2014
ANNUAL
REPORT

Petkim
A SOCAR COMPANY

For 50 years we have been producing for the future

HAVING THE ONLY INTEGRATED PETROCHEMICAL COMPLEX IN TURKEY, PETKİM PROVIDES RAW AND INTERMEDIATE MATERIALS TO VARIOUS INDUSTRIES-INCLUDING CONSTRUCTION, AGRICULTURE, AUTOMOTIVE, ELECTRICITY, ELECTRONICS, PACKAGING, TEXTILES PHARMACEUTICAL, PAINT, DETERGENT AND COSMETICS-THROUGH THE HIGH VALUE-ADDED PRODUCTS SUCH AS THERMOPLASTICS, FIBERS AND RAW MATERIALS FOR PAINTS.

*Petkim products were used for the front cover and in the design of the Annual Report.

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PRODUCTION CAPACITY INCREASED 13%

Petkim recently finalized two of its strategic investments, which increased its production capacity by 13%. In this way, the Company reinforced its leading role in the procurement of raw material for the market. Prearranged maintenance over hauls are carried out for all of the plants every four or five years, and these have also been successful. This year, the Company is aiming for full-capacity production.

PETKİM AT A GLANCE

With over 60 products in production, Petkim is the most important raw material supplier in Turkey. The Company also figures among the pioneers in terms of financial performance.

60

NUMBER OF PRODUCTS PROVIDED TO THE MARKET

3.6

ANNUAL PRODUCTION CAPACITY (MILLION TONS)

The product portfolio of Petkim comprises high value-added goods such as thermoplastics, fibers, and raw material for paints, products which constitute primary inputs for a number of industries. These products are also essential for the plastic, chemical, packaging, piping, paint, construction, agriculture, automotive, electricity, electronics, and textiles industries, as well as the pharmaceutical, detergent, and cosmetics sectors.

Located in the Aliağa Peninsula, the Company's production facilities consist of 14 production plants, seven auxiliary processing units, 21 other plants, and administrative and social facility buildings.

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

Petkim made its initial infrastructure investment with five plants constructed at the Yarımca Complex in 1970. Following investments at Yarımca, within the framework of the Third Five-year Plan, work began to establish Petkim's second complex in the Aliağa region. The Aliağa Complex, operating at optimum capacity with the latest technology of that period, began in 1985. Since its founding, Petkim has invested in the Aliağa Complex to realize capacity increases, debottlenecking, refurbishment and modernization. Thus, the Company sustains its competitive advantage internationally by effectively meeting its clients' needs and expectations.

On May 30, 2008, in a privatization tender with the block sale method, 51% of Petkim's public shares were sold to SOCAR&Turcas Petrochemical for US$ 2,040,000,000. In 2011, Turcas Petrol A.Ş. sold all of its shares to the State Oil Company of Azerbaijan Republic (SOCAR); following this sale, title of SOCAR&Turcas Petrochemical Enerji A.Ş. was registered as SOCAR Turkey Petrochemical A.Ş. In 2012, 10.32% of the public shares of the Prime Ministry Privatization Administration in the capital of Petkim Petrochemical Holding A.Ş. were sold to SOCAR İzmir Petrochemical A.Ş. and the shares were transferred. 43.68% of Petkim's shares are still traded on the BIST (Borsa Istanbul).

With over 60 petrochemical products in its product range, Petkim is the most important raw material supplier in the Turkish industry. The Company has a privileged position in the private sector in terms of profitability and production performance.

Having the only integrated petrochemical premises in Turkey, Petkim rapidly moves ahead to achieve its target of increasing capacity by means of value added products. With the Petkim Peninsula identified as the Company's 'Value-Site 2023,' investments aimed at the integration of refineries, petrochemical and energy facilities, and logistics are still ongoing. In this context, planned investments for the peninsula in preparation for this goal will amount to US$ 10 billion. The first and most important part of the integration chain, STAR Refinery, with an investment value of US$ 5.6 billion, which is expected to start production in early 2018. It will be the country's first private refinery, and the largest investment in a single location in the history of the Republic.

The first phase of the Petkim Container Port will come online in 2015, and will meet the logistical requirements of the supply chain. The port investment will be made by Petlim Limancılık ve Ticaret A.Ş., 70% of which is owned by Petkim and 30% by Goldman Sachs. The total cost of the development and its financing will come to US$ 400 million. The operation and management of the port will be carried out by the Dutch firm APM Terminals, one of the world's biggest port operators in its field, for a 28-year period with a 4-year option.

Petkim has an adequate production infrastructure for the growth plans set in accordance with its long term strategic targets. Taking advantage of this strength, the Company has been in a dramatic transformation process, including raw material integration, on the way of becoming the largest petrochemical complex in Europe. Petkim, which has an annual average gross production of 3 million tons, is committed to adding value to Turkey's national economy and being a source of pride by respecting people and using environment-friendly production technology contributing to Turkey's cultural, social and economic life.

With the only integrated petrochemical facilities in Turkey, Petkim is rapidly advancing toward its target of increasing capacity through value-added products.

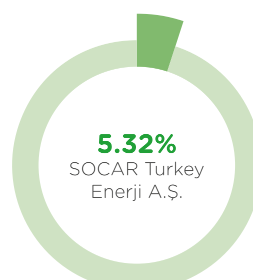
PETKİM AT A GLANCE

FIVE-YEAR KEY INDICATORS

(TL thousand)	2010	2011	2012	2013	2014
Total Assets	2,375,893	2,671,127	2,799,356	3,245,630	3,788,257
Net Sales	2,909,392	3,891,322	4,348,910	4,158,730	4,132,846
Net Profit (Loss)	130,085	102,341	24,605	48,897	8,679
Exports (US$ million)	531	834	1,041	816	564
Issued Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Investments	84,872	151,897	85,236	215,182	222,423
Number of Employees	2,457	2,585	2,401	2,457	2,425

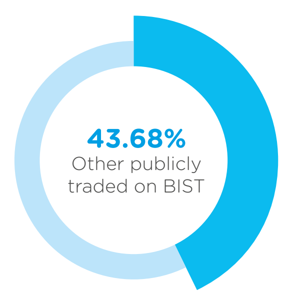
51,000,000,000
Number of Shares

510,000,000
Value (TL)



5,321,568,109
Number of Shares

53,215,681
Value (TL)

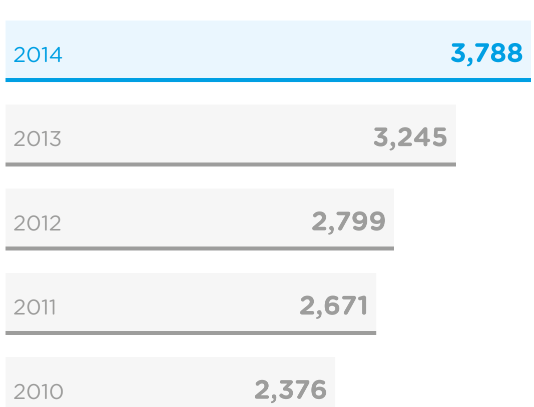


43,678,431,890
Number of Shares

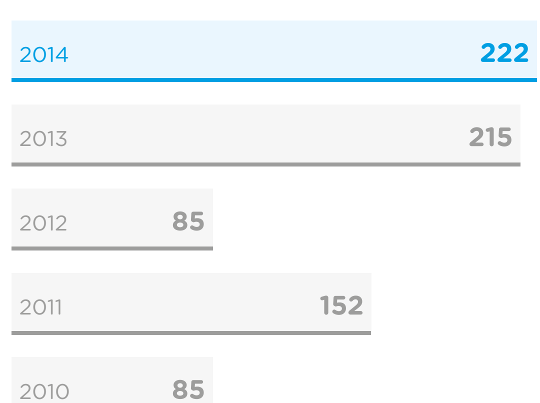
436,784,318
Value (TL)

0.00% Privatization Administration (Group C-Privileged Shares) 1 Number of Shares 0.01 Value (TL)

TOTAL ASSETS
(TL MILLION)



INVESTMENTS
(TL MILLION)



OUR VISION

- To sustain our leadership in the Turkish market through continuous growth.
- To be a major regional player in petrochemical industry.

OUR MISSION

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

OUR VALUES

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

A SAFE HARBOR IN A ROUGH MARKET

As a result of significant changes in oil prices and fluctuating foreign exchange rates affecting the economy, Petkim utilized its dynamic structure to make critical decisions and position itself in line with the market. Over the course of this period, the Company's real strategic value for Turkish industry became evident yet again.

PETKİM AT A GLANCE

Thanks to the Company's strong brand and reputation in both domestic and international markets, Petkim's solid operational performance continued throughout 2014.

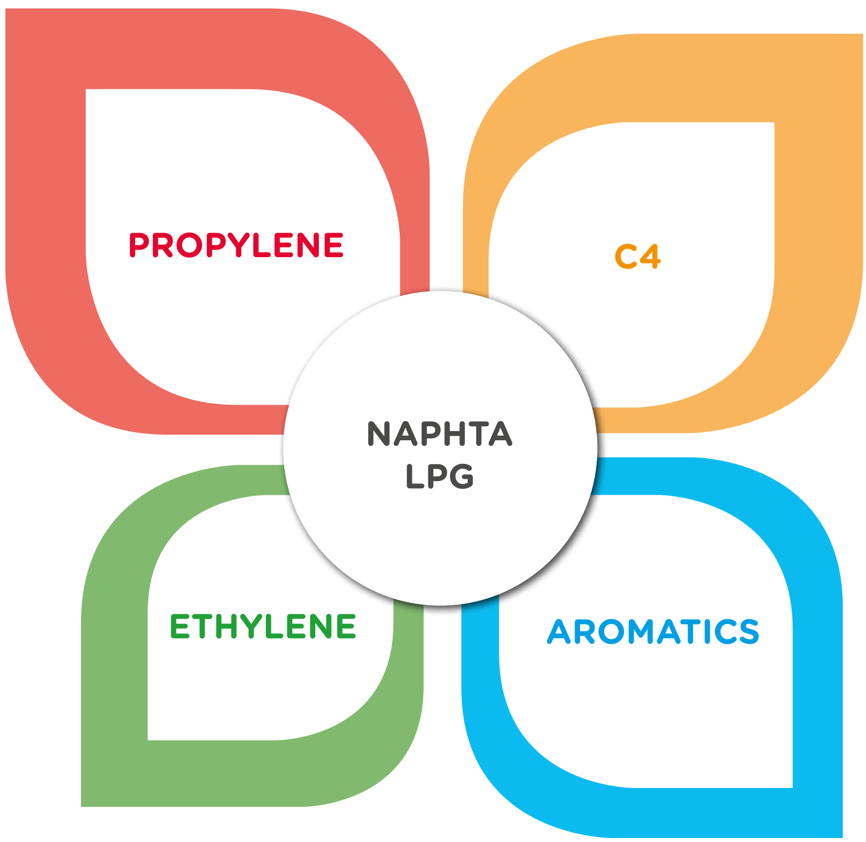
PRODUCTION BY YEARS (TONS)

PRODUCTS	2010	2011	2012	2013	2014
ETHYLENE	512,783	453,519	468,968	462,868	328,267
THERMOPLASTICS	**691,846**	**652,775**	**642,336**	**583,199**	**545,511**
PVC	148,294	145,491	146,042	120,679	105,375
LDPE	189,531	189,330	155,916	147,584	132,757
LDPE -T	138,175	105,527	140,321	121,178	142,883
HDPE	82,106	89,801	86,699	84,821	79,001
PP	133,740	122,626	113,358	108,937	85,495
FIBER RAW MATERIALS	**246,365**	**242,536**	**211,803**	**192,527**	**163,920**
ACN	94,045	98,072	95,084	87,724	75,135
PTA	73,668	60,269	28,645	28,112	15,621
MEG	78,653	84,195	88,074	76,691	73,164
OTHER PRODUCTS	**1,572,283**	**1,705,567**	**1,578,546**	**1,209,044**	**1,209,044**
PA	39,734	31,650	23,785	28,745	26,636
BENZENE	160,154	111,762	146,181	140,759	127,207
PROPYLENE (CG)	101,151	101,066	76,283	52,035	24,077
PROPYLENE (PG)	151,318	141,592	166,847	178,618	129,903
P-X	140,167	106,935	144,684	122,544	111,575
C4	138,244	143,020	155,786	149,933	103,054
PY-GAS	369,313	348,002	377,587	354,296	245,866
CHLORINE	92,191	79,032	82,506	74,007	62,828
SODIUM HYDROXIDE (100%)	105,107	87,672	92,730	83,333	71,139
VCM	141,639	128,790	139,772	118,200	90,938
OTHER	350,146	292,762	299,405	276,078	215,822
TOTAL	**3,240,159**	**2,921,113**	**3,028,674**	**2,817,140**	**2,246,742**

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, Acrylonitrile Butadiene Styrene (ABS) resins

BUTADIENE
Rubber, automotive tires



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

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

MEG
Polyester yarn, polyester film, antifreeze

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

MASTERBATCH
Plastic bags

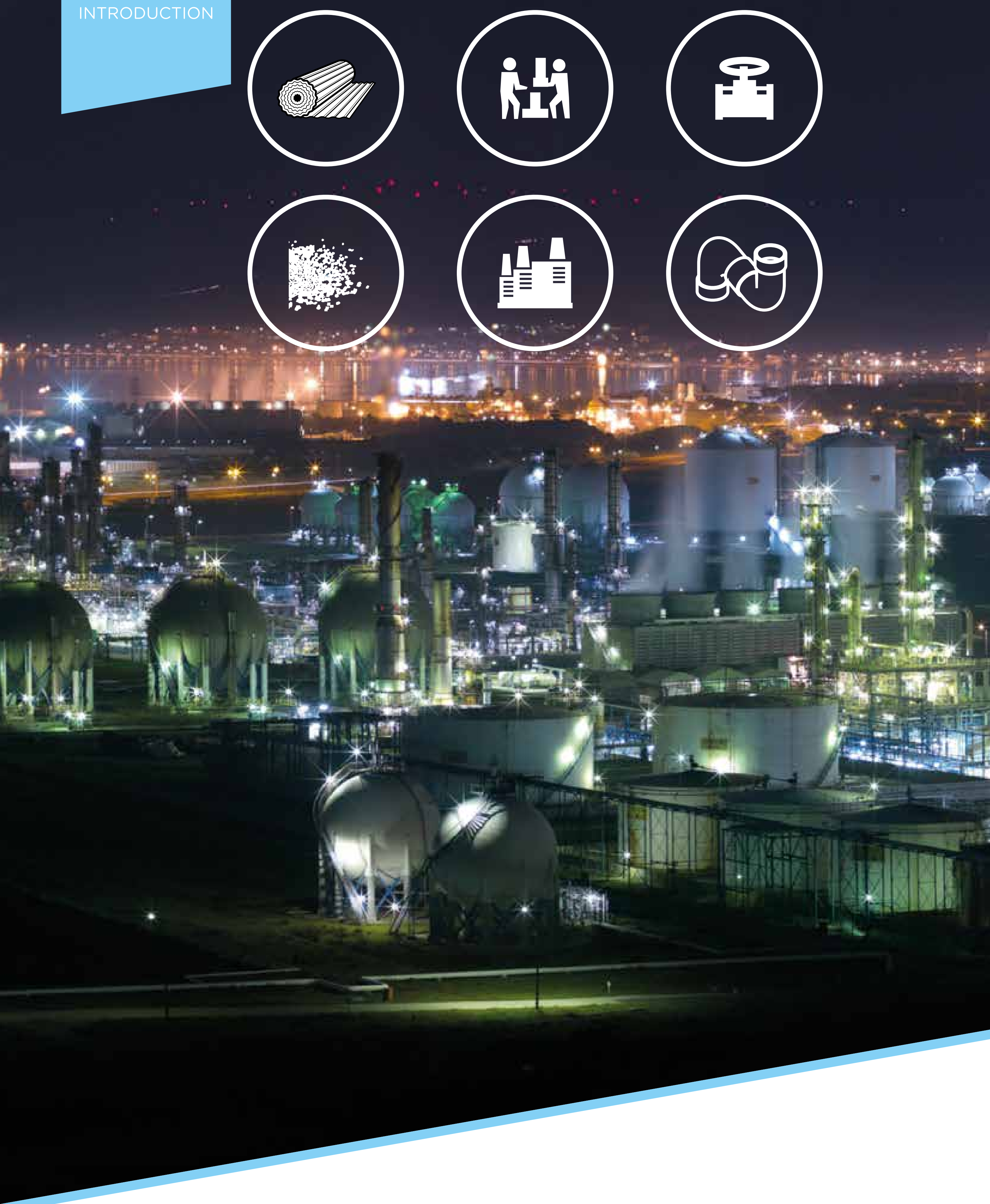
BENZENE
White goods, detergents

TOLUENE
Solvents, explosives, pharmaceuticals, cosmetics

PA
Pigments, plasticizers, synthetic chemicals, polyester

PTA
Polyester fiber, polyester resin, polyester film

PETKİM AT A GLANCE



PETKİM FACILITIES

PLANTS

Ethylene Plant
Capacity: **588,000** tons/year
Start up Date: 03/21/1985
Expansion Date: 2005

Low Density Polyethylene (LDPE) Plant
Capacity: **190,000** tons/year
Start up Date: 04/19/1985
Expansion Date: 1992, 2001

Tubular Low Density Polyethylene (LDPE-T) Plant
Capacity: **160,000** tons/year
Start up Date: 05/24/2005
Expansion Date: 2011

High Density Polyethylene (HDPE) Plant
Capacity: **96,000** tons/year
Start up Date: 07/23/1985
Expansion Date: 1993, 2001

Polypropylene (PP) Plant
Capacity: **144,000** tons/year
Start up Date: 08/04/1985
Expansion Date: 1993, 2005

Aromatics Plant
Capacity: **150,000** tons/year benzene
Start up Date: 03/22/1985
Expansion/Modification Date: 2005

Chlorine Alkali (CA) Plant
Capacity: **100,000** tons/year chlorine
Start up Date: 05/04/1985
Expansion Date: 2000

Vinyl Chloride Monomer (VCM) Plant
Capacity: **152,000** tons/year
Start up Date: 03/19/1986
Expansion Date: 1995, 2000, 2003

Polyvinyl Chloride (PVC) Plant
Capacity: **150,000** tons/year
Start up Date: 03/19/1986
Expansion Date: 1995, 2001

Acrylonitrile (ACN) Plant
Capacity: **90,000** tons/year
Start up Date: 08/15/1985
Expansion Date: 1993

Pure Terephthalic Acid (PTA) Plant
Capacity: **105,000** tons/year
Start up Date: 04/28/1987

Phthalic Anhydride (PA) Plant
Capacity: **49,000** tons/year
Start up Date: 12/19/1985
Expansion Date: 2012

Ethylene Glycol Plant
Capacity: **89,000** tons/year MEG
Start up Date: 12/19/1985

Plastic Processing Plant
FFS Roll Film Unit
Capacity**: 4,000** tons/year FFS Roll Film
Engineering and Supply Contractor:
Windmöller and Hölscher - Germany
Start up Date: 04/24/1986

Masterbatch Unit
Capacity: **10,000** tons/year
Engineering and Supply Contractor:
JSW - Japan
Start up Date: 04/14/1993

In 2014, the Company continued to create added value for Turkey by supplying all products demanded by the market with its robust production infrastructure.

PETKİM FACILITIES

AUXILIARY PROCESSING UNITS

Güzelhisar Dam
Rainfall Area: **450** km^2
Annual Average Rainfall: **500-600** kg/m^2
Water Level: **63** m. (min.), **104** m. (normal), **107** m. (max.)
Active Volume: **137** million m^3
Total Storage Volume: **150** million m^3

Water Purification Unit
Capacity: **8,578** m^3/hour
Start up Date: **1983**
Expansion Date: **2005**
Total Storage Capacity of Raw Water Basins: **80,000** m^3

Demineralized Water Unit
Capacity: **1,700** m^3/h
Start up Date: **1984**
Expansion Date: **1998, 2006**

Energy Production

Steam Production Unit
Installed Capacity: **1,200** tons/h XHS

Electricity Production-Distribution
Total Power Generated: **226** MW

Wastewater Treatment Plant
Capacity:
550 m^3/h Oily Wastewater
120 m^3/h Domestic Wastewater
1,000 m^3/h Chemical Wastewater

Solid-Liquid Waste Incinerator
Capacity:
0.85 tons/h Solid Waste
1.07 tons/h Treatment Sludge
0.34 tons/h Waste Oil

Port
2013 Ship Count: **505**
Handling Amount:
2,765,440 tons

With an infrastructure designed to work toward long-term strategic targets, Petkim has reached an annual production capacity of 3.6 million tons.

ORIENTED TOWARD SUSTAINABLE PROFITABILITY

As the only local petrochemical raw material producer for approximately 6 thousand industrial enterprises, Petkim plans its production processes around the concept of sustainable profitability. The Company's corporate governance rating is also improving as a result of an ever strengthening corporate structure.

PRINCIPAL FINANCIAL INDICATORS

Petkim's total asset size increased from TL 3.2 billion to TL 3.8 billion in 2014. In addition, the Company's equity rose from TL 1.7 billion to TL 2.2 billion.

2.2

EQUITY
(TL BILLION)

111

EBITDA
(TL MILLION)

Summary Balance Sheet (TL thousand)	2013	2014
Current Assets	1,700,413	1,767,709
Non-Current Assets	1,545,217	2,020,548
Total Assets	3,245,630	3,788,257
Short-term Liabilities	1,213,390	1,136,769
Long-term Liabilities	324,735	468,227
Equity	1,707,505	2,183,261
Total Equity and Liabilities	3,245,630	3,788,257

Summary Income Statement (TL thousand)*	2013	2014
Net Sales	4,158,730	4,132,846
Gross Profit	249,964	94,010
Operating Profit	72,696	-57,865
EBITDA	235,688	111,410
Net Profit for the Year	48,897	8,679

*Idle capacity expenses are not included in EBITDA 2013 and 2014 calculations.

KEY RATIOS	2013	2014
Current Ratio	1.40x	1.56x
Liquidity Ratio	0.84x	1.08x
Financial Leverage Ratio	0.47x	0.42x
Debt Ratio (Total Debt/Equity)	0.90x	0.74x
Gross Profit Margin (%)	6.01	2.27
Operating Profit Margin (%)	1.75	-1.40
EBITDA Margin (%)	5.67	2.70
Net Profit Margin (%)	1.18	0.21

In 2014, the total power generated at Petkim facilities was 226 MW, while steam production unit capacity stood at 1,200 tons/h XHS.

A STORY OF GROWTH

1965-1970

- Petkim Petrochemical Corporation was established with TL 250 million in capital.
- 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. Caprolactam units began production.
- Due to the rapid growth of the Turkish automotive industry, Petlas Lastik Sanayi A.Ş. was established to produce tires as of 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; Alpet Corporation and Yarpet Corporation.
- 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.
- 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 obtained 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 in order to increase chlorine production capacity to 100,000 tons/year at the Chlorine Alkali Plant were completed and production began.
- 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.
» 10,000 tons were added to the PVC plant capacity.
» The Çanakkale Plastic Processing Plant was shut down; its equipment was transferred to the Aliağa Complex.
» The construction and installation of the Solid-Liquid Waste Incineration Unit began operations in 2003.
» Petkim's dry cargo jetty was opened for service to third parties.

2005-2007

» The expansion of the Ethylen, LDPE and PP plants 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 programme 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. As a result of a US$ 90 million investment, the 57 MW gas turbine went into operation at the Steam Production and Electric Power Generation units in 2007.
» Elsewhere, the use of an FFS Roll Film-producing co-extruder unit was started for our Bag Production operations in 2007. With a view to replacing valve bags, FFS bag packaging was introduced gradually for all solid products.
» In addition, a privatization tender using the block sale method for the state-owned shares of Petkim, equivalent to a 51% stake in the Company, was announced. The tender, which was open to the public, took place on July 5, 2007. The sale of these 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

» On May 30, 2008, in a privatization tender again using the block sale method, 51% of Petkim's public shares were handed over to SOCAR & Turcas Petrochemical Company for US$ 2,040,000,000.
» A 1.3 million square meter 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 to increase raw materials flexibility. Petkim began cracking not only naphtha but also LPG.
» Within the scope of the Company's expansion plans, feasibility studies and detailed terminal plans were conducted for the Petkim Port.
» As a result of the Integrated Management System Certification Audit carried out by Turkish Standards Institute (TSI), the ISO 9001 Quality Management System was renewed. Petkim was granted the ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

Taken over by the SOCAR Group in a privatization tender administered by the Privatization Administration in 2008, Petkim promises a reliable future thanks to its astute investments.

A STORY OF GROWTH

2010

- 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, 2010.
- The enterprise Resource Planning Project (ERP) was launched on October 1, 2010 and all operational processes began being monitored through this initiative.
- Petkim's capital was increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.
- Petkim also received approval for its license application to the Energy Market Regulatory Authority (EMRA) for the construction of a wind power plant on December 15, 2010, as part of the EMRA decision numbered 2922-16.

2011

- In this year, the Company held the groundbreaking ceremony for the STAR Refinery located on the Petkim Peninsula.
- The Company also made further investments to expand the capacity of the LDPE-T Plant, increasing its capacity by 20%.
- In addition, the groundbreaking ceremony for the Heydar Aliyev Technical and Industrial Vocational High School took place.
- The Company's Atmospheric Nitrogen and Oxygen plant was handed over to French Air Liquide.
- Petkim's land in Yarımca was sold in a tender.
- An agreement to increase the capacity of Ethylene plant was also signed.
- Following the withdrawal of Turcas from the shareholding structure, 51% of Petkim shares were handed over to SOCAR Turkey Enerji A.Ş.

2012

- A preliminary agreement for operation of the container port was signed between Petlim Limancılık A.Ş., a 100% subsidiary of Petkim and APM Terminals, a Dutch-based company active in operation and management of container terminals. It will be built at Petkim production facilities by APMT.
- Following the expansion investment completed in August 2012, the capacity of the PA plant increased from 34,000 tons/year to 49,000 tons/year.
- In the National Awards of Quality, one of the most prestigious awards of Turkey, which was held in cooperation with TUSİAD and Kalder, Petkim was awarded National Quality Success Award in the category of Large-scale Institutions.
- A project to modify and increase the capacity of the Ethylene and PTA plants received the "Strategic Investment Incentive Certificate."
- Petkim received first prize in the large manufacturers category of the "Energy Efficiency Increase in Industry Project" competition. This initiative is organized by the Ministry Of Energy And Natural Resources, and comprises seven projects that provide TL 58 million/year profit and a reduction of 140,000 tons/year in CO_2 emissions.

» Also, by means of Petkim's contributions, the construction of the Heydar Aliyev Technical and Industrial Vocational High School was completed. Following completion, the school was handed over to the Aliağa Directorate of National Education.

2013

» Petkim was awarded with the grand prize in the Efficiency in Industry category of The National Energy Prizes contest.

» Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrialists consuming energy more than 500,000 TEP.

» Petkim crowned its customer oriented efforts with TS ISO 10002 Customer Satisfaction Management System Certificate.

» In line with the integration targets, an operation agreement was signed on February 22, 2013 with APMT BV and APM Terminals for the operation of the Container Port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).

» Petkim Academy was established.

» Petkim was awarded with four prizes in Successful Industrial Enterprises Ceremony, which is held every year by the Aegean Region Chamber of Industry.

» Excavation works for the Petkim Container Port were begun.

» With exports worth US$ 765,751,000, Petkim became the export leader of both the Aegean Region and the overall chemical industry in the region.

2014

» As part of the Petkim Wind Power Project, a final agreement was signed with Alstom.

» Following the purchase of 30% of shares worth US$ 250 million, Goldman Sachs became a shareholder of Petlim Limancılık A.Ş., a 100% subsidiary of Petkim.

» Capacity at the Ethylene plant was increased by 13% to 588,000 tons/year, while the capacity at the PTA plant reached 105,000 tons/year having risen from 70,000 tons/year. As a consequence, Petkim's gross production capacity increased by 13%. The plant underwent a comprehensive maintenance program as part of the broader structure of the Company.

» The Company's Corporate Governance Rating rose to 9.01, following a study carried out by Kobirate.

» The Plastic Processing Plant came online at its new location.

» Petkim received the ISO 27001 Information Security Management System Certificate developed by TSI.

» Furthermore, Petkim became one of the 15 companies listed on the BIST Sustainability Index.

Another achievement for Petkim in 2014 was its inclusion as one of the 15 companies in the BIST Sustainability Index.

EFFICIENT PRODUCTION PRINCIPLE

Thanks to a production approach based on efficiency and respect for the environment and human life, the Company became one of the six industrial enterprises listed on the BIST Sustainability Index. Energy efficiency is emphasized in all company operations, while projects designed to increase efficiency at plants and facilities are focused on intensely. The ongoing Wind Power Plant investment demonstrates the importance that Petkim places on finding new sources of energy generation.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

As one of the most prominent companies in Turkey, Petkim will celebrate its 50th anniversary as the quintessential reflection of the "One Nation, Two States" principle.

Distinguished shareholders and business partners,

Petkim made concerted efforts in 2014 to undertake more investment activities and maintenance projects. Following the quadrennial maintenance check which lasted for 120 days between July and November, the Company increased the capacities of its Ethylene and PTA plants. By the end of the year, the Company had initiated full-capacity production across all of its plants.

We would once again like to emphasize the importance of these investments in increasing our annual gross production capacity, which has risen by 400,000 tons to reach 3.6 million tons. In this way, we are actively contributing to the Turkish economy. These investments are clear evidence of the trust we place in the future of the economy. As the one and only local petrochemical product producer in Turkey, Petkim is the most important raw material supplier for the thousands of SMEs that comprise the backbone of the broader manufacturing industry. We are responsible for supporting the production and employment capacities of these companies, and the competitive environment in which they operate.

Petkim's 50th anniversary will be marked by a major investment on behalf of our Company. The first phase investment of the Petkim Container Port project, which was initiated in 2013, will be finalized in July of 2015. We project that the first ship will dock at the port by October, following the completion of all necessary permissions and processes. This significant investment will create the third biggest port in the country, with a starting capacity of 1.5 million TEU. It will be the largest integrated port in the Aegean Region, and will effectively symbolize the brotherhood between Turkey and Azerbaijan. The port project will also introduce the Dutch APM Terminals port operator to Turkey.

In 2014, investments in the private sector slowed down, and the economy was not among the priorities on the national agenda. Although there were partial disruptions in basic macroeconomic indicators such as inflation, GDP growth, and unemployment, our economy managed to complete the year without experiencing any serious turbulence.

As SOCAR Turkey and Petkim, with an investment portfolio of over US$ 20 billion in Turkey between 2008 and 2018, we are helping the country to realize its ambitious targets. We believe that without production power, a country cannot exist in the prevailing competitive environment. We aim to emphasize the importance of domestic production, and will attempt to keep it as a focus of Turkey's agenda.

Our ambition is to make additional investments. Our belief in the future of our countries, and the enjoyment we take from providing employment opportunities for many people, combine to make our work easier.

As the Chairman of the Board of Directors, I offer my congratulations on the 50th anniversary of Petkim, the embodiment of the principle of "One Nation, Two States."

I extend my gratitude to all our employees who have contributed to the success of our Company, and remember those who have passed away with my deepest respect.

With my deepest regards...

