



Corporate Governance Compliance Rating Report



Petkim Petrokimya Holding A.Ş.

19 August 2015

Validity 19.08.2015-19.08.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Petkim Petrokimya Holding A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, printed on Official Gazette dated January 3rd 2014, numbered 28871; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

The Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose any kind of borrowing instrument. Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

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PETKİM PETROKİMYA HOLDİNG A.Ş

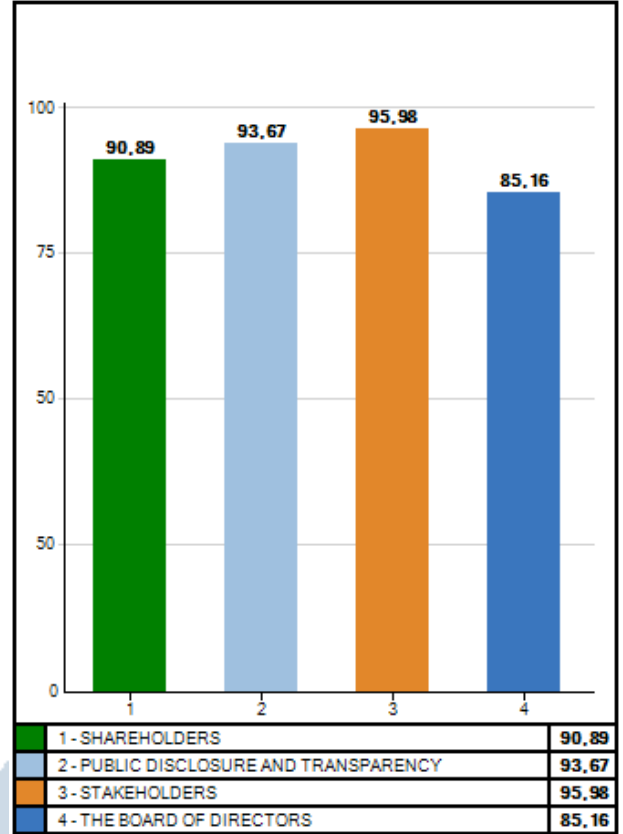
CMB CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE GRADE

9.03

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1. SIXTH PERIOD REVISED RATING RESULTS

This report of rating of compliance of **PETKİM PETROKİMYA HOLDİNG A.Ş** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, and of other reviews, according to the CMB's Corporate Governance Principles directive no II-17,1 issued on Official Gazette no 28871, dated January 3, 2014.

According to Capital Market Board decision dated 13.01.2015 and numbered 1/3, PETKİM Petrokimya Holding A.Ş is on the list of **BIST 1st Group Companies**. At the end of examination of 408 criteria under the main headings of Shareholders, Public Disclosure

and Transparency, the Stakeholders and the Board of Directors as specified in the CMB's Corporate Governance Principles and the methodology of Kobirate A.Ş., developed for "First Group Companies of the BIST, the Corporate Governance Compliance Rating Grade of **PETKİM PETROKİMYA HOLDİNG A.Ş** is determined as **9,03**.

This result signifies that **PETKİM PETROKİMYA HOLDİNG A.Ş** has achieved compliance to a significant extent with the CMB's Corporate Governance Principles. All possible risks for the Company have been determined and are actively controlled. Public disclosure and transparency activities are conducted at high level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors are compliant with corporate governance principles, but there is

still need for some improvements. As a result, this grade indicates that the company highly deserves to be included in the BIST Corporate Governance Index.

- It has been observed that PETKIM Petrokimya Holding A.Ş. has obtained a grade of **90.89** in respect of Shareholders' Section. The most important factor for the Company to achieve this grade is the fact that B Group shares within the capital have been turned into A group shares and the privilege of A group shares to nominate candidates board of directors have been eliminated. Currently, 1 (one) share owned by Republic of Turkey Prime Ministry Privatization Administration have the privileges of nominating candidates for board of directors and vetoing some decisions in board of directors.

Investor Relations Unit has been structured under the roof of Internal Audit and Investor Relations Coordinatorship. The Coordinatorship reports directly to General Manager. The Department is led by Internal Audit and Investor Relations Coordinator Mustafa ÇAĞATAY and Ilkay ÇETİN works as Investor Relations Manager in the Department.

