

## **MINUTES OF THE ORDINARY GENERAL ASSEMBLY MEETING**

**OF**

**PETKİM PETROKİMYA HOLDİNG A.Ş.**

**HELD ON 31 MARCH 2010**

The Ordinary General Assembly Meeting of PETKİM Petrokimya Holding A.Ş. pertaining to the year 2009 was held on 31.03.2010, Wednesday at 10:30 a.m. at the head quarter of the Company in Aliğa/İZMİR under the supervision of Mr. Celal Yılmaz and Mr. Nurettin Aydın, who are the Ministry Commissioners appointed with the letter dated 30.03.2010 and numbered 4126 of the Izmir Provincial Directorate of Industry and Commerce of the Ministry of Industry of the Republic of Turkey.

The invitation pertaining to the meeting was realized within its due term as prescribed by Law and the Articles of Association and in a manner including the agenda thereof by means of announcements at the Trade Registry Journal with the date March 1, 2010 and number 7511, Turkish Trade Registry Journals with the date March 10, 2010 and number 7518 and Referans and Yeni Asır newspapers dated March 1, 2010 and Dünya and Yeni Asır newspapers dated March 9, 2010 and such announcement was also published within its due term in the corporate internet website of the company [www.petkim.com.tr](http://www.petkim.com.tr).

With the examination of the attendance sheet, it has been comprehended that out of 20.475.000.000 shares corresponding to the company's entire capital of 204.750.000.-TL, total 12.650.413.506 shares (61.78%) corresponding to the capital of 126,504,135.06.-TL were represented (namely 12.556.099.806 shares (61.32%) corresponding to the capital of 125,560,998.06.-TL were represented personally and 94.313.700 shares corresponding to the capital of 943,137.-TL were represented by proxy) and that the minimum meeting quorum prescribed by the Turkish Commercial Code (TCC) and the Articles of Association of the Company was present, and thus it has been notified by the commissioners of the Ministry of Industry and Commerce of the Turkish Republic that the meeting may be called to order.

**1.** Pursuant to Article 1 of the Agenda, the composition of the Presidential Committee was initiated.

Since the Chairman of the Committee, Mr. Vagif ALIYEV, is an Azerbaijani citizen, he stated that he is not fluent in Turkish and since he would not acquaint the General Assembly with information in a clear and explicit manner, he proposed Mr. Erdal Aksoy in order for him to make solely verbal and written statements and he put his proposal to vote. His proposal was accepted unanimously.

A proposal was brought forward to the Presidential Committee. In the referred proposal,

Mr. Vagif Aliyev was unanimously elected as the Chairman of the Committee,

Ms. Serap İSTEM and Mr. Saffet Batu AKSOY were unanimously elected as the Vote Counters,

Ms. Füsün UGAN was unanimously elected as the Secretary of the Committee.

2. The process of granting authority to the Committee for the signature of the Minutes of the General Assembly Meeting was initiated. In spite of 244,075 abstention votes of Ms. Berna YAZKAN, 1 rejection vote of Mr. Hamza İL and 1,000 rejection votes of Mr. Ünsal BAN, the grant of authority to the Committee for the signature of the Minutes of the General Assembly Meeting was accepted by the majority of votes.
3. The proposal of the Chairman of the Committee on passing over the Activity Report of the Board of Directors without reading the same was unanimously accepted because of the facts that the Activity Report of the Board of Directors was made available for the shareholders at the head quarter of the company and in our website [www.petkim.com.tr](http://www.petkim.com.tr) 15 days prior to the date of the meeting and it was distributed to all members prior to the meeting. The Activity Report of the Board of Directors and the Report of the Auditor Board were negotiated and accepted unanimously. The report prepared by the Independent Audit Company, namely Başaran Nas Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., was read and the Balance Sheet and profit and loss accounts, which pertain to the year 2009 and which were prepared pursuant to the “Communiqué on the Fundamentals Regarding Financial Reporting in the Capital Market” numbered XI-29 of the Capital Markets Board and pursuant to the provisions of the Tax Procedure Law, were read and negotiated and the same were accepted by the majority of votes in spite of 213,871 abstention votes of Ms. Berna YAZKAN.

Annex 1- the letter of Mr. Hamza İL (1 unit of 1 page) and Annex 2- the letter of Mr. Ünsal BAN (1 unit of 3 pages) were attached to the minutes as annex.