VAGİF ALİYEV
Chairman of the Board of Directors

4,133
(TL MILLION)
NET SALES

BOARD OF DIRECTORS

VAGİF ALİYEV
Chairman of the Board of Directors
SOCAR Turkey Petrokimya A.Ş. (Representative)
Born in 1959, Vagif Aliyev graduated from Azerbaijan Civil Engineering Institute's Hydraulic Engineering program in 1981.

Since 1981 Mr. Aliyev 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, he has been the Head of Investments at the State Oil Company of Azerbaijan Republic (SOCAR); since 2008, he has served as a member of the Board of Directors at Petkim Petrokimya Holding A.Ş. In October 2009, Mr. Aliyev was named Chairman of the Board of Directors at Petkim.

DAVID MAMMADOV
Vice Chairman of the Board of Directors
Born in 1955, David Mammadov graduated from the M. Azizbeyov Petroleum and Chemicals Institute, Azerbaijan, in 1980 with a Chemical Engineering degree.

He began his career in 1976 as an Operator at the Baku Oil Refinery; since 2005, he has served as Vice President in charge of refineries at the State Oil Company of Azerbaijan Republic (SOCAR). Since 2008, Mr. Mammadov has been a member of the Board of Directors at Petkim.

MUAMMER TÜRKER
Board Member
Directorate of Privatization Administration (Representative)
Muammer Türker was born in Kırıkkale in 1963 and completed his elementary and secondary education in Kayseri. He graduated from the Faculty of Political Sciences of Ankara University in 1986 and was appointed as candidate district governor in 1987. In 1988, he attended English Language and British Administrative System programs in Bournemouth, UK for a year. Between 1990-1992, he completed his Master's degree in the Department of Public Administration at Exeter University, UK.

Mr. Türker has served as District Governor in Orta-Çankırı, Bulanık-Muş and as Deputy Governor in Muş. Between 1996-2003, he assumed several positions in the Ministry of the Interior at the Department of Training, General Directorate of Local Authorities and Department of International and EU Affairs. In 2003, he was appointed as Deputy Undersecretary in the Ministry of Transportation and Communications. At this time, Mr. Türker participated in various projects dealing with transportation, telecommunications, informatics and satellite technology. Within the context of the screening process with the EU, he became coordinator for the Transport Policy and Trans-European Networks chapters. Mr. Türker has also served on the Board of Directors at Türk Telekom and Türksat companies. During 2006-2009, he served as the General Director of Security Affairs in the Prime Ministry. Following his post as Governor of Hakkari Province between 2009 and 2012, Mr. Türker was appointed Secretary General of the National Security Council on April 27, 2012. He was appointed as Governor of Antalya Province with a Governor's Decree published in the Official Gazette of the Republic of Turkey dated 16 September 2014. He was appointed as Governor of Antalya Province with the Governor's Decree published in the Official Gazette on 16 September 2014. Since May 8, 2012, he has served on the Board of Directors at Petkim as a representative of the Privatization Administration. Muammer Türker, who is fluent in English, is married and has three children.

*Muammer Türker complies with the requirements of the Capital Markets Board's Corporate Governance Principles for independent board members. He does not have a relationship with Petkim Petrokimya Holding A.Ş. and its related parties.

FARRUKH GASİMOV
Board Member
SOCAR Turkey Enerji A.Ş. (Representative)
Born in 1959 in Baku, Farrukh Gasimov graduated with a law degree from Baku State University in 1981 and earned his PhD from 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 on the Board of Petkim. Mr. Gasimov speaks English, Russian and Azerbaijani. He is married and has two children.

Kenan YAVUZ
Board Member
Born in Bayburt in 1959, Kenan Yavuz graduated from the Management Department of the Ankara Academy of Commercial and Economic Sciences in 1981.

In 1984, he received an MBA from the İstanbul University, Institute of Management Economics. Mr. 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, accounting, investment management, information systems and marketing. In 2000, Mr. Yavuz completed an advanced degree at Yeditepe University, Institute of Social Sciences and 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, Mr. 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, Mr. Yavuz continued to serve as General Manager.

On October 23, 2009, he was again appointed to the Board of Petkim. On November 9, 2009, was appointed CEO of SOCAR & TURCAS Energy Group A.Ş. Mr. Yavuz has served as President of SOCAR & TURCAS Group companies since September 4, 2010. Following the restructuring of SOCAR & Turcas Enerji A.Ş. on January 1, 2012 when the name of the Company changed to SOCAR Turkey Enerji A.Ş., Mr. Yavuz was appointed CEO of the new company.

Since 2009, he has served on the Board of Petkim. Mr. Yavuz has been a Board member of the Aegean Region Chamber of Industry. Presently, he is on the Board of the International Competition Research Institute (URAK) and the Chairman of the high advisory board of the Sustainable Development and Green Growth Association. Mr. Yavuz has various published interviews and articles in national and international media. Yavuz speaks English, is married and has two children.

BOARD OF DIRECTORS

HULUSİ KILIÇ*
Board Member
Born in Reşadiye (Tokat) in 1956, Hulusi Kılıç graduated from Reşadiye High School and the Department of French Language and Literature at Hacettepe University. He received a master's degree from the same department. He is also a graduate of the Strasbourg University, Faculty of Political Sciences, Department of International Relations. In 1975, he started his professional career at the Ministry of Foreign Affairs where he served in various posts and representations of Turkey abroad. From 2000 to 2005, he has assumed his duties as Consulate General of Turkey in Halep, Syria. In 2005, he took responsibility as Department Chair at the Department of Balkan Countries and served in the Directorate General of Protocol of the Ministry of Foreign Affairs as Deputy Directorate General with the title of Ambassador. From March 2008 to September 2012, he assumed the duties of Consul General of Turkey in Azerbaijan.

Hulusi Kılıç has been Director General for Bilateral Political Affairs at the Ministry of Foreign Affairs since October 2012.

He has published various articles; Bilateral Agreements signed between Turkey and Greece, Important Documents and Memos (October 1992) and Bilateral Agreements signed between Turkey and Greece, Important Documents and Memos in the Republican Period (October 2000). He was awarded Order of State (Friendship) of Azerbaijan in September 2012.

He speaks French and English, is married and has two children.

*Hulusi Kılıç complies with the requirements of the Capital Markets Board's Corporate Governance Principles for independent Board members. He does not have a relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.

İLHAMİ ÖZŞAHİN
Board Member
Born in Kastamonu in 1950, İlhami Özşahin graduated with a degree in Electric Engineering from İstanbul State Architecture Engineering Faculty. In 1976, Mr. Özşahin started his professional career at TEK as a System Operating Engineer, and in 1995 he was appointed as the TEAŞ Load Dispatching Department Chair. At the end of 2000 he was appointed as Counselor in the General Management of TEAŞ. From 1995 to 2000, he also served as Chair of the TEAŞ Environmental Department and Scientific Inspection and Efficiency Department. From 2002 to 2003, he served as Energy Specialist at the Energy Market Regulatory Authority, and in March 2003 he was appointed as General Manager and Board Chair in Türkiye Elektrik İletim A.Ş., retiring in 2009. Over the course of his career, he attended various domestic and overseas short-term education activities and received long-term educational training related to energy planning and coordination in Japan, and completed Energy Management studies in England. Mr. Özşahin still works as an independent consultant and is married with three children.

*İlhami Özşahin complies the requirements of Capital Markets Board's Corporate Governance Principles of independent board member. He does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.

PROF. DR. MEHMET EMİN BİRPINAR
Board Member

Born in Konya in 1966, Professor Mehmet Emin Birpınar graduated from the Department of Civil Engineering of Yıldız Technical University in İstanbul. He completed a master's degree and PhD in the Department of Civil Engineering at Yıldız Technical University. He also completed a master's degree in Civil Engineering in Italy in 1991, and at Delft University of Technology in the Netherlands in 1994. Becoming a Professor in 2009, he is also a faculty member at Yıldız Technical University.

Professor Birpınar was appointed as Deputy Undersecretary to the Ministry of Environment and Urbanization in 2013. Prior to this post, he held the position of the Provincial Director of İstanbul at the Ministry of Environment and Urbanization from 2011 to 2012, and served in the former Ministry of Environment and Forestry from 2003 to 2011.

Professor Birpınar was elected as President of the Bureau of the Barcelona Convention for the 2014-2015 term at the 18th Meeting of the Contracting Parties held in İstanbul in December 2013. In addition to being a member of the Water Engineering Research and Development Center (WERDEC), the International Association for Hydro-Environment Engineering and Research (IAHR), and the American Society of Civil Engineers (ASCE), Professor Birpınar is also a member of the board of directors in several other institutions and foundations. He has published more than a hundred articles and scientific papers in national and international congresses and scientific magazines. He also contributes articles to newspapers.

SÜLEYMAN GASİMOV
Board Member

Süleyman Gasimov was born in the village of Fakhraly in the Bolnisi district of Georgia on December 26, 1961. He graduated from the Azerbaijan National Economic Institute (now Azerbaijan State Economic University) in 1982 and from Academy of Public Administration under the President of the Republic of Azerbaijan in 2003. He worked in various positions- accountant, economist, deputy chief accountant and chief accountant- in the oil and gas industry from 1982 to 1991. Between 1991-2003, he was a chief accountant at the Khazardenizneftgas (Caspian Sea Oil and Gas) Production Unit of Azerineft (Azeri Oil) Oil and Gas Production Department, Offshore Oil and Gas Production Unit. In 2004-2006, he was Chief of Division of Economics and Accounting Department of SOCAR, Deputy Chief of the Department and Chief of the Department. In 2006, Mr. Gasimov became the Company's Vice President responsible for economic issues. In 2006, he was presented with the Taraggi (Progress) Medal and in 2011, the Shohrat (Glory) Order. He has a PhD in Economics and is the author of one scientific work and more than 15 scientific articles and is a member of the New Azerbaijan Party. He is married and has two children.

MESSAGE FROM THE GENERAL MANAGER

Following privatization in 2008, Petkim has been making annual investments to increase its market share. Petkim completed 13% of the capacity expansion planned for the Ethylene plant which received the strategic investment incentive certificate, and 50% of the PTA plant. Both plants were subsequently put into operation. As a result, Petkim's gross production capacity increased by 13% to reach a total of 3.6 million tons/year. As part of its expansion program, regular planned maintenance checks were carried out at intervals of four to five years.

Distinguished shareholders and Business Partners,

In 2014, Turkey was heavily affected on both an economically and socially by the change in oil prices, fluctuations in foreign currency exchange, and international political crises. As a result of the crisis that broke out between Russia and Ukraine, oil prices recorded a 48% drop on the previous year. These developments led to reversals and revisions of investment decisions in the petrochemical industry on a global scale.

OUR AIM IS SUSTAINABLE PROFITABILITY

Despite the unfavorable developments in the economy during the year, Petkim left behind a successful activity period and exceeded its financial and operational targets. In spite of the fragilities, our Company once more succeeded to create difference against its competitors by turning the crisis to opportunity thanks to its strong industrial infrastructure. No doubt that, it is the pride of our employees as well as our shareholders, customers and all of our business partners primarily including our suppliers. As the only local petrochemical raw material producer for about 6,000 industrial institutions, Petkim plans all of its activities with the concept of sustainable profitability in mind. In 2014, Petkim closed the year with a turnover of more than TL 4.13 billion, by implementing policies focused on customers and the market, and by utilizing dynamic and agile decision mechanisms that are reactive to prevailing market conditions. Our successful performance can be seen in our activity results, showing that we have made profit in spite of developments in the oil markets and foreign currencies. Our gross profit was recorded at TL 94 million, while our net profit reached a total of TL 8.6 million. Our EBITDA stood at TL 111.4 million. Despite the 120-day scheduled maintenance and investment programs, the export volume of our Company, which was US$ 563.5 million, constituted a significant portion of our total sales.

PARTNERSHIPS WITH INTERNATIONAL INVESTORS

Thanks to our main shareholder SOCAR Turkey's strong support, Petkim continues its investments with great determination in line with the vision of 'Value-Site 2023', which is focused on ensuring the refinery-petrochemical-energy-logistics integration. Hence, our Company takes solid steps forward to move up the value added chain from crude oil to final product and to become one of the Europe's largest manufacturing centers.

In 2014, our main shareholder SOCAR finalized most of the infrastructure and excavation operations for the STAR Refinery Project, the most important step of the integration process. To complete the US$ 3.3 billion part of the investment, which will ultimately reach a total of US$ 5.6 billion, the Company signed a credit agreement with an 18-year term, the longest in Turkish history, with 23 international financial institutions.

Petkim Container Port, set to transform Aliağa Peninsula into a national logistics base, is on the verge of completion; it is expected to receive its first ship in fall of 2015. Following the purchase of 30% of shares at a value of US$ 250 million, Goldman Sachs became a shareholder in the port. Petkim and APM Terminals, the Dutch port management company, signed a 28-year agreement for the operation of the facility.

DYNAMIC AND AGILE DECISIONS

In response to fluctuations in demand, currency exchange rates and prices were managed in an efficient manner. Petkim made quick and effective decisions in the face of these challenges, and positioned itself in line with the market. To this end the Company successfully applied a market-focused dynamic planning model to evaluate a range of cost variables on the production side, as well as ever-changing market conditions on the sales side. Over the course of this period, Petkim's real strategic value for Turkish industry became evident once again.

CLOSER TIES WITH CUSTOMERS

With a focus on the diversification of information and communications channels to establish closer relations with customers, in 2014 Petkim increased the number of regional meetings that serve as meeting points for its clients from different industries. It also participated in sector fairs in a more active way. By evaluating the demands of customers on the spot, Petkim also developed new financial instruments particularly aimed at small and medium-sized enterprises. The Company increased the number of training sessions for industrial firms through Petkim Academy, while the production processes of these businesses were closely monitored through technical support visits.

13%

INCREASE IN PRODUCTION CAPACITY

MESSAGE FROM THE GENERAL MANAGER

According to rating assessments made in line with the Capital Markets Board's Corporate Governance Principles, our Corporate Governance Rating rose to 9.01 (90.1%), up from a 2013 rating of 8.97 (89.7%).

Presenting the knowledge and experience it has accumulated over the past 50 years for the quality of its products, Petkim also launched its RD Center recently. Our new RD Center provides services for all customer or non-customer industrial companies, as well as the Company's own plants.

Our monthly publication, Petkim E-bulletin provides extensive and regular information to customers about movements in basic economic indicators, news from petrochemical industry, changes in prices as well as new products and technological developments in the sector.

13% INCREASE IN PRODUCTION CAPACITY

Petkim completed 13% of the capacity expansion of its Ethylene plant, which received a strategic investment incentive certificate, and 50% of the PTA plant expansion. Both plants were later successfully put into operation. The Company has been making investments to increase its market share every year following its privatization in 2008. As a result, its gross production capacity has increased by 13%, reaching 3.6 million tons/year. As part of this process, planned maintenance checks have been carried out every four or five years.

Aiming for sustainable growth, Petkim decided to establish a Wind Power Plant (WPP) by focusing more on energy diversification. In this context, the Company signed an agreement with Alstom for a WPP, at an investment value of € 54 million and a capacity of 51 MW. The project will be completed in two separate phases. The first phase of Petkim WPP, which will increase Petkim's electric power capacity by 12%, will be completed in mid-2016.

INFORMATION AND SOURCES SECURED

Systematically and sensitively considering its employees' opinions since 2004, Petkim launched "In My Opinion", a new employee suggestion system in 2013. By courtesy of this platform, our Company aims to effectively evaluate its employees' accumulation of knowledge and thus enhance its business processes.

As the only local petrochemical raw material producer, Petkim received the ISO 27001 Information Security Management System Certificate developed by TSI. With the combined aims of institutionalization, integrity, usability, and privacy of information and information sources, Petkim joined the ranks of international companies that actively invest in information security. Being a public company, information security is one of the most important system standards for us, as part of our responsibilities to our shareholders.

THE BIST SUSTAINABILITY INDEX

By means of to a production approach that is based on efficiency and respect for the environment and human life, the Company became one of the 15 companies listed on the BIST Sustainability Index. Regarded as one of the key reference points for international investors, the BIST Sustainability Index has only six industrial companies, including Petkim. Energy efficiency was highlighted in all areas while projects to increase efficiency at the plants became more of a focus.

According to rating assessments made in line with the Capital Markets Board's Corporate Governance Principles, our Corporate Governance Rating rose to 9.01 (90.1%) from a 2013 rating of 8.97 (89.7%).

Carrying out its production activities in line with the principle of environmental sustainability, in 2013, Petkim successfully continued its efforts towards the targets of decreasing unit consumption of raw material, energy and water as well as increasing recycling ratio and reducing greenhouse gas emissions.

Petkim is a highly valuable brand and production power for our country; our target is to carry its half century of success to the future years. I would like to express my gratitude to all of our stakeholders who contributed to realization of our targets or will continue to contribute in the period ahead.

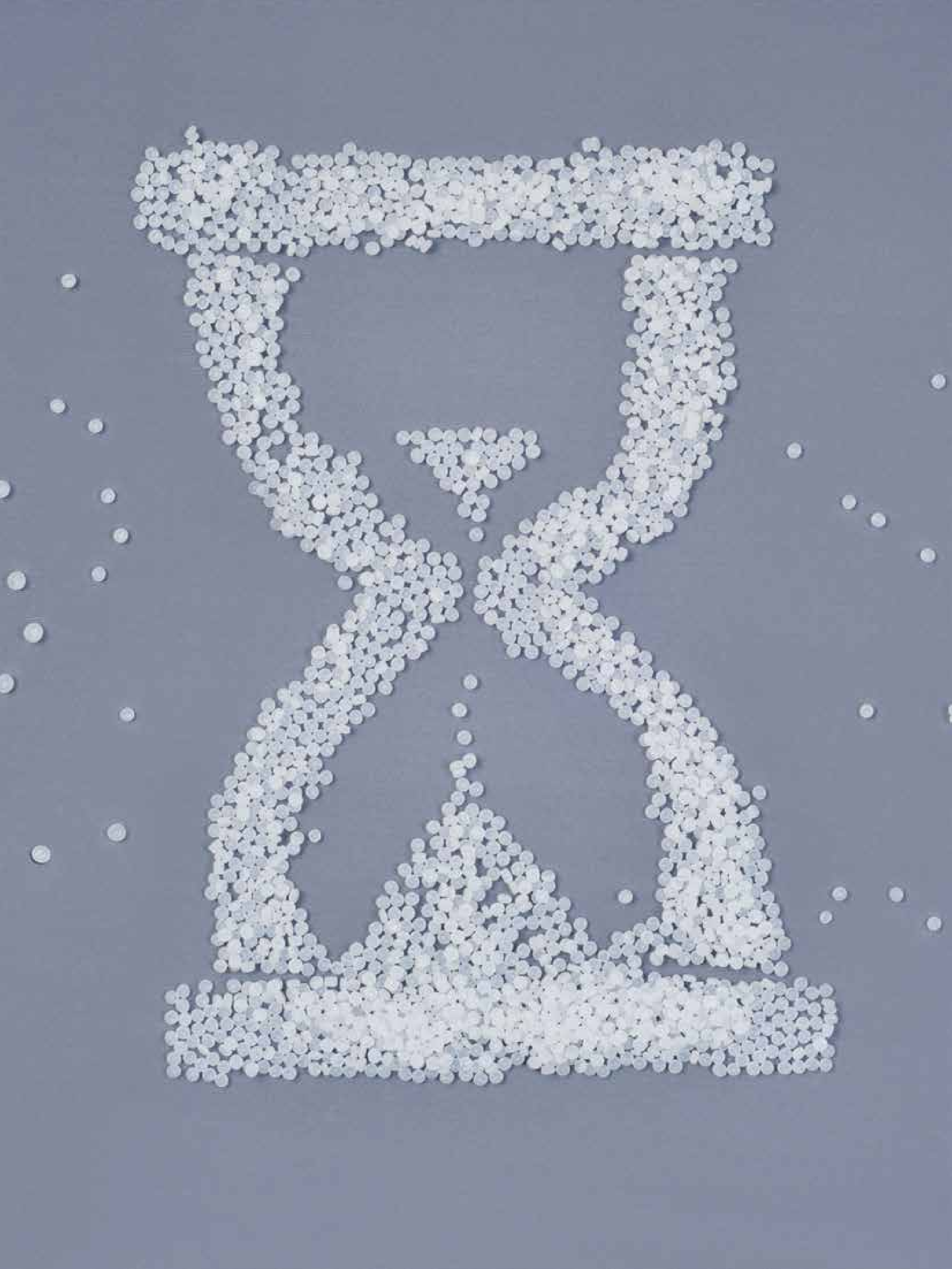
Kind regards,

Sadettin KORKUT
General Manager

We place great importance on diversifed of energy sources on Petkim Peninsula. To this end, we intend to establish a 51 MW Wind Power Plant worth € 54 million.

EXPERIENCE DATING BACK HALF A CENTURY

Presenting the knowl-how and experience it has accumulated over the past 50 years in the quality of its products, Petkim also launched an R&D Center recently. In addition, the Company received ISO 27001 Information Security Management System Certification, thereby raising its information security operations to international standards.



EXECUTIVE MANAGEMENT

SADETTİN KORKUT
General Manager
Born in 1960 in İzmir, Sadettin Korkut graduated from İzmir Atatürk High School and Dokuz Eylül University, Department of Business Administration and Marketing. He began his professional career in 1983. He worked as a Sales Inspector for food sector companies such as Sultan Pazarlama A.Ş and Eti Pazarlama A.Ş. until 1988. From 1988 to 1993, he served as Regional Sales Manager at Ülker Gıda A.Ş. between 1993-2007 he was employed at Polinas Plastik San. A.Ş., as Sales and Marketing Manager, Assistant General Manager, General Manager, a member of the Board of Directors, respectively.

Mr. Korkut worked for Ülker Group for 19 years and then assumed the position of General Manager at İmaj Ambalaj A.Ş. from 2007 until 2010. For the next two years, he served as General Manager at Naksan Plastik ve Enerji A.Ş., a subsidiary of Naksan Holding. On December 20, 2012, he was appointed General Manager of Petkim Petrokimya Holding A.Ş.

Over the course of his professional career, Mr. Korkut has assumed several positions and duties in sectoral non-governmental organizations. He is currently the Chairman of the Board of the Packaging Manufacturers Association (ASD), the Union of Chambers and Commodity Exchanges of Turkey (TOBB) Packaging Assembly Vice President, Member of the Assembly at the Chamber of Industry of the Aegean Region (EBSO), the 24th Chairman of the Committee of the Chemical Products Industry, Board Member of the İstanbul Chemicals and Chemical Products Exporters Association (İKMİB), Board Member of the Union of Chemical Petroleum Rubber And Plastic Industry Employers Of Turkey (KİPLAS), Member of the Development Committee at İzmir Development Agency (İZKA), and Member of the Economic Development Coordination Committee.

Mr. Korkut speaks English. He is married and has a daughter.

NİHAT GÜRBÜZ
Assistant General Manager (Operations)
Born in the Evciler village of İvrindi, Balıkesir, Nihat Gürbüz graduated from the Ankara University Faculty of Chemical Engineering in 1975.

Between 1975 and 1983, he worked as Project, Planning, and Operations Engineer at Sümerbank's chemical and textile plants. On August 22 1983, he began to work at Petkim Aliağa Petrochemical Complex as a Production Engineer. He later served as Engineer, Chief Engineer, Assistant Manager, and Manager of Production at the VCM, PP, and Ethylene plants. On October 13, 2004, he was appointed Department Head responsible for production in the plants. Between June 4, 2008 and October 1, 2011, he took the position of Production Group Manager responsible for production and maintenance. Since October 2011, he has served as Assistant General Manager responsible for Operations.

Mr. Gürbüz, who has 36 years of professional experience, speaks English. He is married and has two children.

ALİ EKREM ASLAN
Assistant General Manager (Asset Management)
Born in 1967 in Kilis, Ali Ekrem ASLAN graduated from the Department of Chemical Engineering at the Hacettepe University Faculty of Engineering in 1990.

He began his professional life as an Operations Engineer in Nuh Çimento in 1992. Mr. Aslan began working at Petkim Petrokimya Holding A.Ş. in February 1993, and served as an Engineer and Expert Engineer at the PIF and LDPE plants from 1993 to 2003; as Chief Engineer/Manager at the LDPE-T Plant from 2003 to 2006; and as Production Planning and Control Manager between 2006 and 2008. In 2009, he became Business Transformation Manager, directly responsible to the General Manager. From November 2009 to October 1, 2011, he worked as Business Transformation & ERP/MES Group Manager at Petkim Petrokimya Holding A.Ş.

On October 1, 2011, he was appointed Assistant General Manager responsible for Asset Management. Mr. Aslan speaks English. He is married and has three children.

NATİG DAMIROV
Assistant General Manager (Purchasing)
Natig Damirov was born in 1980, in Şirvan (Ali Bayramlı), Azerbaijan. He graduated from the Department of Industrial Engineering at Yıldız Teknik University, Faculty of Mechanical Engineering.

In 2003, he began his professional career at TEKFEN-AZFEN Alyans in Baku as a Coordinator/Quality Control Engineer. Then, in 2005, he began working as Project Manager at Baku-Yevlakh DAN Ltd. In 2009, he joined Petkim Petrokimya Holding A.Ş. as a Purchasing Executive, and became Purchasing Manager in 2010.

Since 2011, he has served as Assistant General Manager of Procurement. Mr. Damirov speaks Turkish, English, and Russian, and is married with three children.

RİZA BOZOKLAR (Finance)
Assistant General Manager
Riza Bozoklar was born in 1969 in İzmir. He is a graduate of İzmir Saint Joseph College, İzmir Sciences High School and Bosphorus University Industrial Engineering Department; he earned his MBA at Bilgi University. Mr. Bozoklar completed Paris Essec University Delphi Management Programme and is currently pursuing his PhD in Financial Economics at Doğuş University. His 21 years of job experience has been in industrial field; he has spent 5.5 years working in Italy and France. His career began at the Italcementi Group, where he has served as CFO in the Group Companies of Fiat and Ata Holding, Delphi Automotive and finally Çimko A.Ş., a joint venture of Sanko Holding and Barbetti.

Riza Bozoklar is married and has two children. He speaks Italian, French, and English fluently; he is also CPA degree.

EXECUTIVE MANAGEMENT

MEHMET FATİH KARAKAYA
Assistant General Manager (Sales and Marketing)
Born in 1978 in Erzincan, Fatih Karakaya graduated from the Middle East Technical University, Department of Electrical and Electronics Engineering in 2000. Mr. Karakaya earned an MBA and completed his PhD course work with the highest GPA in the Business Administration Department of Yeditepe University; he is currently working on his thesis.

He began his professional career as a manager and consultant for consultancy companies. Mr. Karakaya worked as Turkey Sales Manager responsible for Key Customers and Dealers at Sanko Holding Airfel A.Ş. and Executive Assistant to the Chairman of the Board at BİM Birleşik Mağazalar A.Ş., where he was Purchasing Group Manager from 2008 to 2012.

He has worked as Commerce Director at SOCAR Türkiye Enerji A.Ş. since July 2, 2012 and as Assistant General Manager responsible for Sales and Marketing at Petkim Holding A.Ş. since July 24, 2012.

As Chairman of the Board of the Association of All University Students (TUNİDER), Mr. Karakaya has assumed important positions in non-governmental organizations. Mr. Karakaya has written various articles and scientific papers published in academic journals, international business conference books, magazines and newspapers on the topics of Institutionalization in Family-owned Companies, Retail Category Management, Integrated Marketing Communication and Leadership. He has published a book entitled the DNA of Sales and a visual training kit.

M. Fatih Karakaya is a fluent English speaker, and is married with one child.

ALTAY ÖZGÜR
Assistant General Manager (Human Resources)
Altay Özgür was born in 1972. He graduated from the Guidance and Psychological Counseling Department of Middle East Technical University in 1995 and completed the Human Resources Certificate Program of Manitoba University in Canada in 2008.

Mr. Özgür started his professional career as Assistant Human Resources Specialist within the Ülker Group, followed by positions as Personnel Unit Head, Human Resources Manager, and Foreign Investments Human Resources Manager in the same group of companies between 1997 and 2008. His career path continued with the positions of Human Resources Department Manager and Department Head for Ziraat Bank from 2009 to 2011, and as the Human Resources and Administrative Department Manager for OMP Petrol Office between 2012 and 2013.

Mr. Özgür also held the position of Human Resources Coordinator for SOCAR Türkiye A.Ş. in 2014, and he was appointed Assistant General Manager of the Human Resources Department for Petkim Holding A.Ş. in 2015.

He has 18 years of experience in the areas of Recruitment Processes Management, Performance Appraisal and Career Planning Management, Management of Organizational Development Projects of Human Resources, Establishment and Management of Compensation Systems, and Procedures, Regulations, and Preparation for Process Flows, Payroll, and Personnel Implementation Management.

Mr. Özgür is married and has one child. He speaks English.

In 2014, Petkim demonstrated its dynamic management structure across the full range of the Company's operations, from production to sales and marketing, purchasing to finance, asset management to human resources.

SOCAR TURKEY

Between Turkey and Azerbaijan, and SOCAR Turkey continuously works to strengthen the existing bonds between these two brother countries as we move into the future.

As the most important representative of economic cooperation between Turkey and Azerbaijan, SOCAR Turkey is sustaining its strategic partnership, which began with the purchase of Petkim in 2008, in new ways each year. It is continuing to pursue its ambitious initiatives in Turkey, and strives to embody the principle of "One Nation, Two States" of the late founder and President of Azerbaijan Heydar Aliyev. Its activities are a concrete example of economic cooperation between Turkey and Azerbaijan, and SOCAR Turkey continuously works to strengthen the existing bonds between these two brother countries as we move forward into the future. At the 100th anniversary of our Republic, through its multi-million dollar 'Value-Site 2023' project on the Petkim Peninsula, SOCAR Turkey remains committed to adding value to the Turkish economy.

FIRST PRIVATE SECTOR REFINERY INVESTMENT

As one of the biggest energy operations in the area, with investments worth US$ 5.6 billion, the STAR Refinery is nearing completion on the Petkim Peninsula, it is expected to be put into operation in the beginning of 2018. The refinery will be the first such facility to start production in Turkey since 1984.

STAR Refinery will constitute an important step for SOCAR Turkey's future developments on the Petkim Peninsula, providing raw material security for the country.

Furthermore, when in production, the refinery will save billions of dollars normally spent on the importation of products that are not produced domestically. With a 10-million-ton capacity, the refinery is expected to establish a strong competitive advantage and create added value both for regional and domestic economies. When the investment phases of the Value-Site 2023 project are complete, İzmir's Aliağa Peninsula will host Turkey's first Chemical Industry Park, providing a significant developmental leap for Turkish industry.

BIGGEST PORT IN THE AEGEAN REGION

Petlim Container Port, which is being constructed in the Petkim Peninsula and will be in operation in the last quarter of 2015, will become one of Turkey's biggest ports. Investment in the port and its refinery will accelerate the pace of the Turkish economy in anticipation of export and foreign trade targets for 2023.

Having signed an agreement with the globally renowned Dutch company APM Terminals on February 22, 2013 for Petlim Container Terminal, SOCAR Turkey launched the project with an event in Copenhagen on March 20, 2013. Turkish President Recep Tayyip Erdoğan participated in this historic event.