Internal Audit and Investor Relations Coordinator Mustafa ÇAĞATAY has CMB Advanced Level License and Corporate Governance Specialist License. The aforementioned director was appointed as a member of Corporate Governance Committee on 28.03.2014.

The right of shareholders to obtain information and to examine has not been eliminated or restricted by the Articles of Association or any Company organs. The Company conducts disclosures for shareholders and public in accordance with its "Disclosure Policy". The Policy is published on the Company's corporate website.

The General Assembly meeting to discuss operations of 2014 took place on

30.03.2015. Invitation for the meeting was made 3 (three) weeks before the meeting through Turkish Trade Registry Gazette (TTSG) dated 06.03.2015 and numbered 8773, Public Disclosure Platform (KAP) and Central Registry Agency E-General Assembly system (EGKS), in accordance with rules.

According to the Articles of Association each share provides one voting right. Privilege of A group shares was eliminated with the decision taken at the extraordinary general assembly meeting on 20.02.2015. Only 1 (one) share owned by Republic of Turkey Prime Ministry Privatization Administration have the privileges of nominating candidates for board of directors and vetoing some decisions in board of directors.

TRY 8,678,766.00 net profits were earned as a result of business activities in 2014. With the suggestion of the Board of Directors and approval of the General Assembly, no dividend distribution was made for shareholders. The reason for this was explained to the attendants of general assembly meeting.

- The Company has achieved the grade of **93.67** for the section of Public Disclosure and Transparency. The Company's efforts for public disclosure and transparency continue with the same sensitivity. The fact that financial statements, which are required to be disclosed to public, are disclosed simultaneously both in Turkish and in English on Public Disclosure Platform is recognized as an improvement that took place in this period.

Company's corporate website and annual reports are used as effective means for public disclosures in accordance with the criteria determined by Principles.

- The Company has achieved the grade of 95.98 for the section of Stakeholders. The most important factor in achieving this grade has been the ISO 27001 Information Security Management Certificate received by the Company. By getting this certificate, it is

aimed to institutionalize information and information sources and to strengthen privacy, integration and usability of information. Some regulations concerning stakeholders have been updated under present conditions and this is also seen as a factor influencing the grade.

Compensation policy has been prepared for the employees and disclosed to public through corporate website.

Procedures for recruitment, remuneration, health, leaves, promotion, assignments, discipline, dismissal, death, resignation, and retirement and education have been developed and it's been observed that the company sticks to these policies in practice. Both during development of the policies and practice we got the impression that equal opportunity is given to individuals under the equal conditions. Blue collar employees of the Company are organized within union.

Policies for corporate social responsibility and sustainability have been prepared and disclosed to public. Petkim managed to become one of the 15 (fifteen) companies that entered BIST Sustainability Index in 2014.

- PETKİM Petrokimya Holding A.Ş. has achieved the grade of **85.16** for the section of the Board of Directors.

It has been determined that the strategic targets of the Company have been defined by the board of directors. Posts of Chairman and General Manager are carried out by different individuals and their powers have been described. Audit, Corporate Governance and Early Detection of Risk Committees, referred by Principles, have been established, their working principles determined and prepared as written documents. The Board of Directors comprises 9 (nine) people and all of them are non – executive. There are also 3 (three)

independent members in the Board. The Board of Directors convened 11 (eleven) times in the period between July 2014 and July 2015. In the same period Audit Committee convened 4 (four) times, Corporate Governance Committee 5 (five) and Early Detection of Risk Committee 6 (six) times. Results of meetings have been shared with the Board of Directors. Guidelines for compensation of the Directors and top executives have been determined and disclosed to public on the corporate website.