4. It was unanimously decided that the election by the Board of Directors of Mr. Kenan Yavuz, representing A group shareholders, as the Member of the Board of Directors for the vacant position arising from the resignation of Mr. Rövnag Abdullayev during the year was approved pursuant to Article 11 of the Articles of Association of the Company and Article 315 of the TCC with effect from the date of election upon the same terms and conditions and Mr. Kenan YAVUZ was elected as the Member of the Board of Directors so as to complete the term of office of Mr. Rövnag ABDULLAYEV.
5. It was unanimously decided that the election by the Audit Board of Mr. Ferruh Murat BENZER, representing the share of the Directorate of Privatization Administration, as the Member of the Audit Board for the vacant position arising from the resignation of Mr. Mustafa ÖZEL during the year was approved pursuant to Article 22 of the Articles of Association of the Company and Article 351 of the TCC with effect from the date of election upon the same terms and conditions.

6. With respect to the accounts and activities of the Chairman and Members of the Board of Directors and the Members of the Audit Board pertaining to the year 2009, votes were casted separately for the Chairman and Members of the Board of Directors and the Members of the Audit Board. The Board of Directors did not cast votes for their own release. As a consequence of the voting that was carried out, the same were released individually.
7. The approval as to the Independent Audit Firm, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., elected by the Board of Directors upon the proposal of the Committee In charge of Supervision- so as to examine the activities and accounts of the years 2010 and 2011 pursuant to the communiqué on “Independent External Audit in the Capital Market” issued by the Capital Markets Board, was unanimously accepted.
8. It was unanimously decided that Mr. Nurettin Demircan representing the A group shareholders, Mr. Cemal Yusuf ATA representing the B group shareholders and Mr. Ferruh Murat BENZER representing the C group shareholders have been elected as the members of the Audit Board so as to serve in the fiscal year 2010 until the next Ordinary General Assembly.

Pursuant to the communiqué on the determination of the remuneration to apply in the State Economic Enterprises, it was unanimously decided that the monthly remuneration of net 2,000.-TL and semiannual bonus shall be paid to the Chairman and Members of the Board of Directors and the monthly remuneration of net 1,750.-TL and semiannual bonus shall be paid to the Members of the Audit Board by taking the Resolutions of the Higher Planning Council (HPC) into consideration.

With respect to Article 8 of the Agenda, Ms. Serap İSTEMİ, participating in the meeting as the representative of the Directorate of Privatization Administration, casted affirmative vote for the agenda item regarding the remunerations of the members of the Board of Directors and Audit Board and she requested the application of the Resolutions of the Higher Planning Council (HPC) with respect to the remunerations of the members of the Board of Directors and Audit Board representing the Directorate of Privatization Administration (C Group Share) pursuant to the communiqué on the determination of the remuneration to apply in the State Economic Enterprises.

9. Information has been furnished to the shareholders that distributable profit was not gained in the year 2009. Since no distributable profit was obtained in the year 2009, the proposal of the Board of Directors on the non-distribution of profit and deduction of the same from the losses of previous year was accepted unanimously.
10. Information was provided to the General Assembly on the profit distribution policy which was established in line with the Corporate Management Principles.

11. Information was provided to the General Assembly on that fact that 127,259.86.-TL was registered as expenditure in the donations and charities account within the business year 2009.
12. Information was provided to the General Assembly on the Company's Information Policy and List of Insiders (those having access to inside information) as approved by the Board of Directors.
13. Information was provided to the General Assembly on the Working Principles of the Board of Directors and the Committee In charge of Supervision as well as the Codes of Conduct and the Committee Members of the Company.
14. Information was provided to the General Assembly on the established Corporate Management Committee and Risk Management Committee and their members.
15. The request on the capability of the Chairman and Members of the Board of Directors to perform the transactions as enumerated in Articles 334 and 335 of the TCC was put to the vote. Such request was accepted unanimously.
16. The grant of authority to the Board of Directors for the incorporation of a new company by means of partial division of Petkim Harbor -comprising of real estate properties, sea-filled areas, piers, facilities and other elements, the ownership and/or usage right of which belong to the Company- as well as for the realization of all transactions regarding the partial division and the incorporation of the company, was put to vote. In spite of the 244,075 rejection votes of Ms. Berna YAZKAN and 667,992 rejection votes of Vedat AKARSU, the item was accepted by the majority of votes.
17. The offers and wishes have been negotiated.

