Investor Relations Assistant Manager
Tel.: 0 232 616 12 40 / 4438

Corporate Governance and Investor Relations Executive Directorate
Tel.: 0 232 616 61 27
0 232 616 12 40/2256-3917-4460
E-Mail: yatirimci.iliskileri@petkim.com.tr
investor.relations@petkim.com.tr

In 2011, the Corporate Governance and Investor Relations Executive Directorate received an average of 180 information requests per month via e-mail and telephone; all of these requests were answered. During the year, the Unit's personnel attended four overseas and six domestic conferences and met with over 90 investors at these conferences. In addition, two meetings were held to inform analysts about the Company; in total, 80 analysts were informed by the senior management as to Petkim'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 Public Disclosure Project (PDP) system; such information is also disclosed on our web page as announcements in both English and Turkish.

During the year 2011, approximately 180 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 2011, a total of 235 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 2010 General Assembly meeting was held at the headquarters of the Company on March 31, 2011. All shareholders/stakeholders and the media were invited to the 2010 Ordinary General Assembly in accordance with the transparency principle of the Company. A related article was also included into the Company's Articles of Association.

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 Corporate Governance and Investor Relations Executive Directorate carrying out the preparations for the General Assembly of the Company attended the General Assembly Meeting.

The meeting quorum was 64.178.470.136 (64,18%) shares and three stakeholders attended the meeting by proxy, while 14 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 2010 Ordinary General Assembly held on 31 March 2011 were published in the Turkish Trade Registry Journal, No. 7794, dated 14 April 2011. 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 they 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.

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.

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 2011.

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 Petkim's Profit Distribution Policy is published on the page 89 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 Article 9 of the Articles of Association of the Company.

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 legal regulations, Capital Markets legislation and published communiqués, 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. Disclosures are the responsibility of and coordinated by the Corporate Governance and Investor Relations Executive Directorate, 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 2011, 46 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 Corporate Governance and Investor Relations Executive Directorate. 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

The Company actively uses its corporate web site to ensure the fastest and most efficient communications with shareholders in line with CMB Corporate Governance Principles. Within the framework of 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 Corporate Governance and Investor Relations Executive Directorate 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

The company does not have a real person/ultimate controlling shareholder. Information with regard to 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 Petkim protect Company Information while working at Petkim and afterwards and use it directly or indirectly only for its intended purpose.

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 Petkim Bulletin and via the electronic communications-documentation system and by holding communications meetings during the year.

Persons with Potential Access to Inside Information

MEMBERS OF THE BOARD OF DIRECTORS

NAME SURNAME	TITLE
Vagif Aliyev	Chairman of the Board
Osman İlter	Board Member
David Mammadov	Board Member
Farrukh Gassimov	Board Member
Kenan Yavuz	Board Member

MEMBERS OF THE AUDIT COMMITTEE

NAME SURNAME	TITLE
Ferruh Murat Benzer	Member
Koray Atalık	Member
Ömer Adsız	Member

EXECUTIVE MANAGEMENT

NAME SURNAME	TITLE
M. Hayati Öztürk	General Manager
Abdulkadir Tuncer	Assistant General Manager
Natig Damirov	Assistant General Manager
Hatice Kaygın	Assistant General Manager
C. Şafak Ayışığı	Assistant General Manager
Nihat Gürbüz	Assistant General Manager
Ali Ekrem Arslan	Assistant General Manager
Sakit Samadov	Assistant General Manager
Nilüfer Yalçın	SOCAR Turkey Enerji A.Ş. CEO Technical Advisor SOCAR Turkey Enerji A.Ş. Group Head Technical Advisor

14. Stakeholders' Participation in Management

The participation of stakeholders 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 Petkim 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 leading the 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 achieved, and that personnel are more successful in the workplace; and accordingly 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 their success
- 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. Benefiting from creative potential of all stakeholders (employees, customers, suppliers, shareholders, society) giving a chance to new ideas, which will add value to the Company, employees and other stakeholders by reflecting in new products, services, processes, systems and social interactions. Triggering peoples' potential of "doing" and "being beneficial", enable them to do every job with care and inquiry and to use their knowledge and experience for the benefit of the Company and its employees. By motivating and appreciating the owners of creative ideas, increase the participation of all employees in the Company's activities and apply these ideas effectively.
- Guide the applications that will be implemented by soliciting employee opinions via questionnaires, and the like.
- Develop a "Corporate Culture and Concept" to provide for the social and cultural needs of the personnel.
- Build up a sustainability approach among employees in order to ensure that the necessities of today are met without reducing the resources for future generations. Raise the awareness of thinking long-term value creation, instead of short-term solutions, with consideration of environmental and socio-economic dimensions in strategy planning.
- Respect humans and the environment focusing on occupational health and safety as well as protection of environment during the Company's activities; develop systems to prevent work accidents, increase cooperation with neighboring plants, competent authorities and local management to improve Health-Safety-Environment performance, prioritize work health and safety and environment factors in the Company's projects, organize in a manner to respond to emergencies promptly, behave in a transparent manner to stakeholders during operational implementations.

Within the framework of the Labor Law under the heading, "Appointment and qualification of union representatives at the workplace," a head representative and other representatives are present at the workplace.

On the subject of employee complaints regarding discrimination, and if they were lodged, what steps were taken: In Petkim there is no discrimination and 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 to maintain and enhance 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 (web, e-mail, CIS), 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 and updated on the corporate web site under the link "Corporate/Contact Us/Contact Info".

As part of our efforts to transform customer relations to an information-based corporate system, the "Customer Information System" (CIS) was further developed with the transition to SAP at the end of 2010. Further improvement and development continue on the basis of feedback received from customers.

Every year a "Products and Services Evaluation Survey" is conducted to define customer perceptions. Feedback from business partners is assessed at Customer Relations and Guiding boards and the outcomes are reflected via improvements to business processes and/or strategies.

All complaints from customers related to products and services are evaluated as soon as possible. In 2011, 252 complaints, 510 demands and 48 compliments were received. The target was to respond to the complaints in 6.5 and the demands in 1.2 calendar days; the actual response time was very close to the target.

RELATIONS WITH SUPPLIERS:
Petkim aims to work with its suppliers in harmony based on mutual trust, transparency and openness.

In order to attain mutual benefit, support each other to accomplish shared goals while creating together, the Company cooperates with suppliers, NGOs and educational institutions and helps them to enhance their skills and abilities. It also follows and evaluates the development of its suppliers and other business partners.

Every year meetings, visits, supplier summit as well as a Supplier Satisfaction Survey is conducted in order to obtain feedback about their needs and expectations. The following data was obtained from the 2011 survey:

a) Domestic Suppliers:
- A survey invitation was sent to 435 suppliers who are among A-B product/ service group, of whom, 109 participated in the survey.
- As a result of the 2011 Supplier Satisfaction Survey, the customer satisfaction increased by 1.6% in 2011 up to 80.91% from 79.24% in 2010.

b) Foreign Suppliers:
A survey invitation was sent to 228 suppliers who are among A-B product/ service group, of whom, 34 participated in the survey.

As a result of the 2011 Supplier Satisfaction Survey, the customer satisfaction increased by 5.3% in 2011 up to 81.35% from 75.97% in 2010.

In 2011, the average level of satisfaction among domestic and foreign suppliers: The customer satisfaction increased by 3.4% in 2011 up to 81.10% from 77.61% in 2010.

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

Various companies granted Grand National Quality Awards were visited and their procurement processes were analyzed. As a result of the studies conducted by the Company consultants:

a) Business processes were renewed and functional relations flowcharts were formed and published.
b) For the processes that functional relations flowcharts cannot be formed "Management of Suppliers and Collaborations" approach were published.
c) Supplier Company Performance Evaluation Procedure was reviewed.
In order to inform and monitor suppliers, which work at Petkim Complex, with respect to their compliance with occupational health and safety and technical safety rules, the Joint Occupational Health and Safety Center was formed and put into operation. In cooperation with the center, the most successful suppliers, which work at the complex at least six months, in HSE were awarded every three months. In case of nonconformities, fines were given.

In line with specified targets, intensive efforts are ongoing to enhance the efficiency of Management of Suppliers and Collaborations.

17. Social Responsibility

For Petkim, 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 understanding is to be a petrochemical company that respects humanity and the environment, Petkim prioritizes occupational safety and the protection of the environment.

Petkim prioritizes its responsibilities towards society as it reflects in Petkim schools.
As they are our future, Petkim has constructed a number of schools to serve children. The Company has built Petkim Elementary School in Petkim Complex, Gazi Elementary School, TED Aliağa College, Petrokimya Elementary School in Aliağa, Latife Hanım Elementary School in Karşıyaka, Izmir and Gulf Petkim Elementary School.

In the Aliağa district center, the construction of Haydar Aliyev Technical and Industrial Vocational High School, of which the groundbreaking was held on October 25, 2011, is ongoing. The school, which will be constructed as a campus for 720 students, is planned to be put into service by 2012-2013 academic year.

Close contact and cooperation with foundations
Under the "University-Industry Cooperation" program, Petkim 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 Petkim.

Petkim 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 2012, this activity, which was expanded to other regions of Aliağa, as well as to Izmir in 2011, will continue in line with its program.

Petkim continues to support sector bodies and university students
In 2011, Petkim continued to grant its full support to symposia held by universities. During the year, the Company sponsored numerous events such as University-Industry Cooperation Student Community at Dokuz Eylül University, MÜSİAD R&D Workshop, Plastech Fair, which will be organized for the first time in May, 2012 by İZFAŞ; Polymer Composites Symposium held by the Chamber of Chemical Engineers; Sector Self-Assessment Summit held by Plastic Industry Platform in Izmir and Bursa, and "What to Produce" events and project competition organized by Izmir High Technology Institute's Chemical Engineering Department. Thus, Petkim managers have had the chance to share their experience and expertise with students and other participants.

Petkim 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, Petkim planted 11,000 saplings in this area and later decided to turn this one-off event into an ongoing activity. In 2011, the Company again introduced 11.300 saplings to the nature in an area of 75 square meters. The forest also became a symbol of the friendship between Turkey and Azerbaijan. Many other regional industrial companies were also inspired by Petkim's initiative. In addition, the Company regularly plants trees on the premises of the Aliağa Complex and around company housing; giving special importance to foster a love for trees among the families and children of employees.