Making concerted efforts to ensure that all of its projects are on a global-scale and are integrated with operations in the rest of the world, SOCAR Turkey signed a partnership agreement for Petlim that will serve as the basis for long-term strategic cooperation with Goldman Sachs, one of the biggest investment banks in the world.

TANAP: EUROPE'S NEW ENERGY CORRIDOR

Apart from its investments in the Petkim Peninsula, SOCAR Turkey is actively working to complete another important project that will have a considerable effect on the country and its economy. Estimated to be put into operation in 2018, the TANAP line will transform Turkey into an energy corridor stretching from the Caucasus to Europe. Developed to carry natural gas extracted from the Shah Deniz-2 gas field in the Azerbaijani Caspian Sea to Europe via Turkey, TANAP will turn both countries into the most important players in the sector. The 1,850 km pipeline which starts in Ardahan on the eastern border of Turkey, and stretches across 20 provinces to Edirne in the west of the country, will make Turkey and Azerbaijan into Europe's principal alternative natural gas suppliers.

SOCAR GAZ TICARETI A.Ş. AS AN ALTERNATIVE SOURCE FOR NATURAL GAS

By having facilitated the importation and sale of natural gas to Turkey and Europe since January 1, 2013, SOCAR Gaz Ticareti A.Ş. and SOCAR Turkey are providing Azerbaijani gas as an alternative source for the Turkish market at a more attractive price. The aim is to gain a 20% market share in the Turkish natural gas supply market, introducing a new alternative to the sector. Upon the completion of TANAP and the increase in the volume of natural gas obtained from SOCAR's own sources, SOCAR Gaz will become the most prominent player in the market.

FIBER-OPTIC NETWORK TO STRETCH TO 20 PROVINCES

The SOCAR Fiber Optic Network is a communications infrastructure project that will be rolled out in parallel with the TANAP Natural Gas Pipeline. Encompassing regions from the Georgian to Greek borders, the fiber-optic network will cover over 20 provinces. SOCAR Turkey will create added value for Turkey through the completion of this project. With the infrastructure and services provided as part of this strategic network, operator companies with services in the region and in the rest of the world will benefit from the capacity increase and back-up facilities offered by other telecommunications companies.

PETKIM INCREASES PRODUCTION

SOCAR Turkey added another chapter to the success story of Petkim, the only petrochemical raw material producer in Turkey, with strategic investments in several facilities. Investments made at the Ethylene and the PTA plants have allowed Petkim's gross production capacity to increase by 13%, reaching 3.6 million tons/year compared with 3.2 million tons/year at year-end 2013. Scheduled maintenance checks at a number of plants were finalized, and these facilities were successfully put back into operation.

PETKIM WPP: POWER AND CLEANER AIR

With an investment worth € 54 million, the Company is aiming to establish a wind power plant with a capacity of 51 MW, the first phase of which will be 27 MW and the second phase 24 MW. Petkim WPP will produce clean energy for Petkim Peninsula, and it is expected to improve the air quality of the industrial area.

INNOVATIVE DOMESTIC PRODUCTION

SOCAR Turkey will always support innovative domestic production, and is aiming to provide more quality products in this field in coming years. Investment in research and development projects plays an important role in furthering domestic capacity. Petkim's own R&D Center utilizes its strong infrastructure and advanced equipment for the projects it is carrying out for product development, energy saving, cost saving, and environmental activity.

MARCHING TO THE TARGET WITH STRONGER STEPS WITH FULL ENERGY

Within the context of all of these ongoing investments, SOCAR Turkey has only one goal. The Company aims to be one of the biggest production powers in Turkey through the successful integration of its refining, petrochemical, energy, logistics, and distribution operations by 2023.

SOCAR Turkey is actively pursuing the completion of this goal, and hopes to put the added value chain into use, starting with raw oil and ending with the final product. In this way we will reduce Turkey's dependence on international products, and transform the Petkim Peninsula into one of the biggest production centers in Europe. Our first goal is to become one of the three biggest industrial companies in the country, with a consolidated turnover of US$ 15 billion by 2018.

By opening a new page in the history of these two brother countries, SOCAR Turkey feels obligated to support them on the path to development and independence, and to create added value at the highest levels to create an example for the rest of the world.

SOCAR Turkey aims to be always beside domestic and innovative production and provide more quality products to this end.

ACTIVITIES IN 2014

With support from SOCAR, the Company's main shareholder, Petkim conducted business with a focus on value-added solutions throughout 2014, in areas ranging from production to sales and marketing, and from human resources to social responsibility projects.

PRODUCTION

2014 was a busy year for Petkim due to general maintenance schedules and rehabilitation of plants. Investments of increasing capacity at its Ethylene and PTA plants were conducted.

Programmed production stood at 84%. Capacity usage rates were affected by the maintenance operations, and were as follows: 63% for Ethylene, 66% for fiber raw materials, 74% for thermoplastic products, 67% for other products, and 68% for complex processes. The LDPE-T Plant reached record levels of production.

The expansion investment at the Ethylene plant was completed in November 2014, and the ethylene production capacity increased by 13% as a result, from 520,000 tons/year to 588,000 tons/year.

The capacity increase and investments to improve production processes at the Pure Terephthalic Acid (PTA) plant were finalized in the beginning of 2015. Capacity was increased by 50% from 70,000 tons/year to 105,000 tons/year. Furthermore, there was also an increase in the quality of the PTA output and in energy efficiency.

Within the scope of rehabilitation investment and works undertaken during planned maintenance programs, the changeover to DCS at the Ethylene Oxide/Ethylene Glycol plant, the change of compressors in the cooling system at the Vinyl Chloride Monomer (VCM) plant, and the renewal of the sparger at the Acrylonitrile (ACN) plant and reactors at the Aromatics plant, efficiency was increased and operational and environmental risks were reduced.

The reactor jacket heat recovery project at the Low Density Polyethylene (LDPE) plant allowed the Company to save energy. Efficiency in raw materials production was also achieved through the reduction of film thickness from 120 microns to 115 microns at the Plastics Processing plant.

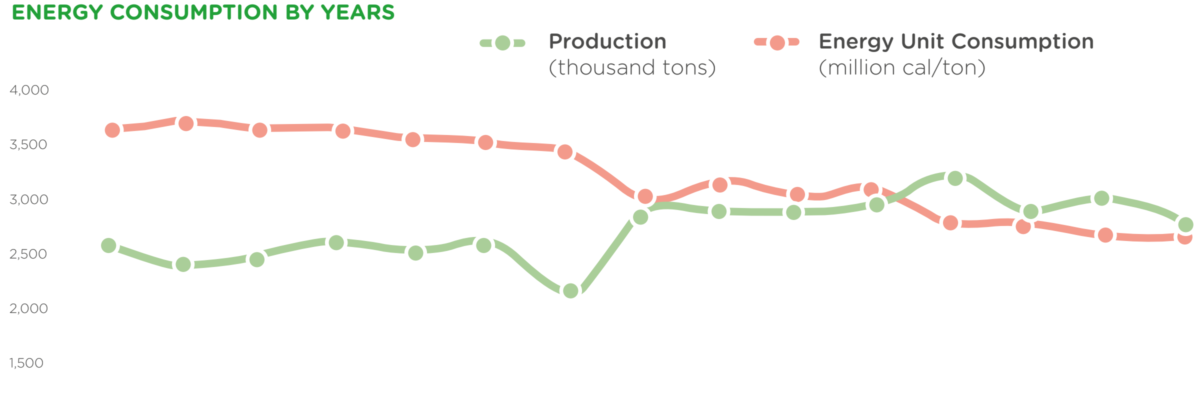
As part of the Company's ongoing energy efficiency program, five projects were finalized over 2014 and put into operation. In addition to the projects that are still underway, the Company also made applications to the Ministry of Energy and Natural Resources and TÜBİTAK for seven other projects, with the aim of obtaining cooperation and funding support.

Utilities for the plants were provided by Auxiliary Processing Units without interruption. Additionally, during the general maintenance period, maintenance works were carried out on steam and naphtha lines and their chimneys. Production continuity was also achieved in the areas of waste disposal, shared pipeline, and port throughput activities.

5

THE NUMBER OF COMPLETED ENERGY EFFICIENCY PROJECTS

PETKIM COMPLEX TOTAL PRODUCTION/UNIT ENERGY CONSUMPTION BY YEARS



SALES AND MARKETING

Since its customer-oriented approach, Petkim reached its ambitious targets in sales and marketing over the course of the period.

563.5

(US$ MILLION)
TOTAL INTERNATIONAL SALES

In the global economy in 2014, economic growth was moderately weak with the exception of the US and the UK. In the second half of the year, the US dollar increased in value, while currencies in emerging markets, particularly those of China, Russia, Brazil, and Turkey, lost value, along with the Euro and the Japanese Yen. These fluctuations in foreign currency exchange and parity limited the import capabilities of countries, but encouraged an increase in exports. This created fiercer competition as a result of the differences in currency exchange.

As a result of these negative developments, the petrochemical industry faced serious contraction in demand on a global scale, and generally met with tougher competition conditions. The first of the strategies put into place to deal with these developments was to support prices in a supply-oriented way with the limited ready stock. To this end, numerous prominent petrochemical units underwent planned or unplanned long-term maintenance stops as of the third quarter, when the sharp drop in prices began. Some units temporarily suspended production and made discounts at rates of between 10% and 20% compared with the preceding periods in capacity usage levels.

In 2014, Petkim merged its market-oriented, customer-centered approach which it initiated in 2013 with a product procurement strategy that is focused on quality and ensures that production conditions are improved for the benefit of customers. Thanks to the Customer Quality System, Near Prime, and New Product Type Development programs initiated as part of this approach, considerable increases were recorded in customer satisfaction rates with product quality.

Initiated in recent years, optimum capacity utilization according to demand and stock-keeping policies were implemented more effectively in 2014.

As a consequence of necessary segmentation works conducted in the customer portfolio, a stronger focus was placed on working with small and medium-sized clients, as well as more profitable customers in general. Also, as part of the tightening program in the Turkish financial markets, efforts were continually made to develop new financial instruments as a solution to a shrinking loan volume in the real sector. From this perspective, the FINAR system was introduced to deal with the financial problems faced by small and medium-sized firms. New financial instruments were put into use, such as a receivables insurance system for exports, as well as sales with credit cards.

Petkim also ensured throughout the year that despite planned maintenance or investment programs partly affecting capacity, the Company's loyal customers had no difficulties in obtaining their demands. This was achieved through better efficiency as a result of the system upgrades, and a simultaneous improvement of planning for production stock and trade.

Also initiated in 2013 to improve relations with customers, new project applications to enhance information and communications channels between customers and collaborators became even more effective. One of the most important projects developed in this context, Petkim Academy, began to share its knowledge and experience in the sector with customers. One of the most vital developments that allowed the Company to directly enhance ties with customers was the creation of an "e-bulletin." Through the medium of this Petkim e-bulletin, which is published on a monthly basis, customers are provided with critical information about trends in basic economic indicators, news from the petrochemical industry, changes in prices, as well as information about new products and technological developments in the sector.

REGIONAL CUSTOMER MEETINGS AND FAIRS

In order to reinforce its market position in the market and to strengthen its relations with customers, in 2014, Petkim continued to actively organize sectoral meetings, fairs, and regional events in addition to paying visits to its customers. In order to keep a closer watch on the market, more emphasis was placed on technical visits, particularly in the second half of the year. In order to foster better relations with its clients and to meet their needs and expectations in a more effective manner, Petkim has also improved its logistics services.

Having met with customers and visitors at its stand at the 21st International Packaging Industry Fair, as well as at the 24th Plast Eurasia İstanbul 2014, an international meeting point for the Turkish packaging sector, Petkim is continuing to organize regional meetings in parallel with its strategy to work in closer cooperation with the Company's existing and potential customers.

Following the 2014 Petkim Regional Meetings held in Gaziantep, Adana, Bursa, İzmir, and Konya, which were all well-attended, the last of the year's meetings was held in Ankara.

Furthermore, the "Petkim Customer Communication Line," established to ensure that clients can get in touch with Petkim representatives more easily, is now utilized more actively. In recognition of the Company's customer-oriented sales and marketing strategies, Petkim was awarded the ISO 10002 Customer Satisfaction Management System certificate.

In addition to the regional meetings Petkim organizes for its customers, it also places great importance on sector-related trade fairs, where the Company can reach out to all of its customers, from the packaging sector to the plastics industry.

HUMAN RESOURCES

Petkim Academy offers a variety of training-development products to employees, customers, and institutions, while providing robust support to the Company's career management system.

39
(HOURS)
AVERAGE TRAINING TIME PER EMPLOYEE

Petkim recruited 123 new employees in 2014, and always strives to make sure that its human resources are trained and up-to-date with the latest technologies. As part of its corporate social responsibility program, the Company tenaciously pursues an active employment policy. At the ISKUR Employment Summit, Petkim was awarded with the prizes of "Company Providing the Most Employment" in İzmir and "Company Providing the Most Opportunities for Handicapped Citizens."

The main thrust of Petkim's HR policy is to create the intellectual capital of the future through the constant improvement of the Company's workforce, by passing on our know-how and experience. Within this approach, Petkim boosts the already high performance of its employees by offering them opportunities to advance their careers. The Company aims to become the most attractive employer in the sector for young people, and also runs scheduled training programs to provide the relevant know-how, experience, and skills to empower its employees to be more successful in their jobs. Petkim also strives to create a flexible and efficient working environment—one in which the Company will always meet its targets—that instills a positive outlook for the future in highly-motivated and skilled employees. At the same time, the Company attaches importance to occupational safety and professional discipline concerns and norms which engender social and environmental responsibility as well as respect for our corporate values.

PETKIM ACADEMY EDUCATES FOR THE BENEFIT OF THE PETROCHEMICAL INDUSTRY

As the only local producer in the petrochemical industry, Petkim provides the know-how, leadership, and experience that it has gained over the past 50 years to all of its shareholders and all industrial institutions, as well as its employees. The Academy does this within an academic framework, and strives to improve understanding of the sector.

Established to meet demands for technical and management positions such as those of foremen, technicians, engineers, and managers, Petkim Academy provides targeted training programs. These programs are designed in cooperation with the management of industrial institutions, and are developed in line with market strategies and techniques, and quality, production, and maintenance restructuring considerations. They are run by competent trainers.

In addition to providing a strong support to the Company's career management system, Petkim Academy brings employees, customers and sector institutions in numerous training and development products. Furthermore, technical visits to the facilities and apprenticeship programs, which are provided to vocational school and university students within the framework of Petkim's social responsibility approach, began to be managed by Petkim Academy.

Provided 39 hours training per employee on the average in 2014, Petkim Academy effectively and efficiently conducts the trainings' needs analyses, program designs, implementations and evaluations as well as presentations to employees, customers and industrial institutions.

As part of existing cooperation agreements with Azerikimya, 33 Azerikimya employees came to Aliağa and participated in on-site applied training over the course of 2014.

As part of the MBA program, which started in 2011 in cooperation with the İstanbul University Institute for Excellence in Business Education, 29 employees of Petkim graduated in 2013, with 24 more graduating in 2014.

In addition to its social responsibility commitments, Petkim offered apprenticeship opportunities to 238 students in summer 2014, and a further 54 students over the winter, in a period of 8 months. These programs were offered within the framework of cooperation agreements with various universities and vocational schools.

HEYDAR ALİYEV EDUCATION COMPLEX

The construction of Heydar Aliyev Technical and Industrial Vocational High School, of which the groundbreaking ceremony was held on October 25, 2011 together with STAR refinery in Aliağa, İzmir, was completed; the school was given to the Aliağa Directorate of National Education.

Costed approximately TL 16 million, the school will provide education opportunity to totally 720 students in honor of the name and memory of the great leader Heydar Aliyev, founder of contemporary Azerbaijan. Heydar Aliyev Technical and Industrial Vocational High School was designed as a campus with its education buildings, students' hostel, cafeteria, electricity and chemistry workshops, gymnasium and conference hall on 22 thousand square meters land. The students' hostel is comprised of 54 four-person rooms providing accommodation for totally 216 students. With its conference hall for 300 people, 30 classes, communal areas, high ceilings and spacious environment, the school was built and designed with the latest technology and innovation.

With the comfort of a five-star hotel and the atmosphere of a university campus, the Heydar Aliyev Technical and Industrial Vocational High School serves as a bridge between the two countries in the area of education. As the best school in Aliağa, İzmir, and the country at large, it stands as one of the most significant symbols of Turkish and Azerbaijani brotherhood.

PETKIM ACTIVITY CLUB (PETEK)

Established in 2009, PETEK continues to carry out a number of social, artistic, and cultural activities which allow employees and their families to spend quality time together. These activities are realized by PETEK with the aim of enhancing internal communication, supporting participation and creativity, and increasing the motivation of employees.

PETEK, representing Petkim at the İzmir Dragon Boat Festival which was attended by numerous company teams, won the first prize in both 2013 and 2014.

Petkim Academy provided 39 hours of training per employee on average in 2014; the Company continues to effectively and efficiently manage program design, analyses, and implementation.

GROWING TOGETHER WITH CUSTOMERS

With its market-focused, customer-centered approach, Petkim continues to add value to the economy by cooperating with other industrial enterprises. The Company focuses on growth by meeting with customers at sector-related fairs and regular regional meetings.

THE ENVIRONMENT

The Company's environmental activities are in full compliance with the law, and were certified with the Environment Permission and License on October 9, 2014 by the Ministry of Environment and Urban Planning.

83

(POINT)
CARBON DISCLOSURE PROJECT

Having renewed its facilities with planned maintenance programs at all plants in 2014, Petkim also made drastic improvements in terms of its environmental activities. Along with completing all routine maintenance projects, the Company closely monitored environmental indicators such as risk assessment, waste management, waste water management, and sea pollution checks. While observing environmental indicators such as unit consumption of raw material, water and energy, unit waste production volumes, and greenhouse gas emissions to assess our environmental performance, the Company recorded full compliance with the law in all respects.

The compliance of the Company's environmental activities with the law was certified with the Environment Permission and License on October 9, 2014 by the Ministry of Environment and Urban Planning. In addition, the Carbon Disclosure Project (CDP), which provides a platform to facilitate the disclosure of information on strategies related to climate change for international institutional investors, was continuously adhered to by Petkim, having signed up voluntarily prior to 2014. In 2014, our efforts in this area were assessed according to the global rating methodology of the CDP, and the Company ranked 8th among 41 other companies with 83 points, many of which were from the services sector. This was an important achievement for the Company.

ENERGY EFFICIENCY MANAGEMENT

In 2014, for the first time, an Energy Management Department was established within Petkim

The Company applied to General Directorate of Renewable Energy (GDRE) for grant support with six VAP (Efficiency Increase Projects) in 2014. The total investment value of the projects came to approximately TL 3.5 million, with potential grant support of around TL 1 million. For another VAP which was applied for in 2013 and completed in 2014, approval was granted from the GDRE and financial support worth TL 18,427 was transferred into the bank account. The Company completed five energy saving projects as of the end of 2014, and succeeded in saving TL 1,598,555 and ensuring a 3,953-ton reduction in CO_2 emissions, equal to 626 TEP.

Petkim Academy continued to offer training sessions to Energy Efficiency technicians, with 72 employees attending the 6 sessions.

TÜBİTAK PROJECTS

The Company applied for Energy Saving for Aromatics and NSC Processes with the Exergy-Based Heat Integration Applications TÜBİTAK-TEYDEB 1501 Project. The aim of this project is to achieve energy efficiency and savings in these processes by eliminating energy bottlenecks in the Aromatics and NSC processes through the use of pinch and exergy analyses. The timeframe for the project is 36 months, while its budget stands at around TL 2.1 million. Upon approval, 60% of the budget will be provided by TÜBİTAK-TEYDEB.

PROCUREMENT

The strategies of the Procurement Department are;

» To reduce raw material, material, and service costs, and

» To increase management processes for procurement and cooperation activities.

To these ends, we are taking the necessary steps to establish and reach our targets for the following issues:

a) Signing long-term agreements with suppliers that are part of the cooperation strategy;
b) Minimizing procurements with tenders by increasing the number of basic suppliers in cooperation agreements;
c) Effectively managing "localization" activities to effectively minimize international dependence, reduce costs, accelerate the procurement process, and create market opportunities for international and domestic suppliers;
d) Finding alternative suppliers;
e) Increasing management effectiveness in procurement and cooperation.

Our Company is acutely aware of the importance of cooperation with our natural partners and suppliers, as necessitated by our procurement policies.

To improve our operations in these areas, we are involved in:
a) Activities for the annual Supplier Satisfaction Survey;
b) Meetings with suppliers;
c) Telephone, fax, and email communications;
d) Supplier visits;
e) Improving supplier performance by demanding units, introducing an integrated performance assessment system which comprises procurement units and points retrieved automatically from the system, and actively seeking results of feedback. In this way we can identify problems and the necessary steps to be taken in response.

Monthly meetings are held with suppliers during which we inform their employees on "Worker Health and Safety" and "Technical Safety" rules, and the results are discussed. Furthermore, training activities, regular control checks on site, and Health, Safety, and Environment (HSE) processes are constantly improved. Based on the results of these, awards or penalties are applied.

For issues regarding the effectiveness of the management of suppliers and collaboration, we continue to set new targets and carry out intensive efforts to meet these goals.

TECHNOLOGY MANAGEMENT

Following numerous investigations and audits carried out by TSI, our information security operations have received ISO 27001 Information Security Management System Certificate.

Following the audits carried out by TSI between August 11 and 14, 2014, Petkim was found to comply with ISO 27001 Information Security Management System stipulations, and was certified accordingly. In line with the minimum standards identified by ISO 27001, the Information Technologies Department, as part of its responsibilities, completed a number of investments for the improvement or correction of certain issues.

CHECKPOINT FIREWALL CLUSTER STRUCTURE:

In order to increase the security of online activity and to protect the Company's network infrastructure against possible cyber-attacks, the second version of the existing firewall system was installed and put into use as back-up.

HOTSPOT (CRYPTOSPOT) AND LOG (CRYPTOLOG) SYSTEMS:

For the benefit of visiting experts and other visitors to be able to use their own computers which are not in compliance with the Company's established safety protocols, the Cryptospot and Cryptolog systems were put into operation. This ensures that no harm can be caused to the network as a result of the activity of external computers.

PGP EMAIL ENCRYPTION SYSTEM:

The Symantec Encryption Server System was put into use to guarantee the encryption of all email correspondence of upper management, in order to safeguard their privacy.

PENETRATION (LEAK) TEST:

With the goal of identifying possible security gaps in the server and network systems, Petkim had a penetration test conducted by a qualified company.

IT TECHNOLOGY HARDWARE RENEWALS

As a result of changing commercial requirements, mobile technology for the use of office staff emerged as an important requirement. In response to this, laptop computers were purchased and provided to these members of the workforce. The high-performance desktop computers used by these workers are replacing outdated machines in Plant Panel Rooms, and Mechanic, Electric, and Instrument Workshop Rooms.

SOFTWARE INITIATIVES AND PROJECTS

MOBILE PROJECTS:

Programs have been developed to access sales data on SAP via tablets and smartphones, and to render all communication among employees more efficient.

SAP BO IMPROVEMENT WORKS:

Processes designed to improve the performance of BO corporate reporting instruments were introduced, as these had been performing poorly.

EBA5 VERSION UPGRADE PROJECT:

This upgrade is intended to improve upon the flexibilities and mobile support provided by the Net framework 4.0 infrastructure.

PHASE 2 OF THE E-INVOICE PROJECT:

An invoicing method in which all electronic invoicing, forming, sending, saving, and submission processes can take place has been developed. With this transformation project integrated into SAP/ERP, customer invoices are included in the e-invoicing process.

E-LEDGER PROJECT:

The E-Ledger project is a complex set of legal and technical regulations that aims to enable ledgers, which are to be logged as stipulated by the provisions of the Tax Procedural Law and the Turkish Commercial Code, to be prepared in an electronic document format. This format is in accordance with the formatting and standards declared on the website, and can be saved without being printed with a guarantee that the content cannot be altere; as a result, the integrity and accuracy of its source can be maintained.

SOCAR GROUP-PETKIM CONSOLIDATION PROJECT:

As part of the broader consolidation process, actual financial consolidated account statements will be prepared for SOCAR Group Companies on BPC together with notes. Financial statements and notes will comply with CMB, International Financial Reporting Standards (IFRS), and the consolidated package of SOCAR Baku. For this to be carried out officially as part of the SOCAR Group, the balance of accounts, related company debt/receivables balances, and other activities are to be extracted

from the companies' ERP systems using SAP-ERP. For these prepared reports and established consolidation processes, SOCAR was connected to SAP BPC 10.0 NW.

PHASE 2 OF THE PORT INFORMATION SYSTEM:
This system was established to track incoming and outgoing ships at Petkim Port, and to record their activities.

BSC TARGET CARD SAP INTEGRATION:
The SAP integration of the target card system has been successfully established.

PLANNING COMMUNICATIONS PROJECT:
A Planning Communications platform was established.

PROJECTS AND INVESTMENTS

As part of the investment plans of Petkim for the enhancement and improvement of its product portfolio, the creation of products with high added-value and the potential to grow with logistical and commercial investments has been prioritized.

222

(TL MILLION) **INVESTMENT EXPENDITURES**

Petkim has summarized its short, medium and long-term investment plans as: growth with upstream investments to ensure raw material security; growth with downstream investments to broaden product range; produce high value added products and implement a cluster model; growth with energy investments; growth with logistic and commercial investments

In order to diversify our energy sources and intensify investment in renewable energy, the capacity of Petkim's Wind Power Plant (WPP), which is to be built on the Petkim Peninsula, was assessed to be 51 MW. The EIA decision to amend license points was delivered to EMRA on November 25, 2014. Petkim signed an agreement with Alstom for turnkey construction of the WPP project, and works is ongoing with relevant revisions to the design.

ENERGY EFFICIENCY SOLUTIONS ASSESSED

In 2014, Petkim increased production efficiency by successfully carrying out investments in energy efficiency, HSE technology, modernization, and maintenance of plants and units to extend their economic utility. Among Petkim's various HSE investments, a procurement process for the replacement of R22, which is used in cooling systems of the PVC and VCM with chemicals without ozone-depleting substances facilities. The system, which had been in use at the VCM and PCM plants, was replaced by propylene, and a compressor was put into operation. The use of R22 at these plants was banned.

Petkim considers any idea, work, or project proposal that will provide more energy and efficiency, and subsequently implement whatever project offers the highest levels of efficiency. As part of energy efficiency efforts in 2014, projects related to the transfer of hot air from the Reactor Jacket Exit before the Electrical Heater Process, and the resulting reduction in electrical energy waste were introduced as of year-end 2014. In this way, approximately 100 kW of energy will be saved at each plant.

Another energy efficiency initiative started in 2014, the LDPE 1 and 2 Plant Booster Primary Compressor Energy Efficiency project, is expected to save 300 kW. It is anticipated that the system will be put into operation in 2015.

OPERATION OF EFFICIENCY INCREASE PROJECTS

The PVC Plant K402A/B cooler unit replacement energy efficiency project is another efficiency increase project that has been introduced in 2014. Operations related to the project have begun, and the project is expected to be implemented in 2015 following installation. The replacement of the K402A cooler unit will save approximately 262 kW of power.

In addition, through the Saving Low-Pressure Steam Project with Preheating of Demi Water at the ACN Plant, the Company is aiming to preserve low-pressure steam used in the H-106 Deaerator by 35% by means of the heating of demineralized water with a C-104 net bottom flow. The system was put into operation following installation. Through this project, aimed at saving on fuel costs for the incinerator by preheating waste water, the amount of fuel gas used will be reduced by 10% by heating the 15 tons/hr of waste water exiting from the bottom of C-101 quench column in the internal heat of the furnace by means of an exchanger. The installation of relevant equipment is expected to be finished in February 2015.

Elsewhere, a project designed to increase the efficiency of condensate through the heating of the naphtha pre-separation column feed was completed in 2014, with the aim of transferring the energy from the condensate to the naphtha, thereby saving 100% on LS consumption for the E-203 exchanger. The project was begun in February 2014 and put into use in December 2014.

SYSTEM AND PROCESS DEVELOPMENT

Petkim carried out the Current Situation Analyses (CSA) studies, which became the input of its Strategic Plan. Afterwards, the Company's Strategic Plan was established. Based on the Current Situation Analyses, which comprises feedback from stakeholders; current and future market analyses; competitor and competition analyses; 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 analyses of internal and external audit results, relative improvement measures were identified. Current Situational Analyses are used as an input for the Strategic Plan. By making sure that corporate strategies are spread across the organization in such a way as to create a common direction, individual target cards have been issued to our office employees to focus all workers on broader corporate strategies.

FIKRIMCE (IN MY OPINION) OPINION MANAGEMENT SYSTEM

An Opinion Management System has been implemented since 2004 at Petkim. The aim is to encourage employees to contribute to Petkim's corporate development with their own creative and innovative ideas, as a result creating more efficient management and production processes. Through this system, our employees' innovative, analytical, and creative ideas regarding processes or activities in which they are directly or indirectly involved are evaluated. Within Fikrimce's established electronic system, the Idea Evaluation Board and E-Committee can play an effective role in successfully applying these ideas to business processes. For the teams selected from among the Fikrimce participants, a "Blue Room" concept was put into practice to enable them to focus on new ideas and projects related to the topic of the day. After this, the ideas are developed and presented to a jury for a decision.

6 DOCUMENTS THE SCOPE OF INTEGRATED MANAGEMENT SYSTEM

For Petkim, obtaining management system certificates is not the final stage; on the contrary, it is the minimum step through its journey to total quality. Following the National Quality Success Awards, the Company sustained its journey to excellence by adding new certificates to its Integrated Management System. Petkim also enhanced the scope of IMS by establishing its sixth management system after quality, environment, occupational health and safety, energy, and customer satisfaction management systems. ISO 9001 Quality Management System, ISO 14001 Environment Management System, TS 18001 Work Health and Safety Management System and ISO 50001 Energy Management System and the ISO 10002 Customer Satisfaction Management System certificates were all renewed.

R&D AND QUALITY ASSURANCE

In 2014, Petkim focused on the improvement of product specifications, the evaluation of by-products, and on sustainable production and energy saving.

Maintaining its reputation for education within the Turkish petrochemical industry, Petkim inaugurated a new approach to R&D in 2014, by completing six laboratories across a 1,200 m^2 indoor area, in addition to the construction of an R&D building with a 400 m^2 pilot facility area. Having supported the functioning of its R&D operations with experienced personnel and a strong device infrastructure, Petkim brought its R&D activities together under one roof at the R&D Coordination Board. Working from a new location and with a new approach, R&D activities focusing on product development, process improvement, the environment, and biotechnology have been merged to create more valuable products, ultimately creating more efficiency for Petkim. In 2014, the Company applied to become an R&D Center with the support of the Ministry of Science, Industry, and Technology.

In 2014, Petkim focused particularly on the improvement of product specifications, the evaluation of by-products, and on sustainable production and energy saving.

Supported by TÜBİTAK/TEYDEB, the “High Impact Resistant Polypropylene Compound Development for Use in Automobile Bumpers” project was started in cooperation with an automotive sub-industry company in operation in Turkey. As a result of this undertaking, the product, which is currently imported by a number of automotive companies, is expected to be in production domestically within Turkey.