2. COMPANY PROFILE AND CHANGES IN LAST ONE YEAR

A. Company Profile:



| | |
|------------------------------|--|
| Company Name | : PETKİM Petrokimya Holding Anonim Şirketi |
| Company Address | : PK. 12 35800 Aliğa İZMİR |
| Company Phone | : (0232) 616 3240 / 20 Lines |
| Company Facsimile | : (0232) 616 1248 – 616 1439 |
| Company Website | : www.petkim.com.tr |
| Date of Incorporation | : 3 April 1965 |
| Registered Number | : 314 Aliğa Ticaret Sicil Memurluđu |
| Paid in Capital | : 1.000.000.000.-TL |
| Line of Business | : Production and trade of petrochemical derivatives and products |
| Company's Sector | : Chemical Industry |

Company's Representative in Charge of Rating:

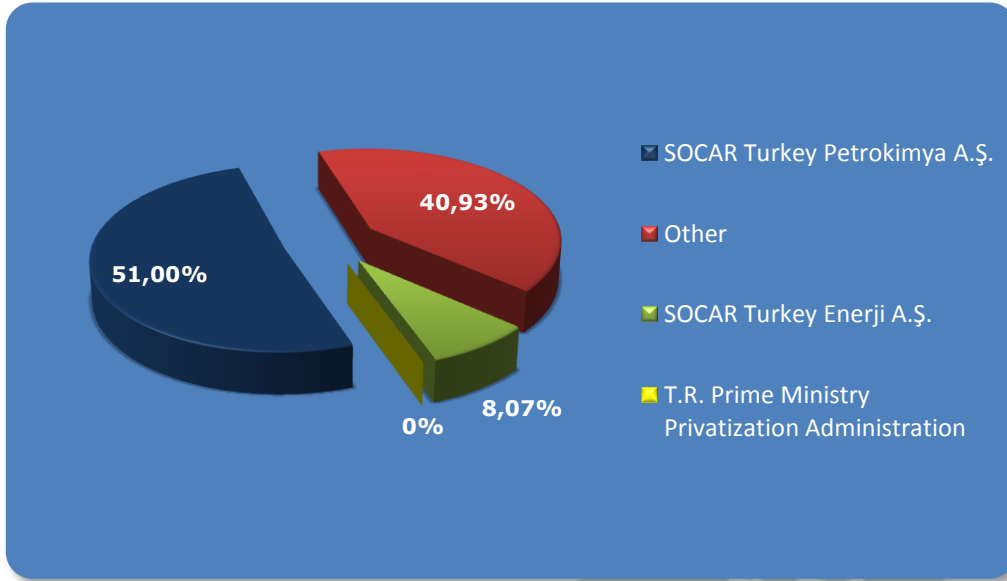
Mustafa ÇAĞATAY

Internal Audit and Investor Relations Coordinator

mcagatay@petkim.com.tr

0232 6161240 / 2501

Shareholders Structure



| Shareholder Name (*) | Share (TL) | Share (%) |
|------------------------------|-------------------------|---------------|
| SOCAR Turkey Petrokimya A.Ş. | 510.000.000,00 | 51,00 |
| SOCAR Turkey Enerji A.Ş. | 80.734.615,41 | 8,07 |
| Other | 409.265.384,58 | 40,93 |
| TC Prime Ministry Priv.Adm. | 0,01 | 0,00 |
| TOTAL | 1.000.000.000,00 | 100,00 |

Source: www.kap.gov.tr

SOCAR TURKEY Petrokimya A.Ş.

| Shareholder Name | Share (%) |
|--------------------------|-----------|
| SOCAR Turkey Enerji A.Ş. | 99,99999 |
| Other | 0,000010 |

Source: www.petkim.com.tr

SOCAR TURKEY Enerji A.Ş.

| Shareholder Name | Share (%) |
|---------------------------------------|-----------|
| SOCAR (Azerbaijan Public Oil Company) | 100,00 |

Source: www.petkim.com.tr

(*) There is no real person ultimate dominant shareholder in Petkim Petrokimya Holding A.Ş.