2011 was declared a "Smoke-Free Year"
Making yet another corporate breakthrough in Turkey, Petkim launched the most extensive stop smoking campaign in the private sector. When the Company declared an objective of total smoking cessation among its employees, the campaign drew interest beyond expectations. In this campaign, Petkim management covers one-third of the related medical expenses of participants. Since December 2010, 220 employees have applied to Smoking Cessation Policlinic opened by Medical Services.

Aliağa Petkim Continues to be the Province's Pride in Basketball
Sponsored by Petkim, the Aliağa Petkim Basketball Team continues to be an important part of the social fabric of the Aliağa community. The team, which attained the best performance in 2011-2012 season, serves as a positive role model for young people through its successful performance in the Beko Primary Basketball League and helps engage youth in sports activities.

LÖSEV Building Donated by Petkim
Petkim 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
Petkim continues to be 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 for three years by Serkan Aksüyek, Petkim's Corporate Communications Director, the program brings to the public attention the challenges facing the Turkish real economy along with expectations and possible solutions. The program is closely followed by the business community in the Aegean Region.

Petkim 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 Petkim'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, Petkim has become one of the leading Turkish companies in the battle against climate change. Despite the absence of any such legal obligation in Turkey, Petkim 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, Petkim 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.

Petkim has been the primary sponsor of "Our Wastes Enlightens the Future Project" by ENVERDER (Turkish Energy Efficiency Association) and TEVEM (Turkish Energy Efficiency Institute). The project, which was conducted throughout the country, was started on June 5, World Environment Day, at the garden of Gazi Elementary School in Petkim Complex with the participation of students and their families.

Additionally, being the main sponsor of the "Smiling Caps, Inspiring Handicapped Project" pioneered by Aliağa City Council, Petkim further emphasized its concern about this issue.

For all its investments, Petkim assesses the environmental impact at the planning stage and issues EIA reports. With regard to the Company's investments during the period, the "Aromatics Plant Equipment Modernization and Capacity Increase" and "Modernization in Steam Production Unit and Addition of 56.3 MWe/59.3 MWm Gas Turbine" projects it was decided that "EIA is not required". For the "Construction of PET Plant", "Construction of BDX Plant", "Capacity Increase in Ethylene Plant", "Capacity Increase in PTA Plant", "Capacity Increase in LDPE-T Plant" projects, integrated EIA; for the "Dock and Jetty Capacity Increase" project, revised EIA; for "Capacity Increase in PA Plant" project, EIA processes are ongoing.

During the period, no legal actions relating to its environmental performance were filed against Petkim.

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:

NAME SURNAME	TITLE
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

As of December 30, 2011, Turcas Petrol A.Ş., which held 25% ownership in SOCAR&Turcas Enerji A.Ş. and indirect majority shareholder of Petkim holding 51% of total shares, sold out its shares to State Oil Company of Azerbaijan Republic (SOCAR). Following this sale, Erdal Aksoy and S. Batu Aksoy resigned from the Board of Directors.

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 2011, none of the said directors engaged in such a transaction.

There is no independent member at the Board of Directors. However, efforts are ongoing for the election of an independent Board member in accordance with CMB's Corporate Governance Principles. 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. Petkim 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 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

On its way to excellence, Petkim revised and updated its mission and vision through a series of workshops conducted with participation of the executive management and employees at all levels.

In order to ensure the realization of its mission and vision, Petkim reviewed all of its business processes and process structures as well as identified key process performance indicators and their enablers. These processes were described in Approaches and Function Relation Flowcharts.

Within the framework of its process management system;

The Board of Directors transferred the Main Business Targets (MBT) to the General Manager. In order to attain Main Business Targets, General Manager, together with Assistant General Managers, who are top process owners, identified the targets for Basic Performance Indicators (BPI).

In order to attain BPIs, department managers, who are main process owners, identified Process Performance Indicators (PPI) and Main Performance Indicators (MPI) together with Assistant General Managers.

Targets, identified in line with comparison activities, stakeholders' expectations and improvement opportunities were given to the owners of performance indicators. The main rule in determining the following year's performance indicators is to attain Main Business Targets, considering comparison results, to be above the previous performance achieved.

After all indicators were determined, in line with stakeholder expectations and related strategies, these indicators were separated as basic results-based and process-based performance indicators and their relations with strategies were identified.

All processes designed to achieve Basic Performance Indicators (BPI) are periodically measured and analyzed and improvements at required processes are planned.

In order to follow up the development in strategic plan and budget implementations, monthly Performance Indicators Monitoring Report was formed by filling up tracking forms at all levels for MBT, BPI, MPI, PPI. The Guiding Board consisting of executive management and managers overviewed variances in performance indicators during monthly Performance Indicator Evaluation and Revision meetings, evaluated improvement plans and identified the processes to be improved.

The monitoring of corporate performance is also carried out at monthly budget meetings and Board of Directors meetings.

Current Situational Analysis (CSA) was completed to provide input to Strategic Plan studies. Current Situational Analysis comprises feedback from stakeholders; current and future market analysis; competitor and competition analysis; social, economic, political and technological analysis; assessment of supply chain and collaborations; analysis of comparative and educational information; analysis of creative ideas, performance criteria analysis; and internal and external audit analyses. By assessing improvement plans in CSAs, Strategic Plan for 2011 was prepared. Realization of the strategies and process performance indicators are holistically reviewed.

The Company's vision and mission statement are published on the official website, www.petkim.com.tr, company portal and in its annual report.

21. Risk Management and Internal Control Mechanisms

The Risk Management and Internal Control Executive Directorate was formed in 2010 in order to identify and assess the obstacles in front of the short, medium and long term targets, which were set by conducting work on two different fields. Attaining the vision of the Company are protecting its corporate values are among the core duties of the Executive Directorate.

Under the roof of the Executive Directorate, there are Risk Management and Internal Control units. Risk Management identifies, controls and monitors risks in line with generally accepted standards and best practices in the world. Petkim Risk Assessment Matrix enables the Executive Directorate to identify risks the Company is exposed, to score and report these risks including their possible impacts, and form the audit program to be implemented.

Within the framework of corporate risk management, generally accepted standards such as ISO 31000 and COSO are referred. However, these standards can be modified depending on industrial conditions or macroeconomic developments. The risks monitored within the context of corporate risk management are classified under two main groups: Internal risks consisting of strategic, financial and operational risks; and external risks. Each risk under these two main groups are effectively monitored and scored by Petkim Risk Assessment Matrix with various risk management instruments. These instruments include both theoretical and practically applicable suggestions. Qualitative as well as quantitative analyses are used in risk scoring.

In Petkim, risk management is considered as a natural part of doing routine business. This helps the Company increase risk awareness and establishes a common risk culture. Risk Management constitutes a base for planning and implementation of Risk-focused Internal Control process. Additionally, risk-taking profile of the Company are regularly monitored and reported to the senior management.

The other unit under the Executive Directorate is Internal Control. The unit conducts its continuous control activities within the framework of Risk-focused Internal Control Plan, which is formed based on the analyses of the Risk Management. The unit follows a proactive approach in its controls, which are in conformity with international auditing standards. Internal Control does not only involved in identification and reporting of retrospective evidences but also undertakes a responsibility for guiding the Company through a more prudent future perspective.

Internal Control Unit conducts auditing and reports the results within the framework of Annual Internal Control Plan. Carrying out its business with a risk-focused and proactive approach, the unit particularly focuses on the most risky fields; shares the results with related departments and follows up the improvements.

Internal Control Unit classifies its activities under four groups: Compliance, operations, financial tables and specific audits. Compliance audits focus on the compliance of the Company to legal legislation as well as rules and principles set by the senior management. Operational controls include the monitoring efficiency of the Company's policies and activities, work flowcharts, organizational structure and improvement of internal control systems. The unit also controls and reports the compliance of financial tables to generally accepted accounting standards. Within the context of specific controls, a department, an issue or an incident is audited upon the request of top management or as a result of professional initiative of an auditor.

Within the framework of its control activities, the Internal Control Unit contacts with independent auditors and reviews the reports prepared by them.

With its risk focused control procedures, the main target of Internal Control unit is to ensure that the Company's operations are performed in a more prudent way and the employees prioritize the risk concept while doing their business when endeavouring this target, the unit is primarily supported by the Risk Management Unit. These two units under Risk Management and Internal Control Executive Directorate are in continuous communication with each other and conduct their businesses ultimately creating great synergy.

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 2011, the Board of Directors convened 25 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 2011, 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 working principles of the committees can be accessed via the corporate web site (www.petkim.com.tr).

AUDIT COMMITTEE

The Audit Committee 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 Audit Committee is responsible from ensuring the overall soundness of financial and operational activities; specifically, transparency of internal and independent auditing activities, efficiency of internal control system, analysis and election of independent auditing firm, compliance of financial statements of the Company to international accounting standards and prevailing legislation.

CORPORATE GOVERNANCE COMMITTEE

Made up of two non-executive members of the Board, the Board of Directors resolution dated 8 October 2010 and numbered 69-139 indicates the working principles of the Corporate Governance Committee.

RISK MANAGEMENT COMMITTEE

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

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.

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
DECISION DATE: 02/03/2012
DECISION NUMBER: 102-183 02/03/2012

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL

MARKETS BOARD COMMUNIQUÉ OF SERIES XI NO. 29, SECTION THREE ARTICLE 9

a) Having examined the independently audited consolidated financial statements and relevant footnotes, as well as the annual activity report of the Company for the period of 31/12/2011,

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,

Vagif Aliyev
Member

Farrukh Gassimov
Member

STATUTORY AUDITORS' REPORT

TO THE GENERAL ASSEMBLY OF
PETKİM PETROKİMYA HOLDİNG A.Ş.
(01.01.2011-31.12.2011)

Title :	Petkim Petrokimya Holding A.Ş.
Headquarter :	Aliağa - İZMİR
Capital	
Registered Capital:	TL 300,000,000
Issued Capital:	TL 1,000,000,000
Field of Activity:	Establishing and operating facilities and plants in Turkey and abroad in petrochemicals, chemicals, raw materials production facility and other industrial fields.

