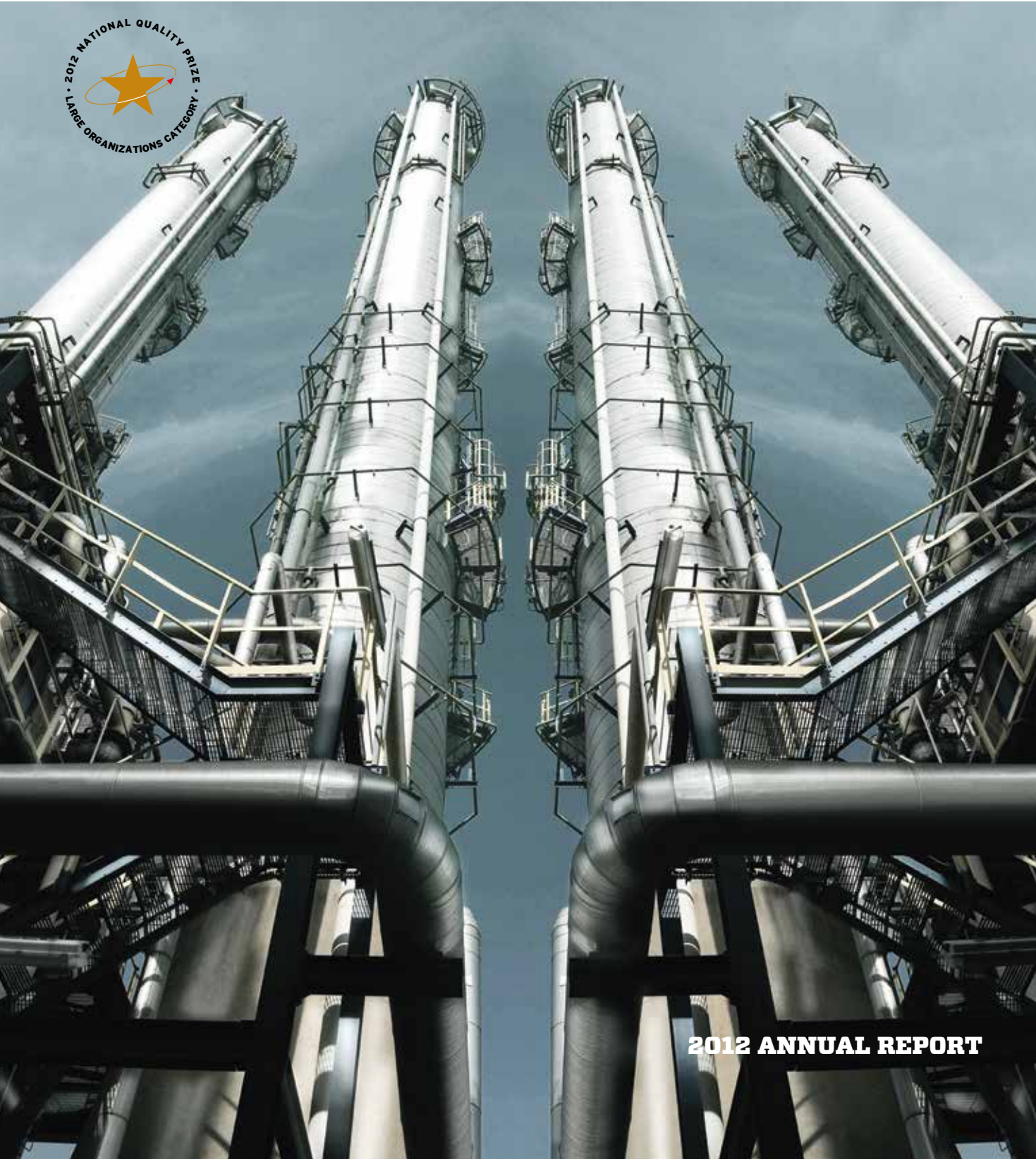


**WE ARE THE  
SOURCE OF GROWTH**



**2012 ANNUAL REPORT**

## TABLE OF CONTENTS

### INTRODUCTION

- 04** Petkim at a Glance
- 12** Principal Financial Indicators
- 14** A Story of Growth
- 18** Message from the Board of Directors
- 20** Board of Directors
- 23** Audit Committee
- 24** Message from the General Manager
- 28** Executive Management
- 30** SOCAR Turkey Enerji A.Ş.
- 30** Petkim 'Value-Site' 2023

### ACTIVITIES IN 2012

- 32** Production
- 34** Marketing and Sales
- 38** Global and Domestic Cooperation
- 40** Human Resources
- 44** The Environment
- 46** Technology Management
- 50** Petkim's Journey to Excellence and Integrated Management System
- 52** Research and Development
- 54** Sustainability
- 56** Corporate Social Responsibility
- 58** Awards and Achievements

### CORPORATE GOVERNANCE

- 59** Corporate Governance and Investor Relations
- 61** Agenda
- 62** Profit Distribution
- 63** Amendments to the Articles of Association
- 82** Declaration of Independence
- 85** Corporate Governance Principles Compliance Report
- 103** Profit Distribution Policy
- 104** Statement of Responsibility

### FINANCIAL INFORMATION

- 105** Statutory Auditors' Report
- 107** Independent Auditors' Report

Petkim, the industrial giant of Turkey, contributes to economic development by maintaining its solid growth through large-scale investments in capacity expansion, scheduled maintenance and productivity increase.

**A strong Petkim means a solid industry and a powerful Turkey!**

Petkim continues to take solid steps towards growth, produces raw materials needed for indispensable products, creates added value for Turkey.



ULUSAL KALİTE Ö



# WE ARE THE SOURCE OF QUALITY

Petkim signed the “National Quality Movement Goodwill Statement” in 2004 and its achievements on the way of excellence were crowned by the honour of receiving the “EFQM National Quality Success Award” in 2012.

DÜL TÖRENİ



## PETKİM AT A GLANCE

The products in Petkim's portfolio are raw and intermediate materials for utilized in sectors such as construction, agriculture, automotive, electricity, electronics, packaging and textiles as well as pharmaceutical, paint, detergent and cosmetics.

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

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

On May 30, 2008, in a privatization tender with the block sale method, 51% of the public shares of Petkim was sold to SOCAR&Turcas Petrochemical for US\$ 2,040,000,000. In 2011, Turcas Petrol A.Ş. sold all of its shares to the State Oil Company of Azerbaijan Republic (SOCAR). Following this sale, title of SOCAR&Turcas Petrochemical Enerji A.Ş. was registered as SOCAR Turkey Petrochemical A.Ş. In 2012, 10.32% public shares of Prime

Ministry Privatization Administration in the capital of Petkim Petrochemical Holding A.Ş. were sold to SOCAR İzmir Petrochemical A.Ş. and the shares were transferred.

With over 50 petrochemical products in its product range, Petkim is the most important raw material supplier in the Turkish industry and has a privileged position in the private sector in terms of its profitability and production performance. The products in Petkim's portfolio are raw and intermediate materials utilized in sectors such as construction, agriculture, automotive, electricity, electronics, packaging and textiles as well as pharmaceutical, paint, detergent and cosmetics. Having significant advantages in terms of infrastructure and land, Petkim has been in a deep-rooted transformation process, including raw material integration, on the way of becoming the largest petrochemical complex in Europe. Petkim, which has an annual average gross production of 3 million tons, is committed to continue adding value to Turkey's national economy and being a source of pride by respecting people and using environment-friendly production technology contributing to Turkey's cultural, social and economic life.

**50**

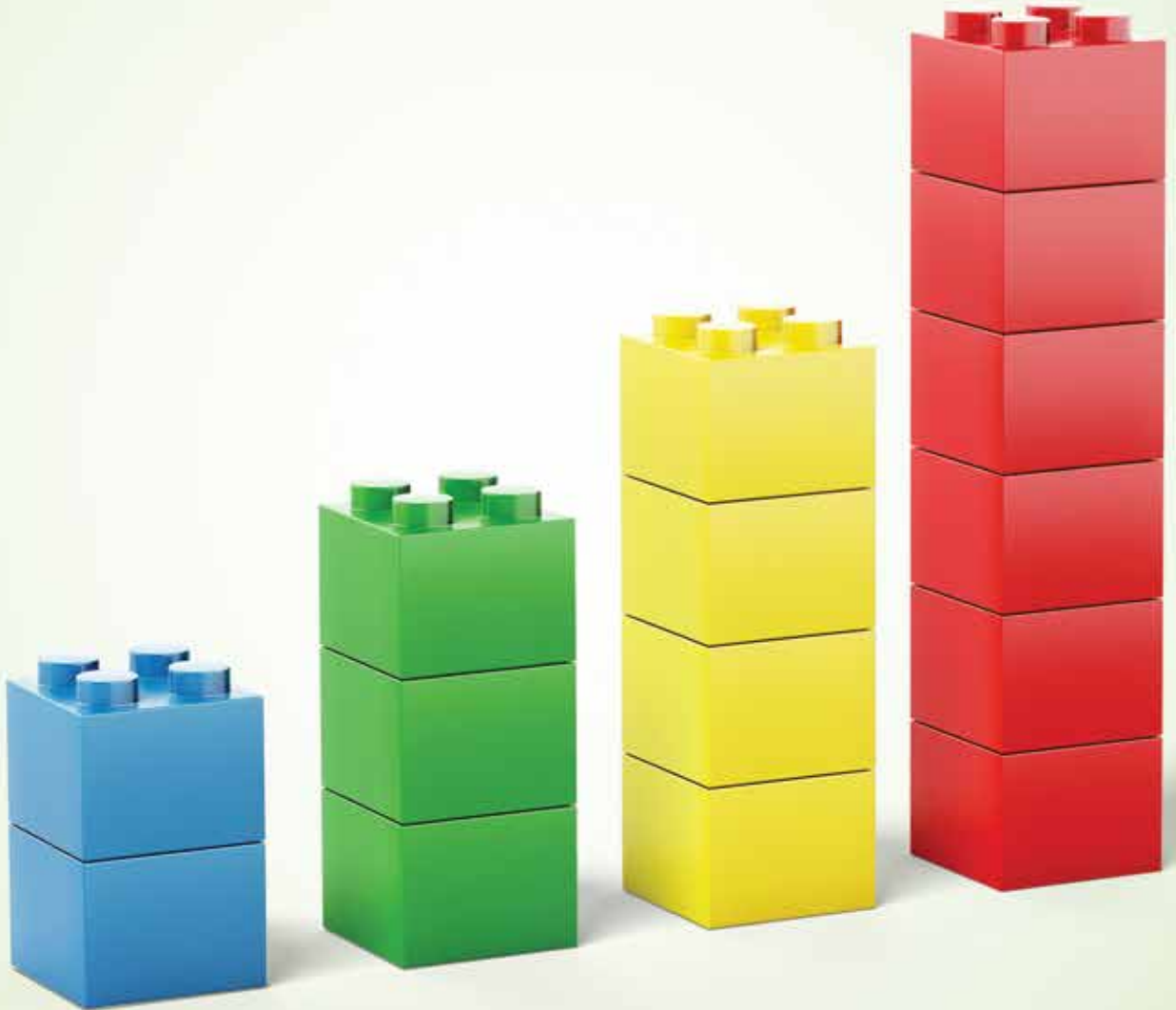
*More than 50 Strategic Petrochemical Products*

**3 million tons**

*Petkim's annual average gross production is 3 million tons.*

## **WE ARE THE SOURCE OF SUCCESS**

In 2012, with the objective of sustainable growth, Petkim continued its efforts in capacity expansion and new product development to increase its market share. Following the completion of the investment in PA Plant, a 44% capacity increase was achieved.



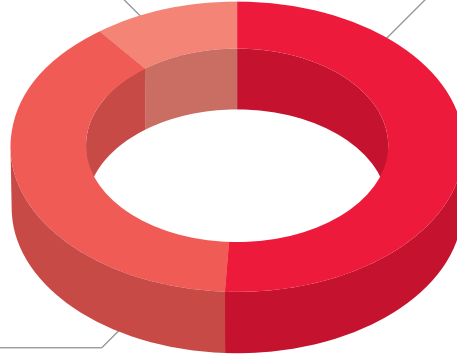
## PETKİM AT A GLANCE

## FIVE-YEAR KEY INDICATORS (TL THOUSAND)

	2008	2009	2010	2011	2012
Total Assets	1,698,293	2,113,203	2,375,893	2,671,127	2,799,356
Net Sales	2,320,433	2,057,459	2,909,392	3,891,322	4,348,910
Net Profit (Loss)	(151,258)	114,035	130,085	102,341	17,429
Exports (US\$ million)	523	347	531	834	1,041
Issued Capital	204,750	204,750	1,000,000	1,000,000	1,000,000
Investments	70,272	69,858	84,872	151,897	85,236
Number of Employees	2,612	2,421	2,457	2,585	2,401

## SHAREHOLDING STRUCTURE

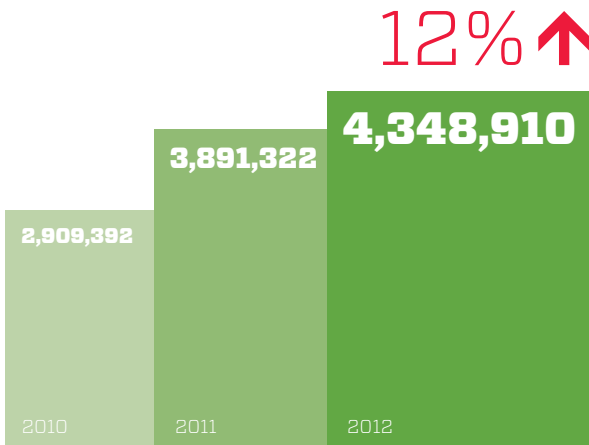
**10.32%** SOCAR İzmir Petrokimya A.Ş.  
**10,321,568,109** Number of Shares  
**103,215,681.09** Value (TL)



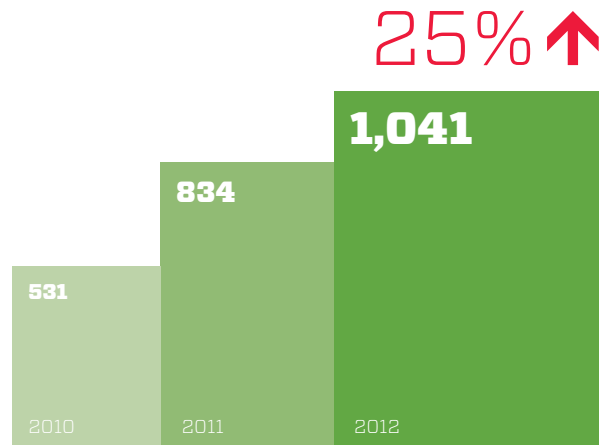
**51.00%** SOCAR&Turkey Petrokimya A.Ş.  
**51,000,000,000** Number of Shares  
**510,000,000.00** Value (TL)

**38.68%** Other Publicly traded in ISE  
**38,678,431,890** Number of Shares  
**386,784,318.90** Value (TL)

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



NET SALES (TL THOUSAND)



EXPORTS (US\$ MILLION)



## OUR VISION

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

## OUR MISSION

Petkim;