Mr. Ali KARAKAYA and Mr. Ünsal BAN -among the shareholders of our Company- hold the floor and expressed their following wishes:

By means of the transfer of the positive capital distinctions as included in the equity capital of the Company to the paid-up capital, the grant of bonus shares by the company as well as the strengthening of its capital in such manner, were requested.

The Chairman of the Committee closed the meeting as of the time 13:00 p.m. with the wishes of good luck. The closing was realized with the best wishes.

The present minutes was drawn up, read and signed at the place of the meeting. 31.03.2010

**MINISTRY COMMISSIONERS**

NURETTİN AYDIN      CELAL YILMAZ

*Signature*

*Signature*

**CHAIRMAN OF THE COMMITTEE**

VAGİF ALIYEV

*Signature*

**VOTE COUNTER**

SAFFET BATU AKSOY

*Signature*

**VOTE COUNTER**

SERAP İSTEMİ

*Signature*

**SECRETARY**

FÜSUN UGAN

*Signature*

Mr. Hamza İL, one of the Shareholders, hold the floor and said as follows: In spite of the development of the gross margin when compared with the previous year, it is inadequate; the company did not create resources adequately; the Autonomous Establishment report was not attained in the dealings with the group companies as provided by Serial IV No 41 of the Capital Markets Board; it should be a shareholder of Socar-Turcas Rafineri A.Ş. at a certain percentage.

## PETKİM A.Ş.

The following conclusions have been reached as a consequence of the examination of the Activity Report, Balance Sheet and Income Statement of Petkim A.Ş.

1. It is observed that the Company did not make adequate investments within the period of last 5 years and for the referred reason, the Company's market share constantly regressed and its market share which was at the level of 67% 10 years ago has regressed up to 25% as of today. While the amount directed by Petkim towards investment in 2005 and the years previous to 2005 was at the level of 200 million TL, it was decreased to the average level of 70 million TL after the referred date. Moreover, such investments are not new investments -which could procure significant increase in production- and are in general regarded as renovation or betterment investments. As a result of this, adequate share could not be obtained from the developing market and there has been a constant regression in the market share. As a continuance of the referred policy, although there was a significant regression in the interest rates in the year 2009, no substantial and serious investments increasing the capacity have been made as a preparation for the coming periods. It seems highly probable that the market share of Petkim would regress more and decrease to the level of 20% due to the non-coverage of the demands upon the recovery of the economy in the upcoming period.
2. The failure to make new investments and the loss of market have also had a reflection on the sales of the company and no development has been recorded in the last three years as regards the sales, and the sales which were 2,320 million TL in the year 2008 regressed to 2,057 million TL with a decline of approximately 13% in the year 2009. It seems possible to found such recession on two fundamental assumptions:
  - i. Inadequacy of demand in the sector,
  - ii. Keeping the prices of the products high.

The inadequacy of demand, which is the first of the aforementioned probabilities, is not seen as very much possible when the subject matter market shares and the importation carried out by our country are taken into consideration. That is to say, it seems that there is an adversity in the pricing of Petkim products.

We also see such adversity in the pricing of Petkim products in the proportioning of the Cost of Sold Goods to the Sales Revenues as well as proportioning of the gross sales profit to the sales revenues. The proportion of Cost of Sold Goods/Sales Revenues is found as 95% and the proportion of Gross Sales Profit/Sales Revenues is found as 6%. Such proportions seem low for an industrial establishment like Petkim which realizes almost the entire of the domestic production.

Keeping the sales price low may be comprehended in terms of competition with low-priced importation arising from the foreign exchange rate of USD. However, having difficulty in the competition in spite of the freight fees, insurance fees and expenses paid in the importation indicates that there are excessive costs in the production of Petkim. Among the referred costs, savings may be made in the energy and workmanship expenses and Petkim should -as soon as possible- realize its own wind energy facility investment which is for the production of its own energy. As a matter of fact, it seems that significant savings were made in the workmanship costs in the year 2009. The most significant way to be able to compete with importation is seen as energy savings and technological investments decreasing the costs.