Name(s) and Duration of Office of the Auditor(s) and if they are shareholders or employees of the Company:

Nurettin DEMİRCAN Cemal Yusuf AT Ferruh Murat BENZER

31.03.2011-09.01.2012 31.03.2011-09.01.2012 31.03.2011-31.03.2012
We are not shareholders or employees of the Company.

Numbers of Board Meetings and Auditors' Meetings Attended
In 2011, totally 25 Board of Directors' meetings were made, five of them were attended by the auditors.

Scope and Dates of the Examinations Conducted on the Corporate Accounts, Books, and Documents and Conclusions:
Investigations and controls have been carried out on 28.02.2011, 14.03.2011, 16.06.2011, 11.08.2011, 31.10.2011 and 14.11.2011. It was observed that books are in conformity with legislation and generally accepted accounting principles.

Number and Conclusions of Cash Counts Performed at the Company's Treasury, according to Paragraph 3, Clause 1 of Turkish Commercial Code Article 353:

In 2011, on the examinations conducted, it was observed that the valuable documents received and kept in the safe are in compliance with the records.

Examinations and dates performed according to Paragraph 4, Clause 1 of Turkish Commercial Code Article 353

Within the period of duty, it was observed that the valuable documents recorded on the books are present and in full conformity with the book records.

Complaints and Unlawful Acts Noted and Measures Taken:
No complaints have been received within our period of duty.

We have examined the accounts and transactions of Petkim Petrokimya Holding A.Ş. for the period of 01.01.2011 - 31.12.2011 according to Turkish Commercial Code, Tax Laws, Capital Markets Law, Articles of Association, other regulation and generally accepted accounting principles and standards.

In our opinion, the Balance Sheet for the period of 01.01.2011 - 31.12.2011 reflects the true financial status of the Company at the date; the Profit and Loss Statement for period 01.01.2010 - 31.12.2010 reflects the true operational results of the period.

We hereby submit the approval of the Balance Sheet, Profit and Loss Statement, and absolution of the Board of Directors and our Board to your votes.

STATUTORY AUDITORS

Ferruh Murat BENZER	**Cemal Yusuf ATA**	**Nurettin DEMİRCAN**
Member	Member	Member

(CONVENIENCE TRANSLATION OF AN AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

PETKİM PETROKİMYA HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1-DECEMBER 31, 2011 TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

Petkim Petrokimya Holding A.Ş.

Contents

(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, 2011 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, 2011 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Market Board.

Additional paragraph for convenience translation to English:

As at December 31, 2011, 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 2, 2012
İstanbul, Turkey

(CONVENIENCE TRANSLATION OF AN AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

PETKİM PETROKİMYA HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited December 31, 2011	Previous year Audited December 31, 2010
Assets			
Current assets		**1.333.922.362**	1.106.014.746
Cash and cash equivalents	4	**145.285.932**	201.710.447
Investments held to maturity	5	**1.035.785**	-
Trade receivables			
-Trade receivables	8	**583.953.670**	414.829.838
-Trade receivables from related parties	27	**166.364**	258.785
Other receivables			
-Other receivables	9	**1.558.031**	561.323
-Due from related parties	27	**6.925.893**	11.912.277
Inventories	10	**462.549.922**	414.473.782
Other current assets	18	**132.446.765**	62.268.294
Non-current assets		**1.337.205.512**	1.269.878.357
Financial assets	6	**-**	2.865
Property, plant and equipment	12	**1.296.889.902**	1.207.555.047
Intangible assets	13	**12.738.153**	9.517.934
Investment property	11	**1.020.532**	1.020.532
Other non-current assets	18	**21.368.035**	32.371.334
Deferred income tax assets	26	**5.188.890**	19.410.645
Total assets		**2.671.127.874**	2.375.893.103

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)

PETKİM PETROKİMYA HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited December 31, 2011	Previous year Audited December 31, 2010
Liabilities			
Current liabilities		**841.240.908**	681.908.766
Financial liabilities	7	**258.387.280**	88.813.847
Trade payables			
-Trade payables to third parties	8	**160.608.950**	331.132.356
-Trade payables to related parties	27	**355.092.769**	192.507.862
Other payables			
-Other payables	9	**6.657.387**	6.055.423
-Due to related parties	27	**72.302**	73.272
Provision for employee benefits	17	**9.040.937**	6.587.042
Provisions	15	**3.747.877**	3.961.048
Other current liabilities	18	**47.633.406**	52.777.916
Non-current liabilities		**127.198.190**	93.636.886
Financial liabilities	7	**41.231.989**	7.730.000
Provision for employee benefits	17	**80.750.205**	80.262.154
Other non-current liabilities	18	**5.215.996**	5.644.732
Total liabilities		**968.439.098**	775.545.652
Equity		**1.702.688.776**	1.600.347.451
Share capital	19	**1.000.000.000**	1.000.000.000
Adjustment to share capital	19	**486.852.283**	486.852.283
Retained earnings/(Accumulated deficit)		**113.495.168**	(16.589.752)
Net profit for the year		**102.341.325**	130.084.920
Total equity and liabilities		**2.671.127.874**	2.375.893.103

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)

PETKİM PETROKİMYA HOLDİNG A.Ş.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited January 1 December 31, 2011	Previous year Audited January 1 December 31, 2010
Sales	20	**3.891.322.098**	2.909.391.891
Cost of sales	20	**(3.716.625.449)**	(2.680.185.051)
Gross profit		**174.696.649**	229.206.840
Research and development expenses	21	**(2.481.629)**	(2.125.414)
Marketing, selling and distribution expenses	21	**(28.857.721)**	(17.486.384)
General administrative expenses	21	**(90.351.633)**	(74.391.642)
Other operating income	23	**134.053.157**	8.253.488
Other operating expense	23	**(24.116.755)**	(16.315.391)
Operating profit		**162.942.068**	127.141.497
Finance income	24	**150.880.512**	146.702.807
Finance costs	25	**(196.026.855)**	(133.912.104)
Profit before taxation		**117.795.725**	139.932.200
Taxation on income	26	**(15.454.400)**	(9.847.280)
-Current year tax expense	26	**(1.232.645)**	-
-Deferred tax (expense)/income	26	**(14.221.755)**	(9.847.280)
Net profit for the year		**102.341.325**	130.084.920
Other comprehensive income (after tax)		**-**	-
Total comprehensive income		**102.341.325**	130.084.920
Attributable to:			
Minority interest		**-**	-
Equity holders of the Parent		**102.341.325**	130.084.920
Earnings per share (kuruş)-Minority interest	**27**	**-**	-
Earnings per share (kuruş)-Equity holders of the parent	**27**	**0,10**	0,13

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)

PETKİM PETROKİMYA HOLDİNG A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

	Share capital	Adjustment to share capital	Retained earnings/ (Accumulated deficit) and current year profit	Total equity
January 1, 2010	204.750.000	1.282.102.283	(16.589.752)	1.470.262.531
Increase in share capital	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	113.495.168	1.600.347.451
January 1, 2011	**1.000.000.000**	**486.852.283**	**113.495.168**	**1.600.347.451**
Total comprehensive income	**-**	**-**	**102.341.325**	**102.341.325**
December 31, 2011	**1.000.000.000**	**486.852.283**	**215.836.493**	**1.702.688.776**

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)

PETKİM PETROKİMYA HOLDİNG A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

		Current year	Previous year
		Audited	Audited
	Notes	January 1 December 31, 2011	January 1 December 31, 2010
Cash flows from operating activities:			
Profit before taxation		**117.795.725**	139.932.200
Adjustments to reconcile profit before tax to net cash generated from operating activities:			
Depreciation and amortization	12-13	**61.607.823**	59.268.092
Interest income	24	**(37.769.051)**	(35.514.453)
Interest expense	25	**21.219.238**	14.857.542
Provision for legal cases, net	23	**(381.352)**	(273.193)
Provision for employment termination benefits-net	17	**4.324.324**	11.675.933
Gain on sales of fixed assets		**(113.118.996)**	(147.633)
Provision for doubtful receivables	8-9-23	**595.033**	16.882
Provision for sales price differences, net		**-**	(411.291)
Provision for seniority incentive bonus, net	17	**3.651.339**	3.154.063
Provision for unused vacation rights, net	17	**1.396.283**	(4.576.442)
Impairment of inventories, net	10	**2.753.949**	(46.377)
Unrealized foreign currency losses on borrowings		**48.860.537**	2.041.500
Capitalized interest expense	12	**(4.950.500)**	-
Other		**-**	265.656
Operating profit before changes in operating assets and liabilities		**105.984.352**	190.242.479
Changes in the operating assets and liabilities:			
Trade receivables	8	**(169.626.444)**	(77.576.491)
Inventories	10	**(50.830.089)**	(101.122.505)
Other receivables		**3.989.676**	(2.459.346)
Other current assets	18	**(70.178.471)**	(44.238.591)
Other non-current assets	18	**11.003.299**	(1.491.620)
Trade payables	8	**(170.523.406)**	177.304.956
Trade payables to related parties	27	**162.584.907**	(52.063.955)
Provisions		**168.181**	(543.963)
Other payables		**600.994**	(5.434.572)
Other liabilities	18	**(5.573.246)**	8.229.032
Seniority incentive bonus paid, net	17	**(2.757.899)**	(4.023.152)
Employee termination benefits paid, net	17	**(8.663.199)**	(11.751.557)
Taxes paid		**(1.232.645)**	-
Net cash (used in)/generated by operating activities		**(195.053.990)**	75.070.715
Investing activities:			
Interest received	24	**37.741.064**	34.049.112
Purchase of property, plant and equipment and intangible assets	12-13	**(160.813.484)**	(78.789.744)
Proceeds from sales of property, plant and equipment	12-23	**124.720.084**	155.420
Increase in investments held to maturity	5	**(999.905)**	-
Decrease in financial investments	6	**2.865**	-
Net cash generated by/(used in) investing activities		**650.624**	(44.585.212)
Financing activities:			
Proceeds from borrowings		**261.148.166**	11.355.620
Redemption of borrowings		**(107.340.120)**	(4.776.884)
Interest paid		**(15.829.195)**	(10.852.329)
Net cash generated by/(used in) financing activities		**137.978.851**	(4.273.593)
Net (decrease)/increase in cash and cash equivalents		**(56.424.515)**	26.211.910
Cash and cash equivalents at the beginning of the period		**201.710.447**	175.498.537
Cash and cash equivalents at the end of the period	**4**	**145.285.932**	201.710.447

İlişikteki dipnotlar konsolide finansal tabloların ayrılmaz parçasını oluşturur.