The Board of Directors

| Name/ Surname | Title | Executive/ Non Executive |
|----------------------|-----------------|-------------------------------------|
| Vagif ALİYEV | Chairman | Non Executive |
| David MAMMADOV | Deputy Chairman | Non Executive |
| Muammer TÜRKER | Member | Non Executive |
| Farrukh GASIMOV | Member | Non Executive |
| Kenan YAVUZ | Member | Non Executive |
| Süleyman GASIMOV | Member | Non Executive |
| İlhami ÖZŞAHİN | Member | Independent Member |
| Hulusi KILIÇ | Member | Independent Member |
| Mehmet Emin BİRPINAR | Member | Independent Member |

Source: www.kap.gov.tr

Committees formed within the Board of Directors

Corporate Governance Committee

| Name / Surname | Title | Duty |
|-----------------------|--|-------------|
| Hulusi KILIÇ | Independent Member of Board | Chairman |
| Mehmet Emin BİRPINAR | Independent Member of Board | Member |
| Farrukh GASSIMOV | Member of Board | Member |
| Kenan YAVUZ | Member of Board | Member |
| Mustafa ÇAĞATAY | Internal Audit and Investor Relations Coordinator | Member |

Audit Committee

| Name / Surname | Title | Duty |
|-----------------------|-----------------------------|-------------|
| İlhami ÖZŞAHİN | Independent Member of Board | Chairman |
| Mehmet Emin BİRPINAR | Independent Member of Board | Member |

Early Detection of Risk Committee

| Name / Surname | Title | Duty |
|-----------------------|-----------------------------|-------------|
| Mehmet Emin BİRPINAR | Independent Member of Board | Chairman |
| İlhami ÖZŞAHİN | Independent Member of Board | Member |
| Süleyman GASIMOV | Member of Board | Member |

Executives

| Name / Surname | Title |
|-------------------|---|
| Sadettin KORKUT | General Manager |
| M. Altay ÖZGÜR | Assistant General Manager (Human Resources) |
| Rıza BOZOKLAR | Assistant General Manager (Financial) |
| Natig DAMİROV | Assistant General Manager (Supply) |
| Nihat GÜRBÜZ | Assistant General Manager (Enterprises) |
| Ali Ekrem ASLAN | Assistant General Manager (Asset Management) |
| M. Fatih KARAKAYA | Assistant General Manager (Sales and Marketing) |

Investor Relations Department

| Name / Surname | Title | Contact |
|-----------------|---|---|
| Mustafa ÇAĞATAY | Internal Audit and Investor Relations Coordinator | 0232 616 6127 yatirimci.iliskileri@petkim.com.tr |
| İlkay ÇETİN | Internal Audit and Investor Relations Manager | 0232 616 6127 yatirimci.iliskileri@petkim.com.tr |

Balance-Sheet Comparison of Company's Certain Selected Items as of Last 2 Yearends (000 TL)

| | 2013/12 | 2014/12 | Change % |
|------------------------|------------|------------|----------|
| Current Assets | 1.700.413- | 1.767.709- | 3,9 |
| Fixed Assets | 1.545.217- | 2.020.548- | 30,7 |
| Total Assets | 3.245.630- | 3.788.257- | 16,7 |
| Short Term Liabilities | 1.213.390- | 1.136.769- | 6,3 |
| Long Term Liabilities | 324.734- | 468.227- | 44,2 |
| Equity | 1.707.505- | 2.183.261- | 27,8 |

Source: Petkim Petrokimya Holding A.Ş. 2014 Annual Report

Income Statement Comparison of Company's Certain Selected Items as of Last 2 Yearends (000 TL)

| | 2013/12 | 2014/12 | Change % |
|---------------------|------------|------------|----------|
| Net Sales | 4.158.730- | 4.132.846- | -0,6 |
| Gross Profit Margin | 249.964- | 94.010- | -62,4 |
| Operational Profit | 72.696- | (57.865-) | -180 |
| EBITDA | 235.688- | 111.410- | -52,7 |
| Net Profit / Loss | 48.897- | 8.679- | -82,2 |

Source: Petkim Petrokimya Holding A.Ş. 2014 Annual Report

Markets where the Capital Market Instrument is Quoted and Indexes that the Company Participates

-National Market
- BIST İzmir / -BIST Chemical, Oil, Plastic / -BIST Corporate Governance / -BIST Industrial / -BIST Sustainability Index / -BIST All / -BIST National / -BIST 100 / -BIST 30 / -BIST 50

The Bottom and Peak Closing Values of Company's Shares traded on the BIST during Last Year

| <i>Bottom (TL)</i> | <i>Peak (TL)</i> |
|--------------------------|--------------------------|
| 3,20-(15.08.2014) | 4,28-(06.07.2015) |

Source: Petkim Petrokimya Holding A.Ş.