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

## OUR VALUES

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

**PETKİM AT A GLANCE**

**PRODUCTION BY YEARS (TONS)**

<b>PRODUCTS</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
ETHYLENE	495,372	500,977	512,783	453,519	468,968
<b>THERMOPLASTICS</b>	<b>647,844</b>	<b>666,350</b>	<b>691,846</b>	<b>652,775</b>	<b>642,336</b>
PVC	131,805	137,978	148,294	145,491	146,042
LDPE	192,721	172,584	189,531	189,330	155,916
LDPE -T	112,224	140,839	138,175	105,527	140,321
HDPE	88,254	86,118	82,106	89,801	86,699
PP	122,840	128,830	133,740	122,626	113,358
<b>FIBER RAW MATERIALS</b>	<b>178,604</b>	<b>181,439</b>	<b>246,365</b>	<b>242,536</b>	<b>211,803</b>
ACN	90,367	93,552	94,045	98,072	95,084
PTA	42,303	60,207	73,668	60,269	28,645
MEG	45,934	27,680	78,653	84,195	88,074
<b>OTHER PRODUCTS</b>	<b>1,577,364</b>	<b>1,608,020</b>	<b>1,789,164</b>	<b>1,572,283</b>	<b>1,705,567</b>
PA	29,800	33,238	39,734	31,650	23,785
BENZENE	130,586	146,060	160,154	111,762	146,181
PROPYLENE (CG)	91,579	95,480	101,151	101,066	76,283
PROPYLENE (PG)	149,205	149,457	151,318	141,592	166,847
P-X	109,102	130,706	140,167	106,935	144,684
C4	138,265	85,605	138,244	143,020	155,786
PY-GAS	347,673	348,034	369,313	348,002	377,587
CHLORINE	82,335	82,813	92,191	79,032	82,506
SODIUM HYDROXIDE (100%)	93,458	93,148	105,107	87,672	92,730
VCM	118,201	131,660	141,639	128,790	139,772
OTHER	287,162	311,819	350,146	292,762	299,405
<b>TOTAL</b>	<b>2,899,184</b>	<b>2,956,786</b>	<b>3,240,159</b>	<b>2,921,113</b>	<b>3,028,674</b>

## DAILY USE OF PETKIM PRODUCTS

### PP

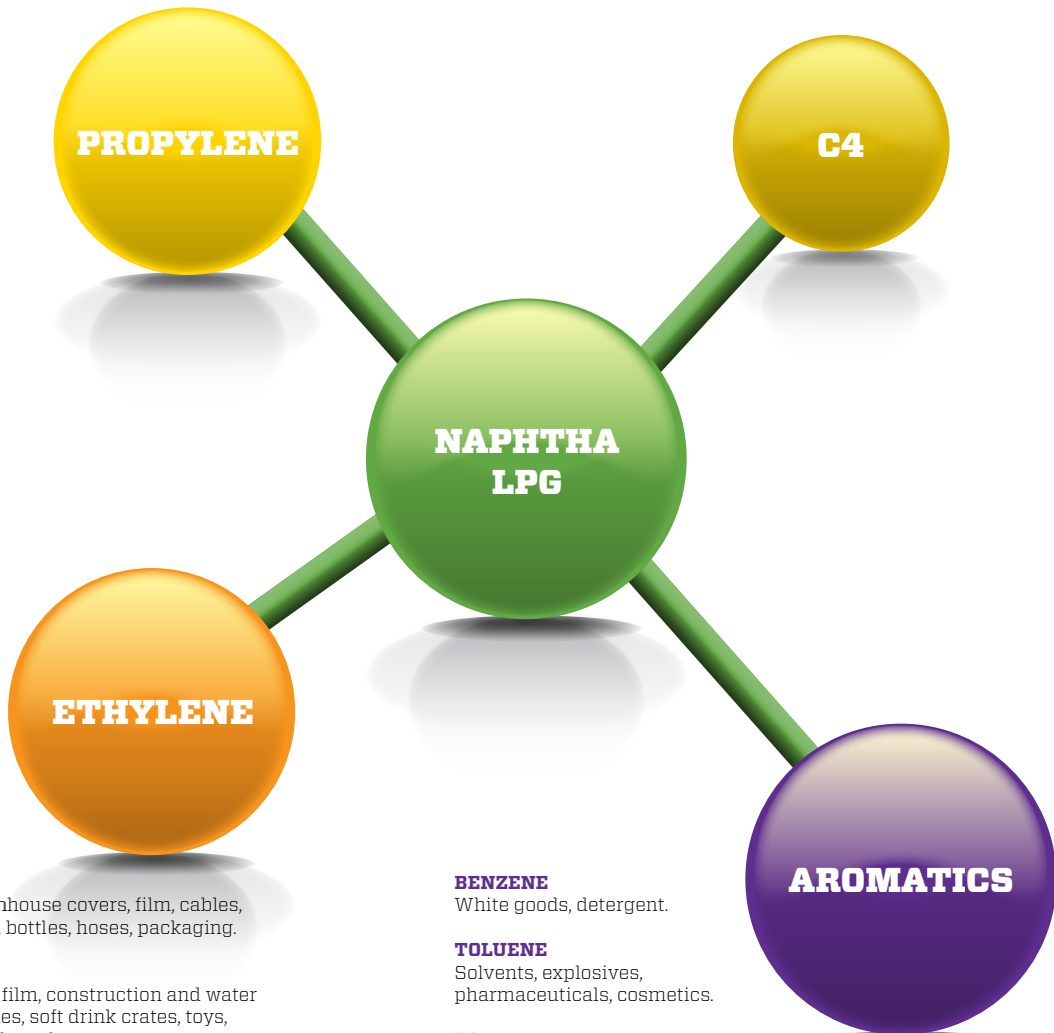
Knitting yarn, sacks, carpet thread, ropes and hawsers, table cloths, napkins, doormats, felt, hoses, radiator pipes, fishing nets, brushes, blankets.

### ACN

Textile fibers, artificial wool, ABS (Acrylonitrile Butadiene Styrene) resins.

### BUTADIENE

Rubber and automotive tires.



### LDPE

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

### HDPE

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

### MEG

Polyester yarn, polyester film, antifreeze.

### PVC

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

### MASTERBATCH

Plastic bags.

### BENZENE

White goods, detergent.

### TOLUENE

Solvents, explosives, pharmaceuticals, cosmetics.

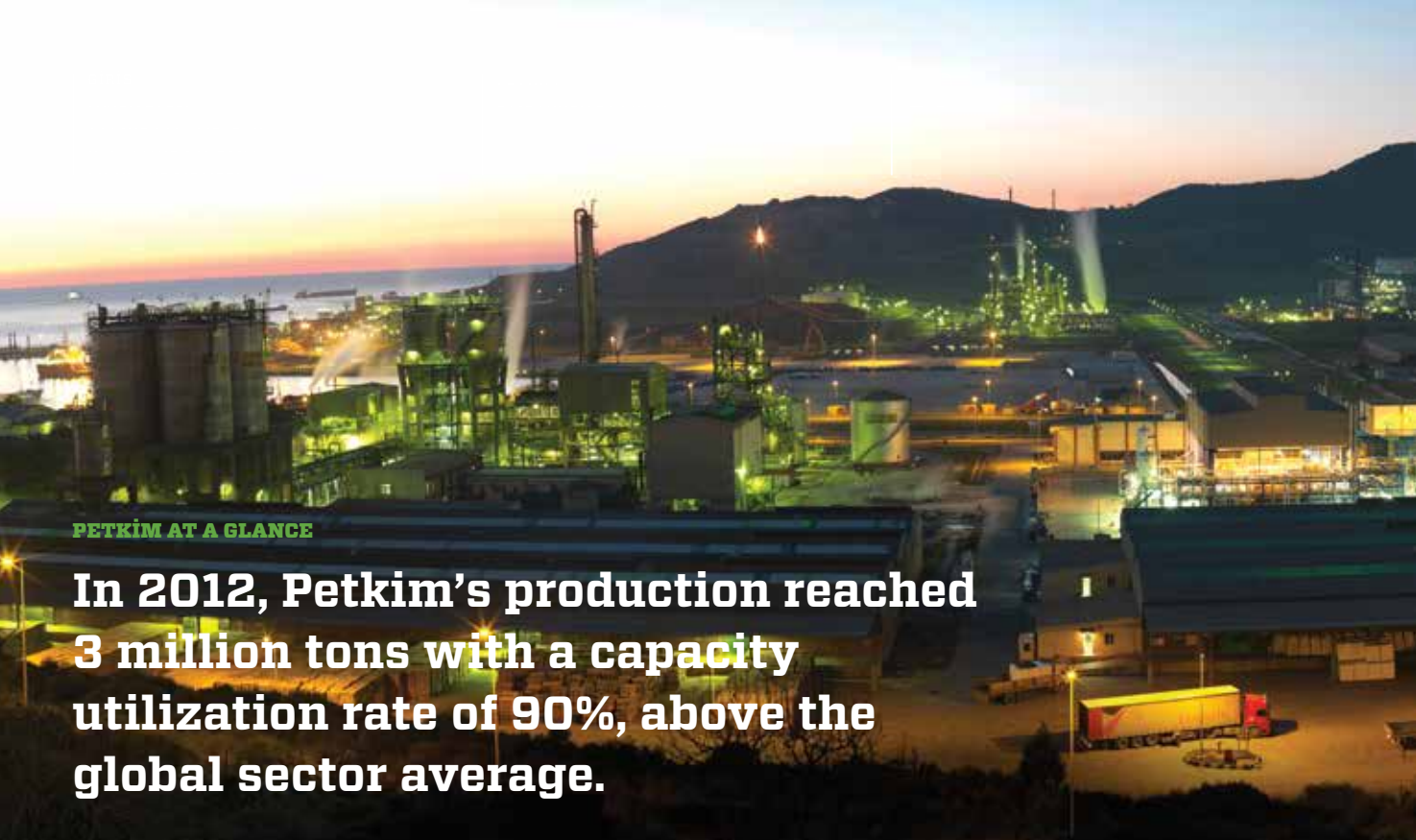
### PA

Pigments, plasticizers, synthetic chemicals, polyester.

### PTA

Polyester fiber, polyester resin, polyester film.

## AROMATICS



## PETKİM AT A GLANCE

**In 2012, Petkim's production reached 3 million tons with a capacity utilization rate of 90%, above the global sector average.**

### PETKİM FACILITIES - PLANTS

#### Ethylene Plant

2012 Output:  
**867,884** tons (Ethylene  
+Propylene+C4)  
Capacity Utilization:  
**92.4%**

#### Low Density Polyethylene (LDPE) Plant

2012 Output:  
**155,916** tons  
Capacity Utilization:  
**82.1%**

#### Tubular Low Density Polyethylene (LDPE-T) Plant

2012 Output:  
**140,321** tons  
Capacity Utilization:  
**87.7%**

#### High Density Polyethylene (HDPE) Plant

2012 Output:  
**86,699** tons  
Capacity Utilization:  
**90.3%**

#### Polypropylene (PP) Plant

2012 Output:  
**113,358** tons  
Capacity Utilization:  
**78.7%**

#### Vinyl Chloride Monomer (VCM) Plant

2012 Output:  
**139,772** tons  
Capacity Utilization:  
**92%**

#### Polyvinyl Chloride (PVC) Plant

2012 Output:  
**146,042** tons  
Capacity Utilization:  
**97.4%**

#### Acrylonitrile (ACN) Plant

2012 Output:  
**95,084** tons  
Capacity Utilization:  
**105.6%**

#### Ethylene Glycol Plant

2012 Output:  
**88,074** tons MEG  
Capacity Utilization:  
**99%**

#### Phthalic Anhydride (PA) Plant

2012 Output:  
**23,785** tons  
Capacity Utilization:  
**63%**

#### Aromatics Plant

2012 Output:  
**328,692** tons (Benzene+Xylenes)  
Capacity Utilization:  
**97.5%**

#### Chlorine Alkali (CA) Plant

2012 Output:  
**82,506** tons Chlorine Gas  
Capacity Utilization:  
**82.5%**

#### Pure Terephthalic Acid (PTA) Plant

2012 Output:  
**28,645** tons  
Capacity Utilization:  
**40.9%**

#### FFS Roll Film Unit

2012 Output:  
**2,480** tons  
Capacity Utilization:  
**62%**

#### Masterbatch Unit

2012 Output:  
**5,694** tons  
Capacity Utilization:  
**56.9%**



#### **Petkim FACILITIES - AUXILIARY PROCESSING UNITS**

##### **Güzel Hisar Dam**

Clearance Volume:

**13 million m<sup>3</sup>**

Active Volume:

**137 million m<sup>3</sup>**

Total Storage Volume:

**150 million m<sup>3</sup>**

##### **Wastewater Treatment Plant**

Water Pool Storage Capacity:

**80,000 m<sup>3</sup>**

Usage Areas:

Fire water, raw water, processed water, cooling water and drinking water

2012 Treated Water Output:

**14,270,757 m<sup>3</sup>**

##### **Water Unit**

Post-increase Capacity:

**1,700 m<sup>3</sup>/h**

2012 Production:

**4,994,374 m<sup>3</sup>**

##### **Energy Production**

###### **Steam Production Unit**

Installed Capacity:

**1,200 tons/h XHS**

2012 Production:

**4,990,565 tons XHS**

##### **Electricity Production-Distribution**

###### **Total Power Generated:**

**226 MW**

2012 Output:

**1,029,759 MWh**

Electricity Produced/Total Electricity

Consumption:

**98.2%**

##### **Water Purification Unit**

Installed Capacity:

**550 m<sup>3</sup>/h Oily Wastewater**

**120 m<sup>3</sup>/h Domestic Wastewater**

**1,000 m<sup>3</sup>/h Chemical Wastewater**

##### **Solid-Liquid Waste Incinerator**

Installed Capacity:

**0.85 ton/h Solid Waste**

**1.07 ton/h Treatment Sludge**

**0.34 ton/h Waste Oil**

##### **Port**

2012 Ship Count:

**867**

Loading/Shipping volume:

**3,487,008 tons**

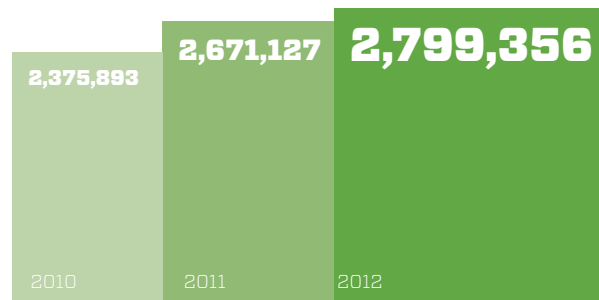
## PRINCIPAL FINANCIAL INDICATORS

Petkim takes solid steps towards being an international petrochemical company.

<b>SUMMARY BALANCE SHEET (TL THOUSAND)</b>	<b>2011</b>	<b>2012</b>
Current Assets	1,333,922	1,442,049
Non-Current Assets	1,337,205	1,357,307
<b>Total Assets</b>	<b>2,671,127</b>	<b>2,799,356</b>
Short-term Liabilities	841,241	1,019,244
Long-term Liabilities	127,198	115,795
Equity	1,702,688	1,664,317
<b>Total Equity and Liabilities</b>	<b>2,671,127</b>	<b>2,799,356</b>

<b>SUMMARY INCOME STATEMENT (TL THOUSAND)</b>	<b>2011</b>	<b>2012</b>
Net Sales	3,891,322	4,348,910
Gross Profit	174,697	76,242
Operating Profit	162,942	(10,314)
EBITDA	215,512	98,517
<b>Net Profit for the Year</b>	<b>102,341</b>	<b>17,429</b>

<b>KEY RATIOS</b>	<b>2011</b>	<b>2012</b>
Current Ratio	1.59x	1.41x
Liquidity Ratio	0.87x	0.82x
Financial Leverage Ratio	0.36x	0.41x
Debt Ratio (Total Debt/Equity)	0.57x	0.68x
Gross Profit Margin (%)	4.49	1.75
Operating Profit Margin (%)	4.19	(0.24)
EBITDA Margin (%)	5.54	2.27
Net Profit Margin (%)	2.63	0.40



**TOTAL ASSETS (TL THOUSAND)**

# **WE ARE THE SOURCE OF PROGRESS**

Pioneering advanced manufacturing industry in Turkey and producing intermediate raw material, Petkim takes on solid steps towards its targets within the synergy created by the partnership with Azerbaijan SOCAR group.