(CONVENIENCE TRANSLATION OF AN AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

1. Group's organization 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, 2011 and December 31, 2010, 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 2, 2012 and signed by Mr. Hayati Öztürk, General Manager and Mr. Özer Aksoy, Accounting Manager, on behalf of the Board of Directors.General Assembly and relevant regulators has the right to modify legal financial statements and the consolidated financial statements.

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".

(CONVENIENCE TRANSLATION OF AN AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011 (CONTINUED)

(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

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

The number of personnel in the Group is 2.586 as of December 31, 2011 (December 31, 2010-2.457).

	December 31, 2011	December 31, 2010
Union (*)	2.045	1.939
Non-union (**)	541	518
	2.586	**2.457**

(*) 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 March 17, 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.

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.

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(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

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

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 2010 financial statements

The Group has made the following reclassification in the previous year financial statements retrospectively as of December 31, 2011:

Due to personnel amounting to TL 5.044.483 that was booked in "Other current liabilities" has been reclassified to "Other current payables" in the balance sheet as of December 31, 2010.

Advances given amounting to TL 20.330.066 that was booked in "Inventory" has been reclassified to "Other current assets" in the balance sheet as of December 31, 2010.

2.3 Changes in IFRS

The accounting policies adopted in preparation of the financial statements as at December 31, 2011 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2011. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2011 are as follows:

IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction-Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Company.

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

IAS 32 Financial Instruments: Presentation-Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Company because the Company did not have these types of instruments.

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Improvements to IFRS

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 adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company. There are separate transitional provisions for each standard. The amendments that are effective as at January 1, 2011 are as follows:

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

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).

ii) Measurement of non-controlling interests

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.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement 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 paid and post combination expenses.

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

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

IAS 1 Presentation of Financial Statements

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

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 July 1, 2009 or earlier when IAS 27 is applied earlier.

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

IFRIC 13 Customer Loyalty Programmes

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.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

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(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

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

IAS 1 Presentation of Financial Statements (Amended)-Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 12 Income Taxes: 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. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

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(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

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

IAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), 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. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after July 1, 2011.Comparative disclosures are not required. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures-Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments-Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The amendment will have no impact on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

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

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The amendment will have no impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. This standard will not have an impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. This standard will not have an impact on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted-that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

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

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

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 10).

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 10-18).

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(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

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

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 capitalized 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 capitalized 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 12).

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 capitalized 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 capitalized development costs. Intangible assets are amortized 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 13).

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years
Development Projects	5 years

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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 11).

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.

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 amortization, 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)

Provision for doubtful receivables is booked in the consolidated financial statements when there is a indication that the related receivable can not be collected. 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.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

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 recognized 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 recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized 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 reorganization;
- 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 recognized in the consolidated statement of comprehensive income systematically on a monthly basis using the straight-line method during the rent period.

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

Financial assets

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

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 4).

Trade receivables and provision for impairment

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

Investments held to maturity

Investments held to maturity are recognized initially at fair value including the costs directly related to the acquisition and subsequently measured at amortized cost using the effective interest method. Financial income related to investments held to maturity are recognized in the consolidated statement of income (Note 5).

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 8).

Bank borrowings

Bank borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings. The transaction costs and borrowing commissions are also recognized 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 7).

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.

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.

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

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 capitalized 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) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Key management personnels are identified as Board of Directors, general manager and vice general managers (Note 27).

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(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

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

Government grants

All government grants, including non-monetary government grants followed up at fair values, are taken into account in the financial statements when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Company. Government grants shall be recognized in profit or loss on a systematic and pro rata basis over periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate (Note 14).

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 26).

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.

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

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized 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 26).

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 17).

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.

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

(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 recognized 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 statement.

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 15).

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 recognized 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 recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

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 recognized in the consolidated statement of comprehensive income.

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

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 recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

Critical accounting estimates and judgments

Preparation of consolidated financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized 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 judgment in determining the provision for income taxes. The Group recognizes deferred income tax liabilities for anticipated taxable events and recognizes deferred income tax assets on loss carry forwards, tax credits and deductible temporary differences to the extent that the realization 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 26).

b) Tangible and intangible assets have been depreciated and amortized by using estimated useful lives. Estimated useful lives determined by management have been disclosed in Note 12 and Note 13.

c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 17).

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 8 and 9).

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

Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognized 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 authorized 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 30).

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.

3. 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.

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4. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash	**1.423**	995
Banks	**145.284.509**	201.709.452
-Foreign currency demand deposits	**9.045.209**	30.255.841
-Foreign currency time deposits	**88.258.171**	62.496.478
-TL demand deposits	**4.350.529**	3.899.801
-TL time deposits	**43.630.600**	105.057.332
	145.285.932	201.710.447

As of December 31, 2011, foreign currency demand deposits consist of overnight deposits, bear the effective weighted average interest rates for USD and Euro 5,00% and 4,70%, respectively (December 31, 2010-USD 3%, Euro 2,90%).

As of December 31, 2011, TL time deposits consist of overnight deposits and time deposits maturing less than a month and bear the effective interest rates of 12,00% and 11,80%, respectively (December 31, 2010-8,10% and 8,80%).

The Group has no blocked bank deposits as of December 31, 2011 (December 31, 2010-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.

5. Investments held to maturity

Short term financial investments

	December 31, 2011			December 31, 2010		
	Cost	**Amortized cost**	**Carrying cos**	Cost	Amortized cost	Carrying cost
Government bond	**999.905**	**1.035.785**	**1.035.785**	-	-	-
Total	**999.905**	**1.035.785**	**1.035.785**	-	-	-

As of December 31, 2011, interest rate of government bond is 9,70%, and maturity date is January 20, 2012 (December 31, 2010 – None).

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6. Financial investments

	December 31, 2011		December 31, 2010	
	Share (%)	**Amount**	Share (%)	Amount
İzmir Teknopark Tic. A.Ş. ("ITAŞ") (*)	-	-	0,1	2.865
		-		2.865

(*) The Company sold 2,500 shares of ITAS with unit prices by 0,10 TL, nominal value of shares, accordance with board decision dated December 22, 2011.

7. Financial liabilities

	December 31, 2011	December 31, 2010
Short-term bank borrowings	**248.665.466**	88.480.620
Short-term installment of long term borrowings	**9.314.975**	-
Interest accruals	**406.839**	333.227
	258.387.280	88.813.847

USD denominated of bank borrowings received from various banks for financing needs by the Group is TL 247.834.314 (December 31, 2010-TL 85.363.227) and TL denominated borrowing amount is TL 2.000.000 as of December 31, 2011. Mature of bank borrowings respectively for USD and TL is within 148 and 62 days (December 31, 2010-for TL and USD denominated borrowings-95 days).

Bank borrowings amounting to TL 10.552.966 as of December 31, 2011 (December 31, 2010-TL 3.450.620) are overnight loans without bearing any interest and used for the month-end Social Security Institution ("SSI") payments and Custom transactions.

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7. Financial liabilities (continued)

The amounts and interest rates of bank borrowings as of December 31, 2011 and 2010 are as follows:

	December 31, 2011		December 31, 2010	
	Nominal interest rate (%)	**Amount**	Nominal interest rate (%)	Amount
Short-term bank borrowings (*)				
USD borrowings	**Libor+1,65, 0,99-2,33(*)**	**236.112.500**	1,97	85.030.000
TL borrowings	**6,50**	**12.552.966**		3.450.620
Interest accruals		**406.839**		333.227
		249.072.305		88.813.847

(*) Interest rates of borrowings with variable rates amounting to TL 75.556.000 is Libor+1,65. Interest rates of borrowings with fixed rates amounting to TL 160.556.500 is between 0,99% and 2,33%. As of December 31, 2010, bank borrowings contains borrowings with fixed rates.

	December 31, 2011		December 31, 2010	
	Nominal interest rate (%)	**Amount**	Nominal interest rate (%)	Amount
Short-term installment of long term borrowings				
USD borrowings	**Libor+3,75%**	**9.314.975**	-	-
		9.314.975	-	-

The fair values of bank borrowings are disclosed in Note 29.

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7. Financial liabilities (continued)

As of December 31, 2011, the Group did not give any guarantee to the financial institutions for the TL and USD borrowings (December 31, 2010-None).

				December 31, 2011
	Maturities	**Interest rate (%)**	**Original currency**	**TL**
Long-term bank borrowings				
USD borrowings	**14 June 2016**	**Libor+3,75%**	**9.500.000**	**17.944.551**
	30 June 2015	**Libor+3,75%**	**12.328.572**	**23.287.438**
Total			**21.828.572**	**41.231.989**

				December 31, 2010
	Maturities	Interest rate (%)	Original currency	TL
Long-term bank borrowings				
USD borrowings	30 June 2015	Libor+3,75%	5.000.000	7.730.000
Total			5.000.000	7.730.000

The principal repayment schedule of the borrowing is as follows:

	December 31, 2011	December 31, 201
	Original currency (USD)	Original currency (USD)
2012	**-**	1.428.571
2013	**7.645.714**	1.428.571
2014	**7.645.714**	1.428.571
2015	**5.180.000**	714.287
2016	**1.357.144**	-
Total	**21.828.572**	5.000.000

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8. Trade receivables and payables

a) Short-term trade receivables

	December 31, 2011	December 31, 2010
Trade receivables-net	**586.569.642**	416.850.777
	586.569.642	416.850.777
Provision for doubtful receivables	**(2.615.972)**	(2.020.939)
	583.953.670	414.829.838

As of December 31, 2011, the effective weighted average interest rates used in the calculation of unearned credit finance income of short-term trade receivables are 11,04%, 0,43% and 0,67% for TL, USD and Euro, respectively (December 31, 2010-6,6%, 0,3% and 0,7% for TL, USD and Euro, respectively).