B. Changes in In Last One Year:

i. Changes in Capital and Articles of Association :

▪ At its meeting dated 19.11.2014 and numbered 25, Petkim Board of Directors decided to amend Articles 8 (titled "Shares That Represent Capital") and 11 (titled "Board of Directors") of Company's Articles of Association in order to annul board member nomination privileges assigned to A and B type shares, to converse company's (B) group shares to (A) group shares and to divide shares into 2 (two) groups as (A) and (C). After this change, there is no privileged share with the exception of 1 (one) share, which belongs to Republic of Turkey Prime Ministry Privatization Administration.

▪ In line with the aforementioned decision, application has been made to Capital Market Board, which has been granted provided that SOCAR Turkey Enerji A.Ş. will fulfill its mandatory bid requirement if the conditions stated below are met. The announcement of brokerage agency that would manage the process is below:

"In accordance with Capital Market Board (CMB) Communiqué numbered II.23-1 "Common Principles of Material Transactions and Retirement Right (Communiqué)" and CMB's decision of principle taken on 08.07.2014 and numbered 21/688, share purchasing price proposal is determined – taking into consideration the fact that the amendments of Articles of Association have been disclosed to public after the seance - by taking arithmetic average price of PETKİM shares with the nominal value of TRY 1 emerged in the Stock Exchange in the 30 days preceding the disclosure (including the day of disclosure). Therefore STEAŞ applied to CMB to purchase PETKİM shares with TRY 1 nominal value with a price of TRY 3.64, sticking to condition of not exceeding TRY 23,000,000 within the frame of Article 11 and Item 4 of the Communiqué.

If the demand for this pay purchasing proposal exceeds TRY 23,000,000, STEAŞ will not make the purchase and General Assembly approval for the amendments to the Articles of Association, disclosed material event disclosure dated 19.11.2014, will not be sought. If the demand for this pay purchasing proposal equals to TRY 23,000,000 or stays under this amount, then these shares will be purchased by STEAŞ and General Assembly meeting will be held for the approval of the amendments to the Articles of Association, disclosed material event disclosure dated 19.11.2014.

The aforementioned share purchasing proposal is subject to approval of CMB and details of this proposal will be disclosed to public through Share Purchasing Proposal Information Form. Although it was disclosed in the special case declaration dated 24.11.2014 that the arithmetic average price of PETKIM share for last 30 days is TRY 3.63, it was determined as TRY 3.64 in the share purchasing proposal. The reason for this is the fact that although the special case declaration dated 19.11.2014 was made after the séance, the date of 19.11.2014 was not taken into consideration in the declaration.”

The process of mandatory bid was completed on 31.12.2014.

- Company General Assembly held an extraordinary meeting on 20.02.2015 to discuss amendments for Articles 8 (titled “Shares That Represent Capital”) and 11 (titled “Board of Directors”) of Articles of Association. After proceedings in accordance with the agenda the General Assembly approved amendment of Articles 8 (titled “Shares That Represent Capital”) and 11 (titled “Board of Directors”) of Company’s Articles of Association in order to annul board member nomination privileges assigned to A and B type shares and to converse company’s (B) group shares to (A) group shares.

After examination of records and interviews with officials, the opinion has been reached that the announcement for extraordinary general assembly meeting has been made in accordance with methods and within the timeframe, that an information document on agenda items has been prepared, that old and new versions of the Articles of Association has been disclosed to shareholders with the meeting announcement and that the meeting was held within the scope of regulations.

- At its meeting dated 22.01.2015, company Board of Directors decided to amend Articles 3 and 9 and to add Articles 43 and 44 to Articles of Association within the scope of compliance with Energy Market Regulation. After getting permission of CMB, Extraordinary General Assembly was held on 06.03.2015. Amendment of Articles 3 and 9 of Articles of Association and addition of Articles 43 and 44 to the Articles of Association were approved at this meeting.

