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Petkim Petrokimya Holding A.Ş. • Annual Report 2005



40.
1965-2005 Years of Trade

ANNUAL REPORT 2005



petkim

**Consistently growing and
serving to the development
of the national economy for over 40 years,
with its ongoing journey
in terms of change,
re-organization and national
quality movement,
initiated to meet the expectations
of its shareholders,
will continue to be the honor of the
Turkish Petrochemical Sector.**



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PETKİM, The Leader Of Turkish Petrochemical Industry



Petroleum industry has an important position in the world and Turkish economy. Petrochemical industry is a stimulating and leading sector with great importance in the world economy and plays an important role with its technology and its expanding value chain. The Petrochemical Industry which converts naphtha, LPG or condensate to more valuable products, has a wide range of products with high added values. Nowadays the products derived from petrochemical industry are widely used by various sectors. Petrochemical Industry supplies inputs for production of plastics, rubber and fiber raw materials and other intermediates to the side sectors such as packaging, electronics, automotive, construction, textile and agriculture.

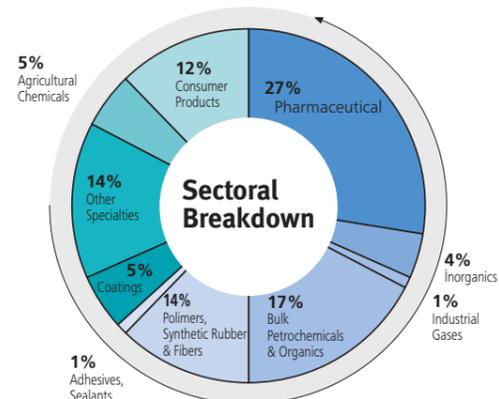
The current market value of the petrochemical industry is about 700 billion dollars and this value equates to about 30% of the

total chemical market and about 8% of the world trade volume. Petrochemical industry continues to prevent its position in the sector as heretofore. Neither a new technology has been developed nor a new production area has been found up to now to replace petrochemical products. In contrary, nowadays refineries tend to produce petrochemical products with high added value to meet the basic human needs like health, hygiene, accommodation and nutrition. Usage of petrochemical products for production of more than 10,000 products indicates the importance of petrochemical industry in chemical industry. Petrochemical industry is the premier indispensable industry for modern life from birth to death and will keep its position in the future with its production for production and being locomotive sector properties.

In terms of costs and profitability, periodic cycles have been observed in parallel to the current market conditions in petrochemical industry. In recent years, important structural changes have been occurring in petrochemical industry. Companies tend to grow, contract and/or revise their activity fields in order to promote competitive power and to

In the developing and varying competitive clauses, we aim at an organization which is sustainable for a new world that does not perceive the quality as only the product quality. Moreover we aim at an organization which defines its target, can express itself, and is customer-focused and human and principle oriented.

World Chemical Industry



PETKİM, who makes a principle of permanent improvement and permanent development philosophy, will continue to be the leading corporation of Turkish petrochemical industry even of chemical industry in our country, with its specialized staff and existing infrastructure facilities.

increase profitability by themselves or by joint venture.

PETKİM, whose products are in compliance with the world standards, is the unique representative of petrochemical industry of Turkey. Today, improvements in petrochemical industry in Turkey mean improvements in PETKİM. PETKİM announced the year 2005 as the year of evolution in order to fulfill the mission for the improvement of the petrochemical industry and accomplished the planned investment activities drastically. In addition to these, reorganization activities have been carried out to accord with country and world conditions and to preserve competition power.

In the increasing competition environment in today's world, PETKİM constitutes powerful and adequate infrastructure with its own port, dam, utilities and sufficient brownroot field.

PETKİM, which makes effort to renew itself continuously, is the major actor of Turkish chemical industry. In order to be more effective in domestic and foreign markets, PETKİM aims at continuing capacity additions and modernization activities, expanding product spectrum

even after the year 2005. PETKİM wants to evaluate investment opportunities for the future for the production of high value added products. Within the frame of these targets, PETKİM carries out actions



related with investigating the investment opportunities, determining the market size of Turkey and potential products that can be produced.

On this evolution journey, we made important steps to improve our weak sides which we have defined as improvable areas in previous year. We have questioned what we could and could not achieve, and the reasons of them, also our weak and strong sides

once again, defined new improvement areas, updated our vision, and performed permanent improvement philosophy as institutional culture.

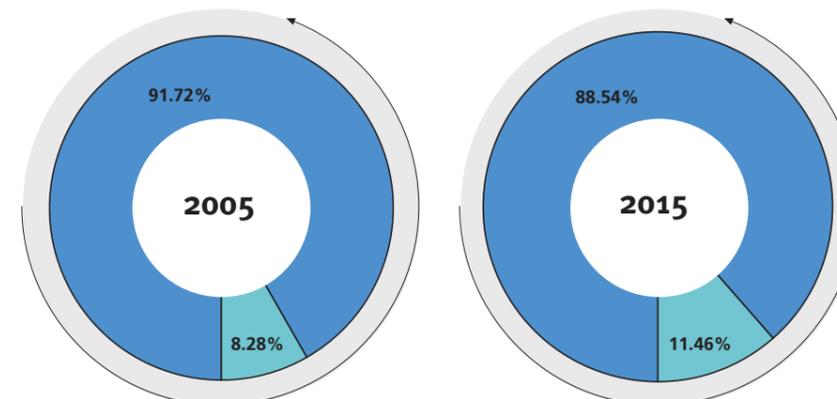
Our age is the information age. To be equipped by information will avoid the fears of evolution, in parallel with this; will reduce the weight of both individual and institutional evolution. Because of these reasons we have emphasized the training activities in our company.

Imagine PETKİM that will be more active in both domestic and foreign markets in future, can meet at least half of the petrochemical demand in Turkey, and compete with world markets especially in production of high value added products. We will succeed this all together.

Osman İLTER

Chairman of the Board

Turkish Thermoplastics Consumption's Share in Europe in 2005-2015



Board Of Directors



Auditors



BOARD OF DIRECTORS

- 1 - Osman İLTER
Chairman of the Board
- 2 - Prof. Dr. M. Ali GÜRKAYNAK
Vice Chairman
- 3 - Kenan YAVUZ
Member - General Manager
- 4 - Birol AYDEMİR
Member
- 5 - M. Fikret USLU
Member
- 6 - Erkan GÜRKAN
Member
- 7 - Naci AĞBAL
Member

AUDITORS

- 1 - Mustafa ÖZEL
Auditor
- 2 - Mustafa BULUT
Auditor

PETKİM Growing Stable with Continuous Investments

2004 was the preparatory year for transformations. 2005 was the year of implementation of these projects and almost all of them were concluded. However the process of transformation or change is a process seeking the better, the ultimate right and perfection and the only thing that does not change is the change itself.

We celebrated the 40th anniversary of Petkim in 2005. Being one of the milestones of the Turkish industry and the locomotive of national economy by supplying its raw material production to various sectors, Petkim celebrated its 40th anniversary by completing its investments and increasing the production capacity by 20 %.

We are living in a dynamic world that is speedily changing. Global competition existing in all sectors and accelerating rapidly, requires re-organization and radical changes in working procedures in all corporations. This is upward change with fundamentals such as participation of all parties concerned, customer-oriented and continuous improvement.

In this concept, 2005 was the year of change for Petkim. Our company primarily questioned itself, made self-evaluation and determined the strengths and weaknesses. Then with the guidance of these studies and also taking into consideration opinions of our business partners the concept Petkim-in-future was designed, objectives and re-organization projects were determined. In this scope corporate performance management system

was initiated. With the participation of our shareholders, the company vision and mission and the required strategies were determined. Reviewing all our processes we fixed performance indicators and targets. Aiming to spread the Total Quality Management consciousness throughout the company, we initiated total quality implementation studies. We shifted from a large organizational structure to a process based simple organizational structure to increase



rationalization and productivity. Re-organizational activities for Information Technologies were initiated. The Suggestion System forming a platform for the participation and innovations of employers was put into practice. The fundamental condition of a company to continue its existence is to be

In 2005, our production capacity was increased by 20 %. No industry will exist without production and no development will be achieved without industry.

competitive and maintain this competitiveness. The most important part of this is being customer oriented. Thus we have started using active marketing policies giving priority to customer satisfaction.

All the re-organizational activities are the milestones of our objective for acquiring a corporate identity.

Investments included in the PETKAM (Petkim Capacity Increase and Modernization) Project were concluded in 2005 and with all the start-ups we increased our capacity by 20%.

Total investment figure of 450 million USD was covered by company's own capital.

Petkim needs to improve its production costs and increase present capacities in order to improve its competitiveness and to gain an advantageous position in global markets. In this respect cost re-evaluating groups were formed at each plant. These groups work systematically and the decisions taken are implemented. Energy cost is the fundamental part of these cost reducing studies. Natural Gas Transformation Project was given start in 2005 aiming to reduce production costs, increasing energy production capacity and being environmentally friendly. The cost of this project is 75 million US dollars. Return on investment of this project is only one year. We are planning the

start-up of the first part of the project in Q4 2006.

Productivity objectives were achieved also in 2005. Despite capacity increases the number of employees was reduced by 14%. However there were long term turnarounds during



the start-ups of expansions and the operating rate was at the lower side. Thus the financial activity results of 2005 do not actually represent the Company's performance. In 2005, our company paid 154 million US dollars, the highest investment figure up to date. Furthermore 2005 was also the year of highest crude and fuel oil prices, intense unfair competition and despite all this it was the year of regaining the 250 million USD import market with the new capacities.

Lacking the synergy that could be created with the refinery-petrochemistry integration, despite high crude and energy costs, the

investments realized with its own capital shows the power and the challenging vision of Petkim for global scale transformation, development and competition.

We will improve our competition power by means of productivity in energy and manpower issues. We need to give priority to high value added products and lower our costs against the new capacities in the Middle East. At this point, to prevent unfair competition practices we are facing, we have taken all bureaucratic initiatives and will continue to inform the public systematically.

We are aware of our advantages and disadvantages. We are planning our future and making strategic plans with this consciousness.

It is not possible to keep up with our industrialization assertion without any production and without supporting the industry by domestic production and logistics. The willpower that established our Republic has given us the duty to go beyond the level of contemporary civilizations.

The ones who produce only can feel the excitement and the honor of producing.



GENERAL MANAGEMENT

- 1 - Kenan YAVUZ
General Manager
- 2- Lütfi DOĞAN
Assistant General Manager - Planning - Project - Investment
- 3 - Abdulkadir TUNCER
Assistant General Manager - Operations
- 4 - M. Hayati ÖZTÜRK
Assistant General Manager - Financial - Commercial
- 5 - Hatice KAYGIN
Assistant General Manager - Human Resources
- 6 - Ali ÖZTÜRK
Group Manager - Purchasing



Summary of the Last Five Years

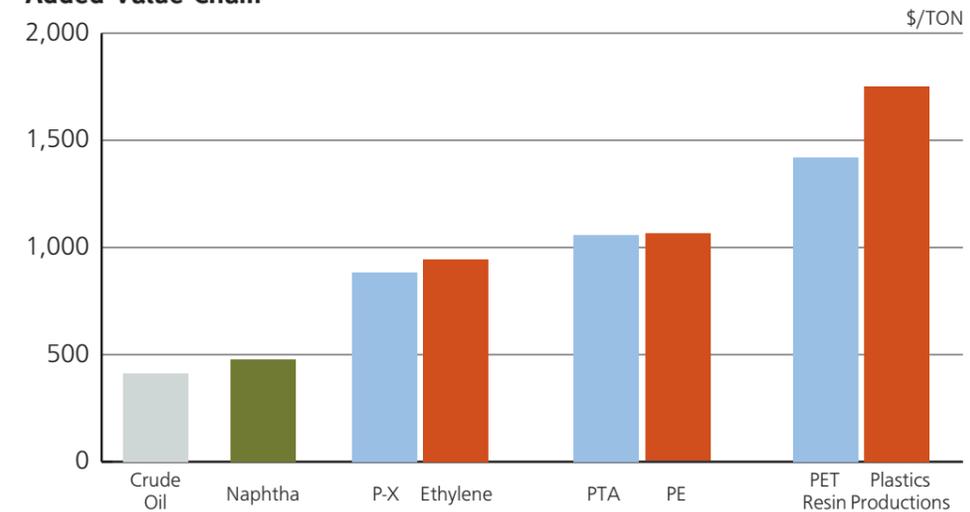
000 TRY

	2001	2002	2003	2004	2005
NET SALES	776,302	961,547	1,240,046	1,568,689	1,344,249
EXPORTS (Million US \$)	113	113	127	182	217
PRODUCTION VALUE	660,945	912,456	1,323,755	1,497,066	1,232,644
INVESTMENTS	47,877	112,355	72,722	113,639	207,535
DEPRECIATION AND AMORTIZATION	72,283	110,198	236,422	254,177	69,587
PROVISION FOR TERMINATION INDEMNITY	71,239	94,053	117,691	113,886	95,405
CURRENT PROFIT/(LOSS)					
Before Taxes	8,456	15,011	(244,987)	61,943	(81,749)
Net Profit/(Loss)	2,887	2,647	(245,402)	61,943	(98,547)
Net Profit/(Loss) (Million US \$)	(7)	(1)	(183)	46	(73)
CAPITAL	204,750	204,750	204,750	204,750	204,750
FINANCIAL DEBTS	-	23,949	14,990	10,889	92,152
TOTAL ASSETS	888,546	1,196,566	1,753,168	1,753,685	1,801,846
NUMBER OF EMPLOYEES	5,006	4,859	4,281	3,967	3,758
GROSS FOREIGN EXCHANGE SAVINGS (Million US \$)	589	647	700	1,002	952
CONTRIBUTION TO THE NATIONAL ECONOMY	215,507	260,315	194,875	497,595	206,774

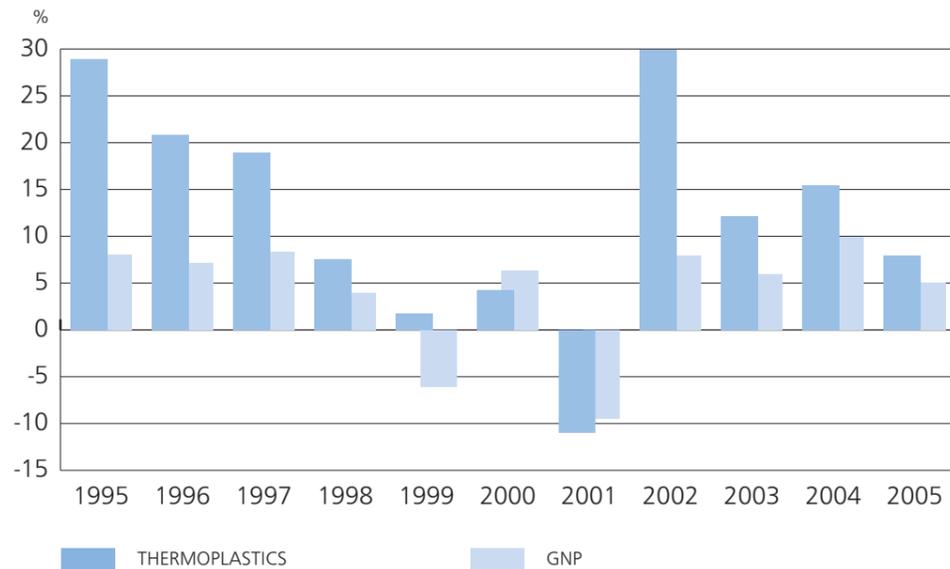
All figures unless specified are in thousand TRY as of 31.12.2005, 1 US Dollar = 1.3418 TRY