## A STORY OF GROWTH



### 1965-1970

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

### 1971-1975

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

### 1976-1983

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

### 1984-1989

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

### 1990-1995

- Petkim's capital was raised to TL 2 trillion in 1990 and TL 3 trillion in 1991.
- Alpet and Yarpet, Petkim subsidiaries, were absorbed into Petkim along with all of their assets and liabilities on the basis of their balance sheets as of August 31, 1990.
- Petkim's Headquarters and the Aliğa Complex organizations were merged, and the Yarımca Complex was restructured into Yarımca Complex Management.
- As a result of expansion and rehabilitation projects at the Aliğa Complex's LDPE, HDPE, PP and ACN plants in 1993 and the Yarımca Complex's PVC, PS, CB, SBR, CBR and BDX plants in 1995, a significant increase was achieved in Petkim's production capacity.

### 1996-1999

- Petkim earned a TS-EN-ISO 9002 Quality Assurance Certificate.
- The Company's record keeping was converted from the Paid-up Capital System to the Authorized Capital





System. The Company increased its capital to TL 117 trillion, on the basis of TL 114 trillion transferred from the Revaluation of Fixed Assets Fund.

### 2000-2004

- Investments to replace the mercury cells used in chlorine production with membrane cells and to increase the chlorine production capacity of the Chlorine Alkali Plant to 100,000 tons/year were completed and production began.
- A second 20 MW condensing-type turbo-generator went into operation at the Electric Power Generation Unit in 2001.
- Capital was increased from TL 117,000 billion to TL 204,750 billion.
- As per the Privatization High Council's decree, the Yarımca Complex was sold to Tüpraş.
- The second expansion of the HDPE Plant, which increased production capacity from 66,000 tons/year to 96,000 tons/year, was completed in 2001.
- The addition of a 17th reactor to the PVC Plant was completed, increasing production capacity by 10,000 tons/year, in 2001.

- The Çanakkale Plastic Processing Plant was shut down and the equipment from the plant was transferred to the Aliağa Complex.
- The construction and installation of the Solid-Liquid Waste Incineration Unit was completed in 2002 and the unit began operations in 2003.
- Petkim's dry cargo jetty was opened for service to third parties.

### 2005-2007

- Investments in the expansion of the Ethylene, LDPE and PP plants were begun in 2004 and was completed in 2005. The capacities of the plants increased from 400,000 tons/year to 520,000 tons/year for ethylene, from 190,000 tons/year to 310,000 tons/year for LDPE, and from 80,000 tons/year to 144,000 tons/year for PP. This represents the largest investment program undertaken in the past 18 years.
- At the Aromatics Plant, PX capacity was increased from 100,000 tons/year to 136,000 tons/year, while benzene capacity was increased from 123,000 tons/year to 134,000 tons/year.

- In a transparency survey conducted in 2006 by Standard & Poors and Sabancı University, Petkim was ranked one of Turkey's "Five Most Transparent Organizations".
- Following investments totaling US\$ 90 million, a 57 MW gas turbine went into operation at the Steam Production and Electric Power Generation units in 2007. Additionally, in order to attain fuel flexibility, the steam boilers were converted to be able to operate on natural gas as well as fuel oil.
- In March 2007, Petkim's Solid-Liquid Waste Incineration Unit began accepting waste from third party companies for incineration.
- In 2007, a co-extruder unit producing FFS roll film went into operation at the Bag Production Unit, and the use of FFS bags for all solid products was gradually phased-in to replace the older, less efficient bags.
- A privatization tender for the state-owned shares of Petkim, equivalent to a 51% stake in the Company, using the block sale method was announced. The tender, which was open to the public, took place on

## A STORY OF GROWTH



July 5, 2007, and the sale of the shares to the second highest bidder, the SOCAR & TURCAS Consortium, was approved by decision number 2007/63 of the Privatization High Council on November 22, 2007.

## 2008-2009

- The official sale of the state-owned 51% block of shares in Petkim Petrochemical Holding Inc., to the second highest bidder, the SOCAR & TURCAS Consortium, for US\$ 2.04 billion was formally completed. The agreement for the transfer of 51% of Petkim's shares to SOCAR & TURCAS Petrochemical Inc., the company established by the SOCAR & TURCAS Consortium, was signed on May 30, 2008.
- A 1.3 million m<sup>2</sup> parcel of land owned by Petkim was allocated to the STAR Rafineri A.Ş. for the establishment of a raw materials refinery.
- Major improvements in productivity were realized by upgrading technology in order to increase raw materials flexibility. Meanwhile, Petkim began cracking not only naphtha but also LPG.

- As a part of Petkim's plans to expand its logistics infrastructure, the Company initiated a feasibility study for an expanded port and began a detailed terminal planning project.
- Following of the Integrated Management System Certification Audit carried out by the Turkish Standards Institute, the decision was made to renew Petkim's ISO 9001 Quality Control Certificate and to grant the Company ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

## 2010

- Petkim voluntarily joined the independent, international Carbon Disclosure Project (CDP); the Company established and announced its carbon emissions policies according to CDP guidelines.
- On June 23, 2010, STAR Rafineri A.Ş. received the license for a 10 million ton capacity refinery at the Petkim Complex.
- In order to boost the efficiency of port operations, Petkim Limancılık Ticaret

A.Ş. was established on November 22, 2010.

- Enterprise Resource Planning Project (ERP) was launched on October 1, 2010, and all operational processes began to be monitored through this initiative.
- As of June 29, 2010, Petkim's capital was increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.
- The Energy Market Regulatory Authority (EMRA) approved Petkim's application for the construction of a wind power plant, by the decision number 2922-16 dated November 15, 2010.

## 2011

- On October 25, 2011, the foundation of a 10 million ton capacity refinery, owned by STAR Rafineri A.Ş., to be built at Petkim Complex was laid.
- Due to the investments completed on October 25, 2011 in LDPE-T Plant, a capacity increase of 20% was achieved.
- On September 30, 2011, the Oxygen, Nitrogen and Compressed Air Unit of Petkim were sold to Air Liquide, one of the leading industrial gas producers in the world.



- Shareholding structure of the Company changed. Turcas sold out its shares and 51% of Petkim shares were owned by SOCAR Turkey Enerji A.Ş., a subsidiary of SOCAR.
- In August 2011, the furnace rehabilitation project ongoing since 2009 at the Aromatics Plant was successfully completed. As a result of this investment, productivity increase due to significant decrease in energy costs and improvement in environmental emissions were ensured.
- Petkim Yarımca land was sold through a tender.
- The agreement for capacity increase in Ethylene plant was signed.

## 2012

- A preliminary agreement was signed between Petkim Limancılık A.Ş., 100% subsidiary of Petkim, and APM Terminals, Dutch-based company active in operation and management of container terminals, for operation of the container port, which will be built in Petkim production facilities, by APMT.

- On February 22, 2013, an operation agreement was signed with APMT BV and APM Terminals for operation of the container port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).
- Following the expansion investment in August 2012, the capacity of PA plant increased from 34,000 tons/year to 49,000 tons/year.
- In the National Awards of Quality, one of the most prestigious awards of Turkey, which was held in cooperation with TUSİAD and Kalder, Petkim was awarded National Quality Success Award in the category of Large-scale Institutions.
- Regarding its investments for capacity increase and new product developments, Petkim obtained Strategic Investment Incentive Certificate, which became effective in 2012 within the framework of strategic investments for decreasing current account deficit.
- Petkim was awarded with the first prize in the contest of "The Project Increasing Efficiency in Industry" organized by the Ministry of Energy

- and Natural Resources to encourage institutions to promote energy efficiency and savings. Participating to the contest with seven projects, which ensure TL 58 million annual savings and 140 thousand tons less CO<sub>2</sub> emissions in a year, Petkim was awarded the First Prize in the category of large industrialists consuming energy more than 50,000 TEP.
- On December 25, 2012, in order to ensure continuity in procurement at appropriate costs in natural gas, one of the significant cost items, Petkim came to a mutual agreement with SOCAR Gaz Ticaret A.Ş., a subsidiary of SOCAR (State Oil Company of Azerbaijan Republic), main shareholder of the Company, to purchase natural gas up to 455 million Sm<sup>3</sup> a year.
- The construction of Heydar Aliyev Technical and Industrial Vocational High School was completed with contribution of Petkim and was given to National Education Directorate of Aliğa to start education.

## MESSAGE FROM THE CHAIRMAN

In 2012, we uninterruptedly continued our investments for the integration of refinery-petrochemical-energy-logistics, which we plan to complete in 2016 in line with our vision of 'Value-Site'.

Distinguished shareholders and business partners,

We left behind a year through which the influences of the global crisis increasingly continued all over the world, particularly in Europe. The global crisis, which unseated the governments of five countries in Europe, once more reminded us the importance of the "production economy".

Despite these adversities, we capped the year of 2012 with the best possible figures in our balance sheet even though we had to produce at the "highest costs throughout our history". For 2013, the expectations regarding the petrochemical sector are high both in Turkey and in the rest of world. By virtue of our uninterrupted investments, we will complete the integration of "Refinery-Petrochemical- Energy-Logistics" in Petkim Peninsula in 2016 within the framework of our vision of 'Value-Site'. We know very well that our vision, which will bring the first Chemical Industry Park ('Value Site') with a cluster model to Turkey, has a vital importance for not only our Company but also Turkish chemical industry and our countries' economies.

The privatization of Petkim, a strategic initiative in terms of the relations between Turkey and Azerbaijan, paved the way for investing in petrochemical and refinery sectors, which are highly risky investments. By means of the synergy created with combining forces of Turkey and Azerbaijan, a new worldwide power arises. Today, while Europe, the US and Japan are unable to invest in petrochemical sector due to the deep crisis in the world, our continuing existence in the sector and our ongoing investments display the competitive strength of our countries.

In 2013, we will continue our investments in the plants for capacity increase and debottlenecking. We shared with you and the public the good news that we received in the first days of 2013. Our STAR refinery obtained the "Strategic Investment Incentive Certificate", which entered into our legislation for the first time with the Incentive Law accepted by the National Assembly last year. The fact that the second Strategic Investment Incentive Certificate of our country was given to Petkim is especially important for both our Group and our Company. Within

the framework of "The Project of Increasing Capacity in Petrochemical Products and Production of New Products", our investments to increase capacity in Ethylene and Pure Terephthalic Acid Plant (PTA) plants will be easier due to the Strategic Investment Incentive Certificate. Upon completion of these investments, the annual capacity of Ethylene plant will increase by 13% to 587,600 tons from 520,000 tons whereas the annual capacity of PTA plant will reach 105,000 tons from 70,000 tons. Owing to these investments, total annual production capacity of Petkim will increase to 3.5 million tons from 3.2 million tons and significant decline in production costs will be ensured.

The groundbreaking ceremony of STAR Refinery was held on October 25, 2011 and 60% of its site grading and excavation work was completed. The refinery will reach an annual crude oil processing capacity of 10 million tons, of which three million tons will be used by Petkim; therefore, raw material supply security will be ensured. The refinery, which has an investment amount of more than US\$



**VAGIF ALIYEV**  
Chairman of the Board

5 million, is targeted to be completed in 2016. Additionally, the investments that will meet the energy necessity of our Company as well as of the other projects in the peninsula will be made by SOCAR Turkey one by one. The EIA process of the STEP energy power plant, which will be constructed by SOCAR Power in Petkim Peninsula and will have a capacity of 612 MW, is about to be completed. After obtaining the license, we plan to lay the foundation of the power plant in 2013 and put it into use in 2016, together with STAR Refinery. Our work for cogeneration facility, which will produce steam for Petkim and decrease production costs down to competitive levels, is ongoing.

During the first quarter of 2013, we will lay the foundation of Petkim Container Port, which will be the most important part of the “logistics” link in our integration chain. We will realize this investment, which will amount to more than US\$ 300 million, in

cooperation with Dutch-based APM Terminals, one of the leading global companies in operation and management of container terminals.

Distinguished shareholders and business partners,

Turkish chemical industry has the potential to produce locally many products that are currently being imported. The new Incentive Law presents a system that prioritizes exports and employment and focuses on the production of intermediate goods to increase the competitiveness. We are very content of this situation. The investment in petrochemical industry will also trigger the development of the Turkish chemical industry. Within this framework, until 2023, we aim to transform Petkim Peninsula to the most important production and energy center of the region. This center will have container

port, integrated port and a logistics field as well as a refinery to ensure raw material security; it will also have increased its petrochemical production capacity two-fold. It will produce more than the energy necessity of the peninsula with local and foreign investors in a cluster model. By completing our investments as soon as possible in line with our target to construct the first Chemical Industry Park of Turkey, we will maintain the trust and support that we have received.

We are committed to increase our production focused on added value and the employment opportunities we create in the period ahead without losing our excitement for investment and our belief for the future of our countries.

With my deepest regards.

## BOARD OF DIRECTORS



### Vagif ALIYEV

Born in 1959, Vagif Aliyev graduated from the Azerbaijan Civil Engineering Institute's Hydraulic Engineering program in 1981. Aliyev began his career at the Caspian Sea Oil & Gas Production Union's Azer Sea Oil Construction Trust, successfully moving up the ranks from engineer to senior engineer and then section manager. Since 2005, Aliyev has been Head of Investments at the State Oil Company of Azerbaijan Republic (SOCAR) and since 2008, a member of the Board of Directors at Petkim Petrokimya Holding A.Ş. In October 2009, Aliyev was named Chairman of the Board of Directors at Petkim. Aliyev speaks English, Russian, Turkish, Azerbaijani and Georgian. He is married and has two children.



### David MAMMADOV

Born in 1955, David Mammadov graduated from the M. Azizbeyov Petroleum and Chemicals Institute, Azerbaijan, in 1980 with a degree in Chemical Engineering. Mammadov began his career in 1976 as an Operator at the Baku Oil Refinery. Since 2005, he has been Vice President in charge of refineries at the State Oil Company of Azerbaijan Republic (SOCAR). Since 2008, Mammadov has served as a Member of the Board of Directors at Petkim and has taken responsibility as Vice Chairman since April 2012. Mammadov speaks English, Russian, Turkish and Azerbaijani. He is married and has two children.

### Muammer TÜRKER\*

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

He served as District Governor in Orta-Çankırı, Bulanık-Muş and Deputy Governor in Muş respectively. Between 1996-2003, he assumed several tasks in the Ministry of Interior in the Department of Training, General Directorate of Local Authorities, and Department of International and EU Affairs. In 2003 he was appointed as Deputy Undersecretary in the Ministry of Transportation and Communications. During this post he took part in various projects in transportation, telecommunications, informatics and satellite technology. Within the context of the screening process with the EU, he became the coordinator of Transport Policy and Trans-European Networks chapters. He was also member of the Board of Directors in Türk Telekom and Türksat companies. During the period 2006-2009 he worked as the General Director of Security Affairs in the Prime Ministry. Following his post as Governor of Hakkari Province between 2009 and 2012, Türker was appointed Secretary General of the National Security Council on 27 April 2012. Since May 8, 2012, he has been member of the Board of Directors in Petkim as being representative of the Privatization Administration.

Muammer Türker, who is fluent in English, is married and has three children.

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





#### **Farrukh GASSIMOV**

Born in 1959 in Baku, Farrukh Gassimov graduated with a law degree from Baku State University in 1981 and received a doctorate from the Moscow Public Studies and Law Institute in 1985.

From 1985 to 1991, he served as a Lecturer and Associate Professor at the Baku Public Administration and Politics University. Since 2006, he has been Deputy Head of the Legal Department at SOCAR and since 2009, a member of the Board at Petkim.

Gassimov speaks English, Russian and Azerbaijani. He is married and has two children.