After examination of records and interviews with officials, the opinion has been reached that the announcement for extraordinary general assembly meeting has been made in accordance with methods and within the timeframe, that an information document on agenda items has been prepared, that old and new versions of the Articles of Association has been disclosed to shareholders with the meeting announcement and that the meeting was held within the scope of regulations.

ii. Dividend Distribution:

At its meeting dated 06.03.2015, company Board of Directors took the decision below on the distribution of net period profits of 2014;

“As there will be no distributable profit left of TRY 8,678,766 net period profit, which was calculated in consolidated financial tables for 2014, prepared within the frame of articles of CMB Communiqué numbered II-14.1; it is decided not to distribute dividend and to present this decision for the assessment and approval of Ordinary General Assembly, which will convene on 30.03.2015.”

This decision was discussed at the Ordinary General Assembly on 30.03.2015 as the 6th item of the agenda and it was decided not to distribute dividend.

iii. Policies:

No change has been made in Company Policies (Disclosure Policy, Dividend Policy, Remuneration Policy, Employee Compensation Policy, Corporate Social Responsibility Policy, Human Resources Policy, Donations and Aids Policy) during the rating period.

iv. Management and Organization:

▪ At its meeting on 03.11.2014, Petkim Board of Directors decided to appoint Farrukh GASSIMOV, representative of SOCAR TURKEY Enerji A.Ş. as Member of Petkim Board of Directors (pending the approval of general assembly), a position revealed after the merger of SOCAR İzmir Petrokimya A.Ş. and SOCAR TURKEY Enerji A.Ş. The change was discussed at the Extraordinary Meeting of General Assembly on 20.02.2015 as 3rd item of the agenda and approved by shareholders.

▪ At its meeting on 06.01.2015, Petkim Board of Directors decided to appoint Mehmet Emin BİRPINAR as Member of Petkim Board of Directors, pending on getting approval at the first Ordinary General Assembly Meeting to be held. The position has been made available after resignation of Board Member Mehmet Hayati ÖZTÜRK. The change was presented for the approval of shareholders at the Extraordinary General Assembly Meeting on 20.02.2015.

▪ At its meeting on 25.02.2015, Petkim Board of Directors decided that Muammer TÜRKER, the representative of Republic of Turkey Prime Ministry Privatization Administration, should continue his duties as Member of Board of Directors and Mehmet Emin BİRPINAR, Member of Board of Directors, should replace him as Independent Member of Board of Directors. It was also decided that the subject should be presented to 2014 general assembly for the approval of shareholders. The change was discussed at the Ordinary General Assembly Meeting on 30.03.2015 as the 7th item of the agenda and approved.

v. Relations with Employees and Union Labor Agreement:

According to Petkim's PDP statement dated 02.06.2015 and statements from the Union, a labor agreement for the period between 01.01.2015 and 31.12.2016 was concluded between the Company and Petrol İş Union. The agreement requires wage increases between 6 % and 9 % for the first 6 months and increases in parallel with inflation rate for the 2nd, 3rd and 4th six months. As of December 31, 2014 the Company employs 2,425 people. 1,907 employees are covered by the labor agreement and 581 are not.

vi. Production, Investment and Enterprise Operations:

▪ "Value-Site 2023" Project, which aims Refinery-Petrochemicals-Energy-Logistics Integration on Petkim Peninsula, continues. It is estimated that SOCAR Group will invest a total of \$ 10 billion to Petkim Peninsula in the decade between 2008 and 2018 within the scope of this project. STAR Refinery investment (\$ 5.6 billion by SOCAR Group), the first link of the chain of integration, continues. It is the largest investment at one point and will be Turkey's first private refinery. It is planned to start production at the beginning of 2018.

- Petkim Container Port is the “Logistics” link of the integration chain. First phase of this port investment will be commissioned in 2015. The port investment is made by Petlim Limançılık ve Ticaret A.Ş., 70 % of which belongs to Petkim and 30 % to Goldman Sachs International. Together with financial cost, total cost of this investment will be \$ 400 million. Dutch based port operator APM Terminals will undertake the operation of port for 28 years, with an option of 4 years.