Added Value Chain



GNP & THERMOPLASTICS DEMAND GROWTH RATES FOR TURKEY



Domestic Demand Projections of Petrochemicals 000 Tons

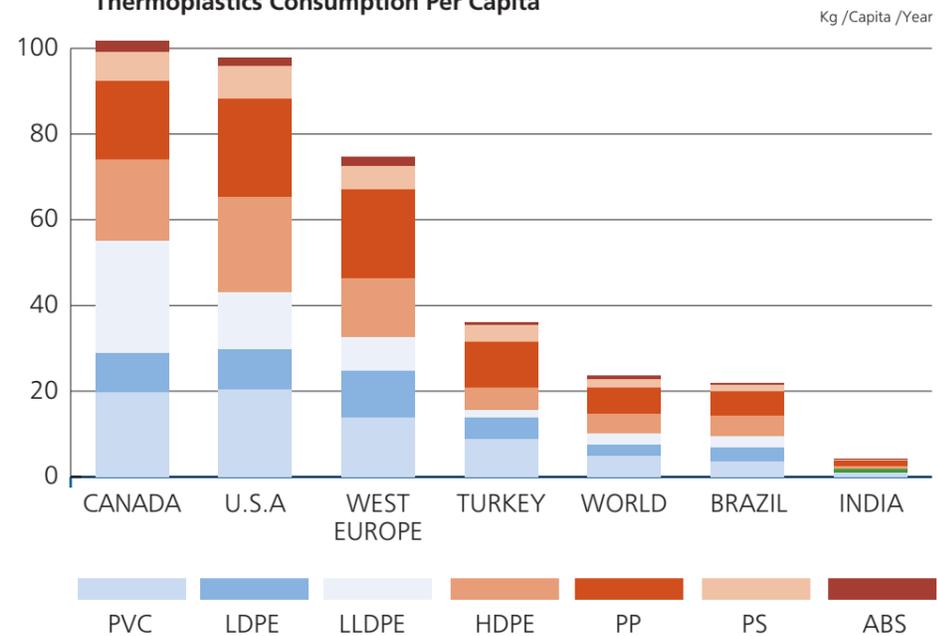
PRODUCTS	2005		FORECAST *					
	ACTUAL DEMAND	ANNUAL GROWTH %	A			B		
			2010	2015	00-05 G.RATE%	2010	2015	95-05 G.RATE%
THERMOPLASTICS	2,527	8	4,466	8,661	13.1	4,437	8,424	12.8
PVC	654	12	997	1,520	8.8	1,069	1,750	10.4
LDPE	354	(8)	411	478	3.0	411	478	3.0
LLDPE	139	19	506	1,845	29.6	504	1,836	29.5
HDPE	384	24	871	1,977	17.8	721	1,354	13.4
PP	776	4	1,277	2,101	10.5	1,355	2,366	11.8
PS	221	12	405	741	12.9	376	641	11.2
FIBER RAW MATERIALS	742	(2)	787	834	1.2	1,059	1,554	7.7
ACN	233	10	242	252	0.8	267	306	2.8
MEG	220	(4)	231	243	1.0	298	404	6.3
PTA	288	(9)	313	339	1.6	493	843	11.3
RUBBER RAW MATERIALS	209	2	303	439	7.7	270	351	5.3
SBR	53	(13)	79	119	8.5	62	73	3.2
CBR	25	(1)	33	42	5.4	31	40	4.7
CARBON BLACK	131	9	191	278	7.8	177	239	6.2
OTHERS	195	(14)	219	247	2.4	226	264	3.1
PA	61	9	75	92	4.2	82	109	6.0
p - X	134	(22)	144	155	1.5	144	155	1.5
TOTAL	3,673	4	5,774	10,182	10.7	5,992	10,593	11.2

(*): A: Projected values are found by using 2005 actual consumptions and growth rates for the period 2000 - 2005
 B: Projected values are found by using 2005 actual consumptions and growth rates for the period 1995 - 2005

Petkim's Share of the Domestic Market %

	2001	2002	2003	2004	2005
THERMOPLASTICS	35	33	27	24	20
PVC	40	35	29	25	21
LDPE	68	56	52	48	50
HDPE	34	37	29	29	19
PP	17	15	11	9	6
PS	8				
FIBER RAW MATERIALS	33	32	31	27	21
ACN	36	37	34	40	23
MEG	38	42	38	28	29
PTA	27	21	22	17	14
RUBBER RAW MATERIALS	43				
SBR	52				
CBR	57				
CARBON BLACK	36				
OTHERS	58	64	69	55	45
BENZENE		100	99	99	100
O - X	100	100	100	100	100
P - X	46	55	63	45	41
PA	74	61	60	56	36
TOTAL	37	35	31	27	22

Thermoplastics Consumption Per Capita



Production Activities



PETKİM

Producing for Producers

Supplying to All Industrial Sectors in Turkey

In 2005, with the completion of PETKAM Investment Project, PETKİM increased its overall production capacity by 20 %.

2005 was a very intensive year in terms of rehabilitation, expansion and maintenance investments at plants.

The capacity expansion investments of Ethylene and PP Plants and addition of new third production line to LDPE Plant (LDPE-T) were finalized within 2005.

The revamping studies of Aromatics Plant for increasing capacity utilization rate and paraxylene purity were completed in Q4 2005. The capacities of Ethylene, LDPE and PP Plants were increased by 30 %, 63 % and 80 % respectively.

Unexpected and scheduled maintenance shutdowns of the plants were minimized with Predictive Maintenance Methods while maintenance operations were continued.

Auxiliary units have also proven their efficiencies in coping with the needs of process plants. Waste treatment, pipeline network and jetty facilities have contributed to the continuous production of the Complex overall.



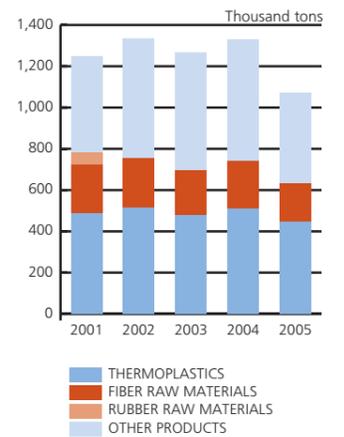
PRODUCTS	TONS/YEAR
THERMOPLASTICS	700,000
PVC	150,000
LDPE	190,000
LDPE -T	120,000
HDPE	96,000
PP	144,000
FIBER RAW MATERIALS	249,000
ACN	90,000
PTA	70,000
MEG	89,000
OTHER PRODUCTS	919,000
ETHYLENE	520,000
BENZENE	123,000
PA	34,000
CHLORINE	100,000
VCM	142,000
TOTAL	1,868,000

PETKİM is at the service of national economy with its 22 plants, harbour and dam located in an area of 20 million square meters.

PRODUCTS	CAPACITY	CAPACITY UTILIZATION %	GROSS PRODUCTION	FOR MARKETING
ETHYLENE	520,000	65	314,424	9
THERMOPLASTICS	700,000	77	452,673	447,401
PVC	150,000	89	133,283	133,283
LDPE	190,000	82	155,571	151,032
LDPE-T	120,000	75	45,488	44,784
HDPE	96,000	71	67,837	67,808
PP	144,000	56	50,494	50,494
FIBER RAW MATERIALS	249,000	74	184,714	184,710
ACN	90,000	79	70,783	70,783
PTA	70,000	68	47,876	47,876
MEG	89,000	74	66,055	66,051
OTHER PRODUCTS	399,000	82	1,224,015	438,735
DEG			5,971	5,971
PA	34,000	67	22,710	22,710
BENZENE	123,000	87	106,680	106,680
o - X			22,611	
p - X			61,702	25,372
C ₅ MIXTURE			64,903	58,287
PROPYLENE (CG)			24,148	
PROPYLENE (PG)			116,688	12,823
C ₄			86,995	83,313
PY - GAS			242,951	28,524
AROMATIC OIL			60,395	14,412
CHLORINE	100,000	77	76,692	
CAUSTIC (100 %)			86,643	76,873
VCM	142,000	84	119,702	
EDC			103,801	
HCl (27 %)			16,091	
MASTERBATCH			2,673	229
BAG			2,659	790
OTHERS*				2,751
GRAND TOTAL	1,868,000	74	2,175,825	1,070,855

(*) Low Polymer, Atactic Polypropylene, Glycol Mixture, Sulphuric Acid and Hypochloride are marketable products.

Production For Marketing According to Product Groups



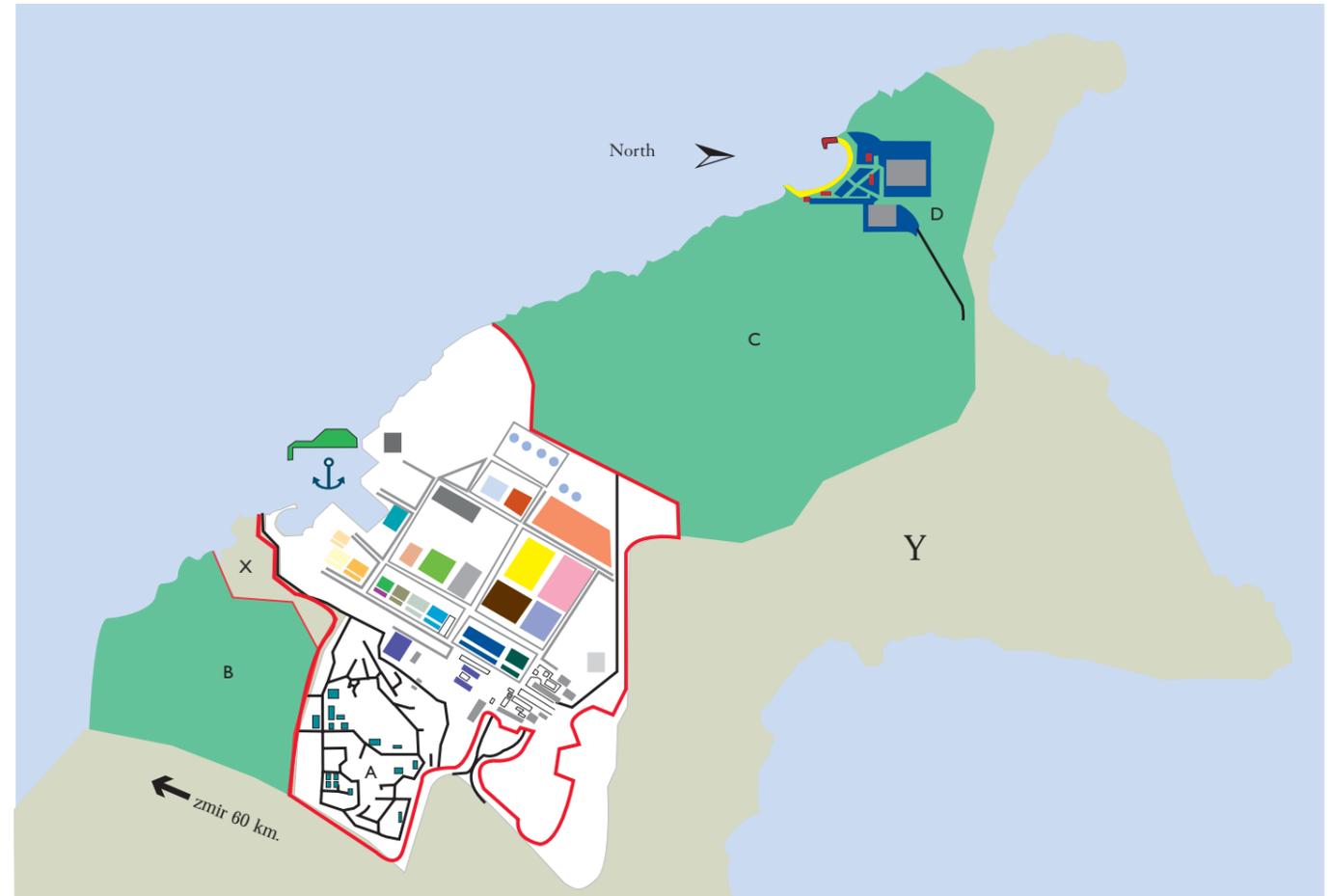
Production for Marketing By Years TONS

PRODUCTS	2001	2002	2003	2004	2005
ETHYLENE	2,750	8	8	11	9
THERMOPLASTICS	487,139	515,277	477,517	508,938	447,401
PVC	147,170	156,526	139,974	156,585	133,283
LDPE	198,805	194,184	184,519	185,558	151,032
LDPE-T					44,784
HDPE	56,352	84,784	82,129	89,487	67,808
PP	77,944	79,783	70,895	77,308	50,494
PS	6,868				
FIBER RAW MATERIALS	233,521	240,134	216,070	234,343	184,710
ACN	87,986	91,295	84,243	88,107	70,783
PTA	62,740	64,992	56,369	63,499	47,876
MEG	82,795	83,848	75,458	82,737	66,051
RUBBER RAW MATERIALS	58,513				
SBR	19,067				
CBR	12,394				
CARBON BLACK	27,052				
OTHER PRODUCTS	464,623	578,616	572,663	588,100	438,735
DEG	7,907	7,816	7,169	7,559	5,971
PA	32,939	33,931	33,347	34,412	22,710
BENZENE	121,484	122,096	130,358	131,394	106,680
o - X	1,042			6	
p - X	32,759	35,911	53,001	52,120	25,372
C ₅ MIXTURE	66,042	66,775	71,187	77,115	58,287
PROPYLENE (CG)	4,895			4,298	
PROPYLENE (PG)		2,274			12,823
C ₄	67,223	110,999	114,225	112,681	83,313
PY - GAS	31,647	37,656	8,394	6,299	28,524
LPG	292				
AROMATIC OIL	7,180	52,949	61,054	65,637	14,412
CAUSTIC (100 %)	84,299	87,169	86,871	88,886	76,873
EDC		13,621			
HCl (27 %)			48	1,230	
MASTERBATCH	89	109	314	1,123	229
PLASTIC MATERIALS	2,103	1,975	1,011	963	790
OTHERS*	4,723	5,335	5,684	4,378	2,751
TOTAL	1,246,546	1,334,035	1,266,258	1,331,393	1,070,855

(* Low Polymer, Atactic Polypropylene, Glycol Mixture, Sulphuric Acid, Hypochloride in Aliğa and Organic by-products in Yanımcı are marketable products.
Note: Yanımcı Complex transferred to Tüpraş, as a consequence as from 2002 only belong to Aliğa Complex.

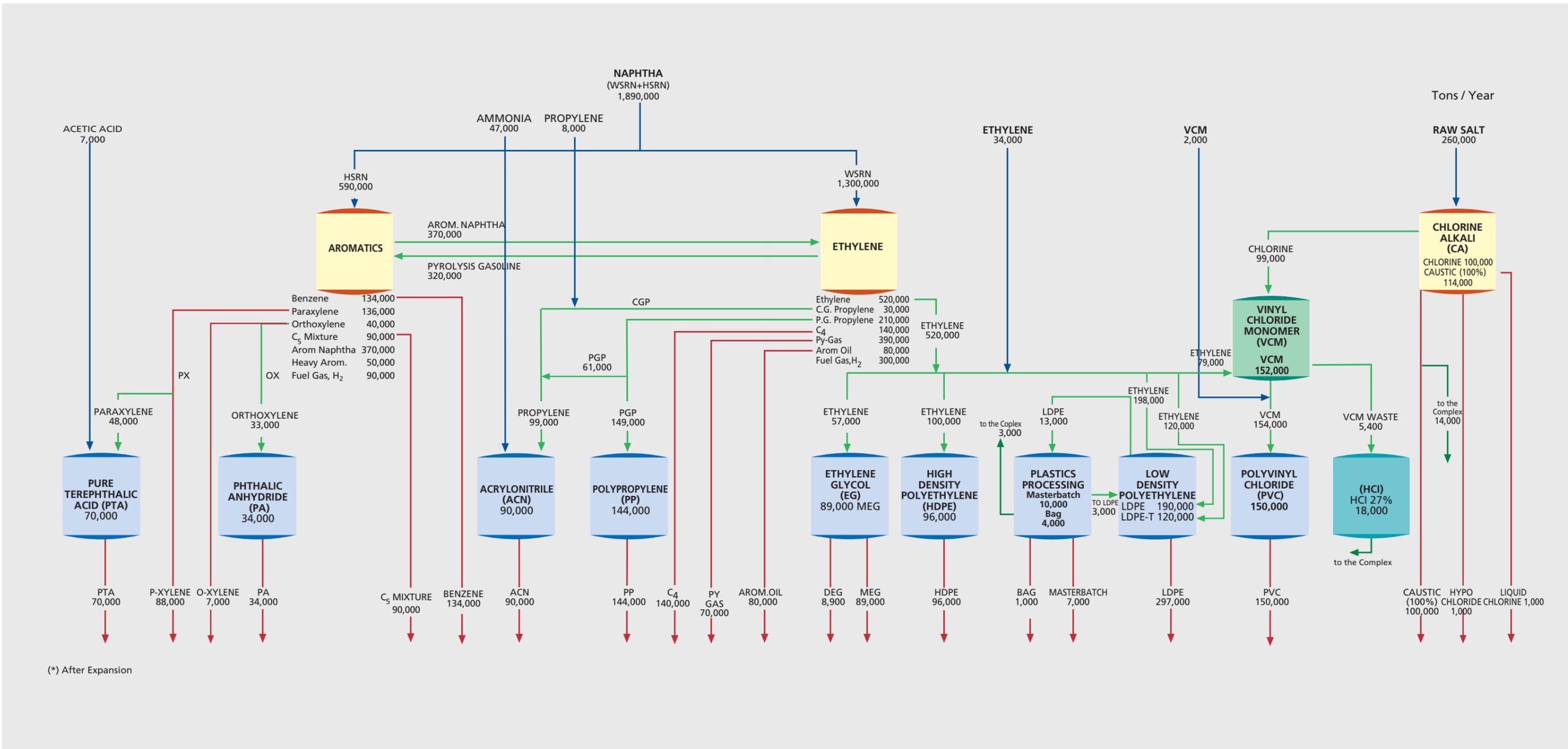


Aliğa Complex Layout



Petrochemical industry where petroleum products are converted to more valuable products has a wide product range with high added values.