The aging analysis of trade receivables including doubtful receivables as of December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Overdue receivables	**54.607.839**	62.400.285
0-30 days	**221.620.751**	150.437.263
31-60 days	**147.437.928**	96.328.565
61-90 days	**86.610.804**	47.902.232
91 days and over	**76.292.320**	59.782.432
	586.569.642	416.850.777

As of December 31, 2011, trade receivables amounting to TL 16.947.166 (December 31, 2010-TL 33.099.193) of total overdue receivables amounting to TL 54.607.839 were past due, however, the Group holds guarantee letters amounting to TL 9.293.594 (December 31, 2010-TL 26.721.679) for such receivables (Note 28). Furthermore, trade receivables from foreign customers amounting to TL 37.660.673 are guaranteed with letter of credits. Furthermore, the Group accounted for provision for doubtful receivables for the TL 2.615.972 portion of its past due receivables (December 31, 2010-TL 2.020.939).

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 63 days.

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8. 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, 2011, 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 739.083.379 (December 31, 2010-TL 476.461.417) (Note 15).

The aging of overdue receivables as of December 31, 2011 and 2010 (including doubtful receivables) is as follows:

Overdue period	December 31, 2011	December 31, 2010
0-1 month	19.354.125	35.718.849
1-3 months	8.185.986	5.473.773
Over 3 months	27.067.728	21.207.663
	54.607.839	62.400.285

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

	2011	2010
January 1	(2.020.939)	(2.012.225)
Additions during the year (Note 23)	(595.033)	(8.714)
December 31	(2.615.972)	(2.020.939)

b) Short-term trade payables

	December 31, 2011	December 31, 2010
Trade payables-net	160.608.950	331.132.356
	160.608.950	331.132.356

Average maturity for short-term trade payables is 24 days (December 31, 2010-1 month) as of December 31, 2011. The effective weighted average interest rates used in the calculation of unincurred finance costs of short-term trade payables are %11,04, %0,43 and %0,67 TL, USD and EUR denominated trade payables, respectively (December 31, 2010-The effective weighted average interest rates of short-term trade payables for TL and USD denominated trade payables are 6,5% and 0,3%, respectively).

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9. Other receivables and payables

	December 31, 2011	December 31, 2010
a) Other short-term receivables		
Receivables from scrap sales	**575.379**	-
Claim recoveries from insurance companies	**213.632**	141.738
Receivables from personnel	**4.568**	33.014
Other	**1.184.657**	806.776
	1.978.236	981.528
Provision for other doubtful receivables	**(420.205)**	(420.205)
	1.558.031	561.323

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

	2011	2010
January 1	**(420.205)**	(412.037)
Additions in the year (Note 31)	**-**	(8.168)
31 December	**(420.205)**	(420.205)

b) Other short-term payables		
Deposits and guarantees received	**1.145.893**	786.449
Payable to personnel	**5.511.494**	5.044.483
Other	**-**	224.491
	6.657.387	6.055.423

10. Inventories

	December 31, 2011	December 31, 2010
Raw materials	**137.004.691**	131.948.147
Work-in-progress	**75.917.827**	72.813.413
Finished goods	**185.335.157**	78.468.248
Trade goods	**19.916.795**	15.128.561
Goods in transit	**31.888.164**	104.711.414
Other inventories	**16.069.378**	12.232.140
	466.132.012	415.301.923
Less: Provision for impairment on inventories	**(3.582.090)**	(828.141)
	462.549.922	414.473.782

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10. Inventories (continued)

Movements of provision for impairment on inventories for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
January 1	**(828.141)**	(874.518)
Charge during the year for impairment of inventory	**(2.760.057)**	-
Released during the year	**6.108**	46.377
31 December	**(3.582.090)**	(828.141)

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	2011	2010
Finished goods	**2.325.911**	-
Other inventories	**822.033**	828.141
Merchandise	**434.146**	-
31 December	**3.582.090**	828.141

11. Investment property

	2011	2010
Investment Property(*)	**1.020.532**	1.020.532
	1.020.532	1.020.532

(*) Investment property of the Company consists of property located at Arapçiftliği Aliağa, with the area of 1.375.000 m^2. Related property was leased to STEAŞ for a period of 49 years in 2010.

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12. Property, plant and equipment

The movements of tangible assets and related accumulated amortization for the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2010	Additions	Transfers (Note 13)	Disposals	December 31, 2011
Cost:					
Land	**10.868.199**	**-**	**-**	**(1.458.922)**	**9.409.277**
Land improvements	**87.860.345**	**-**	**674.385**	**(4.063.780)**	**84.470.950**
Buildings	**157.525.826**	**-**	**2.251.898**	**(7.725.756)**	**152.051.968**
Machinery and equipment	**5.967.342.591**	**7.493.835**	**53.948.370**	**(98.739.405)**	**5.930.045.391**
Motor vehicles	**9.950.237**	**-**	**510.318**	**(183.905)**	**10.276.650**
Furniture and fixtures	**53.853.066**	**-**	**2.028.210**	**(34.435)**	**55.846.841**
Other fixed assets	**996.152**	**-**	**-**	**-**	**996.152**
Construction in progress	**165.401.524**	**157.538.569**	**(63.187.207)**	**-**	**259.752.886**
	6.453.797.940	**165.032.404**	**(3.774.026)**	**(112.206.203)**	**6.502.850.115**
Accumulated depreciation:					
Land improvements	**(79.808.992)**	**(1.217.333)**	**-**	**4.046.554**	**(76.979.771)**
Buildings	**(87.662.925)**	**(3.231.486)**	**-**	**5.621.013**	**(85.273.398)**
Machinery and equipment	**(5.019.902.645)**	**(54.039.890)**	**-**	**90.744.224**	**(4.983.198.311)**
Motor vehicles	**(9.344.810)**	**(235.791)**	**-**	**183.905**	**(9.396.696)**
Furniture and fixtures	**(48.527.369)**	**(1.597.936)**	**-**	**9.420**	**(50.115.885)**
Other fixed assets	**(996.152)**	**-**	**-**	**-**	**(996.152)**
	(5.246.242.893)	**(60.322.436)**		**100.605.116**	**(5.205.960.213)**
Net book value	**1.207.555.047**				**1.296.889.902**

	December 31, 2009	Additions	Transfers (Note 13)	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

(*) 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 11-13).

There is no mortgage on property, plant and equipment as of December 31, 2011 (December 31, 2010: none)

Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 4.950.500 (Note 24).

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12. Property, plant and equipment (continued)

Depreciation charges amounting to TL 60.322.436 (December 31, 2010-TL 58.540.080) for the year ended December 31, 2011 were allocated to cost of sales by TL 47.590.107 (December 31, 2010-TL 47.541.551), to idle time expenses by TL 3.570.007 (December 31, 2010-TL 2.174.734), to inventories by TL 3.938.720 (December 31, 2010-TL 3.526.597), to general administrative expenses by TL 4.858.886 (December 31, 2010-TL 4.989.449), to marketing, selling and distribution expenses by TL 147.150 (December 31, 2010-TL 155.494), and to research and development expenses by TL 217.566 (December 31, 2010-TL 152.255).

The major part of the additions to machinery and equipments as of December 31, 2011 related to the modernization of production facilities and machineries which are classified under construction in progress as of December 31, 2010 and completed in year 2011. The Group's management plans to increase the efficiency and environmental compliance with these investments. Construction in progress as of December 31, 2011 has similar characteristics with previous year's construction in progress.

13. Intangible assets

The movements of intangible assets and related accumulated amortization for the years ended December 31, 2011 and 2010 were as follows:

	December 31, 2010	Additions	Transfers (Note 18)	December 31, 2011
Cost:				
Rights and software	**11.921.608**	**-**	**3.774.026**	**15.695.634**
Other	**370.490**	**731.580**	**-**	**1.102.070**
	12.292.098	**731.580**	**3.774.026**	**16.797.704**
Accumulated amortization:				
Rights and software	**(2.774.164)**	**(1.285.387)**	**-**	**(4.059.551)**
	(2.774.164)	**(1.285.387)**	**-**	**(4.059.551)**
Net book value	**9.517.934**			**12.738.153**

	December 31, 2009	Additions	Transfers (Note 18)	December 31, 2011
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 amortization:				
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

There is no mortgage on intangible assets as of December 31, 2011 (December 31, 2010-None).

Amortization charges amounting to TL1.285.387 (December 31, 2010-728.012) for the year ended December 31, 2011 were allocated to cost of sales by TL 760.178 (December 31, 2010-TL300.086), to research and development expenses by TL 213.760 (December 31, 2010-TL 121.869) and to general administrative expenses by TL 311.449 (December 31, 2010-TL 306.057).

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14. Government grants

As of December 31, 2011, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 988.776 (December 31, 2010-TL 549.023) related to the research and development projects and reclassified 'Deferred income' under 'Other short term liabilities' (Note 18).

15. Provisions, contingent assets and liabilities

	December 31, 2011	December 31, 2010
a) Short-term provisions:		
Provision for legal cases	**2.396.712**	2.778.064
Provision for EMRA (*) contribution share	**1.328.835**	1.138.324
Other	**22.330**	44.660
	3.747.877	3.961.048
(*) Energy Market Regulatory Authority.		
b) Guarantees received:		
Bank guarantees within the context of DOCS	**448.877.371**	207.029.154
Letters of guarantee received	**338.562.519**	283.213.578
Mortgages	**2.000.000**	2.000.000
	789.439.890	492.242.732
c) Guarantees given:		
Guarantee cheques given	**70.000.000**	70.000.000
Letters of guarantee given	**56.431.637**	42.984.867
Bank guarantees within the context of DOCS	**-**	54.500.000
	126.431.637	167.484.867

The letters of guarantee received amounting to TL 448.877.371 (December 31, 2010-TL 207.029.154) of the total letters of guarantee received amounting to TL 789.439.890 (December 31, 2010-TL 269.432.263) were bank guarantees within the context of DOCS and TL 285.528.897 (December 31, 2010-TL 335.980.144) of remaining balance of letters of guarantee received amounting to TL 340.562.519 (December 31, 2010-TL 285.213.578) was obtained from the suppliers with respect to the sales made by the Group and guarantee letters amounting to TL 48.436.511 (December 31, 2010-TL 13.781.315) were received from the suppliers related to goods and service purchases and TL 2.000.000 (December 31, 2010-TL 2.000.000) is the mortgage received.