For two of the projects that will be implemented in the upcoming period, the Company has applied to TÜBİTAK/TEYDEB for project support, and for one to SAN-TEZ. Evaluation processes for these applications as part of the “Development of Solution Systems to Increase Efficiency in CO_2 Removal in Ethylene Oxide Production” and the “Energy Saving at Aromatics and NSC Processes with Exergy-Based Heat Integration Applications” projects are still underway at TÜBİTAK/TEYDEB. Separately, the “Stabilization of Adapted Grafting Culture for Wastewater Treatment at the Waste Disposal Unit” application was made to the SAN-TEZ program at the Ministry of Science, Industry, and Technology. The project successfully obtained support from the Ministry and will be started within the upcoming year.

For the “Crosslinkable Polyethylene (XLPE) Production System and Method” and the “Method for Bio-disintegration for Terephthalic Acid” projects, applications were sent to the Turkish Patent Institute (TPE) and are still under evaluation. As part of these applications, Petkim has made 11 patent applications over the past five years. Eight of the inventions from these applications are protected with patents as intellectual property.

R&D COOPERATION

Our belief that R&D initiatives represent the correct path for creating value through cooperation has led to our continued involvement in operations with customers and universities in 2014, and we have acquired knowledge, expertise, and improved infrastructure as a result of working with other institutions.

COMPLIANCE WITH DOMESTIC AND INTERNATIONAL LAW

Sustainability of compliance with domestic and international law and meeting of customers’ demand

The Company has also closely adhered to criteria that identify the steps required for the production of goods in compliance with National Law, the Turkish Food Codex, EU Law, FDA requirements, REACH, and various other legal responsibilities. Furthermore, information support during all steps of the process, from production to shipping, together with compliance declarations, were provided for our customers, end producers, and authorized neutral institutions. All the steps that form part of the process were recorded, archived, and documented.

Product Safety Forms for registered liquid products within the scope of REACH were revised according to existing laws, and the required support documents for sales in the EU and other countries were delivered to relevant government offices and customers. With the aim of improving the process in consideration of customer satisfaction and changing global competive conditions, new software was purchased to prepare product safety information forms and other supporting documents. All feedback from customers was added to our 2015 action plan to demonstrate opportunities for improvement.

TECHNICAL SERVICES

With the importance we place on customer-focused activities, Petkim is continuing to create value through the technical services it provides for customers.

Our after-sales technical support aims to solve the technical problems of our customers as quickly as possible. Operating under highly competitive market environments, we create new application areas for products and convey 50 years of experience to our customers in order for them to use our products in a more effective manner.

By serving as a bridge between the Company and our customers through frequent customer visits, the Technical Service Unit conveys customer expectations to the R&D Unit; in this way, it contributes to the development of new products. At the same time, this unit has also worked in close cooperation with its sales and marketing units, helping them in their strategic development and planning activities.

QUALITY OPERATIONS

By utilizing its experienced personnel, Petkim Quality Laboratories continue to operate with a service approach that is scientific, modern, and customer-focused. The main objective of these laboratories is to be a reference for our plants and their units, and to fully support them in their "Quality Production, Quality Products" approach.

INFRASTRUCTURE IMPROVEMENT WORKS

Our Quality Laboratories accelerated their infrastructure improvement projects across six different disciplines and an area of 2,500 sqm. These improvements were started in 2008. As of 2015, the goal is to provide all laboratories with modern and competitive facilities.

EQUIPMENT RENEWAL EFFORTS

Renewal efforts for analysis equipment, which constitute essential elements of modern chemistry, peaked in 2014. The replacement or repair of devices that are technologically outdated among the 350 devices that comprise our laboratory equipment was undertaken thanks to heavy investment in 2014. These renewal works will continue throughout 2015.

ENVIRONMENTAL ANALYSIS

We are continuing to conduct analyses related to the environment at our laboratories, as authorized by the Ministry of Environment and Urban Planning.

In 2011, Petkim laboratories were accredited as a "Certified Environmental Laboratory" by the Ministry of Environment and Urbanization, within the context of environmental analysis, and obtained the required Certificate of Environmental Compliance for a period of five years. Petkim laboratories work to maintain the highest standards for all environmental studies. The Company aims to be a reference point for environmental analysis for our Company, and throughout the region wherever heavy industrial businesses are located.

Our after-sales technical support aims to solve the technical problems of our customers as quickly as possible.

420,000

NUMBER OF TOTAL ANALYSES

Our ISO 17025 Accreditation certificate was renewed and our analysis services were continued.

The Turkish Accreditation Institute (TÜRKAK) accredited the laboratories of the Company for a period of four years within the framework of the TS EN ISO/IEC 17025 Standard in 2010. Petkim successfully completed all processes carried out by the auditors of TÜRKAK, and its accreditation was subsequently extended until 2018. Being certified and accredited for environmental analysis, Petkim Quality Laboratories remains committed to the continuation of its activities and the maintenance of the Company's reputation.

Customer Satisfaction Analysis Services

Petkim Quality Laboratories sustained their support for both public and private companies, particularly for firms involved in the plastics and packaging sector, throughout 2014. By means of the analysis and problem-solving services provided to these institutions, Petkim supported the sector through the continued utilization of higher quality materials in the market, thereby contributing to the improvement of the sector's reputation.

Efficient and Extensive Quality Management

By virtue of its highly-qualified human resources, Petkim Quality Laboratories provided technical support and 24-hour analysis services to 22 separate units, in order to assess process and product qualities.

All types of analysis, particularly related to the primary input for our Company, naphtha, can be conducted at any time, in accordance with internationally accepted methods. In respect of the 3,600,000 tons of naphtha that came in across 116 shipments, 1,392 analyses were carried out in 2014. While these services were being undertaken, there was no slowdown caused by the activities of the laboratories.

In 2014, 420,000 analyses were conducted on 180,000 samples. The reliability, accuracy, and traceability of such a large volume of activity is managed by the Laboratory Information Management System (LIMS), which was established with a large investment in 2009. The effective monitoring and managing of barcoded samples, and the storing of data belonging to the millions of analyses that are conducted are accessible by all plants and units within the facility via the Laboratory Information Management System (LIMS).

CORPORATE SOCIAL RESPONSIBILITY

In November 2014, our Company became one of the 15 companies included in the BIST Sustainability Index.

In line with the CMB's communiqué on the Corporate Governance Principles, the Company established its ethical rules by the decision of the Board of Directors and announced to the public. Ethical rules are available on the Company's web site (www. petkim.com.tr).

For our Company, investment in the environment and in healthcare is not an issue of cost, but an indispensable component of our competitive structure and corporate vision. We have made investments for environmental projects worth more than US$ 210 million over the past 13 years. In addition, our thermal power chimneys have been ready for inspection at any time by the Ministry of Environment and Urbanization since 2011.

Carbon Disclosure Project (CDP)

Having signed up to the International Carbon Disclosure Project (CDP) in 2010, Petkim became one of the 15 companies included in the BIST Sustainability Index. The Company works actively to manage greenhouse gas emissions as part of the CDP project, and handles this undertaking with the utmost care, as it does with all projects related to the environment.

Petkim's environmental awareness has led to projects aimed at protecting forests also. A total of 1,200 olive trees in the Petkim Peninsula were meticulously dealt with in cooperation with the Menemen Forest Sub-district Directorate, and brought to Yenişakran to the Petkim Atatürk Olive Grove and the Aliağa Penal and Correction Institution Campus.

Petkim 50th Anniversary Olive Grove

The olive trees stubbed from the Aliağa Complex were planted at a ceremony in May 2014 in the Petkim 50th Anniversary Olive Grove. This grove was established on 60,000 sqm of land near the Aliağa Penal and Correctional Institution Campus. The trees will be tended and harvested by the prisoners and their revenue will be used in financing of "Smiling Lids, Smiling Faces Project" organized by Aliağa City Council to help handicapped citizens acquire professional skills.

For our Company, investment in the environment and in healthcare is not an issue of cost, but an indispensable component of our competitive structure and corporate vision.

Petkim supports a number of social responsibility projects in different areas. From education to environmental and afforestation efforts, a wide range of initiatives are supported by our employees.

Heydar Aliyev Friendship and Memorial Forests

In Güzelhisar Village, licensed dumping area of STAR Refinery in Aliağa, 14,150 saplings were planted on a 228,000 square meter land. In 2010 and 2011, two "Heydar Aliyev Friendship and Memorial Forests" were founded in Yenifoça, while a third memorial forest was established near the village of Örlemiş in Yenişakran.

Relief Aid to Kınık and Soma

Following the mine disaster which took place in Soma on 13 May, 2014 and caused the deaths of 301 miners, the management and a number of employees of Petkim visited the towns of Kınık and Soma and shared the locals' sorrow. The Çayağzı Spring Festival which was planned to take place at the beginning of May was canceled in response to the accident, and funding to be used for the event was merged with the voluntary donations of Petkim employees and distributed to those in need by the district governorates in the towns. Some of these funds were also put toward the education of children in the area.

"Plastics Becoming Homes" Social Responsibility Campaign

SOCAR also supported the "Plastics Becoming Homes" social responsibility campaign, which was initiated in 2014 by the Plastic Manufacturers Association with the "Every Living Creature Has the Right to a Warm Home" slogan. SOCAR was designated as a platinum sponsor, while Petkim was a gold sponsor of the campaign. The campaign emphasizes the fact that all plastic waste is actually valuable raw material which is exported due to the limited production in our country, and that this results in significant economic losses. It is possible to create significant economic and environmental value through the recycling of waste plastic. In highlighting the importance of a clean environment and nature, the campaign also provides warm homes for street animals in the form of small huts produced from 100%-recycled plastic waste.

Heydar Aliyev Technical and Industrial Vocational High School

Constructed in Aliağa by Petkim and opened in the 2012-2013 school year, the Heydar Aliyev Technical and Industrial Vocational High School will graduate its first students next year. At a cost of approximately TL 16 million, the school will provide educational opportunities to a total of 720 students, in this way commemorating the name of the great leader Heydar Aliyev, founder of modern Azerbaijan. The campus comprises school buildings, a students' hostel, a cafeteria, a gymnasium, and a conference hall on 22,000sqm of land. Petkim plans to build an additional building in the school which will house the Chemistry Laboratory and Electronics and Machine Workshops. The new building, which is expected to cost TL 2.5 million, is anticipated to be ready this year. As being the best school of İzmir, Aliağa as well as of Turkey, Heydar Aliyev Technical and Industrial Vocational High School, which has a comfort of five-star hotels and an air of university campus, is one of the most significant symbols of brotherhood between Turkey and Azerbaijan.

Petkim constructed and opened Heydar Aliyev Technical and Industrial Vocational High School in the 2012-2013 academic year. The school will graduate its first students next year.

INVESTOR RELATIONS

By means of the strong performance of Petkim's shares in 2014, the Company was included in the MSCI Turkey index, and is also among the 15 firms listed on the BIST Sustainability Index.

Being aware of the fact that it represents one of the deep-rooted industrial companies in Turkey, Petkim Internal Control and Investor Relations Executive Directorate conducts its business through corporate governance and investor relations implementations at international standards. In accordance with social responsibilities of Petkim, Internal Control and Investor Relations Executive Directorate works devotedly for increasing both customer satisfaction and shareholders' value.

As per Capital Market Board's provisions, as of May 31, 2013, the title of the Corporate Governance and Investor Relations Executive Directorate, which is directly responsible to the General Manager, was changed to the Internal Control and Investor Relations Executive Directorate.

Meeting obligations stemming from Capital Board legislation, carrying out internal control activities, ensuring coordination in corporate governance practices and pursuing relations with shareholders were gathered under the roof of this Executive Directorate.

Duties and responsibilities of Internal Control and Investor Relations Executive Directorate are to harmony with the relevant legislation, the Articles of Association and other internal arrangements regarding the exercise of shareholder rights and take required measures to ensure the exercise of these rights, to report to the Board of Directors regarding its own area of responsibility, to strengthen Petkim's capacity of compliance to CMB legislation while carrying out relations with investors, analysts and regulatory institutions in capital markets, to plan related activities and ensure coordination.

Internal Audit and Investor Relations

In 2014, the monthly average of information requests via e-mail or telephone numbered 50 and the Internal Control and Investor Relations Executive Directorate answered all queries. The Internal Control and Investor Relations Executive Directorate participated in two analysts meeting, four tele-conference meetings were organized with the analysts of brokerage houses and investment banks during the year and information was provided on the Company's financial situation, strategies and activities.

Since 2009, the Company has been rated in terms of corporate governance. Petkim increased its initial 7.71 rating in 2009 to 8.72 in 2012, 8.97 in 2013 and 9.01 in 2014.

Contact information of the Internal Control and Investor Relations Executive Directorate is as follows:

Internal Control and Investor Relations Coordinator
Tel : +90 232 616 61 27
+90 232 616 12 40 /2256 – 3917-4460
E-Mail : yatirimci.iliskileri@petkim.com.tr
investor.relations@petkim.com.tr

SHARE PERFORMANCE OF PETKIM IN 2014

Petkim Petrokimya Holding A.Ş. shares started trading at BIST National Market on July 9, 1990, under the stock symbol of PETKM.

As of year-end 2014, the Company has been listed on the BIST 30 and Corporate Governance indices. The BIST Sustainability Index, which lists companies, included Petkim with high corporate sustainability indicators that are traded in Borsa İstanbul, was calculated and published on 4 November, 2014.

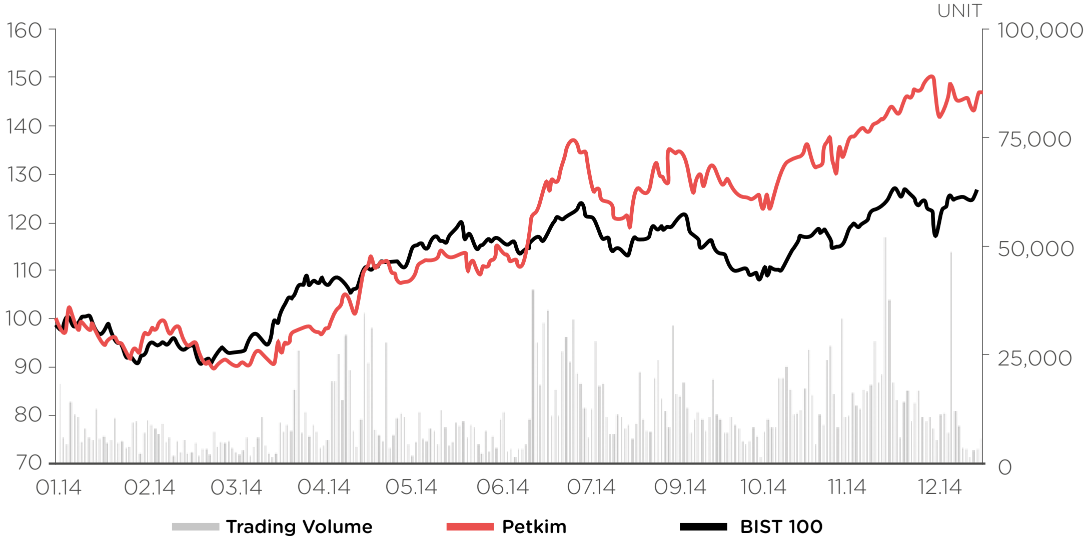
Another important development for this period was the inclusion of Petkim in the MSCI Turkey Index. This was announced following a review completed in November 2014. MSCI is a renowned institution which calculates indices for global markets.

In 2014, Petkim's share price saw the lowest 2.39 and the highest 4.03, concluding the year at TL 3.95. During this period, BIST 100, BIST 30 indexes and the value of Petkim shares decreased by 26%, 29%, 47%, respectively. However, during this period, Petkim shares performed relatively higher than BIST 100 and BIST 30 indexes. Throughout the year, the daily average trade volume of Petkim shares was TRL 38 million.

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 2014



SHARE PRICE MOVEMENTS (AS OF CLOSING VALUES)

TL		US$		YEAR - END CLOSING	
Lowest	**2.39**	**1.08**	**3.95**	**TL**	**US$**
Highest	4.03	1.78	1.70	3.95	1.70

AGENDA

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF PETKİM PETROKİMYA HOLDİNG A.Ş. RELATED TO YEAR 2014

1. Opening and composition of the Meeting Presidency,
2. Reading, discussion and approval of the Activity Report of the Board of Directors for 2014,
3. Reading the report of the Auditor pertaining to 2014,
4. Reading, discussion and approval of the financial tables pertaining to 2014,
5. Release of the Chairman and members of the Board of Directors on account of their activities and account for 2014,
6. Discussion of the proposal of the Board of Directors on the usage of the profit pertaining to 2014, determination of the declared profit and dividend share ratio and taking a resolution thereon,
7. Taking a resolution on the Board's election of the independent Board Member pursuant to the Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1),
8. Determination of the monthly gross remunerations to be paid to the members of the Board of Directors,
9. Election of the Auditor pursuant to the Turkish Commercial Code with number 6102,
10. In accordance with "Independent Auditing Standards in Capital Market" issued by Capital Market Board, approving the Independent Auditing Firm selected by the Board upon proposal of the Committee responsible for Audit as to be charged for the audit of the activities and accounts of 2015,
11. Informing the Shareholders on the aid and donations granted by our Company within the year 2014,
12. Taking a resolution on the limit of aid and donation of our Company for year 2015 pursuant to the article 19 clause 5 of the Capital Markets Law (CML),
13. Informing the General Assembly regarding respective transactions of the persons mentioned in the clause (1.3.6) of "Corporate Governance Principles" which is annex to Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1),
14. Granting the Members of the Board of Directors authorization to perform the transactions provided for in Articles 395 and 396 of Turkish Commercial Code,
15. Pursuant to the clause of 12/4 of Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1), informing the General Assembly as regards the guarantees, pledges and mortgages given by the Company in favor of third parties in the year 2014 and of any benefits or income thereof,
16. Wishes and closing.

DECLARATION OF INDEPENDENCE

To the Board of Directors of Petkim Petrokimya Holding A.Ş.,

By virtue of the fact that I applied as a candidate for "Independent Member" of the Board of Directors, pursuant to the Capital Markets Board's Corporate Governance Principles, I hereby declare for the information of the Company's Board of Directors, shareholders and all related parties that:

a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity, with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.

b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.

c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.

d) The rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.

e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.

f) I abide by the provision of the Article 5, paragraph 9 of Capital Market Board's Communiqué Serial IV, No: 56 on "Determination and Implementation of Corporate Governance Principles".

g) I am considered a resident of Turkey in accordance with the Income Tax Law.

h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.

i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to fully perform the tasks that I have undertaken,

j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

30/03/2012

Name/Surname: İlhami ÖZŞAHİN

DECLARATION OF INDEPENDENCE

To the Board of Directors of Petkim Petrokimya Holding A.Ş.,

By virtue of the fact that I applied as a candidate for "Independent Member" of the Board of Directors, pursuant to the Capital Markets Board's Corporate Governance Principles, I hereby declare for the information of the Company's Board of Directors, shareholders and all related parties that:

a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity, with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.

b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.

c) I have not been a shareholder, employee, or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services during the past five years.

d) The rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.

e) I possess the necessary professional training, knowledge, and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.

f) I abide by the provision of Article 5, paragraph 9 of the Capital Market Board's Communiqué Serial IV, No: 56 on the "Determination and Implementation of Corporate Governance Principles.".

g) I am considered a resident of Turkey in accordance with the Income Tax Law.

h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.

i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to perform the tasks that I have undertaken precisely,

j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

01/11/2012

Name/Surname: Muammer TÜRKER

To the Board of Directors of Petkim Petrokimya Holding A.Ş.,

By virtue of the fact that I applied as a candidate for "Independent Member" of the Board of Directors, pursuant to the Capital Markets Board's Corporate Governance Principles, I hereby declare for the information of the Company's Board of Directors, shareholders and all related parties that:

a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.

b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.

c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.

d) Reserving the privileges of Privatization Administration's C group share, which I represent as a legal entity, the rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.

e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.

f) I abide by the provision of the Article 5, paragraph 9 of CMB's Communiqué Serial IV, No 56 on Determination and Implementation of Corporate Governance Principles.

g) I am considered a resident of Turkey in accordance with the Income Tax Law.

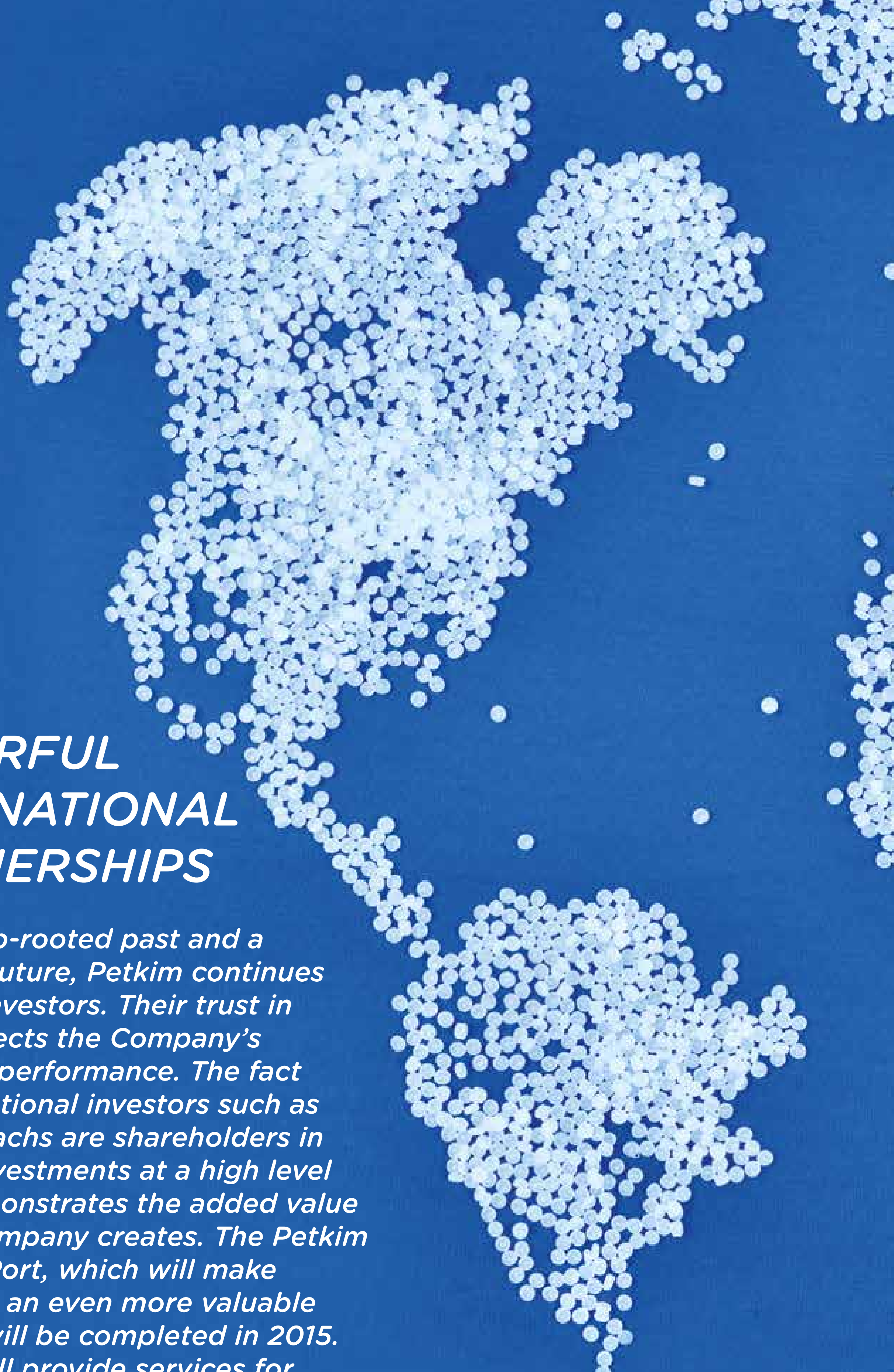
h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.

i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to perform the tasks that I have undertaken precisely,

j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

01/11/2012

Name/Surname: Hulusi KILIÇ



POWERFUL INTERNATIONAL PARTNERSHIPS

With a deep-rooted past and a promising future, Petkim continues to attract investors. Their trust in Petkim reflects the Company's solid share performance. The fact that international investors such as Goldman Sachs are shareholders in Petkim's investments at a high level clearly demonstrates the added value that our Company creates. The Petkim Container Port, which will make Petkim into an even more valuable company, will be completed in 2015. The Port will provide services for large freight ships by year-end.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I. 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 Internal Audit 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 2011, 2012, 2013 and 2014. The Company increased its credit rating to 9.01 in 2014, up from 8.97 the previous year. Petkim's 2014 rating shows that the Company complies with the Principles of CMB to a large extent and deserves to be traded on the BIST'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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE RATE

2014	9.01
2013	8.97
2012	8.72

SHAREHOLDERS

2014	9.02
2013	8.94
2012	8.61

PUBLIC DISCLOSURE AND TRANSPARENCY

2014	9.37
2013	9.46
2012	9.33

STAKEHOLDERS

2014	9.60
2013	9.56
2012	9.23

BOARD OF DIRECTORS

2014	8.53
2013	8.40
2012	7.66

During the year 2014, 42 special circumstance announcements were made to the ISE in accordance with the CMB's Communiqué on Public Disclosure of Special Circumstances. No additional information was requested by the Capital Markets Board and BIST for the announcements made for special circumstances. The Capital Markets Board has not imposed any sanctions on the Company caused by any noncompliance to special circumstance announcements. The special circumstance announcements are regularly sent via e-mail to domestic and foreign investors by the Investor Relations Unit. All of the Company's special announcements were made in a timely fashion. There weren't any significant issues between the closing date of the period and the date of the General Assembly meeting where the relevant financial statements will be discussed. The Company's shares are not listed on a foreign stock exchange.

a) Compulsory Principles that we fail to implement

» No

b) Non-compulsory Principles

Reasons for as yet Unapplied Corporate Governance Principles

» The absence of cumulative voting method: 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 438 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.
» Absence of female members in the Board of Directors: The issue is being evaluated by the Company
» As per the Articles of Association, General Assembly meeting is held at the headquarters of the Company in Aliağa, İzmir.
» Insurance against the losses incurred in the Company by the members of the Board of Directors as a result of their faults during their term of office: The issue is evaluated by the Company.
» The financial statements that must be publicly announced – except material matters and footnotes – as per the Capital Markets legislation, are publicly announced both in Turkish and English (simultaneously) via Public Disclosure Platform (began in 2015).

Procedures are launched to detect any conflicts of interest arising from not fully complying with these Principles.

Activities in the Period for Compliance with the Principles

Company's website provides up-to-date information and is effectively used as a public disclosure tool.

Annual report was reviewed and necessary revisions were made in terms of fully complying with the principles.

Information policies were revised, and approved at the General Assembly, and publicly announced on electronic platform.

Company's profit distribution policy revised within the scope of the CMB Communiqué on Dividends n.II-19.1, was presented to the approval 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 II: SHAREHOLDERS

2.1. Shareholder Relations Unit

Petkim's Internal Audit 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 scope of the 11th Article of the Corporate Governance Communiqué n.II-17.1. of the Capital Markets Board; at our Company the Investor Relations director is Mustafa ÇAĞATAY who has a Corporate Governance Rating Specialist License (license n.700269) and a Capital Market Activities Advanced Level License (license n.203652). İlkay ÇETİN is a member of our Investor Relations Department.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The report of the Investor Relations Department regarding the activities it carried out within period was presented to the Board of Directors on 24.07.2014.

Within the context of shareholder relations, the Company is committed to carrying out the following activities in accordance with Corporate Governance 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,
- To maintain communications with relevant institutions including the Capital Markets Board, İstanbul 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 Internal Audit and Investor Relations Executive Directorate follows below:

The contact information of Petkim Investor Relations is as follows:
0 232 – 616 12 40 / 3444

Mustafa ÇAĞATAY (Internal Audit and Investor Relations Coordinator)
Phone: +90 232- 616 12 40/2501
E-Mail: mcagatay@petkim.com.tr

İlkay ÇETİN (Manager)
Phone: +90 232 - 616 12 40/4438
E-Mail: icetin@petkim.com.tr

Emre Can YÜCEOĞLU (Specialist)
Phone: +90 232 - 616 12 40/4460
E-Mail: eyuceoglu@petkim.com.tr

In 2014, our investors were informed through teleconferences, investor conferences and our web page. Apart from these, during the year, with the analyst meetings organized, the analysts were informed by the top management regarding the Company's financial situation, strategies and activities.

During the year 2014, approximately 50 written and oral information requests from shareholders (except for confidential information and commercial secrets) were received and answered each month on a range of subjects including Company activities, general assembly meetings and stock certificate procedures.

Significant changes in legislation that may affect the Company's activities have not been occurred during the period and no legal actions were filed against Petkim.

2.2. 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.

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 438 of the Turkish Commercial Code. During the period no demand has been received regarding appointment of an independent auditor.

2.3. General Assembly Meetings

The 2013 Ordinary General Assembly Meeting was held at the headquarters of the Company in Aliağa, İzmir on the 28th of March 2014 at 13.30. The meeting was registered in March 31, 2014 and announced in the Trade Registry Gazette n. 8546 on the 9th of April 2014. Convening with physical participation, General Assembly Meeting was synchronously held in the Electronic General Assembly System in compliance with the "Regulation about the General Assembly Meetings to be held by the Incorporations in the electronic platform" – which was announced in the Trade Registry Gazette n. 28395 dated August 28, 2012 – and in compliance with the "Communiqués About the Electronic General Assembly Meeting System that will be implemented in the General Assembly Meetings of the Incorporations" – which was announced in the Trade Registry Gazette n.28396 dated August 29, 2012.

All shareholders/stakeholders and the media organs were invited to the 2013 Ordinary General Assembly meeting in accordance with the "transparency" principle of the Company.

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 shareholders and their representatives, in the shareholders' list received from the Central Registry Agency (CRA), who applied to the Company; Members of the Board of Directors; Auditors; General Manager; Assistant General Managers; and the Directorate of the Board of Directors carrying out the preparations for the General Assembly of the Company attended the General Assembly Meeting.

The meeting quorum was 64,998,461,541 (64.99%) shares and 35 stakeholders attended the meeting by proxy while 3 stakeholders attended the meeting in person. The media did not attend the meeting. No time limit was specified regarding the issue of registry to the book of shares which ensures the participation of the shareholders with the registered shares to the General Assembly meeting.

In the General Assembly, the shareholders exercised their right to ask questions and the questions were answered by the Board of Directors during the meeting. No one took the floor in the petitions and requests session of the meeting. The minutes drawn up according to the agenda items of the General Assembly are sent to BİST as a "Material Event Announcement" on the same day and announced to the public. The minutes of the General Assembly are registered and announced in the Turkish Trade Registry Gazette. On Petkim's website, the minutes to the General Assembly, list of attendees, agendas, information documents and ads are published for all investors.

The invitation for the General Assembly meeting; the information regarding the meeting date and place and the agenda items are duly announced three weeks prior to the meeting in the BİST via a material event disclosure, and in the Turkish Trade Registry Gazette and in the national newspapers via advertisements.

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. No issues were raised by the shareholders to add to the agenda during the 2013 General Assembly.

Within the period, there were no transactions left to the General Assembly for resolution due to majority of the independent members of the Board of Directors casting negative votes in cases where affirmative votes of the majority of the independent members of the Board of Directors is required for the Board of Directors to take a decision.