- Giving importance to variety in energy - one of its main production inputs – Petkim has decided to construct a Wind Power Plant (WPP). It has signed an agreement with Alstom for the construction of a 51 MW WPP at an investment cost of around EUR 54 million. The RES will be built in two phases. The first phase of Petkim WPP will be completed in mid 2016 and it will increase production capacity of Petkim by 12 %.

- \$ 118 million investment at the Ethylene Plant, producing basic raw materials, was commissioned on 17.11.2014. This investment aimed to increase the production capacity of the plant by 13 % to 588,000 Ton/Year and to reduce unit consumptions of energy and raw materials.

vii. Changes in subsidiaries and their impact on PETKİM:

- SOCAR Turkey Enerji A.Ş., indirect dominant shareholder of the Company and SOCAR İzmir Petrokimya A.Ş., a 100 % subsidiary of SOCAR Turkey Enerji A.Ş. with 10.32 % of Petkim shares were merged on 22.09.2014. Shareholder structure of the Company in the aftermath of merger as of the date of this report is given on page 7 (Seven). On the other hand, it was decided at the Board of Directors meeting on 03.11.2014 to elect SOCAR TURKEY Enerji A.Ş. (Representative Farrukh GASSİMOV) for the membership of board seat – subject to be presented for the approval of general assembly at first meeting - , which became vacant as a result of the aforementioned merger.

- With the decision of its Board of Directors dated 28.04.2010 and numbered 64 / 132, the Company became shareholder of its subsidiary Petlim Limançılık Ticaret A.Ş. with TRY 100,000 cash capital and 99.99 % of the stock in order to implement port operations. Petlim’s capital was increased to TRY 8,000,000 with the general assembly decision dated 13.11.2012. Petlim’s capital was increased to the level of TRY 83,000,000, from TRY 8,000,000 with the general assembly decision dated 30.09. 2013 and Petkim has got 100 % ownership of the company. Petlim’s capital was increased to TRY 150,000,000 from TRY 83,000,000 with the general assembly decision dated 17.11.2014.

- Goldman Sachs International (“GSI”, “GS”with subsidiaries) purchased 45 million shares of subsidiary company Petlim – representing 30 % of Petlim’s capital - on 18.12.2014.

On the same day, within the scope of Sale Option Contract it signed with GSI, STEAŞ undertook guarantorship for the undertakings Petkim took as a result of Share Transfer Contract. Thus GSI gained the right to sell its shares to Petlim (put option), if it is required and the conditions of contract are met. There is agreement in the Sale Option Contract that Petlim shares will be opened to public in 7 years (at the most) following signing of Share Transfer Contract. It has also been regulated that GSI would be compensated by STEAŞ for the losses it might face as a result of option relationship. SOCAR Azerbaijan, the main shareholder of STEAŞ, has provided a Comfort Letter, stating that it aims for STEAŞ to have sufficient sources to discharge its undertakings, which have been described in detail above.

- An analysis of Petlim's sale profit is below (TRY):

| | |
|---|---------------------|
| Sale turnover of Petlim's 30 % shares | 580.750.000- |
| Net carrying value for sold shares | (48.939.667-) |
| Share sale profit before tax | 531.810.333- |
| Calculated tax (-) | (26.590.517-) |
| Service price for Garantorship, tax net version (-) | (38.895.731-) |
| Net share sale profit | 466.324.085- |

viii. Regulation Changes and Other:

- It was announced that on 24.12.2013, referring to Article 53 of Customs Regulation, Tax Office charged the Company with TRY 9.6 million stamp tax on imports and TRY 9.6 million fine for tax loss for the years of 2008-2009-2010-2011 and 2012. It was also disclosed to public through Public Disclosure Platform that Company would use its legal rights against these declarations. In the Special Case Declaration on it was disclosed that legal objections were resulted in favor of the Company and the aforementioned tax and tax fine were completely cancelled.



3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

408 criteria are used in the rating process for BIST First Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also

considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

| GRADE | DESCRIPTIONS |
|-------|--|
| 9–10 | <p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognised and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p> |
| 7–8,9 | <p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p> |
| 6–6,9 | <p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p> |
| | |

| GRADE | DESCRIPTIONS |
|-------|--|
| 4-5,9 | <p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p> |
| < 4 | <p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p> |