Flow Diagram





**14 Plants, 8 Utilities
Harbour and Dam
An Integrated Petrochemical Complex**

**New Plants,
New Capacities and Maintenance
Fully Completed Operations
in All Processes
A Completely Renewed
PETKİM**

Plants

1	ETHYLENE PLANT	
	Nameplate Capacity	400,000 Tons/Year
	Licensor	Stone & Webster Eng. Ltd.- ENGLAND
	Engineering & Supply Contractor	Stone & Webster Eng. Ltd.- ENGLAND
	Construction Contractor	Tekfen - TURKEY
	Start Up Date	21/03/85
	Expansion Date	2005
	Capacity After Expansion	520,000 Tons/Year
	2005 Production	314,424 Tons
	Number of Personnel	173
	Manpower Productivity (Direct)	730 Kg/man-hour
	Conversion Factor	30 %
	Ethylene/Naphtha	
	Capacity Utilization Rate	65 %



2	LOW DENSITY POLYETHYLENE (LDPE) PLANT	
	Nameplate Capacity	165,000 Tons/Year
	Licensor	Imperial Chemical Ind. Ltd. ENGLAND
	Engineering & Supply Contractor	SIM - Chem Ltd. ENGLAND
	Construction Contractor	Kutluta - TURKEY
	Start Up Date	19/04/85
	Expansion Date	1992, 2001
	Capacity After Expansion	190,000 Tons/Year
	2005 Production	155,571 Tons
	Number of Personnel	143
	Manpower Productivity (Direct)	454 Kg/man-hour
	Conversion Factor	96 %
	LDPE/Ethylene	
	Capacity Utilization Rate	82 %



3	LOW DENSITY POLYETHYLENE TUBULAR (LDPE-T) PLANT	
	Nameplate Capacity	120,000 Tons/Year
	Licensor	Sabtec - HOLLAND
	Engineering & Supply Contractor	Technip - FRANCE
	Construction Contractor	Tokar A. - TURKEY
	Start Up Date	24/05/05
	2005 Production	45,488 Tons
	Number of Personnel	83
	Capacity Utilization Rate	75 %



4	HIGH DENSITY POLYETHYLENE (HDPE) PLANT	
	Nameplate Capacity	44,000 Tons/Year
	Licensor	Mitsui Petrochemical Co.- JAPAN
	Engineering & Supply Contractor	Mitsui Eng.Shipbuil.Co.Ltd.&Mitsui Co.Ltd. JAPAN
	Construction Contractor	Koray - TURKEY
	Start Up Date	23/07/85
	Expansion Date	1993, 2001
	Capacity After Expansion	96,000 Tons/Year
	2005 Production	67,837 Tons
	Number of Personnel	102
	Manpower Productivity (Direct)	297 Kg/man-hour
	Conversion Factor	97 %
	HDPE/Ethylene	
	Capacity Utilization Rate	71 %



5	POLYPROPYLENE (PP) PLANT	
	Nameplate Capacity	66,000 Tons/Year
	Licensor	Mitsubishi Petrochemical Co.- JAPAN
	Engineering & Supply Contractor	Chiyoda Eng. Ltd.& Mitsubishi Co.- JAPAN
	Construction Contractor	AEA - TURKEY
	Start Up Date	04/08/85
	Expansion Date	1993, 2005
	Capacity After Expansion	144,000 Tons/Year
	2005 Production	50,494 Tons
	Number of Personnel	111
	Manpower Productivity (Direct)	213 Kg/man-hour
	Conversion Factor	98 %
	PP/Propylene	
	Capacity Utilization Rate	56 %

6	ACRYLONITRILE (ACN) PLANT	
	Nameplate Capacity	70,000 Tons/Year
	Licensor	Vistron Corp. - USA
	Engineering & Supply Contractor	Badger Pan America - ENGLAND
	Construction Contractor	Entes - TURKEY
	Start Up Date	15/08/85
	Expansion Date	1993
	Capacity After Expansion	90,000 Tons/Year
	2005 Production	70,783 Tons
	Number of Personnel	81
	Manpower Productivity (Direct)	388 Kg/man-hour
	Conversion Factor	62 %
	ACN/(Propylene+Ammonia)	
	Capacity Utilization Rate	79 %

7	ETHYLENE GLYCOL (EG) PLANT	
	Nameplate Capacity	89,000 Tons/Year MEG
	Licensor	Shell Research Ltd. - HOLLAND
	Engineering & Supply Contractor	Mitsui Eng.Shipbuilding Co.Ltd.& Mitsui Co. Ltd. JAPAN
	Construction Contractor	AEA - TURKEY
	Start Up Date	12/12/85
	2005 Production	66,055 Tons
	Number of Personnel	68
	Manpower Productivity (Direct)	420 Kg/man-hour
	Conversion Factor	160 %
	MEG/Ethylene	
	Capacity Utilization Rate	74 %

8	AROMATICS PLANT	
	Nameplate Capacity	123,000 Tons/Year Benzene
	Licensor	Universal Oil Products (UOP) - USA
	Engineering & Supply Contractor	JGC Corp.Nissho Iwai Corp.- JAPAN
	Construction Contractor	Enka - TURKEY
	Start Up Date	22/03/85
	2005 Production	106,680 Tons
	Number of Personnel	121
	Manpower Productivity (Direct)	384 Kg /man-hour
	Conversion Factor	20 %
	Benzene/(Naphtha + Py-Gas)	
	Capacity Utilization Rate	87 %

Plants

- 9 PURE TEREPHTHALIC ACID (PTA) PLANT**
 Nameplate Capacity 70,000 Tons/Year
 Licensor Standart Oil Co. (Indiana) - USA
 Engineering & Supply Contractor Technipetrol S.P.A. - ITALY
 Construction Contractor Alarko - TURKEY
 Start Up Date 28/04/87
 2005 Production 47,876 Tons
 Number of Personnel 103
 Manpower Productivity (Direct) 208 Kg/man-hour
 Conversion Factor PTA/p-x 146 %
 Capacity Utilization Rate 68 %
- 10 PHTHALIC ANHYDRIDE (PA) PLANT**
 Nameplate Capacity 34,000 Tons/Year
 Licensor Atochem - FRANCE
 Engineering & Supply Contractor Krebs & Cie S.A.- FRANCE
 Construction Contractor Atilla Do an - TURKEY
 Start Up Date 19/12/85
 2005 Production 22,710 Tons
 Number of Personnel 81
 Manpower Productivity (Direct) 119 Kg/man-hour
 Conversion Factor PA/o-x 106 %
 Capacity Utilization Rate 67 %
- 11 CHLORINE ALKALI (CA) PLANT**
 Nameplate Capacity 75,000 Tons/Year Gas Chlorine
 Licensor Oronzio De Nora - ITALY
 Engineering & Supply Contractor Catalytic.Int.Inc.ENGLAND Oronzio De Nora Permelec S.P.A - ITALY
 Construction Contractor Entes - TURKEY
 Start Up Date 04/05/85
 Expansion Date 2000
 Capacity After Expansion 100,000 Tons/Year
 2005 Production 76,692 Tons
 Number of Personnel 122
 Manpower Productivity (Direct) 281 Kg/man-hour
 Conversion Factor Gas Chlorine/Salt 39 %
 Capacity Utilization Rate 77 %
- 12 VINYL CHLORIDE MONOMER (VCM) PLANT**
 Nameplate Capacity 108,000 Tons/Year
 Licensor ICI, Solvay - ENGLAND/BELGIUM
 Engineering & Supply Contractor CTIP S.P.A. - ITALY
 Construction Contractor Alarko - TURKEY
 Start Up Date 09/07/86
 Expansion Date 1995
 Capacity After Expansion 142,000 Tons/Year
 2005 Production 119,702 Tons
 Number of Personnel 110
 Manpower Productivity (Direct) 434 Kg/man-hour
 Conversion Factor VCM/ (Ethylene+Chlorine+EDC) 85 %
 Capacity Utilization Rate 84 %



- 13 POLYVINYL CHLORIDE (PVC) PLANT**
 Nameplate Capacity 105,000 Tons/Year
 Licensor ICI, Solvay - ENGLAND/BELGIUM
 Engineering & Supply Contractor CTIP S.P.A - ITALY
 Construction Contractor Alarko - TURKEY
 Start Up Date 19/03/86
 Expansion Date 1995, 2001
 Capacity After Expansion 150,000 Tons/Year
 2005 Production 133,283 Tons
 Number of Personnel 142
 Manpower Productivity (Direct) 446 Kg /man-hour
 Conversion Factor PVC/VCM 98 %
 Capacity Utilization Rate 89 %
- 14 PLASTICS PROCESSING PLANT**
 Nameplate Capacity 20,000,000 Units/Year
 Engineering & Supply Contractor Windm ller & H ischer - GERMANY
 Construction Contractor Windm ller & PETK M
 Start Up Date 24/04/86
 2005 Production 13,902,867 in number
 Number of Personnel 51
 Conversion Factor Bag/LDPE 96 %
 Capacity Utilization Rate 70 %
 330 tons of FFS bags were manufactured also in 2005
- 15 MASTERBATCH UNIT**
 Nameplate Capacity 10,000 Tons/Year
 Engineering & Supply Contractor JSW - JAPAN
 Construction Contractor Atilla Do an - TURKEY
 Start Up Date 14/04/93
 2005 Production 2,673 Tons
 Number of Personnel 26
 Capacity Utilization Rate 27 %

Auxiliary Units

1 GÜZELHİSAR WATER DAM
 Engineering & Supply Contractor D.S.İ
 Construction Contractor Palet - TURKEY
 Rainfall Area 450 km²
 Average Rainfall in 2005 672 kg/m²
 Minimum Water Level 63 m.
 Normal Water Level 104 m.
 Maximum Water Level 107 m.
 Dead Volume 13 Million m³
 Active Volume 137 Million m³
 Total Storage Capacity 150 Million m³
 G zelhisar Water Dam was constructed by Petkim in order to meet the water requirement of Petkim and near by industrial facilities. It is operated D.S. (State Water Organization)



2 WATER PRETREATMENT UNIT
 Nameplate Capacity Max Flow Rate 5,578 m³/h, Normal Flow Rate 4,800 m³/h
 Engineering & Supply Contractor Lurgi - GERMANY; Enka - TURKEY (Line 1)
 Construction Contractor OTV - FRANCE; Akfen - TURKEY (Line 2)
 Start Up Date 1983
 Expansion Date 2005
 Capacity After Expansion Max Flow Rate 8,578 m³/h
 Normal Flow Rate 7,800 m³/h
 Total Storage Capacity of Raw Water Basins 80,000 m³
 Type of Water Produced Fire Water, Raw Water, Process Water, Cooling Water & Drinking Water
 Process Water Produced in 2005 19,447,519 m³
 Number of Personnel 50



3 DEMINERALIZED WATER UNIT
 Nameplate Capacity 1,200 Tons/hour
 Licensor Lurgi - GERMANY
 Engineering & Supply Contractor Permutit - ENGLAND
 Construction Contractor Lurgi - GERMANY
 Start Up Date Alke - TURKEY
 Expansion Date 1984
 Capacity After Expansion 1,400 Tons/hour
 Dem. Water Produced in 2005 5,009,733 Tons
 Number of Personnel 57



4 STEAM GENERATION UNIT
 Nameplate Capacity 1,200 Tons/h XHS (Produced HHS, HS, MS, LS)
 Engineering & Supply Contractor Mitsubishi Heavy Ind. Ltd. - JAPAN
 Construction Contractor Tokar - TURKEY
 Start Up Date 1984
 Type of Fuel Consumed Fuel Oil (90-95 %), Fuel Gas, Hydrogene, Vent Gas
 XHS Production in 2005 6,243,890 Tons
 Number of Personnel 78



5 ELECTRICITY GENERATION - DISTRIBUTION UNIT
 Nameplate Capacity (80 MVA+80 MVA+25 MVA+27 MVA)
 4 Turbo Generators.
 Total Production Capacity 170 MW
 Licensor ABB - SWITZERLAND
 Engineering & Supply Contractor ABB - SWITZERLAND
 Construction Contractor Tokar - Koray - TURKEY
 Start Up Date 1984, 1985, 2001
 2005 Production 731,777 MWh
 Number of Personnel 48
 Self Generation Power/Total Consumed Power 71 %



6 NITROGEN & AIR SUPPLY UNIT
 Nameplate Capacity 26,000 Nm³/h Nitrogen Gas
 Licensor (Unit-1,2), (Unit-3) Nuovo Pignone-ITALY; Mitsubishi - JAPAN
 Engineering & Supply Contractor Nuovo Pignone-ITALY; Nippon Sanso - JAPAN
 Construction Contractor Alarko - TURKEY; Timsan-TURKEY
 Start Up Date (U-1,2), (U-3) 14/07/1984, 02/02/1985, 17/01/1994
 (U-2, U-1; U-3)
 Expansion Date 17/01/94 (Unit-3)
 Capacity After Expansion 43,000 Nm³ / h Nitrogen Gas
 2005 Production 218,849,635 Nm³
 Number of Personnel 48



7 WASTE WATER TREATMENT UNIT
WASTE WATER TREATMENT
 Nameplate Capacity 550 m³ / h Oily Waste Water
 120 m³ / h Sanitary Waste Water
 1,000 m³ / h Chemical Waste Water
 Licensor O.T.V. - FRANCE
 Engineering & Supply Contractor Tekser - TURKEY
 Construction Contractor Koray - TURKEY
 Start Up Date 1984
 Treatment Efficiency % 90 BOD₅, % 60 COD

SOLID-LIQUID WASTE INCINERATION
 Nameplate Capacity 0.85 Tons/h Solid Waste
 1.07 Tons/h Treatment Sludge
 0.34 Tons/h Oily Waste
 Licensor Vinci - FRANCE
 Engineering & Supply Contractor Sistem Yap - TURKEY
 Construction Contractor Sistem Yap - TURKEY
 Start Up Date 2003
 Number of Personnel 59 (Waste Water Treatment Unit s Personnel Included)

8 HARBOUR
 Purpose of Use Seaport Services to The Company and Third Parties
 Number of Jetties 3 for Tankers, 2 for Dry Loading, 1 for Salt
 Dimensions of Jetties
 Jetty 1 : 163 m. Length, 6.50 m. Depth
 Jetty 2 : 175 m. Length, 9.50 m. Depth
 Salt Jetty : 190 m. Length, 6.00 m. Depth
 Jetty 5 : 219 m. Length, 10/17 m. Depth
 General Cargo Jetty 1 : 163 m. Length, 6.50 m. Depth
 General Cargo Jetty 2 : 175 m. Length, 9.50 Depth

Number of Incoming Ships in 2005 254
 -Distribution of Ships Loaded 124
 -Distribution of Ships Unloaded 130
 Total Revenue Obtained from Pilotage Services in 2005 736,210 \$





An Organization
Targetting Consistent Growth,
Sharing Added Value with its Country
Trusting its Highly Qualified Human Resources
PETKİM

Marketing For Meeting Customer Expectations

Positive market sentiment in the world petrochemical sector, starting in 2003 continued throughout 2004 and the first half of 2005.