Movements of the provision for legal cases are as follows:

	2011	2010
January 1	**2.778.064**	3.051.257
Income from finalized legal cases	**(381.352)**	(273.193)
December 31	**2.396.712**	2.778.064

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15. Provisions, contingent assets and liabilities (continued)

As of December 31, 2011, the letters of guarantee given and DOCS amounting to TL 70.000.000 (December 31, 2010-TL 70.000.000) of the total letters of guarantee given amounting to TL 126.431.637 (December 31, 2010-TL167.484.867) consists of guarantee cheques given to Türkiye Petrol Rafinerileri A.Ş. related to raw material purchases, remaining letters of guarantee given amounting to TL 56.431.637 (December 31, 2010-TL 97.484.867) were allocated to: to customs administrations and Republic of Turkey Prime Ministry Undersecretariat of Customs by TL 39.472.900 (December 31, 2010-TL 34.291.000), to Türkiye Elektrik Ticaret ve Taahhüt A.Ş. related to electricity purchases by TL 5.505.649 (December 31, 2010-TL 2.710.212), to EMRA by TL 4.161.000 (December 31, 2010-TL 4.161.000) and remaining balance of TL 3.092.088 (December 31, 2010-TL 1.822.655) given for other transactions to other parties. (December 31, 2010-letters of guarantee given to Boru Hatları ile Petrol Taşıma A.Ş. (BOTAŞ) for natural gas purchase commitments by TL 54.500.000).

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

	December 31, 2011	December 31, 2010
A. Total amount of CPMs given for the Company's own legal personality	**126.431.637**	167.484.867
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.	**-**	-
	126.431.637	167.484.867

Collaterals, pledges and mortgages amounting to TL 126.431.637 consist of USD 115.000 equivalent to TL 217.224, Euro 10.500.000 equivalent to TL 25.659.900 and TL 100.554.513 (December 31, 2010-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).

As of December 31, 2011, the ratio of the other CPM's given by the Group to the equity is 0% (December 31, 2010-0%)

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, 2011 and 2010 are as follows

Operational leases	**2011**	2010
0-1 year	**6.104.970**	4.638.000
1-5 year(s)	**24.919.880**	18.552.000
5 years and more	**251.118.690**	204.072.000
Total	**282.143.540**	227.262.000

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16. Commitments

The Group has one purchase commitment, which is valid after January 1, 2012 for purchase of natural gas amounting to 463.000.000 cubemeter (December 31, 2010-468.000.000 squarecube) committed for 2011. Total amount of this commitment is TL 235.852.200 (December 31, 2010-TL 216.169.200) with respect to the average prices effective in January 2012.

17. Employee benefits

	December 31, 2011	December 31, 2010
i. Short-term employee benefits:		
Provision for unused vacation rights	**6.019.808**	4.623.525
Provision for seniority incentive bonus	**3.021.129**	1.963.517
	9.040.937	6.587.042
i. Long-term employee benefits:		
Provision for employment termination benefits	**77.224.780**	76.896.064
Provision for seniority incentive bonus	**3.525.425**	3.366.090
	80.750.205	80.262.154

Unused vacation rights

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

	2011	2010
January 1	**4.623.525**	9.199.967
Used in current year-net	**1.396.283**	(4.576.442)
December 31	**6.019.808**	4.623.525

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 2.731,85 for each year of service as of December 31, 2011 (December 31, 2010-TL 2.517,01).

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

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17. Employee benefits (continued)

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, 2011	December 31, 2010
Discount rate (%)	**6,07**	4,66
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 2.805,04, which is effective from January 1, 2012, has been taken into consideration in the calculation of employment termination benefits of the Group (January 1, 2010-TL 2.617,70).

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

	2011	2010
January 1	**76.896.064**	73.544.514
Interest cost	**4.667.591**	3.427.174
Actuarial loss and service cost	**4.324.324**	11.675.933
Payments during the year	**(8.663.199)**	(11.751.557)
December 31	**77.224.780**	76.896.064

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 100 dats of gross salary for 30 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than 6 month are not considered. Periods which are more than 6 month are considered as 1 year.

For the non-union personnel working at the Company, 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 100 days for 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. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than 6 month are not considered. Periods which are more than 6 month are considered as 1 year.

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17. Employee benefits (continued)

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, 2011	December 31, 2010
Discount rate (%)	**6,07**	4,66
Probability of retirement (%)	**100,00**	100,00

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

	2011	2010
January 1	**5.329.607**	5.922.698
Interest cost	**323.507**	275.998
Actuarial loss and service cost	**3.651.339**	3.154.063
Payments during the year	**(2.757.899)**	(4.023.152)
December 31	**6.546.554**	5.329.607

18. Other assets and liabilities

i) Other assets

	December 31, 2011	December 31, 2010
a) Other current assets:		
Value added tax ("VAT") receivable	**78.689.429**	35.751.092
Advances given for inventories	**25.255.974**	20.330.066
Advances given for customs affairs	**12.201.284**	1.017.519
Prepaid taxes	**9.968.533**	1.451.331
Prepaid expenses	**5.811.404**	3.585.460
Other	**520.141**	132.826
	132.446.765	62.268.294

	December 31, 2011	December 31, 2010
b) Other non-current assets:		
Spare parts	**11.410.414**	12.915.707
Chemicals	**7.278.101**	6.039.663
Advances given for fixed assets	**2.615.358**	13.331.129
Other	**64.162**	84.835
	21.368.035	32.371.334

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18. Other assets and liabilities (continued)

ii) Other liabilities

	December 31, 2011	December 31, 2010
a) Other short-term liabilities:		
Order advances received	**24.917.974**	41.032.125
Provision for undelivered invoice of material purchase	**8.634.426**	-
Short-term deferred income (*)	**7.485.670**	5.302.332
Taxes and funds payable	**6.342.481**	5.850.920
Other	**252.855**	592.539
	47.633.406	52.777.916

(*) As of December 31, 2011, short-term deferred income consist of deferred rent income accrued amounting to TL 6.385.958 regarding to the land leased to STRAŞ and TL 110.936 regarding to the land allowance income.

	December 31, 2011	December 31, 2010
b) Other long-term liabilities:		
Long-term deferred income (*)	**5.213.978**	5.644.732
Other	**2.018**	-
	5.215.996	5.644.732

(*) As of December 31, 2011, long-term deferred income consist of land allowance income amounting to TL 5.213.978 which was leased to STRAŞ.

19. Equity

The shareholders of the Company and their shareholdings as of December 31, 2011 and 2010 were as follows:

		December 31, 2011		December 31, 2010	
Group	**Shareholder:**	**Amount**	**Share (%)**	Amount	Share (%)
A-B	Socar & Turcas Petrokimya A.Ş.	**510.000.000**	**51,00**	510.000.000	51,00
A	Publicly owned	**386.784.319**	**38,68**	386.784.319	38,68
A-C	Republic of Turkey Prime Ministry Privatization Administration	**103.215.681**	**10,32**	103.215.681	10,32
	Total paid share capital	**1.000.000.000**	**100**	1.000.000.000	100
	Adjustment to share capital	**486.852.283**		486.852.283	
	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.

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19. Equity (continued)

The Company's authorized registered share capital ceiling at December 31, 2011 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 authorized 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, 2010: shares with a face value of TL1 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).

The shares belonging to Administration are composed of type A and C as of December 31, 2011
(December 31, 2010-A and C type shares).

The Company's capital is composed of type A, B and C registered shares (December 31, 2010-Type A, 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.

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, 2011 (December 31, 2010-None).

19. Equity (continued)

The accumulated profit of the Group amounting to TL 113.495.168 is classified in accumulated profit under "Equity" in the balance sheet as of December 31, 2011 (December 31, 2010-TL 16.589.752 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 utilized 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 authorized 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.

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.

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19. Equity (continued)

Since the Company has not distributable profit in 2010, prior years's profit was deducted from accumulated loss, with the decision of Ordinary General Assembly dated March 31, 2011.

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, 2011	December 31, 2010
Legal reserves and special funds	**988.776**	549.023
Accumulated deficit	**(35.330.423)**	(154.193.743)
Net profit for the year	**94.766.095**	118.863.320
	60.424.448	(34.781.400)

20. Sales and cost of sales

	January 1- December 31, 2011	January 1- December 31, 2010
Domestic sales	**2.528.752.525**	2.143.180.257
Export sales	**1.384.123.759**	795.704.152
Other sales	**41.152.483**	10.685.982
	3.954.028.767	2.949.570.391
Less: Other discounts	**(43.200.540)**	(28.322.551)
Less: Sales discounts	**(13.419.114)**	(10.805.267)
Less: Sales returns	**(6.087.015)**	(1.050.682)
Sales	**3.891.322.098**	2.909.391.891
Raw material usage	**(2.865.731.174)**	(2.094.291.900)
Energy	**(255.556.140)**	(236.539.000)
Labour	**(132.411.541)**	(132.453.655)
Depreciation	**(48.350.285)**	(47.841.637)
Cost of commercial goods sold	**(433.884.171)**	(107.842.361)
Packaging costs	**(12.682.545)**	(11.364.705)
Change in work-in-process	**3.104.414**	(993.925)
Change in finished goods	**106.866.909**	(13.107.140)
Other	**(77.980.916)**	(35.750.728)
Cost of sales	**(3.716.625.449)**	(2.680.185.051)
Gross profit	**174.696.649**	229.206.840

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.