A separate agenda item is included in the General Assembly meeting concerning the amounts of the donations and aids made within the period while the shareholders are informed about the issue. On the Company website, in the 'Investor Relations / General Assembly' section, the minutes to the meeting are available. Our Company's majority shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with the Company or its associate companies which may lead to conflicts of interest and/or did not make any transaction, related to a commercial business that is within the scope of the Company's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses.

The paid-in capital of Petkim Limancılık Ticaret A.Ş., the Company's affiliate, was increased from TL 83,000,000.00 to TL 150,000,000.00 within the framework of the decision taken in the Extraordinary General Assembly held. With the decision taken by the Board of Directors on the 11th of November 2014 the Company participated in the capital increase.

2.4. 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.

Furthermore, the validity of the Board of Directors decisions taken about the issues specified in the 15th Article of the Articles of Association of our Company, depends on the affirmative votes of the Group C shareholders.

Minority shares are represented in the General Assembly directly or through their proxies. There is no cross-shareholding relationship with the Company's 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.

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 2014. 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 438 of Turkish Commercial Code.

Furthermore, according to the 30th Article of the Articles of Association of our Company; shareholders who have at least one twentieth of the Company capital may ask the Board of Directors to make a call for the General Assembly – provided that they specify the necessary reasons and the agenda in writing – or if the General Assembly is already going to convene, they may ask the Board of Directors to add the issues they request to be resolved on the agenda.

2.5. Profit Distribution Right

The Company's profit distribution procedures are set out according to the Articles 37, 38 and 39 of the Articles of Association of the Company, the Turkish Commercial Code and Capital Market regulations.

With regard to the Company's profits, no privileges are granted by the Articles of Association. The Company established its profit distribution policy and submitted it to the general assembly. 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/ Corporate Governance /Profit Distribution Policy.

Within the provisions of the Capital Markets Board Communiqué n.II-14.1; as of 01.07.2014 our Company started distributing net dividends in cash – equivalent to gross 0,047 kr (4.7%) per share of 1.- kr each – from the profit obtained within the accounting period between 01.01.2013 and 31.12.2013.

2.6. 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- Apart from the shares traded in the stock exchange, validity of the transfer of registered shares is subject to the approval of the Board of Directors. Affirmative vote of the Members of the Board of Directors elected to represent Group C shares is required in order for the Board of Directors to approve the share transfer.

Group C share certificates can be transferred to another Turkish Public Institution having, in principle, the authorities assigned to the Prime Ministry Privatization Administration of the Republic of Turkey with Law Act n. 4046. In such a case, the transfer shall immediately be registered in the book of shares without necessitating the Board of Directors' decision.

SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. 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 material event, 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 Internal Audit 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. The issues related to the Corporate Governance Principles are available at the web page of the Company.

3.2. Annual Report

The issues related to the Corporate Governance Principles are available in the annual report of the Company.

SECTION IV STAKEHOLDERS

4.1. Provision of Information to Stakeholders

Material event disclosures on the issues regarding the stakeholders are made via Company's website and via printed or visual media.

In 2014, Petkim increased the effectiveness of the various implementations that it has launched and practiced in the previous years for diversifying and enriching information and communication channels in order to be closer to its customers. These activities are summarized below.

Within the scope of the activities of Petkim Academy established in 2013 to provide its customers with Petkim's knowhow and experience in the sector; besides the training programs required for the Company personnel, face to face trainings were given in order to meet the quality, processability and safety requirements of our products and services.

Our Company's corporate publication that started in 2013, monthly Petkim e-bulletin published its 20th edition as of December 2014. With this bulletin; various news and information such as the key economic indicators, recent news in the petrochemical market, changes in prices, new products and technologic developments in the sector are shared with our customers.

The effectiveness of the 'Customer Communication Line (Call Center)' that was launched in 2013 for our customers to reach Petkim more easily, was way ahead of the anticipated level in 2014, and thus it became one of the fastest and most effective communication tools between our Company and our customers.

Within the scope of our customer oriented sales and marketing policy, in the first external control (TSEK) that was performed in our TSE-ISO 10002 certified (certification obtained in 2013) Customer Complaints Management System, all our implementations' compliance with the standards was controlled. The certification was extended for another two years due to the good practices recorded.

In order to reinforce its position in the market and to strengthen its relations with its customers, in 2013, Petkim progressively continued to organize sectoral meetings, fairs, and regional meetings besides paying visits to its customers. In order to keep a closer watch on the market, more emphasis was given to technical customer visits particularly in the second half of the year. In order to be closer to its customers and to meet their needs and expectations, Petkim boosted up its logistics services.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

On the issue of the suppliers that provide the Company with the goods and services it requires in the production process, the Company's target is to work with them in a long term corporation based on mutual trust, transparency and openness.

Moreover, collaboration is made with the suppliers, non-governmental organizations and educational institutions in order to create mutual benefit, to support each other on the mutual goals, to create value together and to improve capacity and skills.

Petkim monitors and evaluates the improvement of its suppliers and collaborations.

In this aspect; enhancement is made with regard to the outcomes of the meetings, visits and "Supplier Satisfaction Surveys" Petkim has been organizing in order to get feedback regarding the needs and expectations of its suppliers.

Within the scope of the survey made for 2014, among the suppliers in the goods/services group A-B;

- 463 suppliers of our Company in the country were invited to participate in our survey. Consequently, 146 suppliers answered our survey while the participation was 32%. In 2014, satisfaction ratio of the suppliers of our Company in the country was 81%.
- 162 suppliers of our Company outside the country were invited to participate in our survey. Consequently, 36 suppliers answered our survey while the participation was 22%. In 2014, satisfaction ratio of the suppliers of our Company outside the country was 83%.

In 2014, the average satisfaction ratio of the suppliers of our Company in and outside the country was 82%, which is quite a high level.

In consequence of the feedback obtained from our suppliers, measures were instigated upon identifying the areas open to enhancement.

In consequence of our mutual efforts with the Mutual Health and Safety Unit that was established in order to inform and inspect the suppliers which have their employers work at our site; among the suppliers which have been working at the site for at least 6 months or for a longer period, a rewarding system was initiated for the ones that have been more successful in the area of HSE a penalizing system was initiated stipulating fines for the non-complying issues discovered during the inspections.

As summarized briefly above, for the issues regarding "the effectiveness of the management of suppliers and collaborations" we set our targets and continue our intensive efforts to reach these targets.

4.2. Stakeholders' Participation in Management

The participation of stakeholders in Management by representing the 43.68% publicly held portion of our Company is made possible by Articles 11 and 22 of the Articles of Association.

Evaluating employees' opinions sensitively and systematically since 2004, Petkim, launched a new employee suggestion system "In My Opinion" in 2013. With this platform our Company aims to improve business processes by utilizing its employees' knowhow effectively.

One of the most important communication channels of our Company with our customers is the Customer Information System. On this system, our customers can make requests, confirmations, orders, loading requests, and complaints while they can track shipments, invoices, loadings, analysis repots and Petkim's notifications.

Results of the activities such as Customer Satisfaction Surveys, fairs we attend, our visits to our customers and regional meetings are reflected in Petkim's operational processes.

4.3. Human Resources Policy

Our Human Resources is our most precious asset.

The main framework of Human Resources policy is to create the intellectual capital of the future through constantly improving our human resources with the power of our knowhow and experience.

Within this scope, Petkim boosts the high performance of its employees and offers them opportunities for their career progress as it wishes to be the center of attraction in the sector for young people while it aims to carry out training programs that will provide the necessary knowhow, experience and skills for its employees to be more successful in the working environment.

On the other hand, the basis for our policy is to provide a flexible and efficient working environment – that will make the Company reach its strategic targets – where there are highly motivated, skilled employees who have confident view of future.

Our main principle is to act with an "occupational safety oriented professional discipline" that involves social and environmental responsibility as well as respect for our values.

4.4. Ethical Rules and Social Responsibility

In line with the CMB's Corporate Governance Principles Communiqué, Code of Ethics was issued at the Company with a Board of Directors Decision and was publicly announced. The Code of Ethics are available in detail on the Company website (www.petkim.com.tr).

Petkim never sees its investments in environment, nature and human health as a cost factor. Petkim pronounced these investments as an inseparable part of the Company's vision and competitive structure. Transferring more than USD 210 million funds to environmental investments in the last 13 years, Petkim's chimneys that have high thermal conductivity are ready 24/7 for the controls of the Ministry of Environment and Urban Planning since 2011.

Joining the Carbon Disclosure Project ct (CDP) in 2010, in November 2014 Petkim became one of the 15 Companies that joined the Sustainability Index within the Borsa Istanbul.

Working actively within the scope of the CDP project on the issue of greenhouse gas emission management, Petkim conscientiously continues this completely voluntary project with the attention it pays to environmental processes.

Petkim's environmental awareness showed its impacts on afforestation efforts, as well. The total number of 1200 olive trees in the Petkim Peninsula investments feedback area, were planted in the Petkim Atatürk Olive Grove and the Penal Institutions Campus in Yenişakran with the contribution and help of Menemen Forest Sub-District Directorate teams.

With a ceremony made in May 2014, the olive trees transported from the Aliağa Complex were planted in the Petkim 50th Anniversary Olive Grove that was created in the 60 acre area near the Yenişakran Penal Institutions Campus. Maintenance and harvesting of these trees will be performed by the inmates of the Correctional Institution while the revenue obtained will be used in the financing of the "Smiling (Bottle) Caps, Smiling Faces" project – organized by the Aliağa City Council – which will provide jobs for our handicapped citizens.

In Güzelhisar Village, licensed dumping area of STAR Refinery in Aliağa, 14,150 saplings were planted on a 228,000 square meter land. The third of Heydar Aliyev Friendship and Remembrance Forests, of which previous phases were established in 2010 and 2011 in Yenifoça, was established near Örlemiş Village, Yenişakran.

Our Company management and employees went to Kınık and Soma for several times after the 301 mineworkers lost their lives on the 13th of May 2014 in the Soma mine disaster, and shared the grief of their families. The traditional Çayağzı Spring Fest (that was to be made in May 2014) was cancelled, and the funds our Company was going to spend for this event, were added to our employees voluntary donations, and consequently the sum was spent for the families selected by the county governor in both districts and for the education of the children.

SOCAR was the platinum sponsor while Petkim was the gold sponsor in the social responsibility campaign 'Plastics Turning Into Homes' launched in 2014 by the Plastics Industrialists Association with the motto 'Every Being Deserves a Warm Home'. The Campaign emphasizes that all plastic wastes are actually valuable raw materials that cause significant economic loss as they are imported to our country because of the scarcity of production in our country. Furthermore, it is also emphasized that significant economic and environmental value can be created by recycling the waste plastics that can be recycled many times. While drawing attention to clean environment and nature; warm homes are created for street animals with the huts made of 100% recycled plastic wastes.

Heydar Aliyev Technical and Industrial Vocational High School built by our Company in Aliağa, started education in 2012-2013 academic year and will have its first graduates next year. Constructed for approximately TL 16 million to honor the name and memory of Heydar Aliyev, the founder of contemporary Azerbaijan, the school which educated 720 students in, was designed as a campus on a 20 thousand square meters of land with its education buildings, students' hostel, cafeteria, and conference hall. Furthermore, an additional building that will have a Chemistry Lab and Electricity and Mechanics Workshops will be built by our Company. It is anticipated that the additional building will be constructed for about TL 2.5 million and will start giving service within the year. Having a 5-star hotel comfort and a university campus structure, Heydar Aliyev Technical and Industrial Vocational High School, is not just İzmir Aliağa's but Turkey's most beautiful school as well as being one of the most important symbols of the brotherhood of Turkey-Azerbaijan.

SECTION V: BOARD OF DIRECTORS

5.1. The Structure and Composition of the Board of Directors

The information on the members of the Board of Directors as selected according to the Company's Articles of Association and the General Manager, who is not a Board member, are below. Board members are in no way restricted in assuming positions in other organizations or entities other than the Company. The current titles of the Board members within/out of the Group are shown in Table-1.

Table-1
Information on the Board Members and the General Manager

NAME SURNAME	TITLE	POSITIONS	OUTSIDE THE COMPANY
SOCAR Turkey Petrokimya A.Ş. (Representative Vagif Aliyev)	Chairman	Non-executive	In-group / State Oil Company of Azerbaijan Republic, Head of Capital Management
David Mammadov	Vice Chairman	Non-executive	In-group / State Oil Company of Azerbaijan Republic, Vice President, Refinery
Directorate of Privatization Administration (Representative Muammer Türker)	Member	Independent	Out-group / National Security Board, General Secretary
SOCAR İzmir Petrokimya A.Ş. (Representative Farrukh Gassimov)	Member	Non-executive	In-group / State Oil Company of Azerbaijan Republic, Vice President, Law
Kenan Yavuz	Member	Non-executive	In-group / SOCAR TURKEY Enerji A.Ş. Group Executive Manager/CEO
Süleyman Gasimov	Member	Non-executive	In-group / SOCAR Vice President, Economy
İlhami Özşahin	Member	Independent	Out-group / Financial Advisor
Hulusi Kılıç	Member	Independent	Out-group / Ministry of Foreign Affairs Bilateral Political Affairs General Manager
Prof. Dr. Mehmet Emin Birpınar	Member	Non-executive	Out-group / Yıldız Teknik University Lecturer, Ministry of Environment and Urban Planning Deputy Secretary
Sadettin Korkut	General Manager	Executive	-

The Board of Directors is composed of 9members 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.

There are three independent members at the Board of Directors in accordance with Corporate Governance Principles. All of the Company's Board members are non-executive members of the Board. Provisions of the Law, Capital Markets Board Regulations/Decisions and other relevant legislations in force are applicable regarding the determination, nomination, election, dismissal and/or resignation, and qualifications and the number of Independent Member candidates for the Board of Directors. The independent members of the Board of Directors are vested with independent membership as per CMB's Corporate Governance Principles. They have no relations with Petkim Petrokimya Holding A.Ş. and its related parties.

In the Company, the duties of Nomination Committee are carried out by the Corporate Governance Committee. Three people were nominated as independent Board member. The dates of the reports on whether or not the candidates meet the independency criteria are as follows:

Hulusi KILIÇ	: 01.11.2012
Muammer TÜRKER	: 01.11.2012
İlhami ÖZŞAHİN	: 30.03.2012

Independence declarations are submitted to the Board of Directors via Corporate Governance Committee 10 days before the meeting date. The independence declarations of independent members of the Board are available on pages 67 of the Annual Report. Within the activity period, there have not been situations that jeopardize the independence.

The term of Board membership is three (3) 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.

The working principles of the meetings of the Board of Directors are specified in written form with the decision of the Board of Directors dated October 8, 2009 and no. 48/110.

In the General Assembly meeting held within 2014, an announcement was made that the shareholders who have control over the management of the Company, the members of the Board of Directors, senior executives and their spouses, and their next of kins and their relatives in kinship by marriage up to the second degree; did not make any transactions which could cause a conflict of interest with the Company or its affiliates and/or, on their behalf or someone else's behalf, did not make any commercial transactions intruding the business field of the Company or its affiliates, or, did not join another company, dealing with the same type of commercial businesses, as a partner with unlimited liability.

The below mentioned 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.

According to the 12th clause of the Company's "Articles of Association", members of the Board of Directors shall be elected from the persons who are fully competent, preferably university graduates, who have technical and/or general financial and legal knowledge and managerial experience in the fields of activity of the Company, who have not been sentenced due to disgraceful offenses and who will be available and determined to participate in all meetings of the Board of Directors. Independent members of the Board of Directors shall be elected from the persons who have the qualifications required as per the regulations of the Capital Markets Board regarding corporate governance. In cases allowed by the Capital Markets Legislation, the persons who do not qualify with a part of these prerequisites can be elected as a member of the Board of Directors in compliance with the principles and the procedures stipulated in this legislation.

In case a legal entity is elected as a member of the Board of Directors, together with this legal entity, only one real person chosen by the legal entity who will act on behalf of the legal entity, shall be registered and announced as well; Moreover, a prompt message, regarding the completion of the registry and announcement, is given on the website of the Company. Only this registered person can participate in the meetings and can vote on behalf of the legal entity. It is obligatory that the person who will be registered on behalf of the legal entity is fully competent.

While entering into any business or competition with the Company, the members of the Board of Directors, the shareholders who have control over the management of the Company, senior executives and their spouses, their next of kins and their relatives in kinship by marriage up to the second degree will be subject to the Turkish Commercial Code and the regulations of the Capital Markets Board regarding the corporate governance.

Members of the Board of Directors cannot attend the discussions on the issues regarding the conflict between the Company's interests and the personal interests/interests outside the Company of the members of the Board of Directors or their spouses and their next of kins and their relatives in kinship by marriage up to the third degree. If such an issue is to be discussed, they are to inform the Board of Directors about this relation and to state this issue in the meeting minutes.

There are no female members in our Board of Directors. We are currently working on this issue.

5.2. Principles of the Board of Directors' Activities

Board of Directors is structured in a manner that will create maximum impact and effectiveness. In this issue, utmost attention is paid to comply with the Law, CMB Regulations and Decisions. Principles regarding this issue are specified in the Articles of Association of our Company.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The qualifications and the number of the independent members of the Board of Directors will be determined in accordance with the Capital Markets Board regulations on Corporate Governance. Independent members of the Board of Directors are elected from among the candidates – who will be nominated by the shareholders – in conformity with this Articles of Associations and the procedures and principles specified in the Capital Markets Board regulations on Corporate Governance.

The tasks and working principles of the committees that will be established under the Board of Directors; are determined in accordance with the provisions of the Turkish Code of Commerce, Capital Markets Law, Capital Markets Board regulations on Corporate Governance and the relevant legislations.

Meetings of the Board of Directors can be held completely in an electronic platform or can be held with the attendance of some of the members in the electronic platform while some members are present physically. Meetings of the Board of Directors in which there is physical participation are held at the company headquarters or at another suitable location. Board of Directors convene – with the attendance of at least 5 (five) members – in such a schedule that the members can perform their duties effectively. Board of Directors resolves with the affirmative vote of five members. The Board of Directors of the Company convened 11 times in 2014. The agenda of the Board of Directors' meeting is determined by the Chairman of the Board of Directors taking the suggestions made by the Company into consideration, and consequently members of the Board of Directors are informed.

A Board of Directors Coordination Unit was structured under the General Manager in order to provide services to all Members of the Board of Directors with the aim of regularly keeping/filing the documents related to the Board of Directors meetings. Board of Directors meetings are coordinated by the Board of Directors Coordination Unit. Board of Directors decisions are signed and recorded in the decision book. Members casting negative votes must explain their motives and sign the minutes. Documents and correspondences regarding the meeting are regularly archived by the Board of Directors Coordination Unit. When the independent members of the Board of Directors cast negative votes in cases where affirmative votes of the independent members of the Board of Directors is required, measures stipulated in the regulations of the Capital Markets Law and Capital Markets Board are applicable. The members of the Board of Directors participated in all meetings.

Unless any of the members requests to make a meeting, the decisions of the Board of Directors can also be taken with the written consent of at least 5 (five) members upon the proposal made by any member in a written resolution form.

Every year, following the General Assembly meeting, the Board of Directors takes necessary decisions for the establishment of the committees.

The validity of the decisions of the Board of Directors depends on the fact that they are written and signed. Not reaching a decision quorum on a certain issue means that the proposal is rejected.

The management and representation of the Company before third persons belongs to the Board of Directors. The Board of Directors may transfer these representation authorities to others partially or completely. The validity of the documentation to be given and the agreements to be contracted by the Company depends on the fact that they are signed by the persons having the authority to put his/her signature under company title.

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.

There has been no declaration about administrative sanctions and fines given to the Company or any member of the Board on the grounds of a conduct in contrary to the provisions of any regulation/legislation.

Group C share certificates can be transferred to another Turkish Public Institution having, in principle, the authorities assigned to the Prime Ministry Privatization Administration of the Republic of Turkey with Law Act n. 4046. In such case, the transfer shall immediately be registered in the book of shares without necessitating the Board of Directors' decision.

Moreover, as per the 15th clause of the Articles of Association;

The validity of the decisions that will be taken by the Board of Directors on the following issues depends on the affirmative vote of the member of the Board of Directors elected from the Group C;

a) The 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 present Articles of Association,
ç) Decisions envisaging a 10% decrease in the capacity of any plant owned by the company,
d) 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.

Within the period, eight related party transactions were submitted to the approval of the Board of Directors. Since the related decisions are approved by the independent Board members, there is not any transaction to be submitted to the approval of the General Assembly.

5.3. Number, Structure and Independence of the Committees Established under the Board

In the Company, Corporate Governance Committee and Risk Detection Committee were established in addition to the Audit Committee in order to enable the Board of Directors to carry out its duties and responsibilities in a healthy manner. The working principles of the committees are available at the web site (www.petkim.com.tr) of the Company.

The committees of the Board of Directors performed their duties regularly and effectively and submitted the necessary reporting to the Board of Directors.

The chairman of each committee of the Board of Directors' is an independent member of the Board of Directors while all committee members are non-executive members of the Board of Directors. In conformity with their working principles, the committees of the Board of Directors convened at least three times a year. On the other hand, the committee responsible of auditing (Audit Committee) convened 4 times, at least once in 3 months. Committee members participated in all meetings.

Muammer Türker, independent member of the Board of Directors, is the member of both Audit Committee and Risk Detection Committee. There are three independent members in the Board of Directors. Since it is a requisite that chairman of each committee as well as the chairman and all members of the Audit Committee should be constituted by the independent Board members, each of these members take responsibility in two committees. At the General Assembly to be held in 2015, distribution of tasks at the committees will be rearranged.

AUDIT COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties of Other Committees
İlhami ÖZŞAHİN	Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	Member of Early Risk Detection Committee
Muammer TÜRKER	Independent	Member of Board of Directors (Non-Executive)	Independent	Chairman of Early Risk Detection 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 independent Board members.

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

Members	Title	Relationship with the Company	Dependent/ Independent	Duties of Other Committees
Hulusi KILIÇ	Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	No
Prof. Dr. Mehmet Emin Birpınar	Member	Member of Board of Directors (Non-Executive)	-	No
Farrukh GASSIMOV	Member	Member of Board of Directors (Non-Executive)	-	No
Kenan YAVUZ	Member	Member of Board of Directors (Non-Executive)	-	No
Mustafa ÇAĞATAY	Member	Coordinator of Internal Audit and Investor Relations (Executive)	-	No

In accordance with the Article 11-2 of the Capital Markets Board Corporate Governance Communiqué (II-17.1), Internal Audit and Investor Relations Coordinator Mr. Mustafa ÇAĞATAY was appointed as a member of the Corporate Governance Committee.

Made up of four members of the Board, the Chairman of the Corporate Governance Committee is an independent Board member. The working principles of the committee were revised with the decision of the Board of Directors dated June 29, 2012 and numbered 111-199.

Within the framework of the CMB's Communiqué Serial IV, No 56 on Determination and Implementation of Corporate Governance Principles, article 4.5.1, at the meeting of the Company's Board of Directors dated March 21, 2012 and numbered 103/184, it was decided that the duties of the Nomination Committee and Remuneration Committee will be carried out by the Corporate Governance Committee.

EARLY DETECTION OF RISK COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties of Other Committees
Muammer TÜRKER	Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	Member of Audit Committee
İlhami ÖZŞAHİN	Member	Independent Member of Board of Directors (Non-executive)	Independent	Chairman of Audit Committee
Süleyman GASIMOV	Member	Member of Board of Directors (Non-executive)	-	No

Made up of three members of the Board, the Chairman of the Risk Detection Committee is an independent Board member. The working principles of the committee were revised with the decision of the Board of Directors dated June 29, 2012 and numbered 111-199. At the Company Board of Directors meeting n.103/184 held on 21.03.2012, the existing Risk Management Committee's name was changed as 'Early Risk Detection Committee'.

5.4. Risk Management and Internal Control

Corporate Risk Management Implementations

The Company established an efficient risk management and internal control system. The system is monitored by the activities and reports of Internal Audit and Investor Relations Directorate.

The Company follows a risk management policy in conformity with international standards and applications regarding the risks that it encounters or may encounter. The Internal Audit and Investor Relations Directorate carries out its activities with a holistic, systematic and proactive approach to ensure that the operations of the Company are conducted in accordance with related regulations and legislation while also considering its short, medium and long-term targets. The Directorate targets to establish a shared language throughout the Company, to integrate risk concept into the corporate culture, to restructure the organization in accordance with risk management and to set processes and systems required by corporate risk management.

Regarding corporate risk management, the employees of the other departments also assume duties and responsibilities at various levels of the process. The risks are identified together with the processes owners, analyzed and assessed through techniques in the standards and developed by the Directorate. As a result of analyses and assessments made in risk evaluation process, the decision are taken among four different risk attitudes: Accept, mitigate, transfer and avoid. Finally, at the risk monitoring and reviewing level of the process, risk matrices and analyses are updated if required. The risk matrices are recorded in order to transfer these studies to corporate memory.

The risks related to the Company are evaluated under four categories to systematically manage the corporate risk management activities: Strategic, financial, operational and external risks.

Strategic Risks

Strategic risks are composed of sales, supply chain, investment, R&D and compliance risks, which can create an obstacle for Company's short, medium and long-term strategies.

The management of sales risks is a continuum. Within this framework, market analyses are done, global capacities and competition in the sector are monitored. Therefore, the most appropriate sales strategies are determined in line with the target of maximum customer satisfaction.

Regarding supply chain risks, naphtha, the most important input for the Company, is analyzed. Additionally, analyses are made to ensure effective management of supply processes of other raw materials, equipment and services.

Due to the industry it operates, the Company allocates large amount of resources for R&D work and investments. Risk management implementations identify and report the threats against return of the allocated resources and investments in line with the strategic targets. The Company conducts its cooperation in R&D and investments with maximum care and makes risk analyses in line with international applications regarding the risks that may otherwise arise.

In its domestic and international activities, the Company is subject to a series of laws and legislation. Within the framework of compliance risk, these laws and legislation are closely monitored; employees are informed through training activities and seminars and relative tables are periodically updated. The Company gets consultancy service when required in order to mitigate the risks that it may encounter.

Financial Risks

Within the scope of financial risks, the Company manages interest rate, currency, credit and liquidity risks. Closely monitoring the economic developments at national and international level, the Company takes necessary actions considering the possible impacts of economic developments on its assets and liabilities.

Regarding the management of interest rate risk, the quantities, terms and interest rates of interest-sensitive assets and liabilities are carefully monitored and balanced in favor of the Company.

The Company makes large amount of foreign currency transactions for its commodity sales and purchases. The related department closely monitors foreign currency transactions and targets to manage the currency risks through in-balance sheet transactions.

The Company attaches importance to asset-liability balance in the management of liquidity risk and monitors liquidity on daily basis to avoid maturity mismatch and payment problems. The systems such as DSTS that ensure facility of payment are actively used to make the collections easier through credit risk management policies. With this method, the Company guarantees its collections and increases the liquidity. Additionally, it establishes appropriate collateral structure by monitoring credibility of the companies.

Operational Risks

Environment, work health and safety, human resources, information technologies and security risks are managed within the framework of operational risks. Basically targeting to manage the operations in a reliable manner, the works in this field also aim at preserving physical assets and being in compliance with laws and regulations.

Environmental risks as well as work health and safety risks are the fields that the Company attaches great importance by carefully considering the risks that may threat the environment and work health during its operations, continuously and carefully monitoring the laws and legislation and training its employees. In addition, emergency operations plans and drills are made in order to ensure effective response in emergencies. To control that the waste are in conformity with laws and legislation, sample analyses are made and monitored with daily and spot checks. The results of periodical audits done during the year and incident notification forms are evaluated to determine if environment and work health and safety risks arise due to the weaknesses in the processes and systems or human errors. The required improvements are made and thus the security of operations is increased.

The risks in the field of human resources are monitored to ensure the realization of the Company's targets and strategies, to maximize employee satisfaction and to enhance corporate loyalty. The works in this field are conducted with the Company's employee focused approach, which also takes place among the corporate values of Petkim. Professional knowledge and motivation of employees are increased by various training programs and social activities.

The Company uninterruptedly invests in information technologies. The risks that may arise in this field are managed either by its own employees or through external consultancy services received when required. During the periods of program changes and revisions, the advices of consultants are immediately put into practice. The risks that may arise in information technologies are not only responsibility of the related department. All employees are informed about the threats that may arise on the internet. Additionally, data losses are tried to be avoided through periodical back-ups.

The Security Department uses aversive and preventive techniques in its actions and activities conducted in line with Security Management Standard and related laws and legislation. Effectively benefitting from technology as well, the Department has sufficient number of vehicles and equipment. The training and drills and exercises of security staff are periodically carried out and audited. The Company's assets are also secured with extensive insurance policies in addition to security measures.

External Risks

The Company also carries out activities against the risks stems from natural disasters, economic risks at national and international level as well as political risks.

Against natural disaster risks, emergency and business continuity plans are prepared and the employees are provided emergency response training periodically. The PAKUT (Petkim Search and Rescue Team) established by the Company's employees, carries out practices to enable professional response in case of natural disasters. Periodical drills are done in the units. Additionally, all assets are insured against natural disaster risks.

Regarding the procurement of raw material, the Company is largely dependent on imports. As such, economic and political situation in both domestic market and foreign countries, from which the raw material is procured, are followed through national and international publications and the relevant studies are periodically updated.

Internal Audit Systems

In addition to its activities in the corporate risk management, Internal Audit and Investor Relations Directorate runs internal audit activities. 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, ensures that required action plans are made and follows up the improvements.

The Internal Audit 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.

Our Board of Directors and the committees under the Board of Directors carry out risk management, supervision and audit activities in line with the relevant regulations and legislation. In our report prepared as per the Article 199 of the Turkish Commercial Code, regarding our activities in 2014, it was concluded as follows: "For us and according to the evident circumstances and conditions, in 2014, in each transaction of Petkim Petrokimya Holding A.Ş. with controlling companies and affiliates, which were specified in Article 199 of Turkish Commercial Code, an appropriate counter action has been carried out, there were not any steps being taken or avoided or any damages to the Company caused by the steps taken or avoided."

5.5. Strategic Targets of the Company

The Company established its Strategic Plan through the studies of Current Situational Analyses (CSAs) and updated the Strategic Plan by revising CSAs in 2014.

In order to ensure the realization of its mission and vision, Petkim reviewed and redefined main and upper procedures and process owners in line with its Process Management System.

Within the framework of its process management system;
As a result of the meeting of Identification of Goals and Strategies of 2015-2018 which dated October 25-26, 2014, 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.

All processes designed to achieve Basic Performance Indicators (BPI) are periodically measured and analyzed with relative performance indicators and at the processes, in which indicators deviated from targets required improvements are planned.

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 in also 2012 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. The CSAs and improvement suggestions prepared by the departments and committees were consolidated at the Executive CSA Consolidation meeting in line with the principle of balancing stakeholder expectations. By assessing improvement plans in CSAs, Strategic Plan for 2015 was prepared. Realization of the strategies is monitored through holistic review of process performance indicators.

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

5.6. Financial Rights

The Remuneration Policy for Board Members and Executives was approved by the Board of Directors and announced to the public with a material event disclosure on March 28, 2012 on the web site.