In the second half of the year the market experienced enormously high crude prices which consequently affected the main feedstock prices and reduced margins of downstream products significantly. In connection to the global conjunctural effects, our company was also affected by high production costs and low margins in 2005.

New global capacity start-ups, low demands in the Far East, especially China's limited imports and high feedstock prices caused by natural disasters have put the mark to the year 2005. Petrochemical product prices lowered in Q2 with the new capacity start-ups and stable demand in the world. In the second half especially after August the prices boosted up both by seasonal demand and supply outages caused by the hurricane devastation in the U.S. In Q4, Iran's new capacities entered the market increasing the supply side whereas China limited its buying activities, decreasing the demand side.

In Turkey, during the first half of the year Petkim's production was lower than previous years due to PETKAM Project start-ups. In this period our customers, gave priority to importation. Within this market sentiment Turkey was an attractive market for the surplus supply and especially LDPE products entered our country with extremely low prices. Our company faced severe unfair competition with Azerbaijan origin products. Competition in Turkey, mainly in thermoplastic material, has been tougher in 2005. Most of our competitors, besides having distributors in Turkey, have established warehouses in Free Zones ending up with shorter delivery period, surplus supply ended up with price decreases and low buy interests.

As a result our sales volumes decreased significantly.

With the conclusion of PETKAM Project plant expansions new tubular LDPE products has started to be sold in the market as of June 2005. The capacity expansion in our PP plant will allow us to produce specific PP products as per market trends. With the conclusion of capacity expansions our present market share of 30 % is targeted to reach 40 % in the coming year.

As of August the Turkish petrochemical market has seen a revival in parallel to the global developments.

Our sales and marketing activities have been realized in parallel to our customer oriented marketing policy. For promoting new products, meetings have been held in different cities throughout Turkey. Price, packing and payment conditions were arranged according to market trends and customer requirements. New product types in terms of market needs have been supplied to the market. Furthermore to meet customer orders during the plant expansion start-up in Q1, 3,000 tons of HDPE was imported and sold to our customers.

As of 2006, we have targeted implementation of different sales and marketing instruments in terms of customer requirements.

In 2005 total sales figures are as follows:

790 thousand tons, amounting TRY 1,052 million (tax free) domestic sales, 129 tons, amounting TRY 155 thousand (tax free) export oriented sales, 288 thousand tons, amounting TRY 292 million (tax free) direct export sales.

PETKİM's objective is meeting future expectations of customers with product quality and marketing policies.

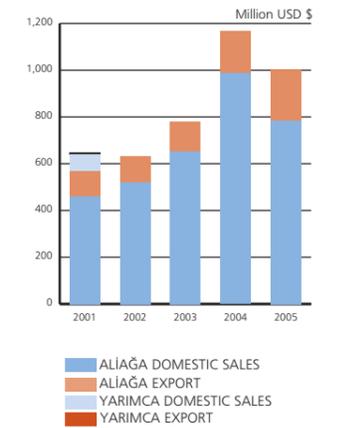
Sales For The Last Five Years

PRODUCTS	2001	2002	2003	2004	2005
ETHYLENE	2,750	8	8	11	9
THERMOPLASTICS	510,785	526,433	472,529	489,381	446,234
PVC	156,073	158,454	140,241	148,356	139,234
LDPE	208,629	198,561	182,154	180,201	148,587
LDPE-T					38,014
HDPE	58,095	85,991	80,508	90,045	71,396
PP	78,143	83,427	69,626	70,779	49,003
PS	9,845				
FIBER RAW MATERIALS	240,566	239,681	215,669	237,175	181,209
ACN	93,674	88,604	84,152	91,917	66,735
PTA	66,932	65,824	56,037	62,179	47,023
MEG	79,960	85,253	75,480	83,079	67,451
RUBBER RAW MATERIALS	58,282				
SBR	18,339				
CBR	12,123				
CARBON BLACK	27,820				
OTHER MATERIALS	461,787	585,008	571,186	582,845	451,143
LOW POLYMER-HDPE	711	1,291	1,560	1,755	962
ATACTIC POLYPROPYLENE	547	735	963	850	372
PA, TAR	364	773	661	572	368
DEG	7,450	8,476	6,791	7,254	6,073
GLYCOL MIXTURE	935	974	1,007	984	768
CAUSTIC (100 %)	84,732	87,149	82,331	90,539	81,787
HYPOCHLORIDE	539	415	48	91	201
SULPHURIC ACID (80 %)	1,314	1,978	1,844	915	480
EDC		13,621			
HCl (27 %)			48	1,230	
PA	33,162	34,754	35,473	34,060	22,177
BENZENE	120,250	125,916	130,416	123,925	114,853
o-X	1,042			6	
p-X	32,759	35,911	53,001	52,120	25,372
C ₅ MIXTURE	65,230	66,849	71,962	77,394	57,926
PROPYLENE (CG)	4,895			4,298	
PROPYLENE (PG)		2,274			12,823
C ₄	67,223	110,999	114,225	112,681	83,313
AROMATIC OIL	7,180	52,949	61,054	65,637	14,412
PY - GAS	31,647	37,656	8,394	6,299	28,524
LPG	588				
HYDROGENE	110	88		257	
MASTERBATCH	94	146	343	1,025	284
PLASTIC MATERIALS	2,104	1,976	1,012	955	448
OTHERS*	225	78	54		
GRAND TOTALS	1,274,170	1,351,130	1,259,392	1,309,412	1,078,594

(*) Heavy aromatics, sales of other materials

Note: Yarımca Complex transferred to Tpra, as a consequence, the amounts as from 2002 only belong to Alia a Complex.

Sales Revenue for The Last Five Years



Highest Export Volumes of the Past 15 Years to Developed Markets...

Petrochemical industry is reasonably sensitive toward cyclical tendencies. In parallel with these tendencies, sudden and sharp price movement comes up at all times.

World economic growth continued during 2005 but its course remained unusually bumpy. The economic strength of January and February of this year was followed by a soft spot in March and early April; by a renewal of growth in late April and May by another decided slowdown of growth in June. The price of oil continued to serve as an effective factor of these gyrations.

Petrochemical producers had a difficult 2005 due to turbulent energy markets and fluctuating demand. Energy price increases recently reached a level where they have been a major negative factor affecting product price.

Naphtha and thermoplastics prices decreased in May high levels set in March /April. Thermoplastics prices were flat during June and July. Very strong demand in August resulted in a very tight market and price increase.

The Asian market was in standoff since early November. Ethylene and its derivatives have continued to slide or move steady till end of the year. Polyethylene imports into China were down in October and November.

A new LDPE plant producing by a tubular reactor has been started up in the middle

of 2005. In this way, in spite of our company sales policy which is firstly to meet domestic demand, our export availability has increased especially in LDPE products. It is considered that export possibility will further increase in 2006 with expansion of PP plant capacity.

Petkim, by increasing export which is 182 million \$ last year to 217 million \$, reached the highest value of the last 15 years.

The following activities have been achieved in 2005 by a competitive pricing strategy and following market developments ;

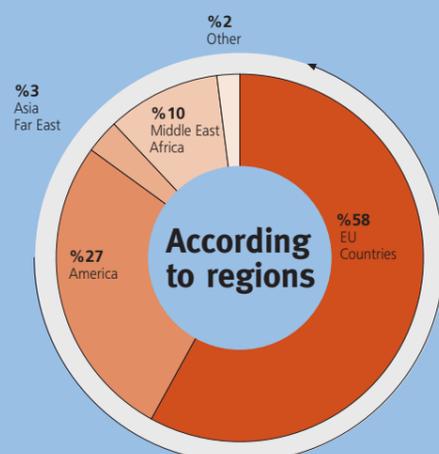
- total export volume of 289 thousand metric tons
- total export revenue of 217 million USD

Subscriptions to famous publication have been continued in order to follow the current prices which are very flexible and changing market conditions for conducting business activities of export department and other units of our company, some useful briefing conferences given by the advisers of the international publication companies in our industry, have been organized.

Exports

PRODUCTS	EXPORT		EXPORT ORIENTED		TOTAL	
	TONS	000 US \$	TONS	000 US \$	TONS	000 US \$
PVC	3,524	3,461	100	82	3,624	3,543
LDPE	6,723	8,135			6,723	8,135
LDPE-T	7,514	8,407			7,514	8,407
HDPE	274	346	22	28	297	374
PP	200	214			200	214
ACN	14,057	16,313			14,057	16,313
MEG	2,618	2,379	7	8	2,624	2,387
DEG	1,731	1,419			1,731	1,419
PA	208	173			208	173
PTA	6,107	4,585			6,107	4,585
CAUSTIC (100%)	8,698	2,592			8,698	2,592
PROPYLENE (PG)	12,823	9,425			12,823	9,425
PY - GAS	28,524	14,440			28,524	14,440
C ₄	77,865	49,480			77,865	49,480
BENZENE	114,422	92,483			114,422	92,483
p - X	3,150	3,118			3,150	3,118
TOTAL	288,438	216,971	129	117	288,567	217,089

Exports in 2005



Growing PETKİM with PETKAM Investments

All except one of the PETKAM projects (Capacity Increase and Modernization of Petkim) started by Petkim at the beginning of 2000 s have been completed in 2005.

The capacities of ethylene, polypropylene and low density polyethylene plants have been increased by 120,000 t/year, 64,000 t/year and 120,000 t/year respectively. PETKAM projects involving off-site facilities, namely, Expansion of the Water Pretreatment Unit, Rehabilitation of Cooling Water System, Rehabilitation of Demineralized Water System and Interconnecting Facilities have been completed in order to support the

increase in production of intermediate /saleable products by providing additionally required utilities and their distribution facilities.

The cost of the PETKAM Steam Production Plant Debottlenecking Project initiated with our human based environmentally friendly corporate comprehension and which is still going on amounts about 90 million US dollars. After completion of this project, the boilers will be able to utilize relatively cheaper natural gas in addition to fuel-oil resulting in considerable savings and minimizing flue gas emissions of pollutants.

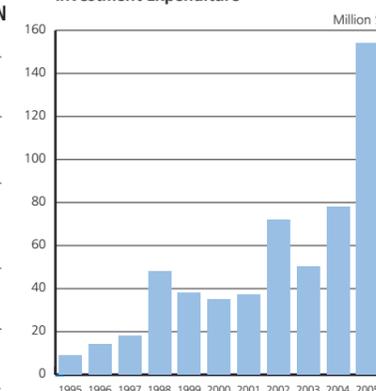
Furthermore, by the addition of a 50 MW gas turbine generator, the capacity of power generation unit will be increased up to 220 MW.

In 2005, very important improvements and modernizations in almost all of the plants have been realized as part of investment activities extending the economical life of our facilities and improving their productivity.

Major Investment Projects

INVESTMENT PROJECT	PROJECT COST (MILLION US \$)	CAPACITY INCREASE (TONS/YEAR)	START-COMPLETION DATE
CHLORINE-ALKALI PLANT-CONVERSION TO MEMBRANE CELL TECHNOLOGY	35.1	20,000 Chlorine (80,000 - 100,000) 22,000 Caustic (90,000 - 112,000)	1998 - 2002
ADDITION OF AN OXY-CHLORINATION LINE TO VCM PLANT	13.8	15,000 EDC (Modernization of the Whole Unit)	1997-2000
ADDITION OF A SECOND 20 MW CONDENSING TYPE TURBOGENERATOR TO THE POWER PLANT/ADDITION OF COOLING TOWER	12.1	56 MW (From 95 MW to 151 MW)	1997-2001
ADDITION OF 17th REACTOR TO THE 4th PRODUCTION LINE OF PVC PLANT	0.8	10,000 (From 140,000 to 150,000)	1998-2001
SECOND EXPANSION OF HDPE PLANT	18.5	30,000 (From 66,000 to 96,000)	1998-2001
ADDITION OF A NEW LIQUID-SOLID WASTE TREATMENT UNIT AND MODERNIZATION OF THE EXISTING UNIT	20.2	Incinerate 17,500 T/YR Of Waste 11.5 Tons/Hr Steam Production	1999-2002
VCM PLANT REHABILITATION AND HCL PRODUCTION	19.8	10,000 (From 142,000 to 152,000)	1999-2003
EXPANSION OF THE WATER PRE-TREATMENT UNIT	7.9	3,000 m ³ /Hr (From 4,500 m ³ /Hr to 7,500m ³ /Hr)	1999-2004
EXPANSION OF THE ETHYLENE PLANT	98.3	120,000 (From 400,000 to 520,000)	1999-2005
ADDITION OF 3rd PRODUCTION LINE TO LDPE PLANT	76.6	120,000 (From 190,000 to 310,000)	1999-2005
2 nd EXPANSION OF PP PLANT	30.0	64,000 (From 80,000 to 144,000)	1999-2005
REHABILITATION OF COOLING WATER SYSTEM	11.4	Increase In Capacity of Existing Cooling Water System	2001-2005
REHABILITATION OF DEMINERALIZED WATER SYSTEM	4.8	Increase In Capacity of Existing Demineralized Water System	2001-2005
DEBOTTLENECKING OF STEAM GENERATION UNIT	88.0	Modification of Existing Boilers For Utilization of Natural Gas In Addition to Fuel Oil, Addition of 50 MW Gas Turbine and Heat Recovery System	2001-2008
TOTAL	437,3		

Investment Expenditure



Continuous Improvement in Basic Processes has been Aimed with Quality Control Activities

Quality Control services in our company are being executed by our fully equipped central laboratory which includes 9 separate laboratory groups serving to 20 plants within the Complex.

Quality control activities include feedstock analysis, process control analysis and batchwise product control analysis of all 20 plants.

Technical inquiries of our customers are replied by searching through various sources such as our company library, the internet, different standardizations and licensor information, etc. Customer complaints are evaluated as per related procedures and by on spot visits if required.

The products of our new Tubular LDPE plant have been presented to our customers by means of customer visits, sectoral fairs and regional meetings organized at Chambers of Industry.

In addition to all above, charged tests were carried out at our Laboratory for Petkim customers and other companies in cooperation with Petkim.

Product development and improvement activities related with plastic additives and plastic raw materials are being carried out together with our customers. Thus our industry gains new high value-added products.

On the other hand, activities related with plastics as per the requirements of our country are being executed in cooperation with organizations such as UNIVERSITIES, DPT (State Planning Organization), KOSGEB (Small and Medium Scale Industry Development Cooperation), PAGEV (Plastics Development Foundation) etc.



**A Producer for Producers
In Every Field of Life...
PETKİM**

Competition Advantage with R&D Activities

Petrochemical industry is a technology intensive sector. Technology is very important factor in competitive advantage. R&D is a compulsory activity for the competitive advantage of petrochemical industry which has expanding production chain. 2005 is the restructuring year for our R&D Department which was established at the beginning to support the developments and new technologies of the petrochemical industry.

In this scope; to solve the production problems and bottlenecks, finding alternatives to the raw materials, chemicals and catalysts, upgrading by-products, to create value added specific products using its own products, to make an intensive study and research of a subject

in cooperation with the institution, to solve customer problems, providing technical services such as analysis, test, identification, and to develop domestic technology and know-how are the activities done by R&D Center. Additionally, technical information services were provided to the different departments of Petkim and to the customers by Information Center, many articles in different subjects were published in national and international periodicals, and several presentations were made in the conferences.

For a new R&D building, a project including places to the all R&D activities has been started and planned to finish at 2006.



The formation of Strategic Management Information System has been targetted via Information Technologies and e-transformation projects.