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

	January 1- December 31, 2011	January 1- December 31, 2010
a) Research and development expenses:		
Staff costs	**1.410.240**	1.470.695
Depreciation and amortization	**431.326**	274.124
Other	**640.063**	380.595
	2.481.629	2.125.414
b) Marketing, selling and distribution expenses:		
Outsourced services	**18.235.097**	8.805.619
Staff costs	**5.782.351**	4.585.559
Sponsorship expenses	**500.000**	500.000
Depreciation and amortization	**147.150**	155.494
Other	**4.193.123**	3.439.712
	28.857.721	17.486.384
c) General administrative expenses:		
Staff costs	**27.633.691**	18.950.633
Outsourced services	**26.313.415**	18.223.386
Employment termination benefits-net	**9.899.977**	5.648.723
Energy expenses	**5.170.335**	5.295.506
Depreciation and amortization	**4.324.324**	11.675.933
EMRA contribution share	**1.351.164**	1.138.324
Other	**15.658.727**	13.459.137
	90.351.633	74.391.642
Total operating expenses	**121.690.983**	94.003.440

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22. Expenses by nature

	January 1- December 31, 2011	January 1- December 31, 2010
Raw materials usage and changes in work-in-process and finished goods	**2.755.759.851**	2.108.392.965
Cost of commercial goods sold	**433.884.171**	107.842.361
Energy	**265.456.117**	242.187.723
Labor and staff cost	**167.237.823**	157.460.542
Depreciation and amortization	**54.099.096**	53.566.761
Outsourced services	**44.548.512**	50.203.632
Employment termination benefits – net	**4.324.324**	11.675.933
Other	**113.006.538**	42.858.574
	3.838.316.432	2.774.188.491

23. Other operating income/(expense)

	January 1- December 31, 2011	January 1- December 31, 2010
Other operating income:		
Gain on fixed asset sales(*)	**115.031.533**	155.420
Rent income	**7.655.550**	2.627.900
Disability income	**752.824**	470.097
Maintenance cost of energy	**694.461**	682.255
Infrastructure income	**658.413**	264.024
Income from insurance recoveries	**552.097**	549.864
Income from finalized legal cases	**381.352**	273.193
Compensation from customers	**58.932**	15.350
Other	**8.267.995**	3.215.385
	134.053.157	8.253.488

(*) Gain on fixed asset sales contains of sales of Hava Azot Unit sales amounting to TL 66.276.338, sales of Yarımca land and land improvements amounting to TL 30.201.137 and sales of catalytic amounting to TL 18.554.058

	January 1- December 31, 2011	January 1- December 31, 2010
Other operating expense:		
Idle time expense	**(17.543.638)**	(12.122.140)
Loss on Fixed assets sales	**(1.912.537)**	-
Provision for doubtful receivables (Note 8 and 9)	**(595.033)**	(16.882)
Capital increase expenses	**-**	(2.792.681)
Other	**(4.065.547)**	(1.383.688)
	(24.116.755)	(16.315.391)

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24. Finance income

	January 1- December 31, 2011	January 1- December 31, 2010
Foreign exchange gain	**113.111.461**	111.188.354
Interest income	**37.769.051**	35.514.453
	150.880.512	146.702.807

Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 4.950.500 (Note 12).

25. Finance costs

	January 1- December 31, 2011	January 1- December 31, 2010
Foreign exchange loss	**(170.830.651)**	(118.899.111)
Interest expense	**(21.219.238)**	(14.857.542)
Bank commission expense	**(3.976.966)**	(155.451)
	(196.026.855)	(133.912.104)

26. Tax assets and liabilities

i) Corporation tax:

	January 1- December 31, 2011	January 1- December 31, 2010
Current income tax expense	**(19.866.464)**	(24.924.982)
Carryforward tax losses used	**18.633.819**	24.924.982
Deferred tax (expense)/income	**(14.221.755)**	(9.847.280)
Total tax (expense)/income	**(15.454.400)**	(9.847.280)

The corporation tax rate of the fiscal year 2011 is 20% (December 31, 2010-20%). 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 utilization of investment incentive allowance within the scope of Income Tax Law temporary clause 61).

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26. 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 (Note 30).

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 7.244.913 additional deferred tax asset over its unused investment incentives as of December 31, 2011. As of December 31, 2011, total deferred asset calculated over its unused investment incentive is TL 64.632.314 (2010-TL 57.387.401).

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.

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26. 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, 2011 and 2010 were as follows:

	January 1- December 31, 2011	January 1- December 31, 2010
Profit before taxation on income	**117.795.725**	139.932.200
Tax calculated at enacted tax rates	**(23.559.145)**	(27.986.440)
Unused investment incentives on which deferred income tax assets recognized	**7.244.913**	19.816.737
Disallowable expenses	**(388.678)**	(1.149.935)
Other	**1.248.510**	(527.642)
	(15.454.400)	(9.847.280)

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26. Tax assets and liabilities (continued)

ii) Deferred taxes

The Group recognizes 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 realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (December 31, 2010-20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2011 and 2010 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	**(401.201.186)**	(377.981.239)	**(80.240.237)**	(75.596.248)
Unincurred finance cost	**(635.924)**	(1.637.902)	**(127.185)**	(327.580)
Deferred income tax liabilities	**(401.837.110)**	(379.619.141)	**(80.367.422)**	(75.923.828)
Carryforward tax losses	**-**	92.490.838	**-**	18.498.168
Unused investment incentives	**323.161.571**	286.937.004	**64.632.314**	57.387.401
Employment termination benefits and seniority incentive bonus provision	**83.771.334**	82.225.671	**16.754.267**	16.445.134
Provision for unused vacation rights	**6.019.808**	4.623.525	**1.203.962**	924.705
Rent allowance fee	**5.324.914**	5.435.850	**1.064.983**	1.087.170
Unearned credit finance income	**3.209.408**	1.850.453	**641.882**	370.091
Inventory impairment	**2.760.057**	-	**552.011**	-
Provision for legal cases	**2.396.712**	2.778.064	**479.342**	555.613
Provision for doubtful receivables	**112.986**	-	**22.597**	-
Other	**1.024.765**	330.957	**204.954**	66.191
Deferred income tax assets	**427.781.555**	476.672.362	**85.556.312**	95.334.473
Deferred income tax asset-net			**5.188.890**	19.410.645

The movement of deferred income taxes is as follows:

Deferred income tax asset – net

	2011	2010
January 1	**19.410.645**	29.257.925
Current year deferred tax (expense)/income	**(14.221.755)**	(9.847.280)
December 31	**5.188.890**	19.410.645

26. 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. Financial losses can not be deducted from retained earnings. As of December 31, 2011, the Group offset all deductable financial losses from profit under the Turkish taxation system.

As of December 31, 2011, the Group has unused investment incentive amounting to TL 323.161.571 (December 31, 2010-TL 286.937.004) without withholding tax and amounting to TL 12.525.708 (December 31, 2010-TL 11.360.156) with withholding tax. As of December 31, 2011, the Group management recognized deferred income tax asset on the portion of unused investment incentive for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections.

27. 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, 2011	January 1-December 31, 2010
Net profit for the year	**102.341.325**	130.084.920
Weighted average number of shares with nominal value of Kr 1 each (thousand)	**100.000.000**	100.000.000
Earnings per share (Kuruş)	**0,10**	0,13

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27. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2011 and 2010 and significant intercompany transactions were as follows:

i) Balances with related parties:

	December 31, 2011	December 31, 2010
a) Other receivables from related parties		
Socar & Turcas Rafineri A.Ş. ("STRAŞ") (2)	**6.925.893**	11.912.277
	6.925.893	11.912.277
b) Trade receaivables from related parties		
SOCAR Azeri Kimya (2)	**166.364**	258.785
	166.364	258.785
c) Short term trade payables to related parties:		
SOCAR Trading S.A. (2)	**332.518.257**	177.841.817
Petrokim Trading Ltd. ("Petrokim") (2)	**21.836.710**	9.000.897
STEAŞ (2)	**843.404**	826.000
Turcas Gaz Toptan Satış A.Ş. (Turcas Gaz) (*)	**-**	4.889.004
	355.198.371	192.557.718
Less: Unearned credit finance income	**(105.602)**	(49.856)
	355.092.769	192.507.862

(*) Turcas Gaz is excluded from related party companies as of December 31, 2011.

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. Other income from related parties is arisen from rent income.

d) Other payables to related parties

Due to shareholders (2)	**72.302**	73.272
	72.302	73.272

(1) Shareholders of the Company
(2) Other related parties

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27. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

	January 1- December 31, 2011	January 1- December 31, 2010
a) Finance costs/(income) from related party transactions:		
SOCAR Trading S.A. (2)	**(37.310.926)**	2.159.337
Petrokim (2)	**(1.200.324)**	(180.349)
STRAŞ (2)	**402.577**	-
Socar & Turkey Enerji A.Ş.("STEAŞ") (2) (**)	**190.298**	-
	(37.918.375)	1.978.988

(**) Title of related part was Socar & Turcas Enerji A.Ş. as of December 31, 2010.

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 (2)	**8.642.256**	8.400.888
Socar Bosphorus Enerji ve Tic. Ltd. Şti (2)	**262.164**	-
Socar Bosphorus Bina Yönetimi (2)	**25.550**	-
Socar & Turcas Petrokimya A.Ş. (2) ("STPAŞ") (2)	**-**	169.011
	8.929.970	8.569.899

Service purchases from STEAŞ and STPAŞ consist of consultancy and advisory charges.

c) Product purchases from related parties:

SOCAR Trading S.A. (2)	**1.941.292.132**	1.157.896.437
Petrokim Trading Ltd. ("Petrokim") (2)	**380.831.978**	124.499.670
STEAŞ (2)	**2.279.817**	-
Turcas Gaz Toptan Satış A.Ş. (Turcas Gaz)	**-**	36.016.916
	2.324.403.927	1.318.413.023

Product purchases from SOCAR Trading S.A. and Petrokim in the period ended December 31, 2011 consist of naphtha and LPG which are used as raw materials in the production of the Group.