#### **Kenan YAVUZ**

Born in 1959 in Bayburt, Kenan Yavuz graduated from the Management Department of the Ankara Academy of Commercial and Economic Sciences in 1981. In 1984, he received an MBA degree from the Istanbul University, Institute of Management Economics.

Yavuz started his professional career at MAKO Electrical Industry and Trade Inc., a joint venture of Koç Holding and Magneti Marelli, where he held various managerial positions in sales, purchasing, planning, finance, accounting, investment management, information systems and marketing. In 2000, Yavuz completed an advanced degree at Yeditepe University, Institute of Social Sciences. From 2003 to 2004, he served as a Member of the Audit Committee at the recently privatized Bursa Natural Gas Distribution Inc. (Bursagaz). In March 2004, Yavuz was appointed to the Board of Directors of Petkim, and in May 2004, he was named General Manager. Following the privatization of Petkim on May 30, 2008, Yavuz continued to serve as General Manager.

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

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

Yavuz speaks English. He is married and has two children.



#### **Hulusi KILIÇ\***

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

Hulusi Kılıç has been serving as Directorate General for Bilateral Political Affairs at the Ministry of Foreign Affairs since October 2012. Kılıç has various published articles named "Bilateral Agreements signed between Turkey and Greece, Important Documents and Memos (October 1992)" and "Bilateral Agreements signed between Turkey and Greece, Important Documents and Memos in Republic Period (October 2000)". He was awarded Order of State (Friendship) of Azerbaijan in September 2012.

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

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



## BOARD OF DIRECTORS

### İlhami ÖZŞAHİN\*

Born in Kastamonu in 1950, İlhami Özşahin graduated from Istanbul State Architecture and Engineering Faculty with a degree in Electrical Engineering in 1975. In 1976, Özşahin started his professional career at TEK as a System Operating Engineer and from 1995 to 2000, he took responsibility as TEK Load Dispatching Department Head. During this period he also assumed the duties of Environment Department Head and Scientific Inspection and Efficiency Department Head. Between 2000-2002, he was appointed as Counselor in General Management of TEAŞ. From 2002 to 2003, he served as Energy Specialist in Energy Market Regulatory Authority and in March 2003, he was appointed as General Manager and Chairman of the Board of Directors in Türkiye Elektrik İletim A.Ş. Within this period, he also took responsibility as Deputy General Manager of EÜAŞ Elektrik Üretim A.Ş. He retired in April 2009.

During his career, he had memberships and Board memberships in various institutions, including Kara Elmas Elektrik Dağıtım Şirketi, ELTEM-TEK, Association of Public Institutions, Trade Union of Public Employers, World Energy Council Turkish National Committee. He attended various international meetings and conferences and took courses in energy planning and coordination in Japan as well as in energy management in the US and UK.

He actively took responsibility in the restructuring of Turkish electrical system in line with the new regulation after 2002 and establishment of liberal electrical market. He also took part in the efforts to ensure conformity of the Turkish electrical system with European system as well as to build energy cooperation, to plan and apply interconnections with the neighboring countries.

Since 2010, Özşahin has worked as an independent consultant. He has been member of the Board in Petkim since April 13, 2012. He is married and has three children.

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



### Süleyman GASIMOV

Süleyman Gasimov was born in Fakhraly village of Bolnisi district, Georgia on December 26, 1961. He graduated from the Azerbaijan National Economic Institute (now Azerbaijan State Economic University) in 1982 and from Academy of Public Administration under the President of the Republic of Azerbaijan in 2003. He worked at various positions (accountant, economist, deputy chief accountant, and chief accountant) in oil and gas industry from 1982 to 1991. Between 1991-2003, he was a chief accountant at Khazardenizneftgas (Caspian Sea Oil and Gas) Production Unit of Azerineft (Azeri Oil) Oil and Gas Production Department, Offshore Oil and Gas Production Unit. In 2004-2006s, he worked as Chief of Division of Economics and Accounting Department of SOCAR, Deputy Chief of the Department, and Chief of the Department.

In 2006, he became the Company's Vice President responsible for economic issues. In 2006, he was awarded "Taraggi" (Progress) Medal, and in 2011 "Shohrat" (Glory) Order. He is a Doctor of Economics and author of one scientific work and more than 15 scientific articles. Mr. Gasimov is a member of the New Azerbaijan Party. He has been member of the Board of Directors since May 2012.

Speaking English, Russian and Azerbaijani, he is married and has two children.



### Mehmet Hayati ÖZTÜRK

Born in 1952 in Keskin, Kırıkkale, M. Hayati Öztürk graduated from Hacettepe University, Faculty of Chemistry and Chemical Engineering in 1976. Öztürk started his professional career at Petkim in 1977 as a Project Engineer at the Yarımcı Complex. He took the positions of Chief and Senior Engineer at Technical Control Department, Deputy Head of R&D Department and Group Head, respectively.

In 2001, Öztürk was appointed as Assistant General Manager at Petkim Petrokimya Holding A.Ş., being responsible for workflows including R&D, finance, projects, investments, planning, sales and marketing. He worked as the General Manager of the Company from January 8, 2010 to December 20, 2012 and appointed as the member of the Board of Directors with the Board decision on December 18, 2012.

M. Hayati Öztürk speaks English and French. He is married and has two children.





## AUDIT COMMITTEE



### **Ferruh Murat BENZER**

#### **Audit Committee Member**

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



### **Koray ATALIK**

#### **Audit Committee Member**

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



### **Ömer ADSIZ**

#### **Audit Committee Member**

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

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

He was also advisor to Turkish-American Inter-parliamentary Friendship Group in 2007-2010; Vice Chairman at the Turkish American Business Improvement and Development Council between 2008-2010; member of the Board at Turkish American Chamber of Commerce and Industry between 2010-2012. Currently, he is Vice Chairman at International Law Center Association. Adsız is also a member of Audit Committee in Petkim Petrokimya Holding A.Ş.

## MESSAGE FROM THE GENERAL MANAGER

Throughout our journey of excellence, which started with the “National Quality Movement Goodwill Statement”, we crowned our achievements with the pride and joy of receiving the EFQM National Quality Success Award in 2012.

Distinguished shareholders and business partners,

Following the 2008 crisis, the importance of production was understood in the world again. Producing countries became more powerful. Many countries, particularly the US, began revise their industrial policies and develop new strategies.

In Turkey, significant steps were taken in 2012 to develop industry and to increase the domestic production. New incentive policies were established to decrease the current account deficit. In addition, within the framework of the 10th Development Plan of the Ministry of Development, specialization commission was established for the “transformation in manufacturing industry” with participation of the industry representatives and it worked on new industrial policies.

Pioneering advanced manufacturing industry in Turkey, Petkim produces intermediate goods, which are among the primary items of the current account deficit. In 2012, Petkim sustained its progress towards its targets, which were set considering its stakeholders' interests, with solid steps by virtue of the synergy created by the partnership with Azerbaijan SOCAR Group. Maintaining its growth within the framework of a cluster model, in which domestic and foreign investors operate, our Company continued its endeavors for the transformation of Petkim Peninsula into a global Chemical Industry Park. In line with this target, SOCAR Turkey's refinery investment in Petkim field, which has 10 million tons crude oil processing capacity, will ensure our Company's raw material security as well as will create higher value added through shared utilization of existent infrastructure and mutual transfer of byproducts.

Another important development that will strengthen our competitive advantage through the synergy created by the partnership with Azerbaijan SOCAR Group is the agreement with SOCAR Gaz Ticaret A.Ş., a subsidiary of Azerbaijan SOCAR, in December 2012 to meet the natural gas necessity of Petkim. The agreement, which ensures annual natural gas purchase of up to 455 million Sm<sup>3</sup>, is expected to provide significant cost advantage as well as supply security for our Company. Petkim Port development works, which has a great importance in terms of Petkim's transformation to a Chemical Industry Park, is successfully conducted in cooperation with Petlim Limancılık Ticaret A.Ş. and Dutch-based APM Terminals. Petkim Container Port, which will constitute logistics side of the “refinery-petrochemicals-energy-logistics integration”, is planned to be the new logistic base of the Aegean region with its 1.5 million TEU container and 20 million tons of liquid cargo initial handling capacity.



**Sadettin KORKUT**

Petkim General Manager

### **Global Petrochemical Industry was dominated by Stagnation**

Being highly influenced by the political and economic developments in the world, the petrochemical industry went through an adverse period in 2012 due to decreasing growth rates, financial problems in European countries, increasing input costs as a result of the political developments in the Middle East, shrinking demand and negative profit margins. Throughout the year, the average crude oil and naphtha prices were as high as US\$ 110/barrel and US\$ 950/MT, respectively. The increase in input costs could not be reflected in the product prices at the same rate due to the narrowing demand driven by the slowdown in the economy of China. As of the year-end, capacity utilization rates fell down to 70% in the world, particularly in Europe whereas the profit margins of the industry decreased to the lowest level of the last twenty years.

In 2012, the developments in the Turkish petrochemical market were similar in terms of input costs and profit margins. However, Turkey sustained its position as an attractive

market for exporter countries. The domestic demand for thermoplastics produced by Petkim increased by 7-8% compared to the previous year.

### **Petkim Maintained its Competitive Edge**

Throughout its 47 years of deep-rooted and reputable history, whether it was under public management or a private sector entity since 2008, Petkim has always been a company that is open to self-questioning and being questioned by its stakeholders, that knows the fields to be improved and tries to take required actions in this direction. The Company succeeded to forge ahead in line with its targets by courtesy of this approach. It has been a pride and joy for us that we crowned our achievements with EFQM National Quality Success Award in 2012 by virtue of our journey of excellence, which was started with National Quality Movement Goodwill Statement we signed in 2004 for a sustainable development and pursued with participation of all of our employees. Successfully focusing on cost reduction, efficiency increase and total quality, our Company

increased its production to 3 million tons with a capacity utilization rate of 90%, above the global industry average. Efficiency improvement was achieved and raw material flexibility was ensured by increasing the processing capacity of LPG, which is used as a raw material in production plants, in total raw materials up to 20%. In line with the strategic plans, the efforts towards energy efficiency were meticulously carried out in the plants and facilities under Petkim; thus, total amount of savings that was ensured due to the projects conducted during the last four years reached TL 38 million. Our success in this field was awarded with the first prize in the contest of "The Project Increasing Efficiency in Industry" organized by the Ministry of Energy and Natural Resources to encourage the institutions for energy efficiency and saving. Based on seven projects, which ensure TL 58 million annual savings and 140 thousand tons less CO<sub>2</sub> emissions in a year, this award has been a significant source of motivation for us in terms of our endeavors to be carried out in the future.

**MESSAGE FROM THE GENERAL MANAGER**

In 2012, Petkim continued its investments to produce new products and expand capacity for increasing market share.

Operating in line with its principle of sustainable growth, in 2012, Petkim continued its investment to produce new products and expand capacity for increasing market share. Capacity expansion investment in PA Plant, which started in 2010, was completed in 2012 and the capacity of the plant increased by 44%. Some of the investments for capacity expansion (construction, assembly, procurement) were postponed to 2013 in order to benefit from support incentives for strategic investments within the scope of the new incentive system, which became effective in June 2012. On January 4, 2013, strategic incentive certificate was obtained for the project of "Capacity Expansion of Petrochemical Products and Production of New Products," an investment amounted to TL 200 million. We plan to carry out the capacity expansion investments in Ethylene and PTA plants within the framework of this incentive certificate.

Considering environmental production as an indispensable part of its main operations beyond legal requirements, in 2012, Petkim successfully continued its the calculating and management of greenhouse gas within the framework of Carbon Disclosure Project. As a result of our intensive efforts in this field, we ensured 300 thousand tons less CO<sub>2</sub> during the last three years. Focusing on innovation in line with its long-term strategies, Petkim further strengthened its position in technology and product development by means of the R&D projects conducted in 2012.

In 2012, seven of the projects we conducted were supported by grant support programs of TÜBİTAK/TEYDEB and San-Tez. Petkim benefits from patent applications and other model certificates in order to protect intellectual property rights of its know-how generated by R&D activities. In 2012, our Company obtained three utility model certificates and patents for "A Distillation Column System", "Congestion Control Process in the Production of Ethylene Dichloride" and "Inoculated Polyolefin Based Emulsion Production Process".

Through their meticulous efforts for the "good governance" implementations, the Board of Directors and Executive Management of Petkim are committed to ensure entire conformity of the Company practices with the Corporate Governance Principles. Conducting systematic efforts to reach the highest level of compliance with the Corporate Governance Principles, Petkim increased its credit rating to 8,72 in 2012 up from 8,52 the previous year as a result of the rating done by Kobirate International Credit Rating and Corporate Governance Services Inc. We continue to develop focusing on diversification of raw materials, business excellence, operational efficiency, energy savings and managerial competence in our business processes. Increasing efficiency and profitability in all of our processes will be among our priorities in 2013 as well. We plan to meet the expectations of all of our stakeholders. I would like to express my gratitude to all of our stakeholders who contributed to our strong corporate structure and will continue to contribute in the period ahead to ensure the sustainability of our development.

Kind regards.

Pioneering advanced manufacturing industry in Turkey, Petkim takes steps towards its targets by virtue of the synergy created by the partnership with Azerbaijan SOCAR Group.



## EXECUTIVE MANAGEMENT



### **Sadettin KORKUT**

General Manager

Born in 1960 in Izmir, Sadettin Korkut graduated from Izmir Atatürk High School and Dokuz Eylül University, Department of Business Administration and Marketing. He began his professional career in 1983. Until 1988, he worked as a Sales Inspector for food sector companies like Sultan Pazarlama A.Ş. and Eti Pazarlama A.Ş. During 1988-1993, he worked as Regional Sales Manager in Ülker Gıda A.Ş. Between 1993-2007 he worked for Polinas Plastik San. A.Ş., as Sales and Marketing Manager, Assistant General Manager, General Manager, a member of the Board of Directors, respectively.

Korkut who worked for Ülker Group for 19 years, assumed the position of the General Manager of İmaj Ambalaj A.Ş. between 2007-2010. Between 2010-2012, he was the General Manager of Naksan Plastik ve Enerji A.Ş., a subsidiary of Naksan Holding. On December 20, 2012, he was appointed as General Manager of Petkim Petrokimya Holding A.Ş.

During his professional career, Korkut assumed several positions and duties in sectoral non-governmental organizations. He is currently the Chairman of the Board of Packaging Manufacturers Association (ASD), Vice President in the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and Packaging Assembly and the Chairman of the Board of the Packaging Manufacturers Association Federation.

Korkut is fluent in English. He is married and has a daughter.



### **Abdulkadir TUNCER**

Assistant General Manager

Born in Orta, Çankırı in 1951, Abdulkadir Tuncer graduated from Ankara University, Faculty of Chemical Engineering in 1975. He began to work at Petkim Yarımcı Complex in 1976 and served as Production Engineer and Auxiliary Plants chief engineer. He took responsibility during the construction and start-up period of the plants in Aliağa at the beginning of 1980s and as a Chief Engineer, started the production in Steam Production and Aromatics Plant. Afterwards, he worked as Production Manager in PVC, PTA, PP, Chlorine Alkali, VCM, LDPE, HDPE plants, respectively. Tuncer served as Production Group Manager during 2000-2002 and Assistant General Manager responsible for Operations during 2002-2011. As of October 1, 2011, he was appointed Assistant General Manager responsible for Projects and Investments. Tuncer speaks English. He is married and has three children.



### **Nihat GÜRBÜZ**

Assistant General Manager

Born in Evciler Village of İvrindi, Balıkesir in 1952, Nihat Gürbüz graduated from Ankara University, Faculty of Chemical Engineering in 1975. During 1975-1983, he worked as Project, Planning and Operations Engineer at Sümerbank's chemistry and textile plants. On August 22, 1983, he began to work at Petkim Aliağa Petrochemical Complex as a Production Engineer. Later, he served as Engineer, Chief Engineer, Assistant Manager and Manager of Production at VCM, PP and Ethylene plants. On October 13, 2004, he was appointed Head of Department responsible for the production in the plants and between June 4, 2008-October 1, 2011, he took the position of Production Group Manager responsible for production and maintenance. Since October 2011, he was appointed Assistant General Manager responsible for Operations. Gürbüz, who has 36 years of professional experience, speaks English. He is married and has two children.