3. Petkim could not exhibit a good cash management in the year 2009. Almost entire of the deposit was made use of in the foreign currency accounts and was kept as USD. Even though the purpose of this was to be protected from exchange risk due to the importation that has been carried out, while it was a known fact that exchange risk was low as USD was losing value all over the world, when the average deposit is considered as 200 million TL, the Company was deprived of an alternative earning of approximately 20 million TL in the year 2009 because of the keeping of the deposits as foreign exchange.
4. Despite of the fact that there was a decrease of approximately 10% in the production and sales of Petkim and no new investments have been materialized, the short term bank loans increased from 28.8 million TL to 87.7 million TL with an increase of over 200%. This situation indicates that the directors of Petkim could not indicate a good cash management, and while there was a deposit two times more than the utilized loan on one side, loan was utilized with a cost which is approximately three times more than the deposit on the other hand (the average loan cost is above 15% and the deposit cost is at the levels of 5% because of keeping the same as foreign exchange). In other words, the directors of Petkim preferred to have at all times available resource and caused the Company to incur a significant rate of financing expenses while there was no need therefor.
5. The directors of Petkim neither showed a good cash management nor showed a good receivable management. Although they can procure the raw materials from its partner Socar Trading SA with a term of 45 days and a low interest rate, it is seen that a major portion of the maturity dates of the receivables is between 60-90 days. When the term between the receivables and debts is taken into consideration, Petkim seems like being in a position financing its dealers.
6. When the figure of the paid-up capital -which is considered as the power of a company- is observed, the paid-up capital of Petkim is seen as 204.750.000.-TL and it



should be explained why the positive capital distinctions -which have been included in the capital accounts in a few years - have not been added by the management to the paid-up capital. For example, it should not be forgotten that the board of directors should have called the general assembly for an extraordinary meeting due the fact that the loss for the financial year causing a significant depreciation in the principal capital for the year 2008 got closer to 50% of the entire paid-up capital, yet the board of directors did not call such a meeting and when such losses are encountered in the following years, a great fraction of the paid-up capital may disappear due to the non-performance of capital increase and in such a case the board of directors would not only cause the Company to incur loss, but it may also bring the company even to the bankruptcy.

7. In the business enterprise, the fraction of 27% of the funds was obtained from the activities. The fraction of 70% thereof is the funds outside the activities... Do you think this is adequate for the company? The firm utilized a short-term debt of 73.47% in the fund raising. How is it correct in today's circumstances and in terms of the resources included in the cash? The short term debt increase has been utilized in the circulating asset financing. The business enterprise utilized the sources with a high rate of 95.92% in its circulating assets. This amount also remained inadequate and thus the long term resources were transmitted to the circulating assets financing.
7. Its return on assets increased from 2.21% to 7.01%... When the content of the profit is considered, how should this development be evaluated in today's competitive atmosphere?... Since the continuity of the business enterprise is the business profits, how will the continuity of the business enterprise be procured in the following years?...
8. When the details of its return on assets are considered, the sales profitability increased from -1.62% to 7.20%. The asset turnover decreased from 136.163 to 97.36%. How is the management policy -causing such developments- appropriate in terms of today's circumstances?
9. The collection term of the receivables has been increased from 35 days to 60 days. When it is basically considered that the short term borrowing has been used in the financing of the receivables, is the profit margin -that has been procured- adequate?
10. The stock life increased from 27 days to 59 days. It seems that a great part of the profit loss is caused by the same. Why does the firm extend the term in the stock management, when compared with the previous year? Is there a difficulty experienced in the sales? When it is assumed that the capacity utilization rate is between 86% and 95%, does the firm make production to lay in stock as against the market rules of

today? If the production is made for the referred grounds, what are the reasons for this?

THE ELEMENTS HAVING AN EFFECT UPON THE RETURN ON ASSETS HAVE OCCURRED AS FOLLOWS:

- SALES PROFITABILITY INCREASED FROM -1.62% TO 7.20%.
- ASSET TURNOVER DECREASED FROM 136.63% TO 97.36%.

ARE THE POLICIES CAUSING SUCH DEVELOPMENTS APPROPRIATE IN TERMS OF THE COMPETITION CONDITIONS?

COMMON PROFITABILITY

- RETURN ON EQUITY INCREASED FROM -11.59% TO 4.40%.

ARE THE COST OF DEBT, BORROWING LEVERAGE AND RETURN ON ASSETS AT THE APPROPRIATE LEVELS?