Information Technologies

2005 has been a year of significant developments for Petkim where new systems took effect in information technologies.

In this context;

¥ In the comprehension of Corporate Performance Management, Target Cards which is tracked by the level of Management, was projected as a two phased project on .NET platform and named as Target Cards Automation. The first phase has been taken into effect, and the second phase is still in progress.

¥ For the Enterprise Asset Management System, the Quality Management System and the Performance Management System



projects, infrastructural activities have been completed and activities to take the projects into effect are still in progress.

¥ Activities for the Business Intelligence Application have been started, system analysis in order to convert operational data to business intelligence items has been completed and the Data Warehouse, which provides automatic data transfer from M204 platform has been built.

¥ In order to fulfill the requirements of Production Units Maintenance Instructions the PETRIS has been taken into effect and a significant step has been taken to gather applications of Maintenance Management System under the same framework.

¥ In order to introduce new technologies and widen their usage training activities have been realized.

¥ Activities for Petkim web site to have a better visual profile near its dynamical structure are about to be completed.

¥ In order to make long distance calls on 2 Mbps lines, infrastructure installation has been completed. To make better internet access, activities for increasing the bandwidth to 8 Mbps are still in progress.



Towards Total Quality...

In our quality journey, for the objective of achieving a cultural transformation that focuses on the result of work done, we have speeded up Corporate Performance Management System by spreading Total Quality Management implementations throughout all employees.

In our company, second surveillance audit performed successfully at 21-23 December 2005 within the scope of TS EN ISO 9001 Quality Management System Certificate .

Within the year 2005 in the PETKİM suggestions system (PETÖS) 201 suggestions were taken and 90 of these suggestion were found applicable.

Coaching committee which constituted with the participation of top management regularly assemble every month and take precautions within the



scope of Total Quality Management activities improvements within our company.

Strategical management system constitution activities has started in our company by the strategic awareness and basic concepts education.

At the date 12-13 April 2005 Petkim's vision, mission and company strategies determination had been carried out with the participation of 50 people of which constituted, our company management, customers, suppliers and union representatives. Critical success factors and success indicators had been determined from company strategies within the scope of strategic management studies which carry Petkim to its vision

and increase to its competition ability. By considering annual budget data targets of institutional success indicators



had been determined. In a way which supported institutional strategies assistant general directorates, group directorates and department strategies has been determined and institutional strategies has been deployed by Hoshin Kanri method. After that by using Balanced Scorecard method critical success factors and success indicators related with these critical success factors has been determined for all level strategies. Success indicators had take part as quality aims of the institutional performance management system. Within the scope of ISO 9000:2000 Quality Management System, process management model rewieved and updated as basic and sub processes two level structure by including all functions of our company. Within the frame of composing model all sub processes flow diagrams had been constituted and performance factors and their aims had been determined. From the date of August 2005 monthly realizations of the success factors of the processes performance indicators evaluated and compared with the aims.

Improvement activities had being done by process improvement groups with the aim of process improvement.

Our Human Resources Our Power in Evolution

Personnel Breakdown

	2001	2002	2003	2004	2005
Staff	665	658	571	469	492
Unionized Workers	3,325	3,218	2,894	2,718	2,549
Sub-contracted Workers	1,016	983	816	780	717
TOTAL	5,006	4,859	4,281	3,967	3,758



In 2005, Petkim, as a global company sustaining leader position in Turkish petrochemical industry by increasing the capacity and using the resources effectively, followed a human resources policy parallel to company's mission.

Reorganization Project formed by a 15-person team chosen between National Productivity Center and Petkim personnel in order to use the resources effectively, to constitute an employment structure meeting the needs and to make the



business flows speeder was completed at the end of 2005 and application has started promptly.

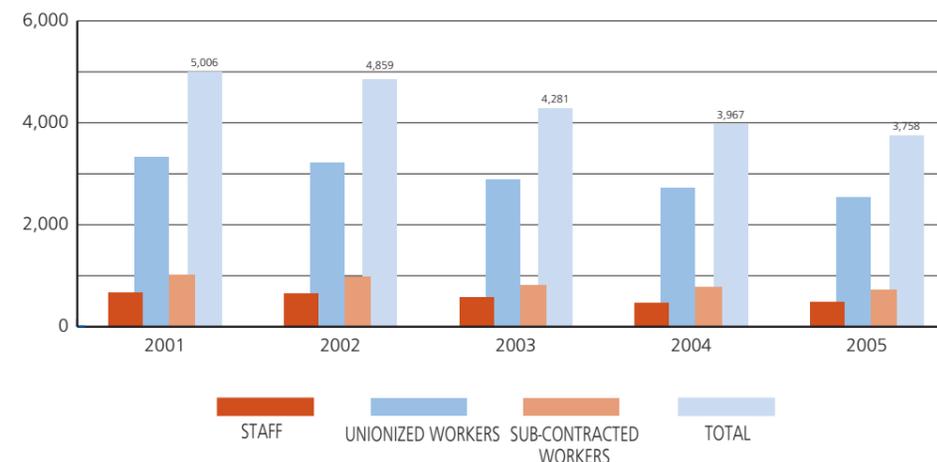
Moreover, to meet our plants foremen need, qualification exams were realized and successful technicians started to work at foremen post.

Unionized workers in our company are subject to Collective Work Agreement provisions. The Agreement for 01.01.2005-31.12.2006 period was signed and became effective as of 01.09.2005. During 2005, our staff's salaries were increased within the limits determined by High Planning Board of Government.

In order to execute employee-employer relations based on productivity within a mutual understanding, communication and cooperation environment and to increase the quality of working life, an

industrial relations committee was founded. This committee members met every month regularly to evaluate the subjects in the agenda.

To meet the human resources needed to reach Petkim's future targets effectively, based on 2005 General Investment and Finance Program Decree of Government, necessary approval to hire total 289 personnel (131 staff and 158 unionized workers) was received and application was made to Turkish Employment Office. Interview and hiring process of the candidates directed to our company by this Office continues.



Being Environmentally Friendly is Our Responsibility

Petkim will continue to do voluntarily initiatives for environmental evolution of our national industry

Environment is a significant issue in our business as adopted in our mission that is Respectful to the human and environment, developing the technology, product with sustainable concept

In recent years, our company had set up an effective environmental monitoring and control system by means of various studies and investments in the scope of Waste Water Control and Air Quality Control . We reached our performance goal in Solid Waste Control by a new investment Waste Incineration Plant .

We are following the national environmental regulations that are still being developed and revised under the scope of Turkey's membership EU. New regulations are actualized quickly in our actions. We support also to The Ministry

of Environment and Forest in the implementation projects of EU regulations and give command on draft regulations. Some of these studies are, taking the Petkim Port License for Waste Reception Facilities From Ships, Joining data system of on adaptation Project for SEVESO II and joining the other adaptation project for IPPC Directive as a pilot plant.

Petrochemical products are indispensable for our modern life. Before these products turn to final form they go into a lot of process starting with refinery plants and continue petrochemical and plastic processing. If we evaluate environmental impacts of this product according to approach of from cradle to grave achieving, Recycling will be the most important success in our sector.



An Organization Learning with Consistent Education

Educational activities aiming improvement in our personnel's knowledge, experience, attitude and behaviour continued in 2005. While the programmed trainings were carried on, other exceptional trainings coming up throughout the year were realized accordingly.

Total 182 outsourced (18,427 hours) and job-site (13,844 hours) training programs were realized within the year.

- Job-site trainings: trainings of management for managers and candidate managers, trainings for team organizing, managing and leadership, trainer's training, trainings for effective communication and effective decision making.

- Trainings for all personnel: stress handling, strengthening motivation, effective communication, improvement of team spirit.

- Special trainings: according to needs of all units.

Total Quality Management awareness training was applied to our top and middle level managers as outsourced training. It



will be applied to all other personnel as job-site training.

Job site training programs include specific subjects to meet training needs arising from our units inside and trainings like total quality management awareness, vision, mission, process, procedures, instructions, environmental protection trainings given by Environmental Unit, trainings by Technical Safety Department on fire safety, work health and safety.

In parallel to the cooperation between Petkim and educational institutions, total 441 students, 46 from technical high schools, 133 from vocational colleges, 262 from universities, received practical training at Petkim's worksite during summer 2005. Additionally, in accordance with the apprenticeship and occupational training law, 98 students from vocational high schools completed their training. 120 students have started their occupational training in 2005-2006.

Health Issues

Petkim has a well equipped medical department with experienced staff for giving health service to its employees.

Total six medical doctors, three of which are employed part-time, a radiologist, and an oto-rhino-laryngologist are giving medical service at our Medical Department.

Periodical health controls (quarterly, 6 monthly, annually) are being executed, necessary interventions and treatments

are carried out. Our emergency service is well equipped to carry out emergency interventions in any accident and fire situations. There are three well equipped ambulances for such cases.

Prior aim of our medical department is protecting the health of all employees and lowering manpower loss.





Financial Section

BDO

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**To the Board of Directors and Shareholders
Petkim Petrokimya Holding A.Ş.
İZMİR**

1. We have audited the accompanying balance sheet of Petkim Petrokimya Holding A.Ş (the Company) as of 31 December 2005 and 2004 and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish Lira at 31 December 2005. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Petkim Petrokimya Holding A.Ş. as of 31 December 2005 and 2004 and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Without qualifying our opinion, we draw your attention to the following points:

- As explained in detail in Note no 17, the Company management did not consider the deferred tax effects of the investment allowance that it was entitled to as at 31 December 2004 when preparing its financial statements in accordance with the IFRSs which were included in the Auditors' report dated 28 January 2005. The Company management has changed its accounting policy in relation to deferred tax assets in 2005 and, as a result of this, has recognised deferred tax assets arising from investment allowances in the accompanying financial statements as at 31 December 2005. The change in accounting policy was adjusting the opening balance of Retained Losses in 2005 as shown in the accompanying Equity Movement Schedule and thus the adjustment does not result in any differences in net losses due to this change in accounting policies. The net losses for the year of 2005 and the retained losses as at 31 December 2005 would have been TRY 28,486,445 less if deferred tax assets had been recognised as at 31 December 2004.
- As seen in note 3/(1) to the financial statements, as a result of the contract entered into with Türk Loydu Vakfı İktisadi İşletmesi, an establishment of international classification and certification, for the purpose of re-evaluating the operational compliance and the remaining service time of the 13 production unit and 10 supplementary facilities located in the Company's Aliğa Complex through inspecting their current conditions, the Company management has provided a third Party Valuation Report in 2005. The scope of this work is to evaluate the present condition of the equipment in the plants and supplementary facilities with respect to the international applications. On the other hand, the performance and efficiency of protective and preventive maintenance systems as well as the Company's goals and past investments are also included in the scope of this work. In the conclusion section of this Valuation Report it is declared that, in the event that the protective and preventive maintenance systems described in the report continue at Petkim Aliğa facilities, there will be no material decrease in the operations and performance of the 13 main production units and 10 supplementary facilities during the period 2005 – 2015. In view of this report, the useful lives of the assets subject to depreciation calculated on the basis of their net values as at 31 December 2004 have been extended by the Company Management to 31 December 2015, and the current period depreciation expenses are reduced by TRY 168,369,078 through re-calculation of the depreciation expense corresponding to the year of 2005.

İstanbul,
8 March 2006

Denet A.Ş.

Denet Yeminli Mali Müşavirlik A.Ş.
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PETKİM PETROKİMYA HOLDİNG A.Ş.

BALANCE SHEETS

As of 31 December 2005 and 2004

(Expressed in terms of the purchasing power of the Turkish Lira as of 31 December 2005)
(TRY)

ASSETS	31 December 2005	31 December 2004
CURRENT ASSETS		
Cash and Cash Equivalents	74,160,541	174,469,519
Trade Receivables (net)	142,695,743	174,311,646
Inventories (net)	294,975,848	285,729,987
Other Receivables (net)	2,819,168	1,280,742
Prepaid Expenses and Other Assets	12,101,855	9,079,374
Total Current Assets	526,753,155	644,871,268
NON CURRENT ASSETS		
Investments	2,995	2,995
Other Fixed Assets	1,040	7,965
Intangible Assets, Net of Accumulated Depreciation	411,460	470,667
Property, Plant and Equipment Net of Accumulated Depreciation	1.304,047,975	1,188,034,323
Deferred Tax Assets	-	-
Total Non Current Assets	1,304,463,470	1,188,515,950
TOTAL ASSETS	1,831,216,625	1,833,387,218

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2005	31 December 2004
CURRENT LIABILITIES		
Bank Loans	92,151,566	11,384,274
Trade Payables (net)	129,972,818	90,531,316
Due to Shareholders	82,104	89,092
Advances Received	30,556,517	32,653,426
Taxes and Duties Payable	10,244,624	23,134,040
Other Payables and Accrued Expenses	7,891,582	1,455,396
Total Current Liabilities	270,899,211	159,247,545
NON CURRENT LIABILITIES		
Provision for Termination Indemnity	95,405,443	102,574,868
Other Long Term Payables and Accrued Expenses	320,224	650,367
Deferred Tax Liabilities	43,384,880	45,083,384
Total Non Current Liabilities	139,110,547	148,308,619
CONTINGENT LIABILITIES	-	-
SHAREHOLDERS' EQUITY		
Share Capital	204,750,000	204,750,000
Adjustment to Share Capital	2,177,630,786	2,177,630,786
Share Premium	381,713	381,714
Legal Reserves	318,360,466	318,360,466
Accumulated Loss	(1,279,916,098)	(1,175,291,912)
Total Shareholders' Equity	1,421,206,867	1,525,831,054
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,831,216,625	1,833,387,218

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF INCOME
 As of 31 December 2005 and 2004
 (Expressed in terms of the purchasing power of the
 Turkish Lira as of 31 December 2005)

(TRY)

	31 December 2005	31 December 2004
Net Sales	1,354,498,822	1,639,984,062
Cost of Sales	(1,302,965,816)	(1,464,058,169)
Gain / (Loss) From Sales	51,533,006	175,925,893
Operating Expenses	(89,558,169)	(111,249,243)
Gain / (Loss) From Operations	(38,025,163)	64,676,650
Financial Expenses	(15,681,977)	(16,800,792)
Other Income / Expenses (net)	(33,164,099)	(10,301,232)
Gain / (Loss) Before Income Tax and Monetary Gain / (Loss)	(86,871,239)	37,574,626
Taxes Payable	-	-
Deferred Tax Income	(28,082,607)	62,057,487
Gain / (Loss) Before Monetary Gain	(114,953,846)	99,632,113
Monetary Gain / (Loss)	(19,451,451)	9,085,872
Gain / (Loss) For the Period	(134,405,297)	108,717,985
Gain / (Loss) Per Share (TRY)	(656)	531

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF SHAREHOLDERS' EQUITY
 As of 31 December 2005 and 2004
 (Expressed in terms of the purchasing power of the
 Turkish Lira as of 31 December 2005)

(TRY)

	Capital	Adjustment to Capital	Share Premium	Legal Reserves	Accumulated Loss
Balance as of 31 December 2004	204,750,000	2,177,630,786	381,713	318,360,466	(1,175,291,912)
Deferred Tax Effect of Investment Allowance	-	-	-	-	29,781,111
Loss For the Period	-	-	-	-	(134,405,297)
Balance as of 31 December 2005	204,750,000	2,177,630,786	381,713	318,360,466	(1,279,916,098)

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF CASH FLOW
 as of 31 December 2005 and 2004
 (Expressed in terms of the purchasing power of the
 Turkish Lira as of 31 December 2005)

(TRY)

	31 December 2005	31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the Period	(134,405,297)	108,717,984
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation And Amortization	72,477,325	265,729,125
Provision For Termination Indemnities	(7,169,425)	13,760,891
Net Effect of Correction in Equity	-	-
Decrease in Marketable Securities	-	33,393,869
Decrease / (Increase) in Trade Receivables	31,615,903	(54,020,588)
(Increase) in Inventories	(9,245,861)	(103,086,442)
Decrease in Other Receivables and Prepaid Expenses	(4,560,907)	11,551,964
(Increase) / Decrease in Long Term Receivables and Other Fixed Assets	6,925	7,413
(Decrease) in Short Term Payables	39,441,502	(33,789,348)
(Decrease) in Advances Received	(2,096,909)	(16,639,294)
(Decrease) in Tax Provisions	-	-
(Decrease) / Increase in Other Payables and Accrued Expenses	(6,460,218)	4,099,572
Increase / (Decrease) in Other Long Term Payables and Accrued Expenses	(330,143)	(7,096,603)
Increase / (Decrease) in Deferred Tax Liabilities	28,082,607	(62,057,487)
Net Cash Provided by Operating Activities	7,355,502	160,571,056
Decrease / (Increase) in Property, Plant and Equipment	(188,431,771)	(147,529,703)
Decrease / (Increase) in Intangible assets	-	(379,114)
Net Cash Used in Investing Activities	(188,431,771)	(147,908,817)
(Decrease) in Short Term Bank Loans	80,767,291	(6,455,819)
Net Cash Used in Financing Activities	80,767,291	(6,455,819)
Net (Decrease) / Increase in Cash And Cash Equivalents	(100,308,978)	6,206,421
Cash and Cash Equivalents at the Beginning of the Period	174,469,519	168,263,100
Cash and Cash Equivalents at the End of the Period	74,160,541	174,469,521



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PETKİM PETROKİMYA HOLDİNG A.Ş.
Independent Auditor's Report
For The 2005 Accounting Period

We have examined the balance sheet of Petkim Petrokimya Holding A.Ş. as of 31 December 2005 and the statements of income, shareholders' equity, and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards in Turkey issued by the Capital Markets Board and, accordingly, included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

As explained in Note 2/(a), the financial statements for the 2005 accounting period are the initial financial statements prepared in accordance with the Capital Markets Board Communiqué Nr XI/25, hence they are not presented comparatively with the same accounting period of the prior year.