### **Ali Ekrem ASLAN**

Assistant General Manager

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



#### **Natig DAMIROV**

##### **Assistant General Manager**

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



#### **Bülent AKSU**

##### **Assistant General Manager**

Born in 1974 in Germany, Bülent Aksu graduated from Istanbul University, Faculty of Business Administration (English) in 1996. Aksu has 16 years of professional experience in accounting, finance and administration in various industries and fields including energy, media, textile, petrochemical, financial services and audit. He began his career as an Auditing Specialist in 1996. Afterwards, he worked as an Auditor in Kuveyt Türk, Finance Director in GAP Güneydoğu Tekstil and Çalık Holding and a CFO/Assistant General Manager responsible for Finance in Akfel Group, respectively. Started to work in Petkim as a Finance Group Director on March 2012, Aksu was appointed Assistant General Manager responsible for Finance on June 2012. He speaks English fluently. He is married and has three children.



#### **Mehmet Fatih KARAKAYA**

##### **Assistant General Manager**

Born in 1978 in Erzincan, Fatih Karakaya graduated from the Middle East Technical University, Department of Electrical and Electronics Engineering in 2000. Karakaya took an MBA degree and completed his PhD courses with the highest GPA in Business Administration Department of Yeditepe University and he is currently working on his thesis. He began his professional career as a manager and consultant in consultancy companies. Karakaya worked as Turkey Sales Manager responsible for Key Customers and Dealers at Sanko Holding Airfel A.Ş. and Executive Assistant to Chairman of the Board at BİM Birleşik Mağazalar A.Ş., where he took responsibility as Purchasing Group Manager between 2008-2012. Karakaya has worked as Commerce Director at SOCAR Türkiye Enerji A.Ş. since July 2, 2012, and as Assistant General Manager responsible for Sales and Marketing in Petkim Holding A.Ş. since 24 July 2012. Being Chairman of the Board of Association of All University Students (TUNIDER), Karakaya assumed positions in non-governmental organizations. Karakaya has various articles and scientific papers published in refereed journals, international business conference books, magazines and newspapers on "Institutionalization in Family-owned Companies", "Retail Category Management", "Integrated Marketing Communication" and "Leadership". He has a published book "DNA of Sales" and a visual training kit. Speaking English fluently, M. Fatih Karakaya is married and has a child.



#### **Ali Rıza ESMEN**

##### **Assistant General Manager**

Born in 1975 in Rize, Ali Rıza Esmen began his professional career working for a family-owned company operating in the construction sector. He graduated from Kırıkkale University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1997. Esmen continued his education at the State University of New York, Nassau Community College (NCC) where he began to work as a teaching assistant in 2001. Between 2001-2005, he worked at the English Language Institute of NCC as an International Student Advisor and the Manager of "English as a Second Language" Program. For 2005-2006, he worked as Assistant Director at Continuing Education (ELI). In 2005, he received his MBA degree with a full scholarship from Dowling College's Townsend School of Business. In 2008, he lectured on Academic Research and Public Speaking as a visiting scholar and attended lectures and trainings on Aviation Management.

Esmen provided training programs on leadership, communication, management sciences, organizational behavior and corporate culture as well as consultancy service for Ülker Holding. He worked as Human Resources Director in myTechnic Aircraft Maintenance Repair and Overhaul A.Ş. between 2008-2009, and Human Resources Manager in THY Teknik between 2009-2012. Speaking English fluently, Ali Rıza Esmen is married and has a child.

## SOCAR TURKEY ENERJİ A.Ş.

SOCAR Turkey targets to be among the three largest holding companies in Turkey by reaching a turnover of US\$ 15 billion in the next five years.

SOCAR (The State Oil Company of Azerbaijan), one of the world's most well established oil companies, has continued its activities in Turkey under the name of SOCAR Turkey Energy A.Ş. since May 30, 2008. SOCAR Turkey put its signature under various investment initiatives, which caused closer economic relations between Turkey and Azerbaijan up until today. The Company aims to further strengthen the ties between the two brotherly countries with each passing year in line with the late Founder President of Contemporary Azerbaijan Heydar Aliyev's principle "One nation, two states".

By virtue of the investments made by SOCAR within the scope of Petkim 'Value-Site' project, Azerbaijan has become the largest direct investor in Turkey's history. The other significant project with respect to ever strengthening commercial relations between Turkey and Azerbaijan is the Trans-Anatolian Natural Gas Pipeline, of which the agreement was signed between the governments of the two countries in June 2012. The project, which is planned to be completed by 2017, is expected to be a critical step for Turkey on the way of being an energy corridor in the world.

SOCAR Turkey targets to be among the three largest holding companies in Turkey by achieving a turnover of US\$ 15 billion in the next five years and to become the largest manufacturer until 2023 by completing refinery-petrochemicals-energy-logistics integration. While forging ahead in line with these objectives, one of the most important priorities of the Company is to contribute to the economic relations between Turkey and Azerbaijan at the highest level.

## PETKİM 'VALUE-SITE' 2023

In line with the Petkim 'Value-Site' 2023 project, Petkim Peninsula will be transformed into the largest manufacturing centers in Europe.

Within the framework of its strategic plans, SOCAR Turkey continues its investments in Petkim with great determination. In line with the vision of Petkim 'Value-Site' 2023, SOCAR Turkey plans to transform Petkim Peninsula into one of the largest manufacturing centers in Europe by ensuring the refinery-petrochemical-energy-logistics integration and moving up the value added chain from crude oil to final product. Upon realization of this project, high value-added products will be produced within the country and external dependence of Turkey's production and exports will be significantly reduced.

As an important step in line with 'Value-Site' 2023, the groundbreaking ceremony of STAR Refinery was held on October 25, 2011. When it is completed in 2016, the refinery will reach an annual crude oil processing capacity of 10 million tons. In line with the integration targets, a preliminary agreement was signed on February 13, 2012 with APM Terminals, one of the leading global companies in operation and management of container terminals, for operation of the Petkim Port, which will be opened in 2016. Meanwhile, the work on the power plant, which will form the energy pillar of 'Value-Site' investments, is being carried out successfully by SOCAR POWER Enerji Yatırımları A.Ş.





## **PETKİM 'VALUE-SITE' 2023**

Located in the Alağa Peninsula, which has an advantageous geographic position, Petkim takes solid steps forward through the transformation process into a global Chemical Industry Park ('Value Site'), in which domestic and foreign investors operate within the framework of a cluster model in refinery, petrochemicals, energy and logistics.

## 2012 ACTIVITIES

The improvement in capacity expansion and efficiency increase in Petkim facilities were successfully conducted throughout the year.



## PRODUCTION

*Petkim sustains its development focusing on diversification of raw materials, business excellence, operational efficiency, energy savings and managerial competence in its business processes.*

Carrying out its production activities in line with its total quality approach, Petkim reached a capacity utilization rate of 90% in 2012 throughout its production facilities. In Ethylene plant's olefine production, (Ethylene+propylene+C4) capacity utilization rate was 92%. The improvement in capacity expansion and an efficiency increase

in Petkim facilities were successfully conducted throughout the year. Following the completion of the expansion investment in August 2012, PA plant's capacity increased from 34,000 ton/year to 49,000 tons/year. The share of LPG in total raw material consumption was raised to 20% in Etylene plant to ensure raw material flexibility and efficiency.

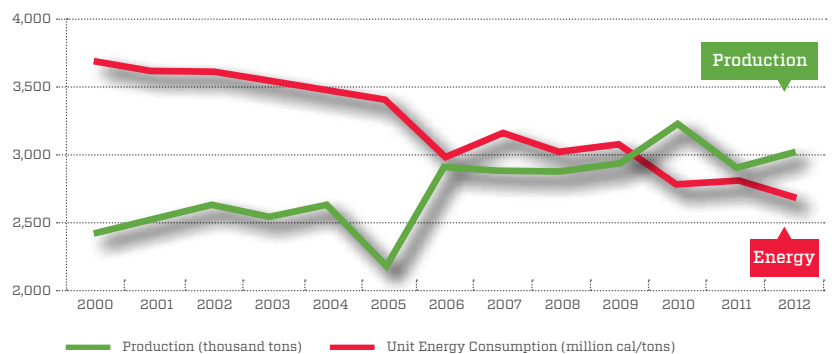
Carrying out its production activities within a framework of total quality approach, Petkim reached a capacity utilization rate of 90% in 2012 throughout its production facilities.



#### **Saving TL 38 million as a Result of Energy Efficiency Projects**

Continuing its efforts to improve energy efficiency in 2012, the Company saved TL 38 million as result of the 19 energy efficiency projects completed during the year. Additionally, auxiliary processing units met the utility needs of the Petkim's plants in an uninterrupted manner during the year. Production continuity in the plants has been successfully ensured by means of uninterrupted service provided by waste incinerator, shared pipeline, waste disposal and port throughput units.

**Petkim Complex Total Production/Unit Energy Consumption by Years**



## 2012 ACTIVITIES

The demand for petrochemical products in international markets significantly dropped due to the slowdown in the global economy.



## MARKETING AND SALES

### Considerable Drop in the Industry's Profit Margins

Due to the ongoing economic crisis the last five years, international markets were fragile in 2012 with lower rates of growth throughout the world. While partial recovery was seen in the US, the largest economy of the world, the crisis deepened in the Euro Zone and the growth path significantly slowed down in the BRIC (Brazil, Russia, India and China) countries.

The petrochemical industry, which is intensely affected by the developments in the world economy, displayed a slight recovery in the beginning of 2012. However, the deepening crisis in the Euro Zone in April and economic slowdown due to the increasing tendency in national economies to avoid trade triggered a

deep shrink in the industry in June. The measures taken against the debt crisis in the Euro Zone, signals of expansionary monetary policies in China and the expectations of monetary expansion in the US caused a recovery in the petrochemical industry again in August and September. However, the negative profit margins driven by high input costs and low product prices caused a second dip in October. Profit margins dropped down to the lowest level of the last twenty years, production was terminated in some plants, maintenance stops were scheduled to earlier times and capacity utilization rates remained at 70-80%. The decrease in the supply level due to all these factors led to partial recovery in the industry.

## Petkim broke a historical record in 2012 with its export volume of over 1 billion US dollars.

In parallel to the slowdown in the global economy, demand for petrochemical products in international markets decreased significantly. Producers' wait and see policies and lot-for-lot raw material ordering strategies have been the main factors that impacted the shrink in the global demand for petrochemical products. Saturation of demand and lower growth rates caused a deeper contraction in demand in developed countries. Meanwhile, in developing countries, due to the growing population and urbanization as well as infrastructure investments and improving standards of life, on the increase in demand for petrochemical products was higher than the economic growth rates.

On the supply side, the fact that the US notably increased its competitive edge with low-cost shale gas and thus focused on investing and producing in petrochemical sector again is the most important development. Meanwhile, in Europe, the capacity utilization rate fell down to 70% mainly due to the high input prices and low level of demand. In 2012, high level of prices, which were US\$ 110/barrel on the average for crude oil and US\$ 950/MT for naphtha, primary raw material, significantly increased the costs in the

sector. Higher input costs could not be reflected in product prices due to the low level of demand. Consequently, the petrochemical industry profit margin index dropped down to the lowest level in the last twenty years.

### **Sales Focused Production Optimization Became Important**

Turkish petrochemical industry exhibited a development path in parallel to the ones in the global markets in 2012. The growth rate of the Turkish economy notably decreased compared to the previous year, to 3%. In parallel to the shrinkage of the economy, the growth of the sector also dropped down from its double-digit figures seen during the previous years.

The Turkish petrochemical industry, which displayed a slight recovery in the beginning of 2012, rapidly fell after April. Due to the sharp decrease in the global demand, particularly in China, importers focused on Turkey, which was a comparatively dynamic market. Product prices tended to rapidly decrease and as of May and June they were almost equal to the raw material prices. In these circumstances, producers tried to avoid the impact of this dip through the sales focused production optimization as well as by scheduling their planned maintenance stops to earlier times and postponed their growth plans to the next year.

By obtaining notable market share in new markets as well as existing markets, Petkim achieved a record export growth in 2012. During the year, domestic demand for Petkim products significantly decreased due to the low level of demand in the Euro Zone, the traditional export market of the Company, and the drop in sales of the sectors, which process the petrochemical products and export to Europe. Additionally, the European petrochemical producers, which increased their competitive edge by means of decreasing Euro/US\$ exchange rate, entered the Turkish market at very low prices by benefitting from its closer geographic position. Due to the political problems that occurred in North Africa and the neighboring countries of Turkey, the exports of raw material and finished products to these countries also decreased notably.

### **260 New Customer Acquisitions**

Targeting to enhance its customer portfolio, Petkim acquired 260 new customers in 2012, by focusing on trade fairs, regional meetings and customer visits. Technical training for customers began in the previous years increased by 4% in 2012 up to 550 person.hour.

**2012 ACTIVITIES**

**260**

*New Customers*

**US\$ 1.041 BILLION**

*Export Income*

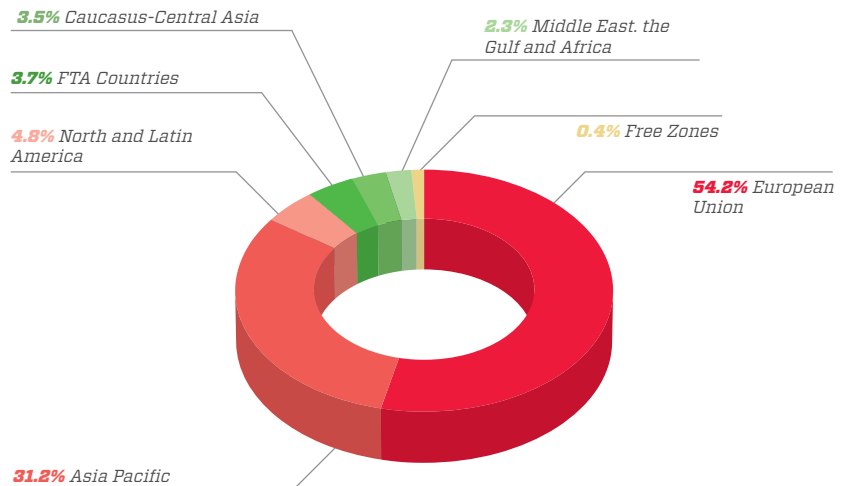
**Logistics network has been more solidified**