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27. Transactions and balances with related parties (continued)

d) Sales to related parties

	January 1- December 31, 2011	January 1- December 31, 2010
SOCAR Azeri Kimya (2)	**356.809**	258.785
	356.809	258.785

e) Rent income from related parties

STRAŞ (2)	**6.498.882**	116.483
SOCAR Trading S.A. (2)	**848.068**	-
STEAŞ (2)	**175.548**	-
	7.522.498	116.483

f) Key management emoluments

i. Key management emoluments-short term:		
Payments for salary and seniority incentives	**2.436.461**	2.446.527
Provision for unused vacation	**231.567**	122.733
Provision for seniority incentive	**91.727**	-
	2.759.755	2.569.260
ii. Key management emoluments-long term:		
Provision for seniority incentives	**34.466**	62.744
Provision for employment termination benefits	**32.875**	27.687
	67.341	90.431
	2.827.096	2.659.691

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.

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28. 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, 2011 and 2010 were as follows:

December 31, 2011

	Receivables						
	Trade receivables [1]		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Held to maturity	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**166.364**	**583.953.670**	**6.925.893**	**1.558.031**	**145.284.509**	**1.035.785**	**738.924.252**
-The part of maximum credit risk covered with guarantees etc.		**426.269.727**					**426.269.727**
A. Net book value of financial assets neither past due nor impaired [3]	**166.364**	**531.961.803**	**6.925.893**	**1.558.031**	**145.284.509**	**1.035.785**	**686.932.385**
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]	-	**51.991.867**	-	-	-		**51.991.867**
-The part covered by guarantees etc.	-	**46.954.267**	-	-	-	-	**46.954.267**
D. Net book value of assets impaired	-	-	-	-	-	-	-
-Past due (gross book value)	-	**2.615.972**	-	**420.205**	-	-	**3.036.177**
-Impairment amount (-)	-	**(2.615.972)**	-	**(420.205)**	-	-	**(3.036.177)**
-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	-	-	-	-	-	-	-

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(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

28. Financial instruments and financial risk management (continued))

December 31, 2010

	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)	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 not due or not 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	-	-	-	-	-	-

(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:

December 31, 2011

		Trade receivables	
	Related parties	**Third parties**	**Total**
1-30 days overdue	-	**16.738.153**	**16.738.153**
1-3 months overdue	-	**8.185.986**	**8.185.986**
Over 3 months overdue	-	**27.067.728**	**27.067.728**
Total overdue receivables	-	**51.991.867**	**51.991.867**
The part covered by the guarantees		**46.954.267**	**46.954.267**
			5.037.600

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28. 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

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 continuous 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, 2011 and 2010 are as follows:

December 31, 2011:

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	**258.387.280**	**262.338.558**	**127.281.847**	**135.056.711**	**-**
Bank borrowings-long term	**41.231.989**	**48.298.296**	**570.214**	**5.127.014**	**42.601.068**
Trade payables	**160.608.950**	**160.608.950**	**160.608.950**	**-**	**-**
Trade payables to related parties	**355.092.769**	**355.092.769**	**355.092.769**	**-**	**-**
Other payables	**6.657.387**	**6.657.387**	**6.657.387**	**-**	**-**
Other payables to related parties	**72.302**	**72.302**	**72.302**	**-**	**-**

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28. 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	-	-

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.

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28. Financial instruments and financial risk management (continued)

	December 31, 2011				December 31, 2010			
	TL equivalent	**USD**	**EUR**	**Other**	TL equivalent	USD	EUR	Other
1. Trade receivables	**391.621.328**	**154.647.240**	**40.718.617**	**-**	261.496.488	136.646.321	24.518.704	-
2a. Monetary financial assets (Cash, bank accounts included)	**97.197.244**	**43.315.411**	**6.291.185**	**1.497**	92.752.319	38.369.657	16.309.961	5.061
2b. Non-monetary financial assets	**-**	**-**	**-**	**-**	-	-	-	-
3. Current assets (1+2)	**488.818.572**	**197.962.651**	**47.009.802**	**1.497**	354.248.807	175.015.978	40.828.665	5.061
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)	**488.818.572**	**197.962.651**	**47.009.802**	**1.497**	354.248.807	175.015.978	40.828.665	5.061
9. Trade payables	**414.158.099**	**217.169.727**	**1.564.782**	**41.888**	274.447.389	171.159.193	4.776.072	20.358
10. Financial liabilities	**245.834.315**	**130.146.813**	**-**	**-**	85.363.227	55.215.542	-	-
11a. Monetary other liabilities	**-**	**-**	**-**	**-**	-	-	-	-
11b. Non-monetary other liabilities	**-**	**-**	**-**	**-**	-	-	-	-
12. Short-term liabilities (9+10+11)	**659.992.414**	**347.316.540**	**1.564.782**	**41.888**	359.810.616	226.374.735	4.776.072	20.358
13. Trade payables	**-**	**-**	**-**	**-**	-	-	-	-
14. Financial liabilities	**41.231.989**	**21.828.571**	**-**	**-**	7.730.000	5.000.000	-	-
15a. Monetary other liabilities	**-**	**-**	**-**	**-**	-	-	-	-
15b. Non-monetary other liabilities	**-**	**-**	**-**	**-**	-	-	-	-
16. Long-term liabilities (13+14+15)	**41.231.989**	**21.828.571**	**-**	**-**	7.730.000	5.000.000	-	-
17. Total liabilities (12+16)	**701.224.403**	**369.145.111**	**1.564.782**	**41.888**	367.540.616	231.374.735	4.776.072	20.358
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)	**(212.405.831)**	**(171.182.460)**	**45.445.020**	**(40.391)**	(13.291.809)	(56.358.757)	36.052.593	(15.297)
20. Net foreign currency asset/(liability) position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**(212.405.831)**	**(171.182.460)**	**45.445.020**	**(40.391)**	(13.291.809)	(56.358.757)	36.052.593	(15.297)
21. Total fair value of financial instruments used for foreign currency hedging								
22.Hedged amount for current assets	**-**	**-**	**-**	**-**	-	-	-	-
23.Hedged amount for current liabilities	**-**	**-**	**-**	**-**	-	-	-	-

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28. Financial instruments and financial risk management (continued)

Table of sensitivity analysis for foreign currency risk:

December 31, 2011		**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:				
	(32.334.655)	**32.334.655**	**-**	**-**
1-Asset/Liability denominated in USD-net				
2-The part hedged for USD risk (-)				
3-USD effect-net (1+2)	**(32.334.655)**	**32.334.655**	**-**	**-**
Change of EUR by 10% against TL:				
4-Asset/Liability denominated in EUR-net	**11.105.854**	**(11.105.854)**	**-**	**-**
5-The part hedged for EUR risk (-)				
6-EUR effect-net (4+5)	**11.105.854**	**(11.105.854)**	**-**	**-**
Change of other currencies by 10% against TL:				
7-Assets/liabilities denominated in other foreign currencies-net	**(11.782)**	**11.782**	**-**	**-**
8-The part hedged for other foreign currency risk (-)				
9-Other foreign currency effect-net (7+8)	**(11.782)**	**11.782**	**-**	**-**
Total (3+6+9)	**(21.240.583)**	**21.240.583**	**-**	**-**

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	-	-

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28. Financial instruments and financial risk management (continued)

The total export and import amounts for the years ended December 31 are as follows:

		2011		2010
	Original amount	**TL**	Original amount	TL
USD	**568.052.071**	**953.814.688**	375.947.212	564.322.445
EURO	**181.852.038**	**417.789.061**	116.689.800	231.142.758
TL	**12.520.010**	**12.520.010**	371.405	371.405
Total export		**1.384.123.759**		795.836.608
USD	**1.552.144.098**	**2.590.458.939**	1.148.660.505	1.730.998.962
EURO	**62.901.782**	**140.336.383**	45.416.252	89.558.672
British Sterling	**414.847**	**1.087.239**	2.599.693	6.008.751
Japanese Yen	**931.444.497**	**18.298.919**	207.740.000	3.772.849
Swiss Frank	**237.526**	**438.306**	1.507.852	2.215.686
Total import		**2.750.619.786**		1.832.554.920

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.

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28. Financial instruments and financial risk management (continued)

The Group's interest rate position as of December 31, 2011 and 2010 is presented below:

	2011	2010
Financial instruments with fixed interest rate		
Financial liabilities		
-USD financial liabilities	**160.751.868**	85.363.227
-TL financial liabilities	**12.573.911**	3.450.620
Financial instruments with variable interest rate		
-USD financial liabilities	**126.293.490**	7.730.000

At December 31, 2011, 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 631.467 lower/higher as a result of interest expenses.

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.

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28. Financial instruments and financial risk management (continued)

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:

	31 Aralık 2011	31 Aralık 2010
Total debt	**874.900.079**	684.735.408
Less: Cash and cash equivalents (Note 6)	**(145.285.932)**	(201.710.447)
Net debt	**729.614.147**	483.024.961
Total equity	**1.702.688.776**	1.600.347.451
Debt/equity ratio	**43%**	%30

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29. 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 realize 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, 2011 and 2009 were as follows:

	December 31, 2011		December 31, 2010	
	Carrying amounts	**Fair values**	Carrying amounts	Fair values
Short-term liabilities				
USD credits	**245.813.369**	**245.926.050**	85.363.227	85.777.985
TL credits	**12.573.911**	**12.573.911**	3.450.620	3.450.620
Long-term liabilities				
USD credits	**41.231.989**	**41.596.153**	7.730.000	7.730.000

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30. Subsequent events

The provision restricting the investment allowance which is "investment incentives which will be deducted from fiscal gain during determination of tax base cannot be greater than 25% of the gain'' which was added to Income Tax Law's temporary 69th article,part:5 with Law No: 6009 has been decided to cancel at Constitutional Court's decision dated February 9 2012.In the same meeting, since the related statement has been cancelled with the decision of E.2010/93,K.2012/20,it has been also decided to stop execution in order to prevent difficulties and damages that might arise at execution until the day that the decision will be published in the Official Gazette.

The decision on suspension of execution of the Constitutional Court, has been published in the Official Gazette numbered 28208 on 18.02.2012.Since there are still some uncertainties in the application by Ministry of Finance, Company has not applied the effect of the new regulation in consolidated financial statements as of December 31, 2011.Has the Company applied the related decision in its consolidated financial statements, since deferred tax asset had already been calculated on investment incentives, there will be no change in net profit but there will be reclassification difference between deferred tax and current year tax expense.

31. Disclosure of other matters

None.

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