In our opinion, the financial statements referred to above present fairly the financial position of Petkim Petrokimya Holding A.Ş. as at 31 December 2005 and the results of its operations for the year then ended, in conformity with the accounting principles issued by the Capital Markets Board in Communiqué Nr XI/25.

Without qualifying our opinion, we would like to draw attention to the following points:

As stated in Note 14, the deferred tax assets related to investment allowance were miscalculated in the financial statements for the interim periods ended 31 March 2005, 30 June 2005 and 30 September 2005. As a result, the accumulated losses were recorded less than actual by an amount of TRY 66,468,372 in the balance sheet prepared on comparative basis as of 31 December 2004 in accordance with the CMB Communiqué XI/25; and also recognized less than actual in the statements of income for the interim periods ended 31 March, 30 June and 30 September 2005 by TRY 3,297,996, TRY 15,515,991, and TRY 11,696,616, respectively. The Company's shareholder's equity total for the same periods amounts to TRY 1,506,305,657, TRY 1,490,793,619 and TRY 1,502,972,745; and the effect of the said error results in an overstatement of the Company's shareholder's equity for TRY 69,766,368, TRY 81,984,363 and TRY 78,164,988, respectively. In the accompanying financial statements, deferred tax assets related to investment allowance are corrected by adjusting the accumulated loss and deferred tax liabilities stated in the balance sheet as of 31 December 2004 prepared in accordance with the CMB Communiqué XI/25 for comparison purposes. The Company Management has declared that they will make a formal declaration to Istanbul Stock Exchange in relation to the above mentioned issue.

As seen in note 3/(o) to the financial statements, as a result of the contract entered into with Türk Loydu Vakfı İktisadi İşletmesi, an establishment of international classification and certification, for the purpose of re-evaluating the operational compliance and the remaining service time of the 13 production unit and 10 supplementary facilities located in the Company's Aliğa Complex through inspecting their current conditions, the Company management has provided a third Party Valuation Report in 2005. The scope of this work is to evaluate the present condition of the equipment in the plants and supplementary facilities with respect to the international applications. On the other hand, the performance and efficiency of protective and preventive maintenance systems as well as the Company's goals and past investments are also included in the scope of this work. In the conclusion section of this Valuation Report it is declared that, assuming that the protective and preventive maintenance systems described in the report continue at Petkim Aliğa facilities, there will be no material decrease in the operations and performance of the 13 main production units and 10 supplementary facilities during the period 2005 – 2015. In view of this report, the useful lives of the assets subject to depreciation calculated on the basis of their net values as at 31 December 2004 have been extended by the Company Management to 31 December 2015, and the current period depreciation expenses are reduced by TRY 166,264,173 through re-calculation of the depreciation expense corresponding to the current year.

İstanbul,
8 March 2006
Denet Yeminli Mali Müşavirlik A.Ş.


DENET
Yeminli Mali Müşavirlik A.Ş.

Ömür Günel
Partner in charge

Member firm of BDO International

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PETKİM PETROKİMYA HOLDİNG A.Ş.
BALANCE SHEETS
as of 31 December 2005 and 2004
(TRY)

ASSETS	31 December 2005	31 December 2004*
I. CURRENT ASSETS	527,014,873	616,836,961
Liquid Assets	74,201,330	166,884,855
Marketable Securities (net)	-	-
Trade Receivables (net)	142,695,744	166,733,846
Receivables from Financial Leasings (net)	-	-
Due from Related Parties (net)	-	-
Other Receivables (net)	2,809,867	1,225,049
Biological Assets (net)	-	-
Inventories (net)	295,237,564	273,308,526
Receivables from Deferred Project Contracts (net)	-	-
Deferred Tax Assets	-	-
Other Current Assets	12,070,368	8,684,685
II. LONG TERM ASSETS	1,274,831,262	1,136,847,932
Trade Receivables (net)	1,040	929
Receivables from Financial Leasings (net)	-	-
Due from Related Parties (net)	-	-
Other Receivables (net)	-	6,690
Financial Assets (net)	2,865	2,865
Investment Properties (net)	-	-
Tangible Assets (net)	1,274,433,784	1,136,387,242
Intangible Assets (net)	393,573	450,206
Deferred Tax Assets	-	-
Other Long Term Assets	-	-
TOTAL ASSETS	1,801,846,135	1,753,684,893

* Expressed in terms of the purchasing power of the Turkish Lira as at 31 December 2004.

PETKİM PETROKİMYA HOLDİNG A.Ş.
BALANCE SHEETS
as of 31 December 2005 and 2004
(TRY)

LIABILITIES AND SHAREHOLDERS' EQUITY		
	31 December 2005	31 December 2004*
I. SHORT TERM LIABILITIES	270,899,210	152,324,623
Financial Liabilities (net)	92,151,566	10,889,368
Current Portion of	-	-
Long Term Liabilities (net)	-	-
Liabilities from	-	-
Financial Leasings (net)	-	-
Other Financial Liabilities (net)	-	-
Trade Payables (net)	129,972,818	86,595,674
Due to Related Parties (net)	82,104	85,220
Advances Received	30,556,517	31,233,893
Project Accrued Contract	-	-
Income (net)	-	-
Provision for Liabilities and Expenses	-	-
Deferred Tax Liabilities	-	-
Other Liabilities (net)	18,136,205	23,520,468
II. LONG TERM LIABILITIES	130,877,184	102,743,756
Financial Liabilities (net)	-	-
Liabilities from Financial Leasings (net)	-	-
Other Financial Liabilities (net)	-	-
Trade Payables (net)	-	-
Due to Related Parties (net)	-	-
Advances Received	-	-
Provision for Liabilities and Expenses	95,407,464	83,770,043
Deferred Tax Liabilities	35,151,517	18,353,640
Other Liabilities (net)	318,203	620,073
III. SHAREHOLDERS' EQUITY	1,400,069,741	1,498,616,514
Share Capital	204,750,000	204,750,000
Capital Reserves	1,282,102,283	2,656,361,853
Share Premium	-	198,313
Share Premium of Cancelled Shares	-	-
Revaluation Fund	-	-
Revaluation Fund of Financial Assets	-	-
Differences Arising from Inflation	-	-
Adjusment in Shareholder's Equity	1,282,102,283	2,656,163,540
Profit Reserves	-	50,025,418
Legal Reserves	-	12,272,021
Statutory Reserves	-	-
Extraordinary Reserves	-	37,753,397
Special Reserves	-	-
Profit on Disposal of Tangible Assets and	-	-
Investment to Be Added to Share Capital	-	-
Translation Differences	-	-
Net Profit /(Loss) for the Period	(98,546,779)	-
Retained Earnings/Accumulated Losses	11,764,237	(1,412,520,757)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,801,846,135	1,753,684,893

* Expressed in terms of the purchasing power of the Turkish Lira as at 31 December 2004.

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENT OF INCOME
for the year ended 31 December 2005
(TRY)

	1 January 2005	31 December 2005
INCOME FROM OPERATIONS		
Net Sales		1,344,249,050
Cost of Sales (-)		(1,290,817,630)
Service Income (net)		-
Other Income From Principle Activities/interest+dividend+rent (net)		-
GROSS PROFIT/LOSS FROM OPERATIONS		53,431,420
Operating Expenses (-)		(88,342,721)
NET PROFIT FROM OPERATIONS		(34,911,301)
Other Income and Profits		47,129,783
Other Expense and Losses (-)		(78,391,234)
Financial Expenses (-)		(15,576,150)
OPERATING (LOSS)		(81,748,902)
Net Monetary Profit/(Loss)		-
(LOSS BEFORE TAX)		(81,748,902)
Taxes		(16,797,877)
Net (Loss) For the Period		(98,546,779)
(LOSS) PER SHARE		(0.48)

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENT OF SHAREHOLDERS' EQUITY
for the year ended 31 December 2005
(TRY)

	Share Capital	Share Premium	Difference Arising From Inflation Adjustment	Legal Reserves	Other Reserves and Retained Earnings	Net Profit (Loss) for the Period	Retained Earning/ (Loss)	Total
Balance as at 31.12. 2004*	204,750,000	198,313	2,656,163,546	12,272,021	37,753,397	-	(1,412,520,757)	1,498,616,520
Retained losses net off	-	(198,313)	(1,374,061,263)	(12,272,021)	(37,753,397)	-	1,424,284,994	-
Loss for the Period	-	-	-	-	-	(98,546,779)	-	(98,546,779)
Balance as at 31.12.2005	204,750,000	-	1,282,102,283	-	-	(98,546,779)	11,764,237	1,400,069,741

* Expressed in terms of the purchasing power of the Turkish Lira as at 31 December 2004

PETKİM PETROKİMYA HOLDİNG A.Ş.
Statement of Cash Flows
for the year ended 31 December 2005
(TRY)

31 December 2005	
A- CASH FLOWS FROM OPERATING ACTIVITIES	
Net Profit Before Tax (+)	(81,748,902)
Adjustments:	
Amortization (+)	69,587,301
Termination Indemnity	11,637,421
Provision for Debts	-
Foreign exchange gains (-)	-
Profit from Marketable Securities or Long Term Investment (-)	-
Profit on Disposal of Tangible Assets	(150,963)
Interest Expense (+)	-
Deferred Tax Income	-
Net Income Before Working Capital Changes (+)	(675,143)
Decrease in Trade Operations and Other Receivables (+)	24,044,682
Decrease in Due From Related Parties and Shareholders (+)	-
Decrease in Inventories (+)	(21,929,037)
Increase in Other Receivables (-)	(4,970,501)
Increase in Deferred Tax Assets (-)	-
Increase in Financial Liabilities (+)	-
Decrease in Trade Payables (-)	43,377,146
Decrease in Amounts Due to Related Parties And Shareholders (-)	(3,116)
Decrease in Advances Received (-)	(677,377)
Increase in Provisions for Debts and Expenses (+)	-
Increase in Other Liabilities (+)	(5,686,131)
Cash Flows in Operating Activities (+)	-
Interest Payments (-)	-
Tax Payments (-)	-
Net Cash Flows from Operating Activities	33,480,523
B- CASH FLOWS FROM INVESTING ACTIVITIES	
Financial Asset Acquisition, Net of Acquisition Cost (-)	-
Marketable Security Acquisition (-)	-
Tangible Asset Acquisition (-)	(207,577,208)
Cash Inflows from Sales of Tangible Assets (+)	150,963
Interest Received (+)	-
Dividends Received (+)	-
Net Cash Flows from Investing Activities	(207,426,245)
C- CASH FLOWS FROM FINANCING ACTIVITIES	
Cash Inflows from Share Premium (+)	-
Cash Inflows Related to Short and Long Term Liabilities (+)	81,262,197
Payments Related to Leasing Liabilities (-)	-
Dividends Paid (-)	-
Net Cash Flows from Financing Activities	81,262,197
Increase in Liquid Assets	(92,683,525)
Liquid Assets at the Beginning of the Period	166,884,855
Liquid Assets at the End of the Period	74,201,330

Capital Structure

AUTHORIZED CAPITAL	300,000,000 TRY
INCREASED CAPITAL	204,750,000 TRY

• The Company has made a change from the paid-up capital system to the authorized capital system with a ceiling of 300,000,000 TRY with the approval of the Privatization Administration dated November 27, 1998, numbered 7478 and with the permission of the Capital Market Board, dated December 7, 1998 and marked 11838.

• The Company has increased its capital from 117,000,000 TRY to 204,750,000 TRY as per the Board decision dated 19.04.2001, numbered 1022/17 and with the certificate of Capital Market Board related to the completion of capital increase, dated 30.10.2001, numbered 2461

• 34.54 % of shares belonging to Privatization Administration was offered to public in April 2005 with the approval of Capital Markets Board of Turkey, dated 24.03.05.

As of 31 December 2005, the share capital of the Company is as follows (TRY):

NAME	Shareholding %	Nominal Value	Restatement Difference	Total Restated Capital
PRIME MINISTRY PRIVATIZATION ADMINISTRATION	54.32	111,222,446	696,437,959	807,660,405
STATE PENSION FUND	7.00	14,332,500	88,747,160	103,079,660
OTHERS*	38.68	79,195,054	496,917,164	576,112,218
TOTAL	100.00	204,750,000	1,282,102.283	1,486,852,283

* Represents the total of shareholdings less than 10 %

A - IN GENERAL:

1. The Company's financial statements are in conformity with the Tax Procedure Law, Capital Market Law (Communique Nr XI/25), GAAP (generally accepted accounting principles) and the company's accounting regulations.

2. All the Company's financial statements have been audited by the independent auditing company BDO Denet Yeminli Mali Müşavirlik A.Ş.