Remuneration and other benefits to which Board Members shall be entitled are determined at the General Assembly. Relative information is announced, together with the benefits entitled to other executive managers, under the title of "Benefits Provided to the Executive Managers" on the 31st article of independent auditor's report, which is also included into the Company's annual report. 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

With our Board of Directors' decision n.3/10 taken on 25/02/2014, our Company's Profit Distribution Policy for 2013 and succeeding years were determined as follows:

In the 37th Article 'Determining the Profit, the 38th Article 'Reserve Funds' and the 39th Article 'Method and Timeframe for Profit Distribution' of the Articles of Association of our Company, profit distribution policy is specified in conformity with the relevant provisions of the Turkish Code of Commerce and Capital Markets Board.

- Within this framework; as our Company's Profit Distribution Policy for 2013 and succeeding years; our Company has adopted the principle of distributing the maximum amount of dividends in cash in line with its medium and long term strategies and investment and financial plans, and by taking the market conditions and developments in the economy into consideration.

- In conformity with the 37th Article of the Articles of Association of our Company, the Company may distribute advance dividends.

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

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

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

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

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

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

THE IMPORTANCE OF EMPLOYEES' OPINIONS

Giving value to all opinions, Petkim maximizes the contribution of its employees in all company processes. To this end, the 'In My Opinion' system where employee suggestions and opinions are evaluated, is being implemented with much success.

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

DECISION DATE	:	06/03/2015
DECISION NUMBER	:	2015 – 14/22
		06/03/2015

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ OF SERIES II-14.1, 2nd SECTION ARTICLE 9

a) Having examined the independently audited Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes in Equity and relevant Notes to the financial statements, as well as the Annual Report of the Company for the period of 12/31/2014,

b) We do declare that we have concluded, within the framework of the information obtained in the scope of our duty and responsibility in our Company 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 statements – issued in accordance with the financial reporting standards in force as of the period concerning the statement – do reflect the facts about the assets, liabilities, financial situation and profit and loss of the Company together with the consolidated figures, and that the interim report does reflect objectively the facts about the progress and performance of the business, and financial situation of the Company together with the consolidated figures, and the significant risks and uncertainties the Company is facing.

Best Regards.

İlhami ÖZŞAHİN
Chairman

Muammer TÜRKER
Member

To the Board of Directors of
Petkim Petrokimya Holding A.Ş.

01.01.2014–31.12.2014 Accounting Period Financial Reports

Independently audited comparative consolidated financial report for the 01.01.2014 –31.12.2014 accounting period, prepared in conformity with (i) the Turkish Accounting Standards and Financial Reporting Standards issued by the Public Oversight, Accounting and Audit Standards Authority within the scope the Capital Markets Board (CMB) Communiqué n.II-14.1; and (ii) the presentation principles stipulated in the CMB Decision n.20/670 (date: 07.06.2013) and published via CMB's Weekly Bulletin n.2013/19 (date: 07.06.2013); was reviewed by getting the opinions of the executives who have responsibilities in preparing and issuing the Company's financial reports.

Within the framework of the information we have obtained/were given – we have assessed that the financial report; (i) truly reflects the facts about the results of the Company activities, and (ii) does not include any significant mistakes that could be misleading, and (iii) is in conformity with the CMB regulations.

Respectfully Yours,

06/03/2015
Audit Committee

İlhami ÖZŞAHİN	**Muammer TÜRKER**
Chairman	Member

FINANCIAL
INFORMATION

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN JANUARY 1-DECEMBER 31, 2014 TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiary

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Building a better
working world

Güney Bağımsız Denetim ve
SMMM AŞ
Eski Büyükdere Cad.
Orjin Maslak No:27
Maslak, Sarıyer 34398
İstanbul - Turkey

Tel : +90 212 315 30 00
Fax: +90 212 230 82 91
ey.com
Ticaret Sicil No: 479920-427502

(Convenience translation into English of independent auditors' report originally issued in Turkish)

Independent auditors' report

To the Shareholders of Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiary:

Report for the consolidated financial statements

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, 2014 and the related consolidated statement of profit or loss and 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 the Turkish Accounting Standards ("TAS") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing which is part of standards on auditing issued by the Capital Market Board of Turkey and the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments; the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. An 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 financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Petkim Petrokimya Holding A.Ş. and its Subsidiary as at December 31, 2014 and of their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on independent auditor's responsibilities arising from other regulatory requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on March 6, 2015.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities, financial statements for the period January 1-December 31, 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

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

Metin Canoğulları, SMMM
Engagement partner

March 6, 2015
Istanbul, Turkey

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

PETKİM PETROKİMYA HOLDİNG A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014

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

	Notes	Current year Audited December 31, 2014	Previous year Audited December 31, 2013
Assets			
Current assets		**1.767.709.192**	1.700.413.095
Cash and cash equivalents	4	**702.158.128**	279.042.424
Trade receivables			
- Trade receivables from third parties	6	**522.028.996**	750.162.183
- Trade receivables from related parties	31	**246.651**	-
Other receivables			
- Other receivables from related parties	31	**18.721.644**	114.661.629
- Other receivables from third parties	7	**2.582.910**	935.271
Derivative financial instruments	8	**1.445.166**	-
Inventories	9	**431.973.190**	464.199.471
Prepaid expenses			
- Prepaid expenses to third parties	18	**43.238.711**	17.375.744
- Prepaid expenses to related parties	31	**12.878.087**	-
Other current asset	20	**32.435.709**	74.036.373
Non-current assets		**2.020.547.900**	1.545.216.810
Other receivables			
- Other receivables from related parties	31	**51.791.682**	-
Investment property	10	**1.461.758**	1.020.532
Property, plant and equipment	11	**1.817.284.723**	1.485.382.941
Intangible assets	12	**16.697.372**	14.162.499
Prepaid expenses			
- Prepaid expenses from third parties	18	**24.712.059**	15.996.313
- Prepaid expenses from related parties	31	**30.048.869**	-
Deferred tax assets	29	**44.480.315**	9.604.273
Other non-current assets	20	**34.071.122**	19.050.252
Total assets		**3.788.257.092**	3.245.629.905

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. AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2014
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited December 31, 2014	Previous year Audited December 31, 2013
Liabilities			
Current liabilities		**1.136.768.697**	1.213.390.406
Short-term financial liabilities	5	**352.914.646**	165.364.570
Current portion of long-term financial liabilities	5	**43.108.180**	24.029.261
Trade payables			
- Trade payables to related parties	31	**37.895.925**	42.579.237
- Trade payables to third parties	6	**631.153.338**	915.775.992
Short-term liabilities for employee benefits	19	**25.793.321**	12.133.355
Other payables			
- Other payables to related parties	31	**11.213.876**	95.087
- Other payables to third parties	7	**1.487.502**	792.419
Deferred income			
- Deferred income from related parties	31	**4.286.908**	7.375.478
- Deferred income from third parties	17	**14.090.157**	34.897.859
Short term provisions			
- Provision for employee benefits	16	**3.517.037**	2.528.139
- Other short-term provisions	14	**5.166.629**	2.707.075
Other current liabilities	20	**6.141.178**	5.111.934
Non-current liabilities		**468.227.528**	324.734.521
Long-term financial liabilities	5	**324.567.369**	165.903.991
Deferred income			
- Deferred income from related parties	31	**16.579.501**	4.992.107
- Deferred income from third parties	17	**48.490.336**	48.043.940
Long term provisions			
- Provision for employee benefits	16	**78.590.322**	94.466.980
Deferred tax liability		**-**	11.327.503
Total liabilities		**1.604.996.225**	1.538.124.927
Equity		**2.183.260.867**	1.707.504.978
Share capital	21	**1.000.000.000**	1.000.000.000
Adjustment to share capital	21	**486.852.283**	486.852.283
Other comprehensive income/(expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan	16	**(15.228.165)**	(12.885.403)
Other comprehensive income/(expense) to be reclassified to profit or loss			
- Hedging reserve		**1.156.133**	-
Gain on sale of subsidiary that do not result in loss of control	21	**466.324.085**	-
Restricted reserves		**8.356.700**	3.653.928
Retained earnings		**178.181.398**	180.987.490
Net profit for the year		**6.452.915**	48.896.680
Equity holders of the parent		**2.132.095.349**	1.707.504.978
Minority interest		**51.165.518**	-
Total liabilities and equity		**3.788.257.092**	3.245.629.905

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. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited January 1 December 31, 2014	Previous year Audited January 1 December 31, 2013
Sales	22	**4.132.846.077**	4.158.730.152
Cost of sales (-)	22	**(4.038.835.625)**	(3.908.766.403)
Gross profit		**94.010.452**	249.963.749
General and administrative expenses (-)	23	**(99.763.548)**	(82.911.008)
Marketing, selling and distribution expenses (-)	23	**(26.520.156)**	(25.903.990)
Research and development expenses (-)	23	**(11.890.488)**	(12.188.845)
Other operating income	25	**119.102.981**	101.673.174
Other operating expense (-)	25	**(135.516.586)**	(158.044.499)
Operating profit/(loss)		**(60.577.345)**	72.588.581
Income from investment activities	26	**2.712.214**	107.114
Operating profit/(loss) before financial income/(expense)		**(57.865.131)**	72.695.695
Finance income	27	**140.993.206**	62.932.977
Finance expense (-)	28	**(144.899.570)**	(82.120.052)
Profit/(loss) before taxation		**(61.771.495)**	53.508.620
Current year tax expense		**-**	-
Deferred tax income/(expense)	29	**70.450.261**	(4.611.940)
Net profit for the period		**8.678.766**	48.896.680
Other comprehensive income			
Not to be reclassified to profit or loss			
- Actuarial gain/(loss) arising from defined benefit plan		**(2.928.452)**	(7.136.370)
- Deferred tax effect of actuarial gain/(loss) arising from defined benefit plan		**585.690**	1.427.274
To be reclassified to profit or loss			
- Hedging reserve gain/(loss)		**1.445.166**	-
- Deferred tax effect of hedging reserve gain/(loss)		**(289.033)**	-
Other comprehensive loss (after tax)		**(1.186.629)**	(5.709.096)
Total comprehensive income		**7.492.137**	43.187.584
Distribution of income for the period			
Minority interest		**2.225.851**	-
Equity holders of the parent		**6.452.915**	48.896.680
Earnings per share (Kuruş)-Minority interest		**0,00**	-
Earnings per share (Kuruş)-Equity holders of the parent	30	**0,01**	0,05
Distribution of comprehensive income:			
Minority interest		**2.225.851**	-
Equity holders of the parent		**5.266.286**	43.187.584

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. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

			Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss							
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	Hedging reserve	Gain on sale of subsidiary (Note 21)	Restricted reserves	Net profit for the year	Retained earnings	Equity holders of the parent	Minority interest	Total equity
January 1, 2013	1.000.000.000	486.852.283	(7.176.307)	-	-	3.551.784	24.604.925	156.484.709	1.664.317.394	-	1.664.317.394
Transfers	-	-	-	-	-	102.144	(24.604.925)	24.502.781	-	-	-
Other comprehensive income/(loss)	-	-	(5.709.096)	-	-	-	-	-	(5.709.096)	-	(5.709.096)
Net profit for the period	-	-	-	-	-	-	48.896.680	-	48.896.680	-	48.896.680
Total comprehensive income	-	-	(5.709.096)	-	-	-	48.896.680	-	43.187.584	-	43.187.584
December 31, 2013	1.000.000.000	486.852.283	(12.885.403)	-	-	3.653.928	48.896.680	180.987.490	1.707.504.978	-	1.707.504.978
January 1, 2014	**1.000.000.000**	**486.852.283**	**(12.885.403)**	**-**	**-**	**3.653.928**	**48.896.680**	**180.987.490**	**1.707.504.978**	**-**	**1.707.504.978**
Transfers	-	-	-	-	-	4.702.772	(48.896.680)	44.193.908	-	-	-
Dividend payment	-	-	-	-	-	-	-	(47.000.000)	(47.000.000)	-	(47.000.000)
Share transfer to minority interest (Note 21)	-	-	-	-	-	-	-	-	-	48.939.667	48.939.667
Gain on sale of subsidiary	-	-	-	-	466.324.085	-	-	-	466.324.085	-	466.324.085
Other comprehensive income/(loss)	-	-	(2.342.762)	1.156.133	-	-	-	-	(1.186.629)	-	(1.186.629)
Net profit for the period	-	-	-	-	-	-	6.452.915	-	6.452.915	2.225.851	8.678.766
Total comprehensive income	-	-	(2.342.762)	1.156.133	-	-	6.452.915	-	5.266.286	2.225.851	7.492.137
December 31, 2014	**1.000.000.000**	**486.852.283**	**(15.228.165)**	**1.156.133**	**466.324.085**	**8.356.700**	**6.452.915**	**178.181.398**	**2.132.095.349**	**51.165.518**	**2.183.260.867**

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. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited January 1- December 31,2014	Previous year Audited January 1- December 31,2013
Cash flows from operating activities:			
Profit/(loss) before taxation		**(61.771.495)**	53.508.620
Adjustments to reconcile profit/(loss)before tax to net cash generated from operating activities:			
Depreciation and amortization	11-12	**89.580.561**	79.046.401
Interest income	27	**(14.402.000)**	(7.347.217)
Interest expense	28	**7.216.987**	7.144.714
Provision for legal cases, net	14	**731.271**	876.822
Provision for settlement fee of tax inspection, net	14	**1.700.000**	-
Provision for employment termination benefits	16	**6.461.030**	6.437.054
Gain on sale of property, plant and equipment, net	26	**(2.712.214)**	(107.114)
Provision for doubtful receivables	6-7	**4.453.420**	734.375
Provision for seniority incentive bonus, net	16	**4.236.684**	3.597.871
Provision for unused vacation rights, net	16	**1.016.908**	(351.170)
Provision for impairment on inventories, net	9	**26.539.025**	39.065
EMRA allowance expenses	14	**28.283**	46.968
Unrealized foreign currency (gains)/losses on borrowings		**30.173.099**	54.904.829
Generated by before changes in operating assets and liabilities		**93.251.559**	198.531.218
Changes in the assets and liabilities:			
Trade receivables		**223.802.519**	(206.209.670)
Inventories		**5.687.256**	(1.754.988)
Other receivables		**42.131.261**	(27.413.002)
Other current assets and prepaid expenses		**3.398.460**	(36.551.356)
Other non-current assets and prepaid expenses		**(53.785.485)**	(16.844.805)
Trade payables		**(284.622.654)**	698.365.332
Trade payables to related parties		**(4.683.312)**	(430.837.740)
Other payables		**1.839.254**	1.042
Short term provisions for employee benefits, deferred income, current tax liabilities and other liabilities		**(16.883.085)**	11.097.104
Other long term liabilities		**12.033.790**	47.361.526
Seniority incentive bonus paid	16	**(3.640.915)**	(6.332.631)
Employment termination benefit paid	16	**(13.679.923)**	(9.653.313)
Notice pay liability paid		**(4.533.973)**	(2.146.743)
Guarantor fee paid		**(30.968.257)**	-
Net cash generated by/(used in) operating activities		**(30.653.505)**	217.611.974
Investing activities:			
Purchase of property, plant and equipment and intangible assets	11-12	**(425.070.121)**	(244.841.930)
Proceeds from sales of property, plant and equipment and intangible assets		**3.323.893**	2.980.357
Gain on sale of subsidiary		**580.750.000**	-
Net cash generated by/(used in) investing activities		**159.003.772**	(241.861.573)
Financing activities:			
Interest received		**13.863.150**	7.220.797
Proceeds from borrowings		**715.548.533**	168.564.216
Redemption of borrowings		**(381.745.723)**	(143.416.479)
Interest paid		**(5.900.523)**	(21.037.192)
Dividend paid		**(47.000.000)**	-
Net cash generated by/(used in) financing activities		**294.765.437**	11.331.342
Net increase/(decrease) in cash and cash equivalents		**423.115.704**	(12.918.257)
Cash and cash equivalents at the beginning of the period	4	**279.042.424**	291.960.681
Cash and cash equivalents at the end of the period	4	**702.158.128**	279.042.424

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. AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(AMOUNTS EXPRESSED IN TURKISH LIRA ("TL"), UNLESS OTHERWISE INDICATED.)

1. 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 to operate factories, plants either at home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,

- 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,

- 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

- 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,

- 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,

- 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 Market Board.

The "Share Sales Agreement", with respect to the sales of 51% of shares of Petkim Petrokimya Holding A.Ş. (which has been in the privatization process for several years) to SOCAR & Turcas Petrokimya A.Ş. ("STPAŞ"), 44% of which previously 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, was signed on May 30, 2008.

On June 22, 2012, the public shares amounting to 10,32% of the Company capital which belonged to Prime Ministry Privatization Administration was sold to SOCAR İzmir Petrokimya A.Ş ("SİPAŞ") which is the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ").

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

1. Organization and nature of operations (continued)

SOCAR Turkey Enerji A.Ş. and SOCAR İzmir Petrokimya A.Ş., which is the %100 subsidiary of SOCAR Turkey Enerji A.Ş and owns 10,32% shares of the Group, have merged as of September 22, 2014.

As of September 30, 2014 and December 31, 2013 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Group 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 6, 2015 and signed by Mr. Sadettin Korkut, General Manager and Mr. Riza Bozoklar, Vice President of Finance, 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 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 implement port activities. With the general assembly resolution dated, November 13, 2012, the share capital of Petlim has been increased to TL 8.000.000. With the general assembly resolution dated, September 30, 2013, the share capital of Petkim has been increased from TL 8.000.000 to TL 83.000.000 and the share of 100% transferred to Petkim. With the general assembly resolution dated, November 17, 2014, the share capital of Petlim has been increased from TL 83.000.000 to TL 150.000.000. Petkim and its subsidiary are referred together as "the Group".

45 million shares, representing 30% of share capital of Petlim Limancılık Ticaret A.Ş., which is subsidiary of the Company, has been purchased by Goldman Sachs International ("GSI", together with its subsidiaries "GS") as of December 18, 2014 in exchange for 250 million USD Dollars.

At the same date, in the consequence of put option contract signed by STEAŞ with GSI, it has undertaken guarantor liability regarding of liabilities of Petkim due to share transfer agreement, if required and in the event of contract conditions the right of selling shares of Petlim by GSİ to STEAŞ has been originated ("Put option Contract"). Within the mentioned put option contract, no later than 7 years following the signed share transfer agreement, it has been agreed on public offering of shares of Petlim (public offering), in accordance with those regulations agreed by the parties and in consequence of option relation, loss of GSI shall be compensated by STEAŞ. (Note 21)

The number of personnel in the Group is 2.425 as of December 31, 2014 (December 31, 2013-2.457).

	December 31, 2014	December 31, 2013
Union (*)	**1.907**	1.959
Non-union (**)	**518**	498
	2.425	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 and disclosures have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on June 13, 2013 which is published on Official Gazette numbered 28676. Companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

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 listed companies in Turkey. The Group's financial statements have been prepared in accordance with this decision.

2.2 Changes in TFRS

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 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 TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the consolidated financial statements of the Group.

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets (Amended)-Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

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

TAS 39 Financial Instruments: Recognition and Measurement (Amended)-Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Group.

ii) 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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 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. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38-Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38 have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements-2010–2012 Cycle" and "Annual Improvements-2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements-2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

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

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments-Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39) or,
- Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Company/the Group or The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to IFRSs-2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

2.3 Comparative information and restatement of previous year financial statements

In order to allow for the determination of financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous year.

The reclassifications made to the balance sheet of the Group dated December 31, 2013 are as follows:

- Idle capacity expenses amounting to TL 29.539.755 shown in other operating expense were classified to cost of goods sold.
- Quality control department expenses amounting to TL 3.586.602 shown in cost of goods sold were classified to research and development expenses.
- Other interest amounting to TL 1.231.269 and foreign currency translation difference in policies amounting to TL 1.281.206 classified to other expense.
- Foreign currency translation differences in policy amounting to TL 3.028.231 shown in financial income were classified to other operating income.
- Unused vacation right amounting to TL 6.192.081 shown in short term provision of employee benefit were classified to long term provision for employee benefit.
- Trade payable rediscount income amounting to TL 6.080.500 shown in other operating income classified to cost of goods sold.

2.4 Summary of important accounting policies

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Petkim and Petlim in which Petkim has a shareholding interest of 100%. 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.

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 realizable 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 realizable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses (Note 9).

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

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 9).

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 11).

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.

The useful lives of property, plant and equipment are as follows:

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted on a prospective basis.

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 12).

The estimated useful lives of intangible assets are as follows:

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

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

Investment properties

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

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposals of investment properties are included in the other operating income and expense accounts, as appropriate (Note 10).

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.

Provision for doubtful receivables is booked in the consolidated financial statements when there is an indication that the related receivable cannot 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 recognized immediately in the consolidated statement of comprehensive income.

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

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 considered as unearned (deferred) revenue and recognized in the consolidated statement of comprehensive income systematically on a monthly basis using the straight-line method during the rent period.

Finance leases

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognized when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of income. Lease payments are deducted from finance lease liabilities.

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 (Note 6).

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

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 is recognized in the consolidated statement of income.

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 6).

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.

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 5).

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.

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.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

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

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised using a recalculated effective interest rate.

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

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,

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

(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 personnel are identified as Board of Directors, general manager and vice general managers (Note 31).

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 13).

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 29).

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 29).

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 16).

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 14).

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 realized. 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.

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.

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

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 29).

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 10 and Note 11.

c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 16).

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, and 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 6 and 7).

e) The management of the Group reserves provision for inventories which it thinks will not be used based on the evaluation of past experience and general economic conditions and for inventory amounts the net realizable value of which it believes has fallen below the costs (Note 9).

f) KDV amount, that is did not foresee using in less than a year, is classified to other intangible asset by The Group Management. (Note 20)

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 34).

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.

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

PETKİM PETROKİMYA HOLDİNG A.Ş. AND ITS SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (CONTINUED)

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

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

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.

3. Segment reporting

Including petrochemical and port services, the Group has two main fields of activity.

a) Revenue

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**4.132.860.349**	4.158.801.766
Port services	**-**	-
Total before elimination	**4.132.860.349**	4.158.801.766
Eliminations and adjustments of consolidation	**(14.272)**	(71.614)
	4.132.846.077	4.158.730.152

b) Operating profit

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**24.112.310**	134.004.767
Port services	**(26.567.742)**	(6.034.993)
Total before elimination	**(2.455.432)**	127.969.774
Eliminations and adjustments of consolidation	**(58.121.913)**	(55.381.193)
	(60.577.345)	72.588.581

c) Depreciation and amortization

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**(89.453.398)**	(78.999.875)
Port services	**(11.912.688)**	(3.975.035)
Total before elimination	**(101.366.086)**	(82.974.910)
Eliminations and adjustments of consolidation	**11.785.525**	3.928.509
	(89.580.561)	(79.046.401)

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

3. Segment reporting (continued)

d) Profit before taxation

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**27.391.813**	115.495.195
Port services	**(27.023.881)**	(5.761.370)
Total before elimination	**367.932**	109.733.825
Eliminations and adjustments of consolidation	**(62.139.427)**	(56.225.205)
	(61.771.495)	53.508.620

e) Net profit for the year

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**53.848.606**	112.366.934
Port services	**16.969.587**	(7.245.049)
Total before elimination	**70.818.193**	105.121.885
Eliminations and adjustments of consolidation	**(62.139.427)**	(56.225.205)
	8.678.766	48.896.680

f) Investment expense

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**224.275.742**	194.431.652
Port services	**279.373.819**	110.563.991
Total before elimination	**503.649.561**	304.995.643
Eliminations and adjustments of consolidation	**(78.579.440)**	(60.153.713)
	425.070.121	244.841.930

g) Total asset

	January 1– December 31, 2014	January 1– December 31, 2013
Petrochemical	**3.752.021.478**	3.242.819.023
Port services	**457.283.940**	128.445.243
Total before elimination	**4.209.305.418**	3.371.264.266
Eliminations and adjustments of consolidation	**(421.048.326)**	(125.634.361)
	3.788.257.092	3.245.629.905

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4. Cash and cash equivalents

	December 31, 2014	December 31, 2014
Cash	924	6.786
Banks	702.157.204	279.035.638
- Foreign currency demand deposits	537.690	2.086.182
- Foreign currency time deposits	628.754.154	160.992.073
- TL demand deposits	3.086.360	1.974.855
- TL time deposits	69.779.000	113.982.528
	702.158.128	279.042.424

As of December 31, 2014, foreign currency time deposits consist of overnight and monthly deposits. The effective weighted average interest rates for USD and EUR 2,06% and 1,97%, respectively (December 31, 2013-USD 3,32%, EUR 3,08%.). The monthly effective weighted average interest for the USD time deposit is 2,83% (December 31, 2013-USD 3,50%.)

As of December 31, 2014, TL time deposits consist of overnight deposits and bear the effective interest rate of 10,06% (December 31, 2013 – overnight and monthly 9,35% and 9,65%).

As of December 31, 2014, the Group has no blockage on its bank deposits (December 31, 2013- 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. Financial liabilities

a) Short term liabilities

	December 31, 2014	December 31, 2013
Short-term bank borrowings	352.830.791	164.517.684
Short-term installment of long term borrowings	41.875.571	24.029.261
Interest accruals	1.316.464	846.886
	396.022.826	189.393.831

USD denominated of bank borrowings received from various banks for financing needs by the Group is TL 347.830.361 (December 31, 2013 –, TL 160.072.500). Mature of bank borrowings is 82 days (December 31, 2013 – USD 120 days).

Bank borrowings amounting to TL 5.000.430 as of December 31, 2014 (December 31, 2013- TL 4.445.184) 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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5. Financial liabilities (continued)

As of December 31, 2014 and 2013, the amounts of short term bank borrowings and interest rates are as follows:

			December 31, 2014
	Nominal interest rate (%)	**Original currency**	**Amount**
Short-term bank borrowings			
USD borrowings	**Libor + 0,5%, Libor + 1%, 1,8%**	**149.998.000**	**347.830.361**
TL borrowings	**-**	**5.000.430**	**5.000.430**
Interest accruals	**-**	**-**	**83.855**
			352.914.646

			December 31, 2013
	Nominal interest rate (%)	Original currency	Amount
Short-term bank borrowings			
USD borrowings	Libor+ 0,75%	75.000.000	160.072.500
TL borrowings	-	4.445.184	4.445.184
Interest accruals	-	-	846.886
			165.364.570

			December 31, 2014
	Nominal interest rate (%)	**Original currency**	**Amount**
Short-term instalment of long-term bank borrowings			
USD borrowings	**Libor + 1,70%, Libor +3,75%**	**13.254.478**	**30.735.809**
Euro borrowings	**Libor + 3%**	**3.949.290**	**11.139.762**
Interest accruals	**-**	**-**	**1.232.609**
			43.108.180

			December 31, 2013
	Nominal interest rate (%)	Original currency	Amount
Short-term instalment of long-term bank borrowings			
USD borrowings	Libor+ 1,70% –		
Libor + 3,75%	11.258.615	24.029.261	
			24.029.261

The fair values of bank borrowings are disclosed in Note 33.

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5. Financial liabilities (continued)

As of December 31, 2014, the Group has given guarantee letter amounting to USD 61.800.000 to financial institutions (December 31, 2013 – USD 76.125.000).

b) Long-term bank borrowings

				December 31, 2014
	Maturities	**Interest rate (%)**	**Original currency**	**TL**
Long-term bank borrowings				
USD borrowings	**June 14 ,2016**	**Libor + 3,75%**	**1.357.143**	**3.147.079**
	December 22 ,2017	**Libor + 1,70%**	**16.117.709**	**37.375.356**
	December 17 ,2022	**4,26%**	**43.263.332**	**100.323.340**
Euro borrowings	**March 22 ,2022**	**Libor + 3%**	**25.133.334**	**70.893.594**
	October 02 ,2023	**1,64%**	**20.000.000**	**56.414.000**
	September 29 ,2023	**Libor + 0,872%**	**20.000.000**	**56.414.000**
				324.567.369

The Group's short term bank loan, amounting to TL 255.130.391 has floating rate and interest rate is Libor+ 0,5% and Libor+ 1% (December 31, 2013 – TL 160.072.500 – Libor+ 0,75%). Current portion of long term financial liabilities' amounting to TL 43.108.180 has floating rate and interest rate is Libor + 1,70%, Libor + 3% and Libor + +3%, (December 31, 2013: TL 24.475.550-Libor + 1,70% and Libor + 3,75%). Long term bank loan', amounting to TL 167.830.029 has floating rate and interest rate is, Libor + 0,872%, Libor + 1,70%, Libor + 3% and Libor + 3, 75%. (December 31, 2013: TL 96.504.871-Libor + 1,70%, Libor + 3% and Libor + 3,75%).

				December 31, 2013
	Maturities	Interest rate (%)	Original currency	TL
Long-term bank borrowings				
USD borrowings	December 22, 2022	4,26%	32.516.104	69.399.120
	June 22, 2017	Libor+1,70%	18.064.503	38.555.068
	June 14, 2016	Libor+3,75%	4.071.429	8.689.651
	June 30, 2015	Libor+3,75%	2.465.714	5.262.573
Euro borrowings	March 22, 2022	Libor+3%	14.983.000	43.997.579
				165.903.991

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5. Financial liabilities (continued)

As of December 31, 2014 and 2013 the principal repayment schedule of the borrowing is as follows:

	December 31, 2014	December 31, 2013
	Original currency (USD)	Original currency (USD)
2014	**-**	11.258.615
2015	**13.722.850**	12.405.801
2016	**9.840.151**	8.582.944
2017	**8.483.008**	6.568.910
2018	**8.483.005**	5.912.019
2019	**8.483.005**	5.912.019
2020	**8.483.005**	5.912.019
2021	**8.483.005**	5.912.019
2022	**8.483.005**	5.912.019
Total	**74.461.034**	68.376.365

	December 31, 2014	December 31, 2013
	Original currency (Euro)	Original currency (Euro)
2015	**4.254.457**	1.997.733
2016	**3.866.667**	1.997.733
2017	**6.943.590**	1.997.733
2018	**10.020.513**	1.997.733
2019	**10.020.513**	1.997.733
2020	**10.020.513**	1.997.733
2021	**10.020.513**	1.997.733
2022	**8.087.180**	998.869
2023	**6.153.846**	-
Total	**69.387.792**	14.983.000

6. Trade receivables and payables

a) Short-term trade receivables

	December 31, 2014	December 31, 2013
Trade receivables	**535.561.962**	759.611.132
	535.561.962	759.611.132
Provision for doubtful receivables	**(13.532.966)**	(9.448.949)
	522.028.996	750.162.183

As of December 31, 2014, weighted average yearly effective interest rates for the calculated not accrued income arising from short term trade receivables in TL, USD and EUR are 14,19%, 5,44% and 3,59%, respectively (December 31, 2013- TL, USD and EUR – 10,70%, 3,04% and 4,43%).