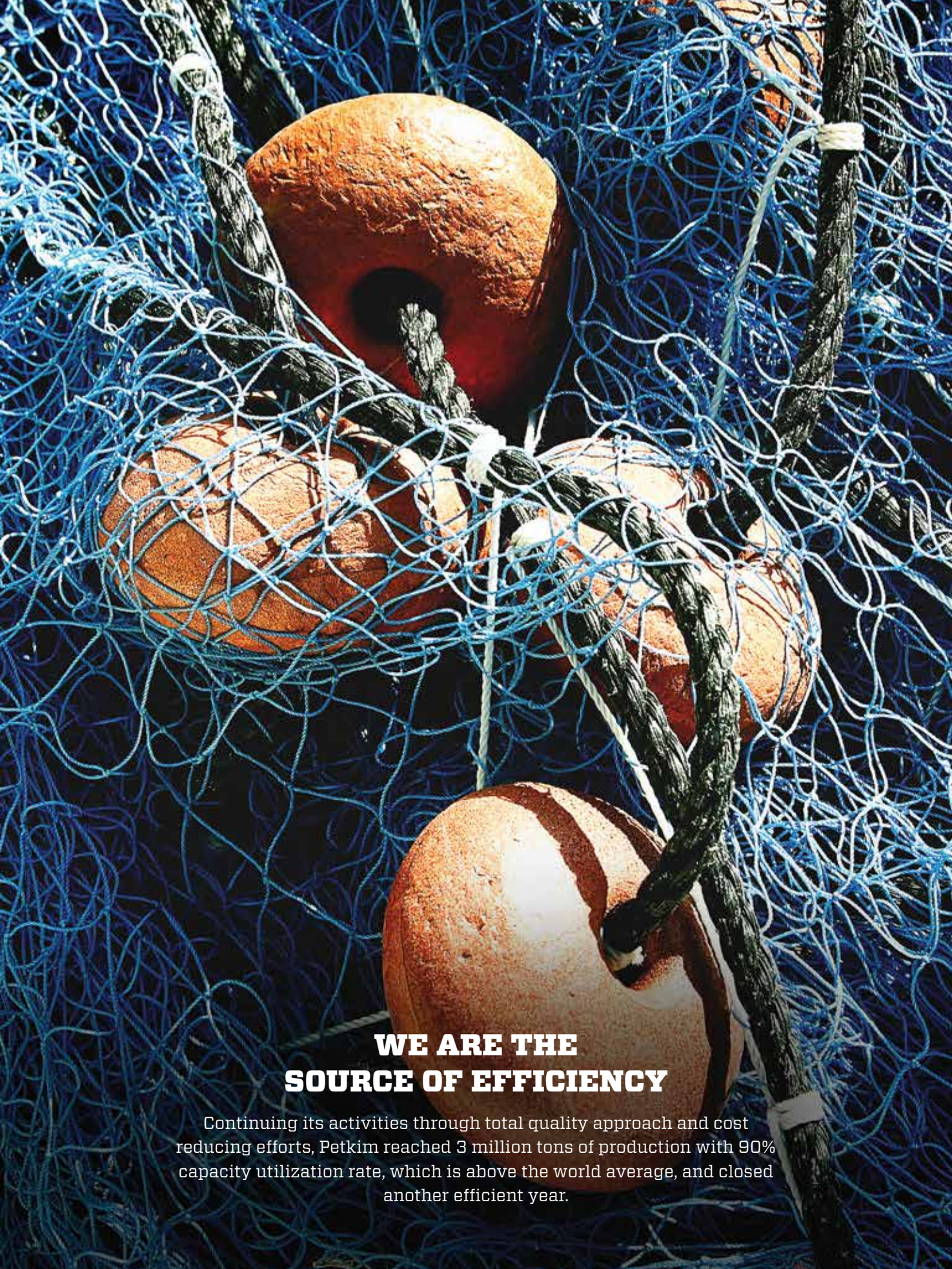
In order to be closer to its customers and to better meet their expectations, Petkim enhanced its logistical services by opening new storehouses and warehouses in Istanbul, Mersin, İskenderun, Konya and Kayseri.

Through its objective of providing better service to its customers, Petkim uninterruptedly continues its efforts in expanding its logistical service and distribution network, decreasing cost of stock, and ensuring unconditional and immediate supply.



**PETKİM'S EXPORTS BY REGION (2012) (%)**





## **WE ARE THE SOURCE OF EFFICIENCY**

Continuing its activities through total quality approach and cost reducing efforts, Petkim reached 3 million tons of production with 90% capacity utilization rate, which is above the world average, and closed another efficient year.

## 2012 ACTIVITIES

In line with the suppliers' feedback, Petkim successfully continued its efforts to improve supply processes and enhance cooperation with suppliers in 2012.



## GLOBAL AND DOMESTIC COOPERATION

**565** MAN.HOUR

*In line with its quality control efforts, Petkim provided 565 person.hour training to its customers.*

Operating in the petrochemical industry with national accreditation certificates, Petkim conducts the quality control processes in its production facilities in line with the principle of "sustainable excellence". The Company targets to increase the consciousness in product utilization through the customer training programs. Obtaining the TS EN ISO 17025 accreditation certificate for its laboratory on September 7, 2010, the Company is accepted as an accredited laboratory for 17 parameters of the communiqué on Water Pollution Control published by the Ministry of Environment and

Urbanization. Within the scope of input, process and product analyses, in 2012, totally 232,699 samplings and approximately 1,148,000 parameters were analyzed.

Customer training programs on quality control provided by Petkim were successfully conducted in 2012 as well. In this framework, Petkim provided 565 person.hour training to its customers. Customer trainings mostly provided at the facilities of the customers considering the products they use and their processing techniques. Within the framework of the cooperation in quality control,



Customer training programs on quality control provided by Petkim were successfully conducted in 2012 as well.



technical support demand from public and private sector companies for identification of polymer material specifications was fully met.

In 2012, the information obtained from supplier visits and supplier satisfaction surveys were evaluated and benchmarking studies on purchasing processes were carried out with various companies. Thus, the efforts were continued to establish long-term cooperation with suppliers based on mutual trust, transparency and openness.

Located in the Nemrut region, which has a competitive market structure, Petkim Port provides services to the industrialists of the region with a management approach focused on customer satisfaction. Petkim Port increased its income from port activities by 15% and income from warehouses by 34% through efficient field planning and improvement in warehousing conditions. Share of the income from warehousing activities increased from 12% to 19%.

**15%**

*Income from Petkim Port activities increased by 15% compared to the previous year.*

## 2012 ACTIVITIES

In 2012, within the framework of the “Suggestion System”, out of a total 323 feasible suggestions of blue-collar employees, 244 have been successfully applied into the business processes of Petkim.



## HUMAN RESOURCES

### Career Development Project

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

### Employee Satisfaction Survey

To regularly monitor employee satisfaction levels at Petkim, an Employee Satisfaction Survey has been conducted each year since 2006. As in the previous years, in 2012, based on the feedback received from employees, Petkim made the required improvements in business processes.

### New Idea Management System

In order to benefit from creative and innovative ideas of its employees and to increase their contributions to corporate development, Petkim implements a New Idea Management System within the company. Within the framework of the “Suggestion System”, out of a total 323 feasible

In order to benefit from creative and innovative ideas of its employees and to increase their contribution to corporate development, Petkim implements a New Idea Management System within the company.

suggestions of blue-collar employees, 244 have been successfully applied into the business processes. Additionally, in order to turn creative ideas of employees to innovative improvement in the Company, the Creative Idea Platform was established and 93 applications were evaluated through this platform.

#### **A significant award from the Social Security Institution (SSI)**

Being meticulous in making payments of its employees' social security premiums on time in full, Petkim ranked first in the Aegean Region in terms of the total premium amount paid in 2012 and was awarded by SSI.

#### **Ongoing Training, Ongoing Development**

Operating within the framework of ongoing training, ongoing development principles, Petkim Academy is committed to design and apply training models, which focused on creating added value, for its white-collar and blue-collar employees as well as technical-quality-production staff working at the premises of Petkim as foreman or at higher positions for the supplier companies. The academy provides professional training services for employees and external stakeholders with its trainers at the departments of Technical Training, Work Health and Security, First Aid, Quality Systems, Training, Professional Training and Intern Training.



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

Recently, the Company began to train its trainers from its own structure. During the 2011-2012 period, 156 employees attended "Trainer's Training" Program at Istanbul University, Institute for Excellence in Business Education, and obtained trainer certificate. In 2012, training per employee was 35 hours, of which 60% was in-house training and 40% was provided by professional training companies. Operating in an industry, which requires expertise in production, finance and information technologies, Petkim provides information to newly hired employees on the Company's strategies and policies, organizational structure, production, working conditions, security, and compensation and

## 2012 ACTIVITIES

Attaching great importance to continuous development, Petkim provides individual and professional development programs for its employees.

### HUMAN RESOURCES

benefits. The Company also implements presentation and training programs to ensure an effective and efficient orientation process.

#### **MBA, Excellence in Business Education**

In 2012, Petkim continued to provide thirty eligible employees with a three-semester MBA program at Istanbul University, Institute for Excellence in Business Education, which started in 2011. Within the context of cooperation between Azeri Kimya and Petkim, fifty employees of Azeri Kimya have attended information sharing/training programs at Petkim and received certificates since 2011. The cooperation between the two companies established in human resources will be broadened to include other fields. The construction of Heydar Aliyev Technical and Industrial Vocational High School, of which the groundbreaking ceremony was held on October 25, 2011 together with STAR refinery in Aliağa, Izmir, was completed in 2012. The school was given to the Aliğa Directorate of National Education to start education. Established on approximately 20 thousand square

meters land in honor of the name and memory of the great leader Heydar Aliyev, founder of contemporary Azerbaijan, the school was designed as a campus with its education buildings, students' hostel, cafeteria, electricity and chemistry workshops, gymnasium and conference hall. Heydar Aliyev Technical and Industrial Vocational High School, which will provide education opportunity to 720 students, is a unique complex in Turkey in terms of its architecture and construction quality. The students' hostel is comprised of 54 four-person rooms providing accommodation for totally 216 students. With its conference hall for 300 hundred people, 30 classes, communal areas, high ceilings and spacious environment, the school was built and designed with the latest technology and innovation. In line with the protocol made with the Ministry of National Education, the school plans to also provide education for students from Azerbaijan.

In addition to its social responsibility projects, Petkim offered apprenticeship opportunities to a number of students during the summer and winter periods in 2012 within the framework of the cooperation with universities and vocational schools.

#### **Internal communications expanded with TV broadcasts and a newspaper**

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

#### **Collective Labor Agreement**

All the blue-collar employees in Petkim are union members. Collective labor agreement covering the period between January 1, 2011 and December 31, 2012 terminated on December 31, 2012 and negotiation for the new period collective labor agreement will begin in 2013.

# **WE ARE THE SOURCE OF TRUST**

Petkim succeeded to reduce the accident rate by uninterruptedly continuing employee training and adopting work safety regulations and legislation with meticulous attention.

Petkim proved once more that it ensures a safe and secure working environment.



## 2012 ACTIVITIES

In 2012, Petkim joined the project of “Technological Necessity Evaluation in Industry within the Scope of Climate Change and Determination of the Greenhouse Gas Emission Reduction Potential”.



## ENVIRONMENT

Petkim targets to minimize the adverse environmental and social effects that may arise from the production process. The successful performance of the Company in these efforts is mainly due to its deep-rooted culture of 47 years, ethical values and corporate transparency. Going beyond legal requirements, Petkim prioritizes these initiatives as an indispensable part of its environmental performance: Wastewater analyses, management, emissions/immissions measurement, marine pollution control, continuous

review of dimensional analyses of environment, efficient and effective management of the wastewater treatment unit and dangerous waste incineration unit, management of chemicals, monitoring of greenhouse gas emissions.

Setting a good example of a corporate citizenship regarding its environmental responsibilities, Petkim voluntarily joined the Carbon Disclosure Project (CDP), which began in 2010 with support by 551 international fund management companies. The Company decisively worked in also 2012 within the context of the project, which strives to minimize carbon emissions in line

with the struggle against climate change. By means of its efforts for calculation and management of greenhouse gas emissions, Petkim ensured 300 thousand tons less CO<sub>2</sub>.

Within the context of environmental sustainability endeavors, Petkim uses continuous measurement systems at critical points in addition to periodical calculations and analyses. Analyzers are continuously used at chimneys, which have high level of thermal power and results are monitored online. The continuous measurement system installed at the Wastewater Treatment Plant ensured the online monitoring of the quality of treated water.

## Petkim voluntarily joined the Carbon Disclosure Project (CDP), which began in 2010 with support by 551 international fund management companies.

In addition to Carbon Disclosure Project, in 2012, Petkim decided to join the “Technological Necessity Evaluation in Industry within the Scope of Climate Change and Determination of the Greenhouse Gas Emission Reduction Potential” project carried out under the cooperation of Ministry of Science, Industry and Technology and TÜBİTAK Environment Institute (MAM). This project aims to develop a methodology for decreasing greenhouse gas emissions deriving from industry. Petkim operates in line with its mission, which states that “Petkim follows universal ethical values, saves the environment, ensures occupational health and safety, supports and adds value to the society with a sustainability perspective,” and within the framework of Integrated Management System that comprises the ISO 9001 Quality Management System, OHSAS 18001 Occupational Health and Safety Management System, and ISO 14001 Environmental Management System. In 2012, the Company’s Integrated Management System certificate was renewed by the Turkish Standards Institute following the certificate renewal inspection.

Petkim established Dangerous Waste Incineration Unit at the production facilities; thus, further strengthened its waste management system, which was built up in line with ISO 14001 ÇYS. This Unit also increased the Company’s contribution to environmental protection and reduction of natural resources’ utilization. By virtue of this system, the Company transforms the non-recyclable wastes from its own facilities as well as from third party companies to energy and thus contributes to Turkey’s waste management efforts. In this framework, Management of All Waste and Environment Association was established together with İZAYDAŞ, İSTAÇ, Recydia, Anel Doğa, Chimirec Avrasya, Remondis and MSG Enerji. The association targets to take unrecorded and uncontrolled waste into the system as well as to develop the waste sector.

Each individual of Petkim family is responsible for conducting operations and production in accordance with legal legislation as well as Petkim standards. The employees also assume responsibility for the following targets:

- To prevent the accidents and injuries in activities and operations that cause environmental impact

- To prevent negative environmental impact and indirect health consequences
- To decrease waste and emissions and encourage resource and energy saving throughout all steps of the products’ life cycle

The Company continued to support environmental sustainability efforts around Petkim Peninsula in 2012. Within the framework of the rehabilitation efforts in Kapıkaya, Yeni Foça after the forest fire in 2009, two forests were established on a 150,000 square meters field and were named as “Heydar Aliyev Friendship and Remembrance” forests. In cooperation with the Aegean Forest Foundation, Petkim targets to expand the scope of this work and to establish a forest on a 350,000 square meters field in line with its strategic target of “500 thousand square meters forest in 5 years”. A protocol was signed with Aegean Forest Foundation in 2012 to plant 12 thousand saplings on a 75,000 square meter field near Örlemiş Village, Yenişakran where the third Heydar Aliyev Friendship and Remembrance Forest was established.

## 2012 ACTIVITIES

Petkim made significant investments in 2012 for technological renovation and modernization to ensure environmental protection and efficiency.



## TECHNOLOGY MANAGEMENT

In addition to its investments made in line with the 'Value-Site' 2023 project, Petkim uninterruptedly modernizes the plants in its production facilities. The engineering, procurement and assembly contract for the investment, which will ensure 13% increase in annual capacity of Ethylene plant, was signed in October 2011; its detailed engineering and equipment procurement are ongoing. The work to increase the annual production capacity of PA plant by 44% from 34,000 tons/year to 49,000 tons/year was completed in 2012. The engineering and procurement contract was signed for capacity increase in PTA plant whereas its detailed engineering and equipment procurement works are ongoing. Upon

completion of this investment, which will last two years, it is expected that the production capacity of the PTA plant will reach 105,000 tons/year with an increase of 50%.

The work continues to establish a new EO purification unit in order to produce pure ethylene oxide and to invest in an ethoxylate plant based on ethylene oxide. Petkim also continues its work on establishing a new BDX Plant. Meanwhile, preliminary work continues on acrylic acid and carbon black projects, which are among Petkim's potential investments. With these investments, the Company targets to increase its market share and broaden its product range.



In 2012, Petkim continued its investments in information technologies to increase efficiency and speed in its business processes.



In 2012, Petkim increased efficiency and prolonged the economic life of its plants by successfully completing the investments in energy efficiency, HSE, technology, modernization and maintenance. In 2012, the Company also completed investment in Recovery Field Fire Extinguishing System in the PP plant by displaying the importance it attaches to work safety and worker's health. Among Petkim's HSE investments, procurement process of replacement of R22, which is used in cooling systems of PVC, VCM, CA and HDPE plants, with chemicals without ozone-depleting substances was completed. Construction-assembly and start-up work will be completed in 2013.