B- BALANCE SHEETS (TRY)

ASSETS	31.12.2005	31.12.2004
CURRENT ASSETS	527,014,873	616,836,961
Liquid Assets	74,201,330	166,884,855
Marketable Securities	-	-
Receivables (net)	145,505,611	167,958,895
Inventories (net)	295,237,564	273,308,526
Other Current Assets	12,070,368	8,684,685
LONG TERM ASSETS	1,274,831,262	1,136,847,932
Receivables (net)	1,040	7,619
Financial Assets	2,865	2,865
Tangible Assets (net)	1,274,433,784	1,136,387,242
Intangible Assets (net)	393,573	450,206
Deffered Tax Assets	-	-
Other Long Term Assets	-	-
TOTAL ASSETS	1,801,846,135	1,753,684,893

Receivables are as follows (TRY);

Customers	144,869,699
Deposits and Guarantees Given	2,882
Other Receivables	2,993,107
Rediscount on Receivables	(2,176,837)
Provision for Doubtful Receivables	(183,240)
Total	145,505,611

Inventories are follows (TRY);

Raw Material and Supplies	132,370,132
Semi Finished Goods	68,258,693
Finished Goods	94,511,188
Merchandise	18,334
Other Inventories	817,745
Inventory Value Decrease (-)	(5,431,445)
Order Advances Given	4,692,917
Total	295,237,564

Tangible assets are as follow (TRY);

Buildings, Land and Land Improvements	244,418,646
Machinery and Equipment	5,689,011,102
Motor Vehicles	12,550,829
Furniture and Fixtures	49,442,465
Other	996,152
Accumulated Depreciation	(4,811,421,408)
Constructions	63,682,877
Order Advances Given	25,753,121
Total	1,274,433,784

LIABILITIES AND SHAREHOLDERS' EQUITY

	31.12.2005	31.12.2004
SHORT TERM LIABILITIES	270,899,210	152,324,623
Financial Liabilities (net)	92,151,566	10,889,368
Trade Payables (net)	129,972,818	86,595,674
Due to Related Parties (net)	82,104	85,220
Advances Received	30,556,517	31,233,893
Provision for Liabilities and Expenses	-	-
Other Liabilities	18,136,205	23,520,468
LONG TERM LIABILITIES	130,877,184	102,743,756
Provision for Liabilities and Expenses	95,407,464	83,770,043
Deferred Tax Liabilities	35,151,517	18,353,640
Other Liabilities (net)	318,203	620,073
SHAREHOLDERS' EQUITY	1,400,069,741	1,498,616,514
Share Capital	204,750,000	204,750,000
Capital Reserves	1,282,102,283	2,656,361,853
Profit Reserves	-	50,025,418
Net Profit/(Loss) For the Period	(98,546,779)	-
Retained Earnings/Accumulated Losses	11,764,237	(1,412,520,757)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,801,846,135	1,753,684,893

Debts are as follows (TRY);

Debts of Forward Purchase of Naphtha from Tüpraş	101,289,794
Other Suppliers	29,587,443
Deposits and Quarantees Received	825,815
Rediscount on Payables	(1,730,234)
Total	129,972,818

Provision for debts are as follows (TRY);

Provision for Termination Indemnity	95,405,443
Provisions for Other Debts and Expenses	2,021
Total	95,407,464

C – STATEMENT OF INCOME (TRY)

	31.12.2005	31.12.2004
Net Sales	1,344,249,050	1,568,689,497
Cost of Sales	(1,290,817,630)	(1,400,411,581)
Gross Profit/(Loss) from Sales	53,431,420	168,277,916
Operating Expenses	(88,342,721)	(93,425,469)
Net Profit/(Loss) from Operations	(34,911,301)	74,852,447
Other Income and Profits	47,129,783	65,997,660
Other Expense and Losses	(78,391,234)	(75,851,069)
Financial Expenses	(15,576,150)	(16,070,416)
Net Monetary Profit/(Loss)	-	13,014,335
Profit/(Loss) Before Tax	(81,748,902)	61,942,957
Taxes	(16,797,877)	-
Net Profit/(Loss) for the Period	(98,546,779)	61,942,957

The Company's current year depreciation expense of TRY 69,587,302 belonging to the accounting period of 01.01.2005 - 31.12.2005 as shown in the income statement;

To Sold Goods Costs	47,771,702
To Marketing, Sales and Distribution Expenses	76,547
To General Administrative Expenses	4,500,200
To Costs Due to Idle Capacity	16,621,978

totals TRY 68,970,427. The remaining TRY 257,966 is recorded in "semi finished goods" inventories, and TRY 358,909 is recorded in "finished goods" inventories.

Operating expenses are as follows (TRY);

Research and Development Expenses	(1,018,462)
Marketing, Sales and Distribution Expenses	(9,561,323)
General Administrative Expenses	(77,762,936)
Total	(88,342,721)

The Company calculated Provision for Termination Benefits of TRY 11,637,421 and termination benefits payment to retiring employees of TRY 6,723,050 in "General Administrative Expenses" account.

Income and profits from other operations are as follows (TRY);

Interest Income	10,942,867
Foreign Exchange Gains	30,518,643
Other Ordinary Income and Profits	4,296,992
Fixed Assets Sales Income	150,957
Other Extraordinary Income and Profits	1,118,083
Prior Period Income and Profits	102,241
Total	47,129,783

Expenses and losses from other operations are as follows (TRY);

Costs Due to Under Capacity Production	(45,990,866)
Foreign Exchange Losses	(23,935,697)
Other Ordinary Expenses and Losses	(6,714,121)
Prior Period Expenses and Losses	(1,179,452)
Other Extraordinary Expenses and Losses	(571,098)
Total	(78,391,234)

Financial expenses are as follows (TRY);

Exchange Difference	(2,428,765)
Interest of Forward Raw Materials Purchase	(10,541,682)
Interest of Export Commitment Credit	(2,605,703)
Total	(15,576,150)

Taxes stated in the statement of income are as follows (TRY);

Provision for Corporation Tax	-
Deferred Tax Expense	(16,797,877)
Total	(16,797,877)

D – CHANGES IN AMORTIZATION POLICY

As a result of the contract entered into with Türk Loydu Vakıf Kurumları, an establishment of international classification and certification, for the purpose of re-evaluating the operational compliance and the remaining service time of the 13 production unit and 10 supplementary facilities located in the Company's Alia Complex through inspecting their current conditions, the Company management has provided a 3rd Party Valuation Report in 2005. The scope of this work is to evaluate the present condition of the equipment in the plants and supplementary facilities with respect to the international applications.

In the conclusion section of this Valuation Report it is declared that, there will be no material decrease in the operations and performance of the 13 main production units and 10 supplementary facilities during the period 2005 – 2015.

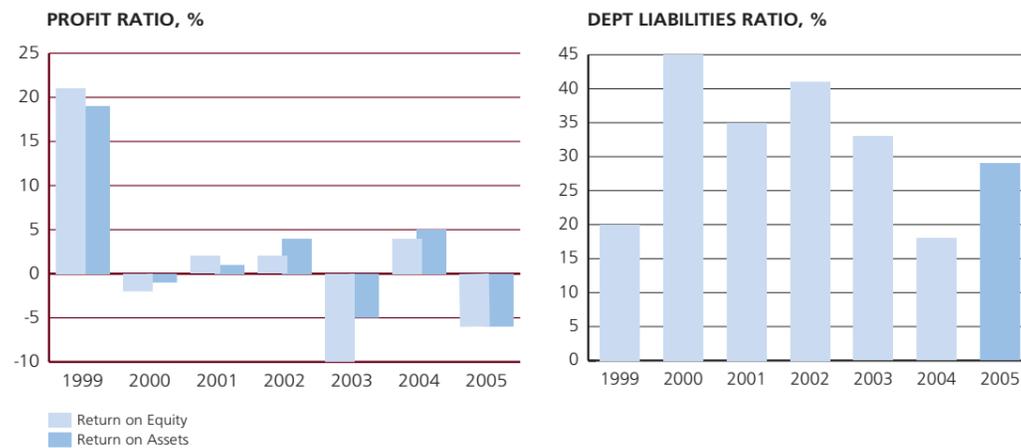
In view of this report, the useful lives of the assets subject to amortization calculated on the basis of their net values as at 31 December 2004 have been extended by the Company Management to 31 December 2015, and the current period depreciation expenses are decreased by TRY 166,264,173 through re-calculation of the depreciation expense corresponding to one year.

Current year depreciation (TRY);

	Useful Life (Old) 31 December 2005	Useful Life (New) 31 December 2005	Difference
Off-site Facilities	3,340,699	2,202,282	1,138,417
Utilities Production Units	2,605,220	1,528,837	1,076,383
Main Production Units	215,893,170	51,843,797	164,049,373
TOTAL	221,839,089	55,574,916	166,264,173

E – DONATIONS AND AIDS

As of 2005 December, there aren't donations and aids expenses in the accounts.



FINANCIAL RATIOS %	1999	2000	2001	2002	2003	2004	2005
CURRENT RATIO	489	224	277	216	244	405	195
LIQUIDITY RATIO	297	133	177	134	148	219	80
DEBT TO EQUITY RATIO	20	45	35	41	33	18	29
GROSS SALES PROFIT RATIO	20	8	14	5	(2)	11	4
NET PROFIT/ (LOSS) RATIO	13	(2)	0	0	(8)	4	(7)
RETURN ON EQUITY*	21	(2)	2	2	(10)	4	(6)
RETURN ON ASSETS	19	(1)	1	4	(5)	5	(6)

(* Profit before taxes.

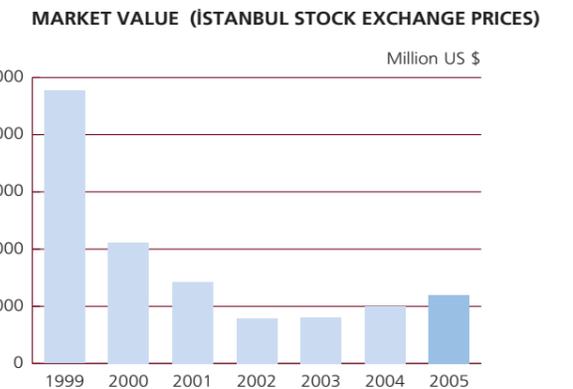
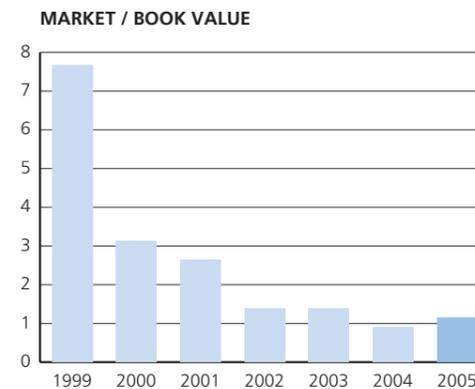
DIVIDEND AND SHARE STATISTICS	1999	2000	2001	2002	2003	2004	2005 [◇]
DIVIDEND (Billions TL)	14,625	-	-	-	-	-	(**)
DIVIDEND RATIO PER SHARE (%)	13	-	-	-	-	-	-
EARNINGS RATIO PER SHARE (%)	32	(9)	1	1	(42)	30	(48)
SHARE PRICE IN STOCK MARKET (TL)*	22,000	11,250	8,500	5,800	5,900	6,550	7.85
MARKET VALUE/BOOK VALUE (\$)*	0.04	0.02	0.01	0.004	0.004	0.005	5.85
MARKET VALUE/BOOK VALUE	7.67	3.12	2.64	1.40	1.38	0.90	1.15
PRICE/EARNINGS RATIO	69.28	(125.63)	602.78	448.59	(14.15)	21.65	(16.31)

(* Year end of price

(**) To be decided in General Meeting of Shareholders

(◇) Values pertaining to year of 2005 are in TRY

Value of 1\$ at the end of the year (TL/\$)	1999	2000	2001	2002	2003	2004	2005 [◇]
	540,098.00	671,765.00	1,439,567.00	1,634,501.00	1,395,835.00	1,342,100.00	1,3418 [◇]





Chronological Development of Petkim

Chronological Development of Petkim

1965-1970

¥ Petkim Petrochemical Co. was established with a capital of 250 million TL.
 ¥ Petkim's initial investment activities were started in Yarmca, zmit.
 ¥ Petkim's capital was raised to 700 million TL.
 ¥ Petkim Rubber Co. financed solely by Petkim, was established.
 ¥ Construction of the Ethylene, PE, CA, VCM and PVC plants of the Yarmca Complex was completed and they started trial operations.
 ¥ The decision was made to establish a second petrochemical complex at Aliaa.

1971-1975

¥ anakkale Plastics Processing Plant was started up.
 ¥ The DDB plant within the Yarmca Complex was started up.
 ¥ Petkim's capital was raised to 1.5 Billion TL.
 ¥ Expansions of Ethylene and LDPE plants within the Yarmca Complex were completed.
 ¥ The CB, Synthetic Rubbers (SBR-CBR), Styrene and PS plants of the Yarmca Complex were started up.

1976-1977

¥ Expansions of VCM and PVC plants were completed and Caprolactam plant was started up in the Yarmca Complex.
 ¥ As a result of the rapid growth of the automobile industry in Turkey, Petlas Tire Works Co. was established under Petkim's leadership on 19 March 1976.
 ¥ Petkim Rubber Co. merged with Petkim Petrochemical Co.
 ¥ Petkim's capital was raised to 2.5 Billion TL.

1978-1983

¥ Petkim's capital was raised to 8 Billion TL, then 40 Billion TL and finally 100 Billion TL.
 ¥ Utility plants and Common facilities of the Aliaa Complex were completed.

1984-1989

¥ Plants at Aliağa Complex were started up.
 ¥ In 1985, by government decree Petkim was turned into a State Economic Enterprise with Aliaa and Yarmca complexes becoming entities belonging to the enterprise.
 ¥ Aliaa and Yarmca complexes became owned subsidiary companies named, ALPET A. and YARPET A.
 ¥ Within the law number 3291 dated 28.05.1986, Petkim was taken into the privatization program.
 ¥ For privatization purposes, Petkim was brought under the control of the Housing Development and Public Participation Administration.

1990-1995

¥ In 1990 Petkim's capital was raised to 2 Trillion TL. and to 3 Trillion TL. in 1991.
 ¥ Alpet and Yarpet, the two subsidiaries of Petkim were taken over by Petkim with all of their assets and liabilities, on the basis of their balance sheets as of 31.08.1990.
 ¥ Petkim and Aliaa Complex organizations were merged and Yarmca Complex Management was established.
 ¥ As a result of expansion and rehabilitation projects, capacity increases were achieved, at the Aliaa Complex in 1993 in the LDPE, HDPE, PP and ACN plants and PVC, PS, CB, SBR, CBR and BDX plants at the Yarmca Complex in 1995.

Petkim, the largest player in Turkey's Petrochemical Industry, has a high growth potential and experience resulting from forty years activities.



1996 - 1999

¥ TS-EN-ISO 9002 Quality Assurance Certificate was obtained.
 ¥ The company has made a change from the paid-up capital system to the authorized capital system. The company has increased its capital from 3 Trillion TL to 117 Trillion TL covered by the revaluation fund of fixed assets amounting to 114 Trillion TL.
 ¥ The re-documentation audit which was achieved by Turkish Standards Institution (TSE) resulted successfully and the right to use the TS-EN-ISO 9002 Quality Assurance Certificate for another 3 years was obtained.

2000

¥ The installation aiming to produce chlorine in membrane-cells instead of mercury type cells and increasing the chlorine production capacity of Chlorine Alkali Plant up to 100,000 tons/year have been completed and taken into operation.

2001

¥ The Company has increased its capital from 117,000 billion TL to 204,750 billion TL as per the Board decision dated

19.04.2001 numbered 1022/17 and with the the certificate of Capital Market Board related to the completion of capital increase, dated 30.10.2001, numbered 2461.

¥ According to the Privatization High Council's decree, Yarmca Complex, excluding lodgings and social buildings, was sold to Tpra at a price of 60 million US\$. The take over was completed on November 1, 2001.

2002

¥ In the Waste Treatment Disposal of Chemical Treatment Sludge Project, construction and erection of the incinerator was completed.



2003

¥ anakkale Plastics Processing Plant was closed down on 01.11.2003 and its equipment were transferred to Aliaa Complex.
 ¥ Solid—Liquid Waste Incineration Unit was started up.

2004

¥ Plant expansion and modernization studies were started in the middle of December at Ethylene, LDPE and Propylene Plants.
 ¥ Consulting services agreement of Restructuring Project has been signed with National Productivity Center.
 ¥ Petkim general cargo jetty was opened to usage of third parties by the Board of Directors' decision dated 31.03.2004, nr:1097/12.

2005

¥ Ethylene, LDPE and PP plant expansions started within PETKAM investments were completed. Plant capacities were increased from 400 kt/year to 520 kt/year for Ethylene; from 190 kt/year to 310 kt/year for LDPE; from 80 kt/year to 144 kt/year for PP. The biggest investment expenditure of last 18 years was realized.
 ¥ The highest export amounts and values of last 15 years was achieved.
 ¥ Petkim Reorganization Project, started under the coordination of National Productivity Center's specialists, was concluded in November 2005.
 ¥ Plastics Processing Plant manager and worker from the same plant have been selected as the employer and employee



of the year by National Productivity Center since they developed a new packaging method which has supported cutting the volume of imported products into Turkey.



Corporate Governance Principles

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance to Corporate Governance Principles

Corporate Governance Principles, published by Capital Markets Board (CMB) of Turkey were applied during the 01.01.2005 - 31.12.2005 activity term. Circular Statements About Obtaining New Shares by Partners has been issued on Petkim website financial information link. (www.petkim.com.tr)

In the shareholders notification page, all dividends and distribution policies are shown with dates and percentages since the first public offer date. Financial statements include annually results for 1997-1999, both annually and quarterly for 2000-2005, and b/s explanations. Annual Report can be reached by another link.