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6. Trade receivables and payables (continued)

The aging analysis of trade receivables including doubtful receivables as of December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
Overdue receivables	**23.323.956**	23.417.164
0-30 days	**162.818.081**	303.879.259
31-60 days	**126.561.661**	185.264.789
61-90 days	**127.545.525**	131.156.377
91 days and over	**95.312.739**	115.893.543
	535.561.962	759.611.132

As of December 31, 2014, trade receivables amounting to TL 23.323.956 (December 31, 2013 – TL 23.417.164) of total overdue receivables amounting to TL 6.157.795 (December 31, 2013 – TL 5.291.672) were past due, however, the Group holds guarantee letters amounting to TL 6.020.007 (December 31, 2013-TL 6.735.375) for such receivables (Note 32). Furthermore, trade receivables from foreign customers amounting to TL 3.633.195 (December 31, 2013-TL 8.676.543), are guaranteed with letter of credits amounting TL 553.011 (December 31, 2013 – None). Furthermore, the Group has accounted provision for doubtful receivables for the TL 13.532.966 portion of its past due receivables (December 31, 2013-TL 9.448.949).

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 (December 31, 2013 – 57).

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of December 31, 2014, 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 1.160.681.406 (December 31, 2013-TL 1.046.467.686) (Note 14).

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

Overdue period	December 31, 2014	December 31, 2013
0-1 month	**2.032.808**	1.219.048
1-3 months	**7.250.043**	8.184.239
Over 3 months	**14.041.105**	14.013.877
	23.323.956	23.417.164

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

	2014	2013
January 1	**(9.448.949)**	(8.887.386)
Additions during the year (Note 25)	**(4.084.017)**	(590.375)
Provisions no longer required	**-**	26.748
Write-offs	**-**	2.064
December 31	**(13.532.966)**	(9.448.949)

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6. Trade receivables and payables (continued)

b) Other short-term trade payables

	December 31, 2014	December 31, 2013
Trade payables-net	625.806.070	913.062.151
Expense accruals	5.347.268	2.713.841
	631.153.338	915.775.992

Average maturity for short-term trade payables is 47 days as of December 31, 2014 (December 31, 2013 – 79 days). The effective weighted average interest rates used in the calculation of finance costs of short-term trade payables are 11,34%, 2,95% and 2,95% for TL, USD and EUR denominated trade payables, respectively (December 31, 2013- The effective weighted average interest rates of short-term trade payables for TL, USD and EUR denominated trade payables are 9,38%, 3,67% and 3,67% respectively).

7. Other receivables and payables

	December 31, 2014	December 31, 2013
a) Other short-term receivables		
Loan interest incentive accrual	1.487.002	333.295
Receivables from compensation of occupational accidents	326.008	326.008
Insurance receivables	319.000	-
Freight receivables	162.323	-
Receivables from personnel	23.662	55.840
Receivables from scrap sales	-	117.647
Other	1.198.523	666.686
	3.516.518	1.499.476
Provision for other doubtful receivables	(933.608)	(564.205)
	2.582.910	935.271

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

	2014	2013
January 1	(564.205)	(420.205)
Additions in the year (Note 25)	(369.403)	(144.000)
December 31	(933.608)	(564.205)

	December 31, 2014	December 31, 2013
b) Other short-term payables		
Deposits and guarantees received	1.460.974	792.419
Other	26.528	-
	1.487.502	792.419

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8. Derivative financial instruments

The amounts of derivative financial instruments as of December 31, 2014 and 2013 are as follows;

	December 31, 2014		December 31, 2013	
	Asset	**Liability**	Asset	Liability
Hedging reserve	**1.445.166**	**-**	-	-
	1.445.166	**-**	-	-

	December 31, 2014			December 31, 2013		
	Contract Amount (TL)	**Fair value**		Contract Amount (TL)	Fair value	
		Asset	**Liability**		Asset	Liability
Hedging reserve:						
Foreign currency forward transactions:	**52.747.090**	**1.445.166**	**-**	-	-	-
	52.747.090	**1.445.166**	**-**	-	-	-

Derivatives held for trading:

Certain derivative transactions, even though providing effective economic hedges under the Group risk management position, do not qualify for hedge accounting under the specific rules, and are therefore accounted for as derivatives held for trading in the consolidated financial statements.

Group's sales price determined as TL, USD, Euro, depend on customer's contracts, raw material purchase price is based on the US Dollar so change in the rate of USD is reflected in the sales price. In 2014, the Group has signed amounting to EUR 18.700.000 foreign currency forward exchange transactions contract against currency risk. Group related to receivables amounting to Euro 18.700.000 in 2014, has signed a contract with a foreign currency forward exchange transactions to hedge against currency risk. As of December 31, 2014, fair value amounting to TL 1.445.166 shown in derivative financial instruments. Profit from this process is recognized in hedging reserve. (December 31, 2013: None)

9. Inventories

	December 31, 2014	December 31, 2013
Raw materials	**68.815.200**	75.757.004
Work-in-progress	**190.828.746**	132.644.876
Finished goods	**132.406.770**	149.201.124
Trade goods	**25.623.038**	15.702.828
Goods-in-transit	**14.434.214**	76.935.888
Other inventories	**27.244.975**	14.798.479
	459.352.943	465.040.199
Less: Provision for impairment on inventories	**(27.379.753)**	(840.728)
	431.973.190	464.199.471

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9. Inventories (continued)

Movements of provision for impairment on inventories for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
January 1	**(840.728)**	(801.663)
Charge during the year for impairment of inventory (Note 22)	**(26.539.025)**	(39.065)
December 31	**(27.379.753)**	(840.728)

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

	December 31, 2014	December 31, 2013
Raw materials	**2.483.300**	-
Work-in-progress	**11.920.373**	-
Finished goods	**11.470.833**	-
Other inventories	**842.513**	840.728
Trade goods	**662.734**	-
December 31	**27.379.753**	840.728

As of December 31, 2014, provision for impairment on inventories increased from TL 840.728 to 27.379.753. The reason of the impairment of inventories is the difference between sales and cost price, as product sales price decreased due to the decrease in naphtha price.

10. Investment property

	December 31, 2014	December 31, 2013
Investment property (*)	**1.461.758**	1.020.532
	1.461.758	1.020.532

(*) 30 years right of construction of the land, that is 1.969.478,40 m2, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual cost of the land, that is located in Aliağa district Arapçiftliği, is USD 4.630.057,88 and the cost will be increased at the rate of Libor + 1% each year.

In 2010, the market value of the portion of the land with the area of 1.375.000 m2 and acquisition cost of TL 1.020.532 has been determined as TL 177.500.000 and TL 126.000.000 as of December 31, 2010 respectively by Artı Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Elit Gayrimenkul Değerleme A.Ş. that are licensed by the Capital Market Board.

According to the Elit Gayrimenkul Değerleme A.Ş. to Socar Turkey Enerji A.Ş.-major valuation report which was prepared by shareholder of the Group, for the mentioned land in January 2013, the market value of the land has been determined as TL 378.125.000. The increase of the market value of the mentioned land resulted from the approval of the change of construction plan and the investments made by Star Rafineri A.Ş. to the land for making the land possible to invest.

Movements of investment properties for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
January 1	**1.020.532**	1.020.532
Transfers (*)	**441.226**	-
December 31	**1.461.758**	1.020.532

(*) The land, amounting to TL 441.226 is transferred from property, plant and equipment in 2014. (Not 11) (December 31, 2013 None).

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11. Property, plant and equipment

The movements of tangible assets and related accumulated depreciation for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2013	Additions	Transfer (Note 10 and 12)	Disposals	December 31, 2014
Cost:					
Land	9.367.988	-	4.452.454	(611.679)	13.208.763
Land improvements	101.187.700	-	7.208.715	-	108.396.415
Buildings	166.065.628	-	2.967.167	-	169.032.795
Machinery and equipment	6.062.574.658	-	318.570.732	-	6.381.145.390
Motor vehicles	10.151.874	-	424.819	-	10.576.693
Furniture and fixtures	62.239.292	-	6.623.704	(1.073.083)	67.789.913
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	581.831	-	-	-	581.831
Construction in progress (*)	409.087.104	425.070.121	(345.508.139)	-	488.649.086
	6.822.252.227	425.070.121	(5.260.548)	(1.684.762)	7.240.377.038
Accumulated depreciation:					
Land improvements	(80.457.199)	(2.118.476)	-	-	(82.575.675)
Buildings	(91.957.310)	(3.567.067)	-	-	(95.524.377)
Machinery and equipment	(5.101.542.319)	(78.434.856)	-	-	(5.179.977.175)
Motor vehicles	(8.821.318)	(454.746)	-	-	(9.276.064)
Furniture and fixtures	(53.078.079)	(2.527.024)	-	1.073.083	(54.532.020)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	(16.909)	(193.943)	-	-	(210.852)
	(5.336.869.286)	(87.296.112)	-	1.073.083	(5.423.092.315)
Net book value	1.485.382.941				1.817.284.723

	December 31, 2012	Additions	Transfer (Note 12)	Disposals	December 31, 2013
Cost:					
Land	9.367.988	-	-	-	9.367.988
Land improvements	98.908.908	-	2.305.249	(26.457)	101.187.700
Buildings	165.424.042	-	676.206	(34.620)	166.065.628
Machinery and equipment	5.949.386.345	-	115.656.661	(2.468.348)	6.062.574.658
Motor vehicles	9.215.348	-	936.526	-	10.151.874
Furniture and fixtures	57.654.831	-	5.187.003	(602.542)	62.239.292
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	-	-	581.831	-	581.831
Construction in progress (*)	291.608.266	244.841.930	(127.363.092)	-	409.087.104
	6.582.561.880	244.841.930	(2.019.616)	(3.131.967)	6.822.252.227
Accumulated depreciation:					
Land improvements	(78.417.112)	(2.066.544)	-	26.457	(80.457.199)
Buildings	(88.516.538)	(3.462.756)	-	21.984	(91.957.310)
Machinery and equipment	(5.032.257.001)	(69.469.173)	-	183.855	(5.101.542.319)
Motor vehicles	(8.419.415)	(401.903)	-	-	(8.821.318)
Furniture and fixtures	(51.866.068)	(1.789.029)	-	577.018	(53.078.079)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	-	(16.909)	-	-	(16.909)
	(5.260.472.286)	(77.206.314)	-	809.314	(5.336.869.286)
Net book value	1.322.089.594				1.485.382.941

As of December 31, 2014, transfers amounting to TL 5.260.548 (December 31, 2013 TL 2.019.616) is transferred to intangible asset and TL 4.819.322 is transferred to investment properties. (December 31, 2013 None)

(*) Since the construction in progress contains incomplete projects, as of balance sheet date they have not been capitalized yet. As December 31, 2014, investment expense, amounting to TL 224.275.742, is performed by Petkim, amounting to TL 200.794.379 is performed by Petlim. (December 31, 2013 – Petkim: TL 194.431.652, Petlim: TL 50.410.278.

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11. Property, plant and equipment (continued)

There is no mortgage on property, plant and equipment as of December 31, 2014 (December 31, 2013-None).

The Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 6.657.008 (December 31 2013 – TL 5.167.113) (Note 28). The rate that group has used to determine the capitalized finance cost is 11,97% (December 31, 2013 – 12,59%) which is weighted average effective interest rate of the investment loans.

Depreciation charges amounting to TL 87.296.112 for the year ended December 31, 2014 (December 31, 2013 – TL 77.206.314) were allocated to cost of sales by TL 66.008.084 (December 31, 2013 – TL 58.359.572), to idle capacity expenses by TL 8.542.313 (December 31, 2013 – TL 8.980.027), to inventories by TL 6.532.713 (December 31, 2013 – TL 4.340.859), to general administrative expenses by TL 5.537.312 (December 31, 2013 – TL 4.939.723), to marketing, selling and distribution expenses by TL 334.738 (December 31, 2013 – TL 310.379), and to research and development expenses by TL 340.952 (December 31, 2013 – TL 275.754).

The major part of the additions to machinery and equipment as of December 31, 2014 related to the modernization of production facilities and machineries which are classified under construction in progress as of December 31, 2013 and completed in year 2014. The Group's management plans to increase the efficiency and environmental compliance with these investments. Construction in progress as of December 31, 2014 has similar characteristics with previous year's construction in progress.

There is no financial leasing as of December 31, 2014 (December 31, 2013-None).

12. Intangible assets

The movements of intangible assets and related accumulated amortization for the years ended December 31, 2014 and 2013 are as follows:

	December 31, 2013	Additions	Transfers (Note 11)	Disposals (*)	December 31, 2014
Cost:					
Rights and software	21.656.885	-	4.819.322 (*)	-	26.476.207
	21.656.885	-	4.819.322	-	26.476.207
Accumulated amortization:					
Rights and software	(7.494.386)	(2.284.449)	-	-	(9.778.835)
	(7.494.386)	(2.284.449)	-	-	(9.778.835)
Net book value	14.162.499				16.697.372

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

12. Intangible assets (continued)

	December 31, 2012	Additions	Transfers (Note 11)	Disposals (*)	December 31, 2013
Cost:					
Rights and software	19.637.268	-	2.019.616 (*)	-	21.656.884
Other	550.590	-	-	(550.590)	-
	20.187.858	-	2.019.616	(550.590)	21.656.884
Accumulated amortization:					
Rights and software	(5.654.298)	(1.840.087)	-	-	(7.494.385)
	(5.654.298)	(1.840.087)	-	-	(7.494.385)
Net book value	14.533.560				14.162.499

(*) Transfers, that are performed during December 31, 2014 and 2013 periods, include software that are used during production process and other license.

There is no mortgage on intangible assets as of December 31, 2014 (December 31, 2013-None).

Amortization charges amounting to TL 2.284.449 (December 31, 2013 – TL 1.840.087) for the year ended December 31, 2014 were allocated to cost of sales by TL 590.431 (December 31, 2013 – TL 383.398), to research and development expenses by TL 290.433 (December 31, 2012 – TL 217.218) and to general administrative expenses by TL 1.403.585 (December 31, 2013 – TL 1.239.471).

13. Government grants

As of December 31, 2014, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 1.407.362 (As of December 31, 2013: TL 1.366.618) and TL 40.744 (As of December 31, 2013: TL 127.283) of that incentives grant has been presented in income statement (Note 25).

14. Provisions, contingent assets and liabilities

	December 31, 2014	December 31, 2013
a) Short-term provisions:		
Provision for legal cases	**1.986.226**	1.254.955
Provision for tax inspection settlement fee (**)	**1.700.000**	-
Provision for EMRA (*) contribution share	**1.480.403**	1.452.120
	5.166.629	2.707.075

(*) Energy Market Regulatory Authority.
(**) The total penalty amounting TL 2.436.350 for tax principal and tax loss of Corporate withholding and Value Added Tax related with year of 2010 and 2011 has been served in year of 2012 as a result of transfer pricing inspection made by inspectors of Ministry of Finance. In the consequence of application of compromise and negotiations, tax loss penalty has been cancelled out and total amount TL 1.100.000 (plus late payment penalties) has been compromised. Taking into account late payment penalty the Group has accounted provision amounting TL 1.700.000 as of December 31, 2014. (December 31, 2013 – None).

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14. Provisions, contingent assets and liabilities (continued)

Movements of the provision for EMRA contribution share is as follows

	2014	2013
January 1	**1.452.120**	1.405.152
Change in the Period, net	**28.283**	46.968
December 31	**1.480.403**	1.452.120

Movement of the provision for legal cases is as follows

	2014	2013
January 1	**1.254.955**	378.133
Change in the Period, net (Note 25)	**731.271**	876.822
December 31	**1.986.226**	1.254.955

Other tax penalties that are detailed below resulted favor of the Group.

- Pursuant to article 53/c of the Customs Regulation, on the grounds that the contractual stamp duty paid upon import was not included in VAT, the VAT of the stamp duty on November 26, 2012 which is TL 160,930 and a fine of 3 times the VAT which is TL 482,760, by Aliağa Customs Directorate in 2009,
- Pursuant to article 53/c of the Customs Regulation, on the grounds that the contractual stamp duty paid upon import was not included in VAT, the VAT of the stamp duty on December 18, 2012 which is TL and a fine of 3 times the VAT which is TL 823,877, by Aliağa Customs Directorate in 2010,
- Within the scope of article 53/c of the Customs Regulation, stamp duty by Aliağa Tax Office upon the request of Aliağa Customs Directorate amounting to a total of TL 9,6 million for the years 2008-2009-2010-2011 and 2012 on December 24, 2013 and tax loss of TL 9,6 million regarding the imports performed.

The management of the Group believes that its practices regarding the mentioned communiqués are in compliance with legal regulations and it has used all of its legal rights including objection, reconciliation and initiating a legal process and the applications have resulted in favor of the Group. Accordingly, no risk remains in the financial statements regarding these notifications.

	December 31, 2014	December 31, 2013
b) Guarantees received:		
Bank guarantees within the context of DOCS	**738.632.376**	653.554.741
Letters of guarantee received from customers	**278.268.951**	281.821.634
Letters of guarantee received from suppliers	**99.212.914**	85.217.553
Receivable insurance	**29.998.145**	13.155.520
Letters of credit received	**8.838.974**	-
Cheques received	**2.864.606**	4.321.964
Mortgages	**2.000.000**	2.000.000
Policies received	**865.440**	6.396.274
	1.160.681.406	1.046.467.686

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14. Provisions, contingent assets and liabilities (continued)

Allocation of the letters of guarantee received in terms of currency type is as follows:

	December 31, 2014		December 31, 2013	
	Original amount	**TL**	Original amount	TL
TL	**-**	**846.462.355**	-	779.204.580
USD	**113.722.353**	**263.710.764**	108.149.045	230.822.506
EUR	**17.891.812**	**50.467.435**	12.301.699	36.123.938
Swiss francs	**17.460**	**40.851**	132.500	316.662
		1.160.681.406		1.046.467.686

	December 31, 2014	December 31, 2013
c) Guarantees given:		
Letters of guarantee given	**347.421.165**	327.828.660
	347.421.165	327.828.660

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

	December 31, 2014	December 31, 2013
A. Total amount of CPMs given for the Company's own legal personality	**347.421.165**	327.828.660
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.	**-**	-
A. Total amount of CPMs given for the Company's own legal personality	**-**	-
	347.421.165	327.828.660

	December 31, 2014	December 31, 2013
EXIM Bank	**143.308.020**	162.473.588
Customs offices and Republic of Turkey Prime Ministry Undersecretaries of Customs	**113.584.281**	94.933.250
Türkiye Elektrik Ticaret ve Taahhüt A.Ş.	**8.478.465**	7.013.957
EMRA	**8.475.000**	2.875.000
Other	**73.575.399**	60.532.865
	347.421.165	327.828.660

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14. Provisions, contingent assets and liabilities (continued)

Allocation of the letters of guarantee given in terms of currency type is as follows:

	December 31, 2014		December 31, 2013	
	Original amount	**TL**	Original amount	TL
USD	**86.865.000**	**201.431.249**	101.190.000	215.969.818
EUR	**10.500.000**	**29.617.350**	10.500.000	30.833.250
TL	**-**	**116.372.566**	-	81.025.592
		347.421.165		327.828.660

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, 2014 as follows:

Operational leases income	**2014**	2013
0-1 year	**10.968.926**	9.899.527
1-5 year(s)	**45.691.663**	41.237.020
5 years and more	**358.975.604**	327.931.841
Total	**415.636.193**	379.068.388

Operational leases expense	**2014**	2013
0-1 year	**12.878.087**	-
1-5 year	**30.048.869**	-
Total	**42.926.956**	-

The group has signed an operational leasing contract for naphtha tank to be effective between December 1, 2014 and April 30, 2018 at the date of December 30, 2014. STAR has rented out tanks, owned by it, and discounted amounting TL 44.000.129 + VAT for over entire duration within the context of that contract. In 2014, STAR has billed the related rent amount to the Group and the Group has paid the whole amount. 1 month rent amount, TL 1.073.173 has been recognized in the account of cost of sales; the remained amount has been recognized in the account of short and long-term prepaid expenses. STAR has obtained a valuation report regarding usage right value of tank within period of rent from an independent firm so as to determine fair value of related rent process. Net book value of the net rent income from tanks between December 1, 2014 and April 20, 2018, is in the range of TL 40.0000.000 TL 45.000.000.

15. Commitments

As of July 25, 2014, the Group has signed a contract with STAR Rafineri A.Ş. whose main shareholder is SOCAR Turkey Enerji A.Ş. which is main shareholder of Petkim in the direction of purchasing naphtha approximately amounting to 1.600.000 tons per year and xysilen amounting to 270.000 tons per year for 20 years from STAR Rafineri which will be landed at Petkim Peninsula in order to ensure supply security and reduce costs. This contract has disclosed on PDP (Public Disclosure Platform) at the same date with contract. In addition, the Group has signed a cooperation contract with STAR Rafineri A.Ş. at the mentioned date and accordance with that contract the Group is going to sell steam for 20 years and serve solid and hazardous waste disposal, supply of workers on temporary duty and security services to STAR Rafineri which will be established by STAR Rafineri A.Ş. at Petkim Peninsula. (December 31, 2013 – None)

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16. Employee benefits

	December 31, 2014	December 31, 2013
i) Short-term employee benefits:		
Provision for seniority incentive bonus	**3.517.037**	2.528.139
	3.517.037	2.528.139
ii) Long-term employee benefits:		
Provision for employment termination benefits	**69.911.457**	85.484.667
Provision for unused vacation rights	**6.547.365**	6.192.081
Provision for seniority incentive bonus	**2.131.500**	2.790.232
	78.590.322	94.466.980

Unused vacation rights:

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

	2014	2013
January 1	**6.192.081**	6.543.251
Changes in the Period, net	**1.016.908**	(351.170)
Transfer to employment termination benefit, seniority incentive bonus and unused vacation (Note 19) (*)	**(661.624)**	-
December 31	**6.547.365**	6.192.081

(*) Unused vacation paid, which is amounting to TL 661.624, to the employees that quit working within January 2015, is shown in the short term liabilities for employee benefits account in balance sheet as of December 31, 2014.

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 3.438,22 for each year of service as of December 31, 2014 (December 31, 2013-TL 3.254,44).

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

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

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

	December 31, 2014	December 31, 2013
Discount rate (%)	**3,80**	4,09
Probability of retirement (%)	**100,00**	100,00

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16. Employee benefits (continued)

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 3.541,37, which is effective from January 1, 2015, has been taken into consideration in the calculation of employment termination benefits of the Group (January 1, 2014 – TL 3.438,22).

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

	2014	2013
January 1	**85.484.667**	81.698.462
Interest cost	**3.248.418**	3.341.467
Actuarial loss	**2.905.184**	7.002.464
Service cost	**3.212.612**	3.095.587
Transfer to employment termination benefit, seniority incentive bonus and unused vacation payable (Note 19) (*)	**(11.259.501)**	-
Payments during the year	**(13.679.923)**	(9.653.313)
December 31	**69.911.457**	85.484.667

(*) Employee termination benefit paid to the employees, that quit working during January 2015, amounting to TL 11.259.501, is shown in the short term liabilities for employee benefits account in balance sheet as of December 31, 2014.

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefit as December 31, 2014 and 2013, are follows:

	December 31, 2014		December 31, 2013	
	Net discount rate		Net discount rate	
Sensitivity analysis	**100 basis point increase**	**100 basis point decrease**	100 basis point increase	100 basis point decrease
Rate	**4,80%**	**2,80%**	5,09%	3,09%
Change in liability of employment termination benefit	**(2.941.096)**	**3.583.922**	(2.456.334)	2.993.791

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 days 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 aforementioned 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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16. 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, 2014	December 31, 2013
Discount rate (%)	**3,80**	4,09
Probability of retirement (%)	**100,00**	100,00

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

	2014	2013
January 1	**5.318.371**	7.919.225
Interest cost	**202.098**	323.896
Actuarial loss	**23.268**	133.906
Service cost	**4.034.586**	3.273.975
Transfer to employment termination benefit, seniority incentive bonus and unused vacation (Note 19) (*)	**(288.871)**	
Payments during the year	**(3.640.915)**	(6.332.631)
December 31	**5.648.537**	5.318.371

(*) Seniority incentive paid to the employees that quit working during January 2015, amounting to TL 288.871, is shown in the short term liabilities for employee benefits account in the balance sheet as of December 31, 2014.

17. Deferred Income

a) Short-term deferred income:

	December 31, 2014	December 31, 2013
Order advances received	**13.280.798**	34.110.761
Deferred income	**809.359**	787.098
	14.090.157	34.897.859

b) Long-term deferred income:

	December 31, 2014	December 31, 2013
Long-term deferred income (*)	48.490.336	48.043.940
	48.490.336	48.043.940

(*) For a container port to be established inside Petkim facilities to be operated by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminalleri), an operation agreement was signed between the Group and APMT BV. and APM Terminalleri on February 22, 2013. According to this agreement, the amounts paid to the Group by APM Terminalleri will be recognized under the account group of future period income until the date when the port starts operating. The transition to operation will take place after the year 2015.

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18. Prepaid expenses

a) Short-term prepaid expenses

	December 31, 2014	December 31, 2013
Advances given for inventories	**24.026.384**	10.657.554
Advances given for customs affairs	**14.004.351**	1.427.615
Prepaid rent, insurance and other expenses	**5.207.976**	5.290.575
	43.238.711	17.375.744

b) Long-term prepaid expenses

	December 31, 2014	December 31, 2013
Advances given for fixed assets	**22.405.739**	15.996.313
Prepaid rent, insurance and other expenses	**2.306.320**	-
	24.712.059	15.996.313

19. Liabilities for employee benefits

	December 31, 2014	December 31, 2013
Employment termination benefit, seniority incentive bonus and unused vacation payable to employees (Note 16)	**12.209.996**	-
Due to personnel	**9.271.096**	8.219.344
Social security contribution	**4.312.229**	3.914.011
	25.793.321	12.133.355

20. Other assets and liabilities

i) Other assets

	December 31, 2014	December 31, 2013
a) Other current assets:		
Value added tax ("VAT") receivable	**29.118.763**	70.626.284
Other	**3.316.946**	3.410.089
	32.435.709	74.036.373

	December 31, 2014	December 31, 2013
b) Other non-current assets:		
Value added tax ("VAT") receivable (*)	**22.875.889**	6.525.705
Spare parts	**11.072.898**	12.402.033
Other	**122.335**	122.514
	34.071.122	19.050.252

(*) VAT amount, that is predicted not to use within a year, is classified to non-current asset.

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20. Other assets and liabilities (continued)

ii) Other liabilities

	December 31, 2014	December 31, 2013
a) Other short-term liabilities:		
Taxes and funds payable and other deductions	**5.917.747**	4.815.805
Other	**223.431**	296.129
	6.141.178	5.111.934

21. Equity

The shareholders of the Company and their shareholdings as of December 31, 2014 and 2013 were as follows:

		December 31, 2014		December 31, 2013	
Group:	**Shareholder:**	**Amount**	**Share (%)**	Amount	Share (%)
A-B	Socar Turkey Petrokimya A.Ş.	**510.000.000**	**51**	510.000.000	51
A	Publicly owned	**386.784.319**	**38,68**	386.784.319	38,68
A	Socar İzmir Petrokimya A.Ş(*)	**103.215.681**	**10,32**	103.215.681	10,32
C	Privatization Administration	**0,01**	**-**	0,01	-
	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	

(*) SOCAR Turkey Enerji A.Ş. and SOCAR İzmir Petrokimya A.Ş., which is the 100% subsidiary of SOCAR Turkey Enerji A.Ş and owns 10,32% shares of the Group, have merged as of September 22, 2014.

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.

As the ordinary general meeting decision taken at the March 29, 2013, companies registered capital is increased to TL 4.000.000.000 from TL 300.000.000; it is divided to 400.000.000.000 shares with a face value of Kuruş 1 ("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, 2012: shares with a face value of Kr1 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 Company's capital is composed of all registered (December 31, 2013-all 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.

21. Equity (continued)

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- In line with the determination of Profit Distribution Policy in 2013 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, the Profit Distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than 50% of the distributable profit within the frame of the provisions of Capital Market Legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.
- 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 between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that 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 General Assembly meeting about the reasons and how the undistributed profits would be allocated.

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

As of December 31, 2014, the Group has such restricted reserves amounting to TL 8.356.700 (December 31, 2013: TL 3.653.928)

The Group's accumulated earnings amounting to TL 178.181.398 has been classified in retained earnings under "Equity" in the consolidated balance sheet (December 31, 2013 – TL 180.987.490 under retained earnings).

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21. Equity (continued)

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences 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.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

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

	December 31, 2014	December 31, 2013
Legal reserves and special funds	**50.174.012**	8.277.821
Net profit for the year	**563.841.531**	88.855.447
	614.015.543	97.133.268

Gain on sale of subsidiary shares do not result in loss of control

45 million shares, representing 30% of capital of Petlim Limancılık Ticaret A.Ş. which is subsidiary of the Company has been purchased by Goldman Sachs International ("GSI", together with its subsidiaries "GS") in exchange for 250 million USD Dollars ("Share Transfer Agreement").

At the same date, in the consequence of put option contract signed by STEAŞ with GSI, it has undertaken guarantor liability regarding of liabilities of Petkim due to share transfer agreement, if required and in the event of contract conditions the right of selling shares of Petlim by GSİ to STEAŞ has been originated ("Put option Contract"). Within the mentioned put option contract, no later than 7 years following the signed share transfer agreement, it has been agreed on public offering of shares of Petlim (public offering), in accordance with those regulations agreed by the parties and in consequence of option relation, loss of GSI shall be compensated by STEAŞ.

STEAŞ has committed to purchase of shares held by GSI in case of not occurring of public offering or not procuring the certain conditions of contract despite occurring the public offering as a matter of put option contract by the demand of GSI. Hence, STEAŞ's warranty obligation given to the GSI is going to be valid for 7 years following the signing of the share purchase agreement. Owing to the fact that the public offering of Petlim Shares within 3 years following the signing of Share Transfer Agreement has been planned, the parties has come to an agreement on warranty service provided to Petkim in the consequence of put option contract by STEAŞ, is going to carry on for 3 years following the signing of share transfer agreement. It has been decided to collect mentioned service fee for 3 years in a one-shot payment on corresponding of discounted rate for 3 years without VAT which is 2,35% per year (Service Fee). In accordance with agreement between STEAŞ and Petkim, STEAŞ states not reflecting addition warranty service fee to Petkim in case of not offering Petlim Shares to public within 3 years or in other words in case of continuing of put option right of STEAŞ given to GSI also after 3 years. In this way, a three year service fee amounting TL 40.942.874 corresponding USD 17.625.000 which is calculated discounted 2,35% per year has been deducted from gain on sale of subsidiary, which has been reflected to equity by taking tax effect into consideration and deducting the tax effect.