Additionally, the clarifier modification work in PVC plant completed in 2012 ensured the recovery of PVC in wastewater.

In 2012, with pretreatment of wastewater project at PTA plant, both environment-friendly operation and lower production costs are targeted. The utilization of off gas produced in Aromatics plant as a raw material in Ethylene plant, and natural gas supply to Aromatics plant are the investments that will increase energy efficiency. Another project in this field is electrolyzer system rehabilitation in Chlorine Alkali plant. This investment includes the replacement

of anodes and cathodes together with membranes in 44 membrane-covered electrochemical cells. As of the end of 2012, anodes and cathodes of 40 electrolyzers were changed.

Within the framework of technology based efficiency works in Petkim plants, set up and upgrading of Program Logic Control (PLC) and Distributed Control Systems (DCS) continued in 2012. DCS set up work was completed at ACN Plant as planned in the investment program, as well as at PA plant within the scope of capacity expansion investment. DCS set up work continues at PTA plant.

## 2012 ACTIVITIES

Petkim continues its efforts to reduce unit energy consumption and ensure production increase at its facilities.



## TECHNOLOGY MANAGEMENT

Additionally, regarding Advanced Process Control projects, which were started to decrease unit energy consumption and increase production throughout the Petkim production facilities, the implementation was completed in the Ethylene Plant and is mostly completed in the Aromatics Plant.

Enterprise Resource Planning Project (ERP) and Manufacturing Execution System (MES) transformation projects and the work to increase infrastructural efficiency of information technologies continued in 2012. IT investments targets to increase efficiency and customer

satisfaction by developing business processes and systems. Primarily, Management of Information and Information Systems approach was identified within the scope of EFQM. Additionally, SAP Budget Management (BPC) module and Supplier Information System in SAP system were put into service. In line with customer satisfaction efforts, customers were enabled to demand for loading online. In the meantime updating of SAP systems to new version was started. The work for compliance with the new Turkish Commercial Code and establishment of Call Center are ongoing.

## **WE ARE THE SOURCE OF INNOVATION**

Benefitting from innovation to accomplish its strategies, Petkim further strengthened its position in technology and product development with its R&D projects in 2012. Three of these projects obtained utility model certificates and patents.



## 2012 ACTIVITIES

Signing “National Quality Movement Goodwill Statement” in 2004, Petkim crowned its achievements on the way of excellence with National Quality Success Award in 2012.



## **PETKİM'S JOURNEY TO EXCELLENCE AND INTEGRATED MANAGEMENT SYSTEM**

For Petkim, obtaining management system certificates is not the final stage on the contrary, it is the minimum step through its journey to total quality. The Company started its journey to excellence by signing the National Quality Movement Goodwill Statement with the Turkish Quality Association on October 21, 2004. From then on, Petkim has applied EFQM Excellence Model as an uninterrupted enhancement tool in total quality management. Being nominated to National Quality Award two times throughout this journey, Petkim was awarded the Competence in Excellence certificate in 2008 and National Quality Success Award in 2012. Rapidly moving ahead on its journey to excellence, the Company updated its approach in line with

the EFQM Excellence Model, which was renewed in 2010. Petkim also renewed its vision, mission and values through a series of workshops conducted with participation of the executive management and employees at all levels of the Company. During the years of 2010, 2011 and 2012, Current Situational Analyses (CSA), which were input to Strategic Plan, were carried out and the Company's Strategic Plan was determined.

Current Situational Analysis comprises feedback from stakeholders; current and future market analysis; competitor and competition analysis; social, economic, political and technological analysis (SEPT); assessment of

To accomplish its vision and mission, Petkim reviewed all of its business processes and process structures as well as identified primary and secondary performance indicators.

supply chain and collaborations; analysis of information from benchmarking studies and other investigation tools; analysis of creative ideas, KPI analysis; and internal and external audit analyses.

To accomplish its vision and mission, Petkim reviewed all of its business processes and process structures as well as identified primary and secondary performance indicators and their owners. These processes were described in “Approaches and Functional Relationship Schemes”. In order to realize its mission and to attain its vision, Petkim identified its main business targets, primary performance indicators and secondary process performance indicators as well as determined the objectives of these indicators in conformity with its Strategic Plan and processes. The Company developed a KPI Monitoring System to track its performance and achievement level. This system allows the Company to monthly monitor its performance and to identify the processes to be improved by using gap analyses and improvement plans.

With its Integrated Management System created within the context of its vision, mission, corporate principles and values, Petkim strives to make progress and gain

the trust of its stakeholders as well as to contribute to sustainable development while always being in compliance with legal and regulatory requirements.

For this purpose, the Company is committed to:

- Devising systems to safeguard occupational health and safety, and to avoid workplace accidents in its operations,
- Respecting humankind and its environs through a focus on the protection of the environment,
- Reducing waste, increasing recycling, and making productive use of natural resources and efficient use of energy,
- Increasing collaboration with neighboring facilities, the relevant authorities and local government on the issues of Health-Safety-Environment,
- Becoming customer-focused and uninterruptedly meeting customer expectations,
- Closely monitoring technological advances and undertaking design and development efforts for products and processes,
- Creating the necessary structures to intervene in emergencies,
- Being transparent towards its stakeholders in its operations,

Raising awareness among its employees and implementing and continuously enhancing ISO 9001, ISO 14001 and TS 18001 standards with participation of its employees.

The internal control related to Integrated Management System was conducted from October 15 to November 6 in 2012. At the Management Review meeting held on November 28, 2012, the internal control results as well as policy and efficiency of IMS were evaluated. The Integrated Management System monitoring was conducted by Turkish Standards Institute between December 4-7, 2012. Since there was no discrepancy identified, ISO 9001 Quality Management System, ISO 14001 Environment Management System and TS 18001 Work Health and Safety Management System certificates of the Company were renewed. On June 14, 2012, Ekip Dinamik, Petkim team, was granted “The Year’s Successful Team Award” by Izmir KalDer with its project “Saving through Lower Electric Consumption in Polypropylene Plant”.

## 2012 ACTIVITIES

Petkim's implementations in 2012 set a good example in terms of university-industry cooperation.



## R&D ACTIVITIES

In line with its 2023 vision and Chemistry Park project, which comprises the integration of refinery, petrochemicals, energy and logistics, Petkim continued its R&D work in 2012. Petkim attaches great importance to innovation in line with its targets of increasing customer satisfaction, creating value through new cooperations, ensuring continuity in product quality and taking responsibility for a sustainable future. Last year, the Company produced many projects focused on value added in technology and product development.

Through pilot scale surveys and laboratory research at its R&D Center, Petkim sustains its domestic and

international competitive strength in technology. These studies are focused on product development, product improvement, process development and modeling, process improvement, catalyst and energy efficiency. Through these studies, Petkim aims to contribute to domestic production and reduction of external dependency.

Petkim conducts best reference practices in terms of university-industry cooperation. Up until today, the Company contributed various projects in order to ensure that know-how created at universities serves the development of the Turkish industry. In 2012, seven of these projects were also supported by grant support programs of TÜBİTAK/TEYDEB and San-Tez.

Since 2008, the Company has made eight patent applications within the scope of the ongoing projects.

Petkim benefits from patent applications and other models in order to protect intellectual property rights of know-how generated by its R&D activities. Since 2008, the Company has applied for eight patents within the scope of the ongoing projects. Among these applications, three utility models and patents were obtained for “A Distillation Column System”, “Congestion Control Process in the Production of Ethylene Dichloride” and “Inoculated Polyolefin Based Emulsion Production Process”. For other patent applications, the process is ongoing.

Petkim's ongoing R&D activities are focused on:

- Recovery of high value-added chemicals in processes' side streams
- Treatment of waste water
- Decreasing CO<sub>2</sub> emissions, a global problem
- Expanding product range with new types of products
- New process development
- Decreasing costs and ensuring energy efficiency

**Petkim's R&D projects in 2012 supported by TÜBİTAK, TEYDEB and San-Tez**

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

**2. Project Name:** Development of High Corona Stable PP Product in Metalized BOPP Film Applications  
**Supported by:** TÜBİTAK/TEYDEB

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

**4. Project Name:** Increasing Efficiency of Cogeneration System in Petrochemical Complex  
**Supported by:** TÜBİTAK/TEYDEB

**5. Project Name:** Production of Polyolefin with New Generation Metolazone Catalysts  
**Supported by:** San-Tez

**6. Project Name:** Generating Microorganisms for Degradation of Xenobiotic Hydrocarbons to be used in Wastewater Treatment  
**Supported by:** San-Tez

**7. Project Name:** Pure Brine Production from Seawater by Electro dialysis for Chlorine Alkali System  
**Supported by:** San-Tez

## 2012 ACTIVITIES

In 2012, Petkim conducted a series of surveys to gain closer insight to stakeholder expectations.



## SUSTAINABILITY

With participation of employees at all levels, Petkim held a workshop in 2010 to revise and review its cooperate values. As a result of this workshop, the value of “taking responsibility for a sustainable future” was included its corporate values as an evidence of Petkim’s sensitivity, which it has displayed ever since. Within this framework, the Company established the Sustainability Board to carry out its activities in this field in a more coordinated manner and to put its values into effect at all levels of its corporate structure.

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

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



Petkim established the “Sustainability Board” to carry out its endeavors in this field in a more coordinated manner.



Following this endeavor, the Board identified the required approaches related to the processes. The approaches identified by the Board are as follows:

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

In 2012, extensive activities were carried out through the business plans prepared for each approach.

“Perception Survey”, which is conducted every year to define stakeholder perceptions, was reviewed in 2012. In line with the results obtained from Customer Satisfaction Survey, Employee Satisfaction Survey and Supplier Satisfaction Survey, necessary improvement plans were prepared.

In 2012, support and cooperation demands from external stakeholders were evaluated at the Sustainability Board; the corporate social responsibility projects in conformity with Petkim’s vision, mission and values are reviewed and put into practice.

Petkim contributes to Turkey's development through its reference corporate social responsibility projects comprising a wide range from education to sports.



## **CORPORATE SOCIAL RESPONSIBILITY**

### **Heydar Aliyev Technical and Industrial Vocational High School began education**

As they are our future, Petkim has constructed a number of schools up until today and donated them to the Ministry of National Education. Petkim Elementary School in Petkim Complex, Gazi Elementary School, TED Aliağa College, Petrokimya Elementary School in Aliağa, Latife Hanım Elementary School in Karşıyaka, Körfez Petkim Elementary School in Yarımca, İzmit are the schools that the Company

assumed the construction within the framework of its social responsibility approach.

Lastly, in the Aliağa district center, the construction of Heydar Aliyev Technical and Industrial Vocational High School, of which the groundbreaking was held on October 25, 2011 by İlham Aliyev, President of the Republic of Azerbaijan, and Turkish Prime Minister Recep Tayyip Erdoğan, was completed in a record period of 270 days. The school, which began to accept students for the 2012-2013 academic year, was constructed as a campus with the latest technology for 720 students.

### **Cooperation with universities and scientific institutions**

Within the context of university-industry cooperation, Petkim continued in 2012 to provide support to universities as well as scientific institutes and vocational schools with materials, supplies and technical equipment. In addition, students from vocational high schools and universities were given the opportunity to undertake internships at Petkim and were hosted by Petkim within the scope of technical visits. The activities of universities related to the sector such as congresses, symposia and workshops were sponsored by Petkim.

Aliağa, in the Izmir region where the production facilities of the Company are located is prioritized as regards to social responsibility projects.

#### **Open Door Days continued in 2012**

Open Door Days, which was launched by Petkim in order to forge closer ties with the local community of Aliağa, was successfully conducted in 2012. More than 400 citizens received information about the Company's sensitivity towards the environment, production processes and occupational safety concerns. In the forthcoming period, Petkim plans to expand the scope of this activity to include village headmen and neighborhood mukhtars, members of the City Council and managers and members of NGOs.

#### **Sponsorship support to sector bodies**

Petkim continued to grant its full support to symposia, panels and congresses held by universities and industry institutions in the fields related to petrochemical industry. In 2012, the Company sponsored numerous events such as 20th Quality Congress of Kalder, Culture and Art Fest of Kabataş High school for Boys, Spring Fest of Ege University, KDS 2012 Symposium held by Istanbul Culture University Industrial Engineering Club, Energy Efficiency Summit held by Engineering Club of Ege University, 31st Symposium of Accounting Education in Turkey held by Istanbul University, Faculty of Business Administration, "Smiling Lids, Smiling Faces" campaign

organized by Aliağa City Council, Plastech Fair organized for the first time in May, 2012 by İZFAŞ, Polymer Composites Symposium held by the Chamber of Chemical Engineers, Industrial Self-assessment Summits of Plastics Sector Platform and "What to Produce" events and project competition organized by Izmir High Technology Institute's Chemical Engineering Department. In these activities, Petkim managers shared their experience and expertise with students and other participants. Additionally, the Company's main shareholder SOCAR Turkey became one of the main sponsors of Speaking Books Fest, which was held by the Governorship of Izmir under the auspices of Hayrünnisa Gül, the spouse of Abdullah Gül, the President of the Republic of Turkey.

#### **500 Thousand square meters Forest in 5 Years campaign**

Petkim initiated the work of an exemplary environmental campaign, which will bring "500 thousand square meters forest in 5 Years" in Turkey. In line with its intensive tree planting efforts during the previous years, the Company started the work with a protocol signed with the Aegean Forest Foundation in December 2012 to establish the third Haydar Aliyev Friendship and Remembrance Forest. Within the scope of the Remembrance Forest, the Company will plant 12 thousand

saplings on a 75,000 square meter land near Örlemiş Village, Yenişakran.

#### **Aliağa Petkim Basketball Team**

The Aliağa Petkim Basketball Team continues to be an indispensable part of the social fabric of the Aliağa community with its successful performance in the Beko Primary Basketball League. Continuing its activities under the sponsorship of Petkim since the 2008-2009 season, the team attained the best performance in 2011-2012 season finishing the league in the 7th position and was entitled to participate in elimination round of Eurochallenge.

#### **Joint Project with Ege TV**

In line with its cooperation began in 2009 with Ege TV, the largest regional television channel in Turkey, Petkim continues to be the primary sponsor of a series called "Real Economy". Produced and presented by Serkan Aksüyek, Petkim's Corporate Communications Director, on Friday nights every two weeks at 9:00 p.m., the program brings to the public attention the challenges facing the Turkish real economy along with expectations and possible solutions. The program is closely followed by the business community in the Aegean Region.

Being granted a number of awards in 2012, Petkim further strengthened its reputation among its stakeholders.



## **AWARDS AND ACHIEVEMENTS**

Petkim;

- Petkim ranked first in list of Aegean Exporters' Association announced on February, 2012, as being the largest exporter in the chemical industry.
- Ranked 9th in the list of mineral fuels and 5th in organic chemicals announced by Istanbul Minerals and Metals Exporters Association in March 2012.
- Ranked 17th in the list of "1000 Largest Exporters" and the second

largest exporter in the chemical industry, announced by Turkish Exporters Assembly in May 2012.

- Ranked second in the lists of "Top 100 Industrialists of the Aegean Region" and "Largest Exporters" announced by Aegean Region Chamber of Industry in June 2012.
- Ranked 12th in the list of "Top 500 Industrialists" of 2011 announced by Istanbul Chamber of Industry in July 2012.
- Ranked second in exports, fifth in employment, second in production and investment according to the list announced by Aegean Region Chamber of Industry on December 27, 2012.

### **Awards**

- Petkim ranked among top premium paying employers in 2011 and was awarded with a plaque by Social Security Institution.
- Petkim was granted success award by Aegean Region Industry Chamber due to its achievements in innovation and strong sales performance.
- Petkim was awarded with first prize in the contest of "The Project Increasing Efficiency in Industry" organized by the Ministry of Energy and Natural Resources in the category of SEVAP-3, in which large industrialists consuming energy more than 50,000 TEP are evaluated.