The link of Investor Relations involves information about Commerce Registration, share holding structure, dividend/distribution policy, Company's Article Association, explanation for special occasions, Corporate Governance Principles, board meeting notes, proxy form, agenda and FAQ. Update studies are going on.

SECTION I SHAREHOLDERS

2. Shareholders Relations Unit

In our company, Shareholders Relations are being served by Shareholders Relations Unit in the Finance Department.

¥ Manager

Selahattin Y Z G LD
Tel : 0 232 616 14 52
E-Mail : syuzuguldu@petkim.com.tr

¥ Assistant Manager

Macit KARABORAN
Tel : 0 232 616 61 27
E-Mail : mkaraboran@petkim.com.tr

¥ Officer

eng l TUNASOY
Tel : 0 232 616 61 27
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¥ Officer

Mehtap Y CESOY
Tel : 0 232 616 61 27
0 232 616 12 40 / 22 56
E-Mail : myucesoy@petkim.com.tr

3. The Use of Shareholders Right to Obtain Information

Requested information has been answered by means of telephone call (approx.1500), e-mail (38), fax (2) and letter (15) during 2005. Further related information has been issued on the website.

Improvements which can effect exercising rights of shareholders were announced by means of web page

and Reuters, and sent to CMB and Istanbul Stock Exchange (ISE) promptly to comply with Corporate Governance principles.

4. General Assembly Information

2005 General Shareholders Meeting took place on 18th. March. Representing shares quantity was 196,285,180,055. As an investor, Boston Safe Deposit & T.Philip Elec. attended to the meeting, media did not. Invitations was realized by means of Milliyet and Yeni Asır Newspapers.

5. Voting Rights and Minority Rights

According to article 15 of Company's Articles of Association, C Group Share has got some privileges.

Article 15: Validity of below mentioned Board of Directors decisions are subject to C Group Member's authorization.

- Any changing about Company's Articles of Association
- Capital increase/decrease
- Recording of bearer shares to share ledger.
- Changing on employee regulations
- Independent audit company assignment
- Management's payments
- Dividend policy.
- Authorization assignment stated on the Article 31 of Company's Article of Association.
- Any decision on capacity changing over % 10
- Any acquisition or joint - venture decision.

6. Profit Distribution Policies and Profit Distribution Time

No privileges in Dividend Policy. Our company has been realized an important investment project in the recent 5 years. All investment have been performed by means of

Corporate Governance Principles, published by Capital Markets Board (CMB) of Turkey were applied.

own resources and profits obtained. Financial income obtained from these investment and increasing capacity, will be able to distribute to the shareholders as a dividend payment in the near future.

7. Transfer of Shares

8th and 9th article of Company's Article of Association has got information about share transfer.

Article 8: If Privatization administration's share falls down %1 of capital, C Group share will lose its privileges and transform to ordinary A group share.

Article 9: C group share can be transferred to another Turkish Public Establishment which has the equal essential authority with Privatization Administration according to Law No: 4046.

SECTION II INFORMING THE PUBLIC AND TRANSPARENCY

8. Information Policy of the Company

Four officers are responsible and have authority to inform the public.

In accordance with the transparency principles, applied accounting policies and operation result are announced to public.

Annual and quarterly financial statements are published in our website financial news link. Any progress which could effect Petkim's stock values have been announcing to public within limited time determined by the Stock Exchange.

9. Explanations on Special Situations

30 Special Occasion Explanations were announced in accordance with the Stock Exchange Regulations, during 2005. No additional information was required from Capital Market Board (SPK) and Istanbul Stock Exchange (IMKB). Special Occasion Explanations are published on our website in a short time.

10. Company Internet Site and its Content

On www.petkim.com.tr website all information, from management to privatization, are specified. Company's Articles of Association, explanations on special occasions, Board meeting agendas, participants, meeting reports, voting forms, obligatory informations forms and FAQ are available on our website. Investor will be able to reach

Corporate Governance Principles on re-arranged website. Safety measures are taken to prevent to change information published on our website.

11. Disclosure of Company's Ultimate Controlling Individual Shareholder / Shareholders (Beneficial Ownership)

There is no beneficial ownership.

12. Disclosure of Insiders

All necessary precautions are taken to prevent insider trading. Below listed officers are announced to public as insider.

Kenan YAVUZ	General Manager
L t fi DO AN	Asst. General Manager
Abdulkadir TUNCER	Asst. General Manager
M.Hayati ZT RK	Asst. General Manager
Hatice KAYGIN	Asst. General Manager
Selahattin Y Z G LD	Finance Manager
eref HEK MO LU	Accounting Manager

PETKİM, who is aware of the importance of sustainable development, pays great attention to environmental issues in all production activities.

SECTION III STAKEHOLDERS

13. Informing the Stakeholders

Company stakeholders have been informed by written press about issues to themselves.

14. Stakeholders Taking Part in the Management

The participation of stakeholders in management representing publicly offered 38.68 % share can be realised by temporary 2nd article, 11th and 22nd article of Articles of Association.

15. Human Resources Policy

Main principle of human resources is to use its employees efficiently;

- To improve employees capability
- To meet shareholders expectations
- To be respectful to employees
- To adapt to the changing environment
- To be leader in its region
- To use its sources efficiently
- To focus on employees efficiency
- To be respectful to human and environment
- To renovate its technology and quality standards
- To focus on customer needs.

At the end of 2005 Reorganization Project was completed. New departments and their responsibilities were mentioned as below;

Human Resources and Industrial Relations

- To improve the quality of working conditions
- To develop the capacity of human resources
- To create better communication between employee and employer

Personnel Service

- To follow suitable personnel policy
- To protect personnel rights
- To coordinate payments

Corporate Training

- To maintain career and educational opportunities
- To ease reaching all kinds of knowledge and documents

The founding studies about Performance Management System are going on. Performance evaluating studies for white-collar staff will begin in 2006.

16. Information on the Relations with Customers and Suppliers

Our marketing and sales strategy aims maximum customer satisfaction.

Customer's demand is met as fast as possible and information is given to the customer in every step. Production and services are performed in accordance with high quality standards .

Non-standard products are replaced and indemnified under guarantee procedure of Petkim.

Petkim strictly comply with the secrets related to customers information.

In 2005 Sales Policy focused on customer satisfaction. Under the long term relationship base, customers are deemed as the partner of Petkim. Within this context, organization structure had been changed, Sales and Marketing Management and After Sales Services Management were established.

Customers have been visited in order to settle problems on their sites and information has been given about restructuring.

As a result of meetings;

- Priority is given to manufacturers for sales allocation.
- Allocation quantities are revised according to customers performance.
- Market conditions are taken into consideration.

Besides annual scheduled customer visiting, new products which has being produced in Tubular LDPE and PP plants resulting from investment in 2005 has been introduced to customers in intensive customer regions. The demands, needs and expectations of business partners has been taken into consideration and aimed to solve their problems. In our company shifting process to Total Quality Management, sales and marketing processes have been defined and continuously improving studies are going on.

The customer information system which provides to customers monitoring their personal sales transactions and accounts in Petkim's database via internet, is being used by 800 customers, widespreading studies are going on.

On-line Sales Payment System studies which will work without guarantee letter started in late 2004. It is postponed to 2006 year because of technical problems.

E-business project started in 2004, it has been targeted to apply as of the second half of 2005. But, it has been postponed to the year 2006 because of works of the supporter firm's techno park project with Tubitak.

Co-projects with KOSGEB has been developed to provide better service to small and middle scale manufacturers and exporters which form the main profile of Petkim customers.

Proofreading and preventive operations has been started to solve problem in short, mid and long term by collecting complaints and orders from business partners via e-mail, phone, visiting, survey and fair.

271 customers visitings in various 21 cities in 2005 was performed. Business partners were informed about sales, shipping, product quality, packaging and quality. Complaints and orders has started to be evaluated. Customers perception on commercial product quality and transportation has been measured by performing product and service evaluation survey and subjects that are important for business partners have been determined. Works on reducing freight rates have been performed and studies on alternative shipping has been kept on. Co-works with production group has been kept on to increase loading speed and storage capacity.

17. Social Responsibility

Our company is sensitive for the environment, consumer and public health. Petkim always obeys ethical rules.

Petkim has constructed 4 elementary schools and handed over them to The Ministry of National Education.

Within the same context our company allocated buildings for a high school in order to support educational operations.

Petkim supports a professional sport club. Wide sport activity opportunities for employees and their children exist as a part of this club. In addition Petkim also allows regional public to benefit from social activities.

Environmental Activities

PETKİM having an annual production capacity of 2.5 million tons, is an environmentally sensitive company in all production activities, raw material usage, technology, operational and management facilities. We aim to be a model company by environmental protection facilities like Responsible Care Program applications, waste treatment plants, pollution monitoring and controlling facilities, energy and resource conservation, waste reduction, environmental investments, inside and outside environmental training activities and supporting the national and international studies on sustainable development issues.

As sustainable development requires improving environmental performance continuously, we adapted Responsible Care, a special program providing integrated management for environment, health and security subjects in chemical industry. In 2000, we committed voluntarily to this program, which is carried out by the leadership of Turkey Chemical Industry Association (TCIA) in Turkey.

Seminars, commission studies and discussion meetings arranged by TCIA, are very beneficial as it eases following the national environmental legislation and admit of sharing knowledge and experiences with other companies about coping with environmental responsibilities. Besides, since

RC program is a worldwide program and TCIA is a member of CEFIC, we can be informed more effectively about the environmental regulations, developments and implementations both in EU and the under countries.

We carry out environmental works according to our Environmental Policy.

Our wastewater treatment plant, industrial waste incineration plant, investments for clean production, studies for energy saving, setting up an environmental department to audit and control the environmental responsibilities, arrangement of environmental training course for our employees are some of our facilities fulfilled under the scope of Environmental Policy.

There is not any case which was opened against Petkim because of environmental damages. Our company follows EEE (Environmental Effect Evaluation) principles and procedures. Detailed information about environmental issues can be obtained from Petkim's website.

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

Board of Directors is formed of 7 members elected by General Assembly. 3 members, among candidates nominated by the A group shareholders, 3 members, among candidates nominated by the B group shareholders and 1 member among candidates nominated by the C group.

Before free floating A group shares, 3 members of A group shares are elected by the B group shareholders, over 20% free float of A group shares, 1 member by the A group and 2 members are elected by the B group shareholders. Over 40% free floating of A Group shares, 2 members are elected by the A Group, and 1 member is elected by the B group shareholders. Over 55% free float of A Group shares, 3 members of A group shares are elected by the A group.

According to the Company's Articles of Association, in case that the stake of PA in Petkim decrease below 1 %, the privilege rights of C type (Golden) share will automatically drop and become A type (ordinary share).

At least 1% of A group shareholders can nominate a candidate. In case of less than 1% of A group shareholders represent in board meeting, 3 A group members are elected among candidates nominated by the B group shareholders.

In case of death, resignation and etc. of a member, election is performed according to article 315 of Turkish Commercial Law. In case of A group member's

resignation, new member is elected among candidates nominated by the A group shareholders. In case of B group member's resignation, new member is elected among candidates nominated by the B group shareholders. In case of resignation, when A group shares are represented by only one member, this A group member is elected among candidates nominated by the C group shareholders. In case of resignation of member elected by C group, member is assigned by the Board among candidates nominated by the C group shareholders.

Board membership is for 2 years. Board of Directors can dismiss a board member in any time. Board members can be re-elected after 2 years of membership period.

Board of Directors elect a chairman and a deputy chairman in the first meeting. Only chairman or deputy chairman has got the authority to assemble the Board of Directors. In case of 2 members demand, Chairman or Deputy Chairman would have to assemble the Board of Directors.

19. The Qualification of Board Members

Have to be legally competent, to have company's share and not to expose to any dishonorable crime. Candidates membership is valid after having Company's share. (Except Turkish Commercial Law, article 334 and 335)

The qualifications of all Petkim Board Members comply with the principles defined in articles 3.1.1, 3.1.2 and

3.1.5 of Section 4 of the CMB (Corporate Governance Principles)

Comprehensive information about members is available on our web site.

20. The Mission, Vision and The Strategic Targets of the Company

Vision 2015: To be a World-Class company in the petrochemical sector

Strategic Objective: % 40 Market Share in 2015

Mission: Our mission is to be a petrochemical producer who;

- Is respectful towards people and environment
- Is open to change
- Is always able to keep its technology updated
- Is aiming at exceeding the expectations of its stakeholders.
- Is able to provide proper platforms to motivate and empower its employees for participation and creative thinking.
- Believes in management approach based upon sustainable excellency.

Values and Principles *

Customer satisfaction is above everything
 Our most important driving force is the development of our people and teams
 To ensure safety and to protect the environment is our prior focus
 Our partners/suppliers are our natural team members
 Our alignment based upon our integrity
 Our task is to provide quality
 Role model in leadership
 Always accountable
 Dependability
 Transparency

** Our management understanding is an upside down, low pyramid*

2006 Corporate Strategy

- F.1 To increase profitability
- F.2 To decrease costs
- M.1 To increase customer satisfaction and loyalty
- M.2 To follow competitive price policy
- S.1 To improve productivity
- S.2 To make growth plan
- S.3 To struggle unfair competition

- O/G.1 To make stronger corporate structure
- O/G.2 To improve environment and job security

21. Risk Management and Internal Control Mechanism

Inspection Department performs the investigation of company's operations in the name of General Manager

Vision 2015 to be a World-Class company in the petrochemical sector. Strategic Objective % 40 Market Share in 2015.

in accordance with the law, rules, regulations and Company's Article of Association. Inspection Unit's responsibilities, authorities and tasks have been defined in the Company's Regulations.

Inspection Department carries out the below mentioned duties on behalf of the General Manager;

- Investigates every kind of operations performed by the Units
- Investigates the operation results whether in conformity with the rules or not.
- Act according to the General Manager Instructions.

22. Authority and Responsibilities of the Members of the Board of Directors and the Administrators

As identified in the article 16 on the Company's Article of Association, Board of Directors is the representative and managerial organ of the Company and acts according to laws and rules.

According to Turkish Commercial law, article 319, Board of Director may pass its managerial and representative authorities to General Manager/Managers or constitute a working group to perform these task and duties.

23. The Activity Principles of the Board of Directors

Board of Directors should arrange a meeting at least one time in a month. Meeting point is Company Center or it may change according to Board Management decision. At least five of them should attend the meeting. Decisions are taken by means of five members positive voting. Board member is deemed resigned, when he/she doesn't attend at least four meetings. Only written and signed Board decisions are valid. Proposals are deemed rejected which are not reaching the majority's acceptance.

Management and representation of company is in the hand of the Board. The Board of Directors may pass all or some part of its authority to others.

Contracts and documents are only valid if they are signed by authorized personnel on behalf of the Company.

24. Prohibition of Carrying Out Transactions with The Company and Prohibition of Competing with the Company

Turkish Trade Act Article 334 and 335 does not allow to company board members to carry out transaction with company and to compete with the company.

25. Ethic Rules

- To Protect Environment
- To contribute to the society
- To be respectful to human beings
- To give importance to workers' health and security
- To give importance to team work
- To focus on customers
- To pay attention to experienced and trained workers
- To incite improvements, innovation and change

26. The Number, Structure and Independence of the Committees Constituted in the Board of Directors

A committee of three board members has been formed for auditing. Committee audits accounting, approves financial figures before publicly disclosed, and surveys the services provided by the Independent Auditing Company.

Committee observes selecting process of Independent Auditing Company and approves, follows their performance and provides a written assessment to the Board of Directors about activities they performed.

Committee is assembled at least four times annually.

27. Financial Rights Provided To the Board of Directors

A Government Organization called Planning Association determines the fees and extra payments to be paid for Board Members. No compensation is paid other than ordinary fees.

Travel allowances are paid according to the Governmental Organization regulations for public officers.

No credit, indemnity or guarantee is given to any Board Member.



Development Source of Turkish Industry
PETKİM

End Uses of Products