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

21. Equity (continued)

As a result of the information that is mentioned above, analysis of the profit on sale of subsidiary as follows:

Sales amount of the Petlim's 30% shares	580.750.000
The net book value of the shares sold	(48.939.667)
Pre-tax profit on sale of shares	531.810.333
Calculated tax (-)	(26.590.517)
Cost of guarantor service, net off tax (-)	(38.895.731)
Net profit on sale of shares	466.324.085

22. Sales and cost of sales

	January 1- December 31, 2014	January 1- December 31, 2013
Domestic sales	**2.957.595.900**	2.603.969.216
Export sales	**1.240.335.518**	1.554.265.064
Other sales	**15.982.745**	45.782.829
	4.213.914.163	4.204.017.109
Less: Other discounts	**(67.604.731)**	(34.168.139)
Less: Sales discounts	**(9.445.833)**	(8.887.400)
Less: Sales returns	**(4.017.522)**	(2.231.418)
Sales	**4.132.846.077**	4.158.730.152
Raw material usage	**(2.972.666.181)**	(3.074.458.518)
Cost of sold trade goods	**(471.526.160)**	(284.510.373)
Energy	**(349.711.411)**	(338.865.471)
Labour	**(130.988.048)**	(127.035.544)
Depreciation	**(66.598.515)**	(58.742.970)
Idle capacity expense	**(28.300.246)**	(29.539.755)
Provision for impairment of inventories (Note 9)	**(26.539.025)**	(39.065)
Change in finished goods	**(17.916.703)**	20.838.459
Packaging costs	**(12.924.517)**	(12.471.196)
Rediscount income/(expense) on trade payables	**(3.839.696)**	6.080.500
Change in work-in-process	**58.183.871**	20.037.325
Other	**(16.008.994)**	(30.059.795)
Cost of sales	**(4.038.835.625)**	(3.908.766.403)
Gross profit	**94.010.452**	249.963.749

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

	January 1- December 31, 2014	January 1- December 31, 2013
a) General administrative expenses:		
Personnel expenses	**38.494.546**	27.028.351
Outsourced services	**24.526.920**	21.403.834
Energy expenses	**12.204.184**	13.701.926
Depreciation and amortization	**6.940.897**	6.179.194
Taxes, funds and fees	**6.295.606**	2.908.596
Employment termination benefits	**3.212.612**	3.095.586
EMRA contribution share	**1.497.881**	1.480.680
Other	**6.590.902**	7.112.841
	99.763.548	82.911.008

	January 1- December 31, 2014	January 1- December 31, 2013
b) Marketing, selling and distribution expenses:		
Outsourced services	**12.546.734**	14.831.549
Personnel expenses	**8.825.427**	6.093.382
Export fee expenses	**1.357.534**	816.906
Depreciation and amortization	**334.738**	310.379
Advertising and sponsorship expenses	**11.221**	1.806.607
Other	**3.444.502**	2.045.167
	26.520.156	25.903.990
c) Research and development expenses:		
Personnel expenses	**9.351.753**	10.248.497
Outsourced services	**1.023.531**	642.144
Depreciation and amortization	**631.385**	492.972
Other	**883.819**	805.232
	11.890.488	12.188.845
Total operating expenses	**138.174.192**	121.003.843

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24. Expenses by nature

	January 1- December 31, 2014	January 1- December 31, 2013
Raw materials usage, changes in work-in-process and finished goods	**2.932.399.013**	3.033.582.734
Cost of commercial goods sold	**471.526.160**	284.510.373
Energy	**361.915.595**	352.567.397
Personnel expenses	**187.659.774**	170.405.774
Depreciation and amortization	**74.505.535**	65.725.515
Outsourced services	**38.097.185**	36.877.526
Idle capacity expense	**28.300.246**	29.539.755
Provision for impairment of inventories (Note 9)	**26.539.025**	39.065
Employment termination benefits – net	**3.212.612**	3.095.586
Other	**52.854.672**	53.426.520
	4.177.009.817	4.029.770.246

25. Other operating income and expense

	January 1- December 31, 2014	January 1- December 31, 2013
Other operating income:		
Interest income on trade receivables	**38.837.080**	31.641.718
Foreign exchange gains on trade payables	**35.759.536**	19.987.279
Foreign exchange gains on trade receivables	**23.380.585**	34.202.531
Rent income	**12.959.801**	10.687.009
Energy maintenance income	**1.134.752**	1.051.613
Infrastructure income	**989.610**	915.457
Income from insurance recoveries	**258.271**	206.490
TUBITAK research and development support income (Note 13)	**40.744**	127.283
Other	**5.742.602**	2.853.794
	119.102.981	101.673.174

	January 1- December 31, 2014	January 1- December 31, 2013
Other operating expense:		
Foreign exchange losses on trade payable	**(86.495.233)**	(115.100.385)
Interest expense on trade payables	**(16.570.095)**	(15.294.807)
Idle capacity expenses	**(8.542.313)**	(8.990.858)
Rediscount expense on trade receivables	**(3.065.598)**	(4.970.524)
Foreign exchange losses on trade receivables	**(3.109.997)**	(3.198.027)
Compensation and penalty charges	**(2.252.288)**	(1.353.774)
Provision for doubtful receivables (Note 6 and 7)	**(4.453.420)**	(734.375)
Litigation allowance (Note 14)	**(731.271)**	(876.822)
Other	**(10.296.371)**	(7.524.927)
	(135.516.586)	(158.044.499)

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26. Investment activities income and expense

	January 1- December 31, 2014	January 1- December 31, 2013
Income from investment activities::		
Proceeds from sales of property, plant and equipment and intangible assets	**2.712.214**	107.114
	2.712.214	107.114

27. Finance income

	January 1- December 31, 2014	January 1- December 31, 2013
Foreign exchange gain (*)	**126.591.206**	55.585.760
Interest income	**14.402.000**	7.347.217
	140.993.206	62.932.977

(*) Foreign exchange gain related to cash and cash equivalents, financial liabilities and other liabilities.

28. Finance costs

	January 1- December 31, 2014	January 1- December 31, 2013
Foreign exchange loss (*)	**(137.472.708)**	(74.693.243)
Interest expense	**(7.216.987)**	(7.144.714)
Bank commission expense	**(209.875)**	(282.095)
	(144.899.570)	(82.120.052)

(*) Foreign exchange gain related to cash and cash equivalents, financial liabilities and other liabilities.

Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 6.657.008 in property, plant and equipment (December 31, 2013 – TL 5.167.113) (Note 11).

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29. Tax assets and liabilities

i) Corporation tax:

	January 1-December 31, 2014	January 1-December 31, 2013
Current income tax expense	**-**	-
Deferred tax income/(expense)	**70.450.261**	(4.611.940)
Total tax expense	**70.450.261**	(4.611.940)

The corporation tax rate of the fiscal year 2014 is 20% (December 31, 2013-20%). 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).

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

With the above mentioned amendments,

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

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

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

As of December 31, 2014, total deferred asset calculated over its unused investment incentive is TL 82.622.109 (2013- TL 53.533.387).

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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29. 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, 2014 and 2013 were as follows:

	January 1- December 31, 2014	January 1- December 31, 2013
Profit before taxation on income/(expense)	**(61.771.495)**	53.508.620
Tax calculated at enacted tax rates	**12.354.299**	(10.701.724)
The effect of adjustments do not create deferred tax	**2.017.105**	9.426.828
Unused investment incentives on which deferred income tax assets recognized	**(5.067.976)**	-
Created deferred tax due to increase in investment incentives	**65.317.602**	-
Deductible income effect	**8.906**	-
Disallowable expenses	**(4.337.086)**	(2.713.672)
Other	**157.411**	(623.372)
	70.450.261	(4.611.940)

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, 2013-20%).

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29. Tax assets and liabilities (continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2014 and 2013 were as follows:

	Taxable temporary differences		Deferred income tax assets/ (liabilities)	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	**(343.525.095)**	(377.088.477)	**(68.705.019)**	(75.417.695)
Unincurred finance cost	**(2.716.301)**	(6.445.265)	**(543.260)**	(1.289.053)
Income accrual of hedging reserve	**(1.445.166)**	(1.010.698)	**(289.033)**	(202.140)
Adjustment to internal rate of return	**(718.924)**	-	**(143.785)**	-
Foreign currency valuation differences	**-**	(3.815.389)	**-**	(763.078)
Other	**(874.479)**	-	**(174.896)**	-
Deferred income tax liabilities	**(349.279.965)**	(388.359.829)	**(69.855.993)**	(77.671.966)
Unused investment incentives	**351.002.892**	267.666.933	**82.622.109**	53.533.387
Employment termination benefits and seniority incentive bonus provision	**75.559.940**	90.803.036	**15.111.988**	18.160.607
Inventory impairment	**27.379.753**	-	**5.475.951**	-
Provision for employment termination benefits, seniority incentives, unused vacation	**12.209.996**	-	**2.441.999**	-
SOCAR Turkey Enerji A.Ş. ("STEAŞ") guarantee cost	**40.942.875**	-	**2.047.144**	-
Unearned credit finance income	**8.033.938**	7.315.349	**1.606.788**	1.463.070
Rent allowance fee	**7.551.178**	5.960.766	**1.510.236**	1.192.153
Provision for unused vacation rights	**6.547.365**	6.192.081	**1.309.473**	1.238.416
Adjustment to foreign currency transaction of goods are lack of documents	**4.105.116**	-	**821.023**	-
Provision for doubtful receivables	**3.969.181**	-	**793.836**	-
Provision for legal cases	**1.986.226**	1.254.955	**397.245**	250.991
Recognizing research & development expenses, net	**528.306**	433.990	**105.661**	86.798
Other	**464.275**	116.568	**92.855**	23.314
Deferred income tax assets	**540.281.041**	379.743.678	**114.336.308**	75.948.736
Deferred tax assets/(liabilities)-net			**44.480.315**	(1.723.230)

The movement of deferred income tax is as follows:

Deferred tax asset/(liabilities) – net

	2014	2013
January 1	**(1.723.230)**	1.461.437
Tax expense recognized in income statement	**70.450.261**	(4.611.940)
Tax recognized directly in the shareholders' equity	**296.657**	1.427.274
Net off from gain on the sale of subsidiary shares	**(24.543.373)**	-
December 31	**44.480.315**	(1.723.230)

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29. 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 cannot be deducted from retained earnings. As of December 31, 2014, the Group has not any financial loss (December 31, 2013 – None).

As of December 31, 2014, the Group has unused investment incentive amounting to TL 513.898.867 (December 31, 2013-TL 267.666.933). As of December 31, 2014, the Group management recognized deferred income tax asset on the TL 351.002.892 that is 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 (December 31, 2013-TL 267.666.933). As of December 31, 2014, amount of used investment incentive in the current year tax account is TL 193.560.236. (December 31, 2013-TL 79.743.635).

The Group received a strategic investment incentive certificate from TC Ministry of Economy in order to PTA capacity increase project on January 4, 2013. The Group will be able to deduct 50% of the expenditure that are scope of investment incentives, from tax base up to 90% as subject of deduction. In this context, as December 31, 2014, TL 20.702.551 deferred tax asset created from investment incentive expenditures amounting to TL 41.405.101. The Group performed TL 204.301.076 expenditure within the scope of the strategic investment certificate. As December 31, 2014, deferred tax asset is not created on expenditure of investment amounting to TL 162.895.975.

On November 20, 2014, large scale of investment incentive certificate has taken from T.C. Ministry of Economy within the scope of port project. The Group will be able to deduct 25% of the expenditures that are performed within the scope of investment incentive, from tax base up to 50% as a discount subject.

The total investment amount of the investment incentive certificate is TL 657.727.167. In addition to that, as December 31, 2014, the Group is performed investment expenditures amounting to TL 218.355.363.In this context, as December 31, 2014, the Group has obtained deferred tax asset, that are can be used in following periods, amounting to TL 43.671.073.

30. 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, 2014	January 1-December 31, 2013
Net profit for the year belongs to equity holders of the parent	**6.452.915**	48.896.680
Weighted average number of shares with nominal value of Kr 1 each (thousand)	**100.000.000**	100.000.000
Earnings per share (Kuruş)	**0,01**	0,05

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31. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2014 and 2013 and significant intercompany transactions were as follows:

i) Balances with related parties:

	December 31, 2014	December 31, 2013
a) Other receivables from related parties:		
SOCAR Power Enerji Yatırımları A.Ş. (2) (*)	-	42.060.103
Star Rafineri A.Ş. ("STAR") (2) (**)	9.446.044	46.951.223
SOCAR Turkey Enerji A.Ş.("STEAŞ") (1) (***)	9.275.600	25.650.303
	18.721.644	114.661.629
b) Long term other receivables from related parties:		
SOCAR Power Enerji Yatırımları A.Ş. (2) (*)	51.791.682	-
	51.791.682	-

(*) Consists of sale of the land and rent receivable amounting to TL 47.907.790, interest receivable amounting to TL 1.611.018 and other receivable amounting to TL 2.272.874 to Socar Power Enerji Yatırımları A.Ş.
(**) Consists of expense charges and rent incomes.
(***) Consists of advance given to STEAŞ.

c) Trade receivables form related parties:		
SOCAR Azerikimya Production Union (2)	246.651	-
	246.651	-

(1) Shareholders of the Company
(2) Shareholders of the Company or Socar's subsidiaries

	December 31, 2014	December 31, 2013
d) Short term trade payable to related parties:		
SOCAR Gaz Ticareti A.Ş. (2)	37.668.892	36.580.755
Azoil Petrolcülük A.Ş. (2)	390.220	339.743
STAR (2)	19.714	-
Petrokim Trading Ltd. ("Petrokim") (2)	-	5.735.720
SOCAR Trading Holding Ltd. (2)	-	80.636
	38.078.826	42.736.854
Less: Unearned credit finance income	(182.901)	(157.617)
	37.895.925	42.579.237

Short term trade payables to related parties mainly arise from naphtha and LPG purchases. Average maturity for short term trade payables to related parties is 15 days.

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31. Transactions and balances with related parties (continued)

e) Other payables to related parties:

SOCAR Turkey Enerji A.Ş.("STEAŞ") (1)	**11.126.571**	-
Due to shareholders (1)	**87.305**	95.087
	11.213.876	95.087

	December 31, 2014	December 31, 2013
f) Short term deferred income from related parties		
STAR (2) (*)	**4.277.252**	7.356.269
SOCAR Power Enerji Yatırımları A.Ş. (2)	**9.656**	19.209
	4.286.908	7.375.478
g) Long term deferred income from related parties		
STAR (2) (*)	**16.579.501**	4.992.107
	16.579.501	4.992.107

(*) Short term and long term deferred income from STAR, consists of rent income that arise from one shot cash collections of the Group at the beginning of rent agreement.
(1) Shareholders of the Company
(2) Shareholders of the Company or Socar's subsidiaries

	December 31, 2014	December 31, 2013
h) Short term prepaid expense to related party		
STAR (2) (*)	**12.878.087**	-
	12.878.087	-

	December 31, 2014	December 31, 2013
i) Long term prepaid expense to related party		
STAR (2) (*)	**30.048.869**	-
	30.048.869	-

(*) Long and short term prepaid expense to STAR, consists of rent expense of naphtha tank.

The group has signed an operational leasing contract for 3 naphtha tanks to be effective between December 1, 2014 and April 30, 2018 at the date of December 30, 2014. STAR has rented out tanks, owned by it, and discounted amounting TL 44.00.129 + VAT for over entire duration within the context of that contract. In 2014, STAR has billed the related rent amount to the Group and the Group has paid the whole amount. 1 month rent amount TL 1.073.173 has been recognized in the account of cost of sales; the remained amount has been recognized in the account of short and long-term prepaid expenses. STAR has obtained a valuation report regarding usage right value of tank within period of rent from an independence firm so as to determine fair value of related rent process. Net book value of the net rent income from tanks between December 1, 2014 and April 20, 2018, is in the range of TL 40.0000.000 TL 45.000.000.

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31. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

	January 1- December 31, 2014	January 1- December 31, 2013
a) Finance costs/(income) from related party transactions-net:		
STAR [2] [*]	**5.086.426**	4.414.405
SOCAR Power Enerji Yatırımları A.Ş. [2] [*]	**5.004.591**	6.978.994
Petrokim [2]	**985.785**	(974.832)
STEAŞ [1] [*]	**722.086**	2.750.442
Socar Gaz Ticareti A.Ş. [2]	**179.408**	
Azoil Petrolcülük A.Ş. [2]	**3.410**	
SOCAR Azerikimya Production Union [2]	**(455)**	-
SOCAR Trading Overseas DMCC [2]	**-**	(29.250.372)
SOCAR Trading S.A. [2]	**-**	(14.811.464)
	11.981.251	(30.892.827)

[*] Group has generated interest income at rate of TRLIBOR+1 regarding TL receivables from STAR, and at rate of TRLIBOR+3 regarding TL receivables from SOCAR Power Enerji A.Ş and at rate of USDLIBOR+3 regarding USD receivables and at rate of TRLIBOR+1 regarding TL receivables and a the rate of USDLIBOR+3 regarding USD receivables from SOCAR Turkey Enerji A.Ş, generated interest income at rate of LIBOR+3 for the USD receivables.

Revenue from STAR consist from interest income from receivable amounting to TL 5.086.344, rediscount income amounting to TL 82, revenue from SOCAR Power Enerji Yatırımları A.Ş consists interest income from receivable amounting to TL 1.778.101, foreign exchange income – loss amounting to TL 3.326.490, receivable from Petrokim consist foreign exchange gain – loss, revenue from STEAŞ consist interest income receivable amounting to TL 577.648, amounting to TL 143.178 foreign exchange gain – loss, amounting to TL 1.260 other expense.

[1] Shareholders of the Company
[2] Shareholders of the Company or Socar's subsidiaries

	January 1- December 31, 2014	January 1- December 31, 2013
b) Service and rent purchases from related parties:		
STAR [2]	**14.683.009**	-
STEAŞ [1]	**10.058.378**	4.645.785
SOCAR Power Enerji Yatırımları A.Ş. [2]	**407.526**	-
Socar Bosphorus Bina Yönetimi [2]	**-**	108.945
SOCAR Trading Holding Ltd. [2]	**-**	80.636
Socar Bosphorus Enerji ve Tic. Ltd. Şti. [2]	**-**	37.725
	25.148.913	4.873.091

Service purchases from STEAŞ consist of invoices and expenses of STEAŞ staff, works on behalf of Petkim.

c) Product purchase from related parties:

SOCAR Gaz Ticareti A.Ş. [2]	**312.817.391**	307.982.621
Petrokim [2]	**87.017.414**	146.583.235
Azoil Petrolcülük A.Ş. [2]	**1.533.807**	306.749
SOCAR Trading S.A. [2]	**-**	115.156.610
SOCAR Trading Overseas DMCC [2]	**-**	918.252.977
	401.368.612	1.488.282.192

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31. Transactions and balances with related parties (continued)

Product purchases from SOCAR Trading S.A., SOCAR Trading Overseas DMCC, SOCAR Gaz Ticareti A.Ş. and Petrokim in the period ended December 31, 2014 and 2013 consist of naphtha, natural gas and LPG which are used as raw materials in the production of the Group.

d) Product and service sales to related parties:

	January 1- December 31, 2014	January 1- December 31, 2013
SOCAR Azeri Kimya (2)	**2.089.565**	1.459.500
STAR (2)	**827.238**	879.695
STEAŞ (1)	**134.194**	144.052
SOCAR Power Enerji Yatırımları A.Ş. (2)	**25.366**	-
	3.076.363	2.483.247

e) Rent income from related parties:

STAR (2)	**8.717.314**	5.899.948
Socar Power Enerji Yatırımları A.Ş. (2)	**29.753**	1.078.979
	8.747.067	6.978.927

(1) Shareholders of the Company
(2) Shareholders of the Company or Socar's subsidiaries

	January 1- December 31, 2014	January 1- December 31, 2013
g) Key management emoluments:		
i. Key management emoluments-short term:		
Payments for salary and seniority incentives	**5.249.880**	4.998.444
Provision for unused vacation	**384.922**	318.467
	5.634.802	5.316.911
i.Key management emoluments-long term:		
Provision for employment termination benefits	**63.766**	40.923
Provision for seniority incentives	**25.757**	9.674
	89.523	50.597
	5.724.325	5.367.508

The Group classifies the general manager, assistant general managers, and 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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32. 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 intercompany) 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, 2014 and 2013 were as follows

December 31, 2014

	Receivables						
	Trade receivables [1]		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Financial assets	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	246.651	522.028.996	70.513.326	2.582.910	702.157.204	-	1.297.529.087
- The part of maximum credit risk covered with guarantees etc.	-	478.292.343	-	-	-	-	478.292.343
A. Net book value of financial assets neither past due nor impaired [3]	246.651	512.238.006	70.513.326	2.582.910	702.157.204	-	1.287.738.097
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]	-	9.790.990	-	-	-	-	9.790.990
- The part covered by guarantees etc.	-	6.573.018	-	-	-	-	6.573.018
D. Net book value of assets impaired	-	-	-	-	-	-	-
- Past due (gross book value)	-	13.532.966	-	933.608	-	-	14.466.574
- Impairment amount (-)	-	(13.532.966)	-	(933.608)	-	-	(14.466.574)
- 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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32. Financial instruments and financial risk management (continued)

December 31, 2013

	Receivables						
	Trade receivables [1]		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Financial assets	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	-	750.162.183	114.661.629	935.271	279.035.638	-	1.144.794.721
- The part of maximum credit risk covered with guarantees etc.	-	641.284.620	-	-	-	-	641.284.620
A. Net book value of financial assets neither past due nor impaired [3]	-	736.193.967	114.661.629	935.271	279.035.638	-	1.130.826.505
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]	-	13.968.216	-	-	-	-	13.968.216
- The part covered by guarantees etc.	-	6.735.375	-	-	-	-	6.735.375
D. Net book value of assets impaired	-	-	-	-	-	-	-
- Past due (gross book value)	-	9.448.949	-	564.205	-	-	10.013.154
- Impairment amount (-)	-	(9.448.949)	-	(564.205)	-	-	(10.013.154)
- 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 fiber 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:

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32. Financial instruments and financial risk management (continued)

December 31, 2014

			Trade receivables
	Related parties	**Third parties**	**Total**
1-30 days overdue	**-**	**7.250.043**	**7.250.043**
1-3 months overdue	**-**	**2.032.808**	**2.032.808**
Over 3 months overdue	**-**	**508.139**	**508.139**
Total overdue receivables	**-**	**9.790.990**	**9.790.990**
The part covered by the guarantees	**-**	**-**	**6.573.018**
			3.217.972

December 31, 2013

			Trade receivables
	Related parties	Third parties	Total
1-30 days overdue	-	1.219.048	1.219.048
1-3 months overdue	-	8.184.239	8.184.239
Over 3 months overdue	-	4.564.928	4.564.928
Total overdue receivables	-	13.968.215	13.968.215
The part covered by the guarantees	-	6.735.375	6.735.375
			7.232.840

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 liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines 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, 2014 and 2013 are as follows:

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32. Financial instruments and financial risk management (continued)

December 31, 2014:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non-derivative financials liabilities					
Bank borrowings-short term	**352.914.646**	**353.272.546**	**283.705.546**	**69.567.000**	**-**
Bank borrowings-current maturity of long term loans	**43.108.180**	**48.799.930**	**6.876.595**	**41.923.335**	**-**
Bank borrowings-long term	**324.567.369**	**351.324.375**	**-**	**-**	**351.324.375**
Trade payables	**631.153.338**	**633.414.699**	**489.910.461**	**143.504.238**	**-**
Trade payables to related parties	**37.895.925**	**38.078.826**	**38.078.826**	**-**	**-**
Other payables to related parties	**11.213.876**	**11.213.876**	**11.213.876**	**-**	**-**
Other payables	**1.487.502**	**1.487.502**	**1.487.502**	**-**	**-**
Short term liabilities for employee benefits	**25.793.321**	**25.793.321**	**25.793.321**	**-**	**-**
Derivative financials liabilities					

December 31, 2013:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years and over(III)
Non-derivative financials liabilities					
Bank borrowings-short term	165.364.570	165.364.570	165.364.570	-	-
Bank borrowings-current maturity of long term loans	24.029.261	24.551.006	-	24.551.006	-
Bank borrowings-long term	165.903.991	186.273.747	-	-	186.273.747
Trade payables	915.775.992	922.063.639	681.021.983	241.041.656	-
Trade payables to related parties	42.579.237	42.736.855	42.736.855	-	-
Other payables to related parties	95.087	95.087	95.087	-	-
Other payables	792.419	792.419	792.419	-	-
Short term liabilities for employee benefits	12.133.355	12.133.355	12.133.355	-	-

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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32. Financial instruments and financial risk management (continued)

Foreign currency position

	December 31, 2014				December 31, 2013			
	TL equivalent	USD	EUR	Other	TL equivalent	USD	EUR	Other
1. Trade receivables	312.455.746	95.433.453	32.316.486	-	533.487.190	166.510.975	60.651.394	-
2a. Monetary financial assets (Cash, bank accounts included	641.410.589	273.486.143	2.446.709	16.500.868	208.309.683	82.507.450	10.968.940	1.365
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	953.866.335	368.919.596	34.763.195	16.500.868	741.796.873	249.018.425	71.620.334	1.365
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	46.517.134	20.060.000	-	-	15.110.844	7.080.000	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	46.517.134	20.060.000	-	-	15.110.844	7.080.000	-	-
8. Total assets (3+7)	1.000.383.469	388.979.596	34.763.195	16.500.868	756.907.717	256.098.425	71.620.334	1.365
9. Trade payables	579.382.717	243.887.824	4.843.340	7.861.264	797.931.258	365.757.413	5.876.466	11.144
10. Financial liabilities	391.022.396	163.348.482	4.337.080	-	184.832.080	86.447.601	111.345	-
11a. Monetary other liabilities	9.899.771	4.269.167	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	980.304.884	411.505.473	9.180.420	7.861.264	982.763.338	452.205.014	5.987.811	11.144
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	324.567.369	60.738.184	65.133.333	-	165.903.991	57.117.750	14.983.000	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15)	324.567.369	60.738.184	65.133.333	-	165.903.991	57.117.750	14.983.000	-
17. Total liabilities (12+16)	1.304.872.253	472.243.657	74.313.753	7.861.264	1.148.667.329	509.322.764	20.970.811	11.144
18. Net (liability)/asset position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
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)	(304.488.784)	(83.264.061)	(39.550.558)	8.639.604	(391.759.612)	(253.224.339)	50.649.523	(9.779)
20. Net foreign currency (liability)/asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a) (=1+2a+4+5a-9-10-11a-13-14-15a)	(304.488.784)	(304.488.784)	(39.550.558)	8.639.604	(391.759.612)	(253.224.339)	50.649.523	(9.779)
21. Total fair value of financial instruments used for foreign currency hedging	1.445.166	-	512.343	-	-	-	-	-
22.Hedged amount for current assets	52.747.090	-	18.700.000	-	-	-	-	-
23.Hedged amount for current liabilities	-	-	-	-	-	-	-	-

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32. Financial instruments and financial risk management (continued)

Table of sensitivity analysis for foreign currency risk:

December 31, 2014	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	(19.308.103)	19.308.103	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect-net (1+2)	(19.308.103)	19.308.103	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR-net	(11.156.026)	11.156.026	-	-
5- The part hedged for EUR risk (-)	5.274.709	(5.274.709)	-	-
6- EUR effect-net (4+5)	(5.881.317)	5.881.317	-	-
Change of other currencies by 10% against TL:				
7- Assets/liabilities denominated in other foreign currencies-net	15.251	(15.251)	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect-net (7+8)	15.251	(15.251)	-	-
Total (3+6+9)	(25.174.169)	25.174.169	-	-

32. Financial instruments and financial risk management (continued)

December 31, 2013	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	(54.045.671)	54.045.671	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect-net (1+2)	(54.045.671)	54.045.671	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR-net	14.873.232	(14.873.232)	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect-net (4+5)	14.873.232	(14.873.232)	-	-
Change of other currencies by 10% against TL:				
7- Assets/liabilities denominated in other foreign currencies-net	(3.523)	3.523	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect-net (7+8)	(3.523)	3.523	-	-
Total (3+6+9)	(39.175.962)	39.175.962	-	-

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32. Financial instruments and financial risk management (continued)

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

		2014		2013
	Original amount	**TL**	Original amount	TL
USD	**407.647.779**	**883.966.438**	580.530.955	1.111.625.721
EUR	**115.643.321**	**336.619.543**	171.767.061	441.346.480
Total export		**1.220.585.981**		1.552.972.201
USD	**1.472.804.025**	**3.209.950.347**	1.408.465.856	2.668.806.466
EUR	**49.613.574**	**144.348.766**	321.292.174	6.030.060
British Sterling	**418.250**	**1.523.221**	57.463.852	147.541.200
Japanese Yen	**79.159.606**	**1.670.650**	646.566	1.841.425
Swiss Frank	**394.710**	**963.677**	782.457	1.612.314
Total import		**3.358.456.661**		2.825.831.465

ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by balancing interest rate sensitive assets and liabilities.

The Group's interest rate position as of December 31, 2014 and 2013 is presented below:

	2014	2013
Financial instruments with fixed interest rate		
Financial liabilities		
- USD financial liabilities	**193.107.167**	69.799.717
- EUR financial liabilities	**56.413.999**	-
- TL financial liabilities	**5.000.430**	4.445.184
Financial instruments with variable interest rate		
- USD financial liabilities	**326.526.750**	236.728.377
- EUR financial liabilities	**139.541.849**	44.324.544

In case of +/ (-) 1% change in variable rate loans interest expense will change by +/ (-) TL 4.660.686 (December 31, 2013- TL 2.810.529).

iii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphtha 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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32. 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 Group determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sector publications and Group'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 short term financial liabilities, current portion of long term financial liabilities, long term financial liabilities, trade payables, other payables, deferred income, other current liabilities and short term liabilities for employee benefits, as shown in the balance sheet) less cash and cash equivalents:

	December 31, 2014	December 31, 2013
Total debt	**1.517.722.237**	1.427.095.230
Less: Cash and cash equivalents (Note 4)	**(702.158.128)**	(279.042.424)
Net debt	**815.564.109**	1.148.052.806
Total equity	**2.183.260.867**	1.707.504.978
Debt/equity ratio	**37%**	67%

33. 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.

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

33. Financial instruments (fair value and financial risk management disclosures) (continued)

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.

Fair values of short-term bank borrowings and other financial liabilities are assumed to approximate their carrying values due to their short term. Long-term floating rate bank loans' interest rates are updated according to the changing market conditions, it is assumed to represent the value of the fair value is the carrying value of these loans. Long-term fixed-rate loan, when evaluated with a fixed interest rate as of the balance sheet date, it is observed its fair value is close to the carrying value.

Fair value estimation

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Depend on registered price (unadjusted) in the active market;
Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.
Level 3: Not depend on observable market data
December 31, 2014 and 2013, fair value and book value of financial statement were as follows:

December 31, 2014	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1.445.166	-	1.445.166
Total asset	-	1.445.166	-	1.445.166
Total liabilities	-	-	-	-

(December 31, 2013, None).

34. Subsequent events

9,9% of Socar Power's capital, that is owned by Group's major shareholder SOCAR Turkey Enerji A.Ş's subsidiary SOCAR Turkey Elektrik Yatırımları Holding A.Ş., has been taken by the Group from corresponding to each TL 1 (one Turkish Lira), 8.910.000 shares of nominal value with a nominal value of the total (TL 8.910.000) on January 26, 2015.

Sales of shares of Group's major shareholder STEAŞ, amounting to TL 34,000,000 nominal from TL 4 has been occurred in Whole Market İstanbul Stock Exchange, on February 5, 2015. As a result of this transaction, including direct and indirect total shareholding ratio has become 60,67% from 64,07%.

February 20, 2015, Friday at 13:30, conversion of (B) Group share to (A) Group share was approved with the amendment of the relevant article of incorporation at the Extraordinary General Meeting.

35. Disclosure of other matters

None.

Petkim Petrokimya Holding A.Ş.
P.O. Box: 12 Aliağa 35800 Izmir
Phone: +90 232 616 1240 / 616 3240 (Pbx)
Fax: +90 232 616 1248
Web: www.petkim.com.tr
Registered Email Address: petkim@hs03.kep.tr

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