In 2012, the Corporate Governance and Investor Relations Executive Directorate participated in a total of 11 roadshows, including five abroad, as well as conferences.

## **CORPORATE GOVERNANCE AND INVESTOR RELATIONS**

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

In line with Capital Market Board's provisions, the Corporate Governance and Investor Relations Executive Directorate, is directly responsible to the General Manager, and was established within the structure of Petkim as of January 31, 2012. Meeting obligations stemming from Capital Board Legislation, ensuring coordination in corporate governance practices and pursuing relations with shareholders were gathered under the roof of this Executive Directorate.

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

- To ensure compliance with the relevant legislation, Articles of Association and other internal arrangements regarding the exercise of shareholder rights and

measures to ensure the exercise of these rights,

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

In 2012, the monthly average of information requests via e-mail or telephone numbered 250 and the Corporate Governance and Investor Relations Executive Directorate answered all queries. The Corporate Governance and Investor Relations Executive Directorate participated in six investor conferences in Turkey and five abroad, meeting more than 70 investors. Additionally, two analysts meetings were organized during the year and 80 analysts were updated as regards to the Company's financial situation, strategies and activities. Since 2009, the Company has been rated in terms of corporate governance. Petkim increased its initial 7.71 rating in 2009 to 8.52 in 2011 and 8.72 in 2012.

Contact information of the Corporate Governance and Investor Relations Executive Directorate is as follows:

**Corporate Governance and Investor Relations Coordinator**

**Tel:** 0 232 - 616 61 27  
0 232 616 12 40 /  
2256-3917-4460

**E-Mail:** yatirimci.iliskileri@petkim.com.tr  
investor.relations@petkim.com.tr

**Share Performance of Petkim in 2012**

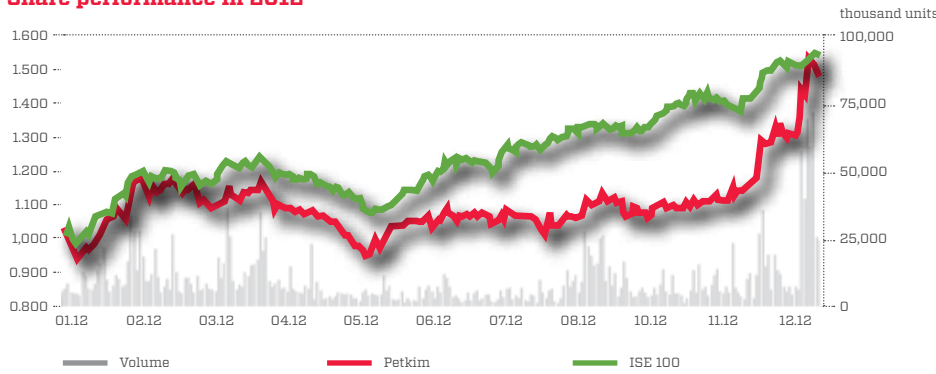
Petkim Petrokimya Holding A.Ş. shares started trading at ISE National Market on July 9, 1990, under the stock symbol of PETKM. As of 2012 end, the Company is listed in ISE 30, CHEMISTRY, INDUSTRY and Corporate Governance indexes. In 2012, Petkim share price saw the lowest 1.76 and the highest 2.86, concluding the year at 2.77. During this period, increasing interest towards ISE also driven by decline in interest rates caused 52% and 58% increases in ISE 100 and ISE 30 indexes, respectively, whereas Petkim shares rose by 46%.

Throughout the year, the daily average trade volume of Petkim shares was US\$ 12 million. Based on the data from CRA (Central Registry Agency) the share of foreign investors in publicly traded shares was 27% as of the year-end.

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

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

**Share performance in 2012**



**Share Price Movements (As of closing values)**

TL		US\$		YEAR-END CLOSING	
Lowest	Highest	Lowest	Highest	TL	US\$
1.76	2.86	0.95	1.60	2.77	1.56

## AGENDA

### Petkim PETROKİMYA HOLDİNG A.Ş.

#### AGENDA OF THE 2012 ORDINARY GENERAL ASSEMBLY

1. Opening and composition of the Meeting Presidency,
2. Authorizing the Meeting Presidency to sign the meeting Minutes of General Assembly,
3. Reading, discussion and approval of the Activity Report of the Board of Directors for the operating year 2012,
4. Reading, discussion and approval of the report of the Statutory Board of Auditors pertaining to the operating year 2012,
5. Reading, discussion and approval of the balance sheet, profit and loss accounts pertaining to the operating year 2012,
6. Release of the Chairman and members of the Board of Directors on account of their activities and account for the year 2012,
7. Release of the members of the Statutory Board of Auditors on account of their activities and account for the year 2012,
8. Discussion of the proposal of the Board of Directors on the distribution of profit pertaining to the year 2012 and taking a resolution thereon,
9. In order to align the Articles of Association with the new Turkish Commercial Code with number 6102 (TCC) and to increase the upper limit of the registered capital, taking a resolution on the amendment of Articles 3, 4, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17, 18, 22, 23, 30, 31, 32, 33, 34, 37, 38 and 41 of the Articles of Association of the Company, revoke of articles 24, 25, 26 and 35 and provisional Article 1 of the same, addition of clause 29/A to the Articles of Association,
10. Submitting the election of the new Board Members within the year for vacant positions due to resignation to the approval of General Assembly in accordance with Article 11 of the Articles of Association of the Company and Article 363 of TCC,
11. Re-election or replacement of the members of the Board of Directors, whose terms of office have expired and determination of their term,
12. Negotiation and taking a resolution of the remunerations to be paid to the members of the Board of Directors,
13. Election of the Auditor pursuant to the Turkish Commercial Code number 6102,
14. Informing the General Assembly on the "Information Policy" revised in accordance with "Corporate Governance Principles" which is annex to Communiqué of the Capital Markets Board Serial: IV, No: 56 on the "Determination and Execution of the Corporate Governance Principles",
15. Submitting "Aid and Donation Policy" to the approval of the General Assembly, created in accordance with "Corporate Governance Principles" which is annex to Communiqué of the Capital Markets Board Serial: IV, No: 56 on the "Determination and Execution of the Corporate Governance Principles",
16. Informing the Shareholders on the aid and donations granted by our Company within the year 2012,
17. Taking a resolution on the limit of aid and donation of our Company for year 2013 pursuant to the article 19 clause 5 of the Capital Markets Law (CML),
18. Informing the General Assembly regarding the transactions made with related parties within the year 2012, pursuant to the "Communiqué on the Principles to be complied with Joint Stock Companies being subject to the Capital Market Law" issued by the Capital Market Board with the Serial IV and No 41,
19. Informing the General Assembly regarding respective transactions of the persons mentioned in the clause (1.3.7) of "Corporate Governance Principles" which is annex to Communiqué of the Capital Markets Board Serial: IV, No:56 on the "Determination and Execution of the Corporate Governance Principles",
20. Granting the Members of the Board of Directors authorization to perform the transactions provided for in Articles 395 and 396 of the Turkish Commercial Code,
21. Pursuant to the resolution of the Capital Market Board with the date 09/09/2009 and number 28/780, informing the General Assembly as regards the guarantees, pledges and mortgages given by the Company in favor of third parties and income or benefits attained by the same,
22. Submitting the "Internal Directive" to the approval of the General Assembly prepared in accordance with the Article 419 of the Turkish Commercial Code, ("TCC").
23. Wishes and closing speech.

## PROFIT DISTRIBUTION

### 2012 DIVIDEND DISTRIBUTION TABLE OF Petkim PETROKİMYA HOLDİNG A.Ş. (TL)

	Acc. to CMB	Acc. to statutory records
<b>PROFIT DISTRIBUTION OF THE PERIOD</b>		
1) Paid/Issued Capital	1,000,000,000.00	1,000,000,000.00
2) Total Legal Reserves (in accordance with statutory records)	3,551,783.57	3,551,783.57
<b>If there is information about privilege in dividend distribution as per AoA</b>		
3) Profit for Tax of the Year	21,156,071.00	2,042,886.98
4) Tax Expenses	3,727,453.00	-
<b>5) NET PROFIT FOR THE PERIOD</b>	<b>17,428,618.00</b>	<b>2,042,886.98</b>
6) Prior Years' Losses	-	-
7) First Legal Reserves	102,144.35	102,144.35
<b>8) NET DISTRIBUTABLE PROFIT</b>	<b>17,326,473.65</b>	<b>1,940,742.63</b>
9) Donations Made During the Year	5,000.00	-
<b>10) NET DISTRIBUTABLE PROFIT INCLUDING DONATIONS THAT IS THE BASE OF CALCULATIONS OF FIRST LEGAL RESERVES</b>	<b>17,331,473.65</b>	<b>1,940,742.63</b>
11) First Dividend	-	-
- Cash	-	-
- Bonus	-	-
12) Dividend Paid to Preference Shares	-	-
13) Dividend Paid to the Board Members, Employees, etc.	-	-
14) Dividend Paid to the Redeemed Share Owners	-	-
15) Second Dividend	-	-
16) Second Legal Reserves	-	-
17) Status Reserves	-	-
18) Special Reserves	-	-
<b>19) EXTRAORDINARY RESERVES</b>	<b>17,326,473.65</b>	<b>1,940,742.63</b>
<b>20) Other Distributable Sources</b>		
- Prior Year's Profit	-	-
- Extraordinary Reserves	-	-
- Other Distributable Reserves in Accordance with Legislation	-	-
Earnings per Share (Kr)	0.0174	-
Dividend per Share (Kr) (Gross)	0.0000	-

### INFORMATION ON DISTRIBUTED PROFIT SHARE RATES

<b>Information on Dividend per Share</b>			
GROUP		Total dividend (TL)	Group Gross Dividend Paid to Share with a Nominal Value of TL 1 Kr
			Amount Kr
GROSS	A		
	SOCAR Turkey Petrokimya A.Ş.	-	-
	SOCAR Izmir Petrokimya A.Ş.	-	-
	Other (Publicly Traded)	-	-
	B		
	SOCAR Turkey Petrokimya A.Ş.	-	-
	C		
	Privatization Administration	-	-
	<b>Total:</b>	<b>-</b>	<b>-</b>
	NET	A	
SOCAR Turkey Petrokimya A.Ş.		-	-
SOCAR Izmir Petrokimya A.Ş.		-	-
Other (Publicly Traded)		-	-
B			
SOCAR Turkey Petrokimya A.Ş.		-	-
C			
Privatization Administration		-	-
<b>Total:</b>		<b>-</b>	<b>-</b>

### RATE OF DIVIDEND DISTRIBUTED PER NET DISTRIBUTABLE PROFIT WITH DONATIONS ADDED

Dividend distributed to shareholders (TL)	Rate of dividend distributed to shareholders per net distributable profit with donations added (%)
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## AMENDMENTS TO THE ARTICLES OF ASSOCIATION

### PETKİM PETROKİMYA HOLDİNG A.Ş.

#### DRAFT OF AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The amendments to the Articles of Association recommended to be made as per the provisions of Turkish Commercial Code no. 6102, modified as per the Law no. 6335 ("the New TCC"), and of the Law no. 6103 on the Effectiveness and Implementation of Turkish Commercial Code together with the justifications of these amendments are indicated below:

#### CURRENT VERSION

##### THE PURPOSE AND THE FIELDS OF ACTIVITY OF THE COMPANY:

**Article 3-** The principal purpose and the fields of activity of the Company are as follows;

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

#### NEW VERSION

##### THE PURPOSE AND THE FIELDS OF ACTIVITY OF THE COMPANY:

**Article 3-** The principal purpose and the fields of activity of the Company are as follows;

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

## CURRENT VERSION

activities, and to participate in the companies which will be engaged in such activities, and to carry out and to perform the wholesale or retail sales and the exportation of its own finished products and products as well as the finished products and products which it imports or purchases,

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

## NEW VERSION

activities, and to participate in the companies which will be engaged in such activities, and to carry out and to perform the wholesale or retail sales and the exportation of its own finished products and products as well as the finished products and products which it imports or purchases,

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

**The principles set forth within the frame of the Capital Markets regulation shall be adhered to, when the Company grants guarantees, sureties, warrants or establishes right of mortgage including encumbrance on its behalf and in favor of third parties.**

**CURRENT VERSION**

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

**NEW VERSION**

- j) In relation to the trading, which is carried out and performed by way of importation and exportation, at the relevant branch of industry, to maintain and handle relations with any and all sectors concerning such industry, to participate in the branches of industry, engineering and consulting, and to participate in the bids and tenders, and to commit any undertaking thereto,
- k) To carry out and to offer engineering services either at home or abroad in relation to the businesses which are within its scope of activity,
- l) In order to accomplish its purpose, to borrow from any resources either domestic or international,
- m) Establishing partnerships on its subject and acquiring and/or merging with those established, participating in those which shall be established, reserving Capital Market **Legislation and provided that these are not in the nature of an investment service or activity (provision 21/1 of the Capital Market Law is reserved),**
- n) In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,
- o) To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,
- ö) To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by 3rd parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
- p) To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed

## CURRENT VERSION

The grant, by the Company, of any aid or donation mentioned within the paragraph (p) of the Article 3 of the Articles of Association of the Company, requires prior approval of the Board of Directors of the Company.

Any amendments to the articles of association require the appropriate opinion of the Capital Markets Board, and the authorization of the Ministry of Customs and Trade of the Republic of Turkey. Furthermore, in the event that the Company obtains a license from the Energy Market Regulatory Authority, and if it is required by the legislation related to such obtained license, any amendments to the articles of association other than the ones for the address of domicile, shall require the approval of the Energy Market Regulatory Authority.

## CURRENT VERSION

### HEADQUARTERS AND BRANCHES OF THE COMPANY:

**Article 4-** The headquarters of the company is located in Aliağa / İZMİR. In the event that the company undergoes a change of address, the new address will be notified to the Ministry of Industry and Trade of the Turkish Republic and the Capital Market Board. The Company can open branches, agencies and representation offices domestically and abroad in conformity with the provisions of the regulations in effect when the business of the company deems it necessary and by adopting a resolution of the Board of Directors in that respect.

## CURRENT VERSION

### CAPITAL:

**Article 6-** The Company has adopted the registered capital system in conformity with the provisions of the Capital Market Law with number 2499 and has passed to this system as per the permission of the Capital Markets Board dated 07.12.1998 and with number 11838.

## NEW VERSION

by the Capital Markets Board. **The upper limit for the donations shall be determined by the General Assembly and any donation exceeding this limit may not be made.**

The grant, by the Company, of any aid or donation mentioned within the paragraph (p) of the Article 3 of the Articles of Association of the Company, requires prior approval of the Board of Directors of the Company. **The donations are made upon making the related special case explanations. Donations made within the year are submitted for the information of the partners in the General Assembly and added to the distributable profit base.**

Any amendments to the articles of association require the appropriate opinion of the Capital Markets Board, and the authorization of the Ministry of Customs and Trade of the Republic of Turkey. Furthermore, in the event that the Company obtains a license from the Energy Market Regulatory Authority, and if it is required by the legislation related to such obtained license, any amendments to the articles of association other than the ones for the address of domicile, shall require the approval of the Energy Market Regulatory Authority.

## NEW VERSION

### HEADQUARTERS AND BRANCHES OF THE COMPANY:

**Article 4-** The headquarters of the company is located in the province of İZMİR, district of Aliağa. **The address is P.K.12 Aliağa-İZMİR. In the event that the Company undergoes a change of address, the new address shall be registered to the Trade Registry, and published in the Turkish Trade Registry Gazette and this issue shall be notified to the Ministry of Customs and Trade and the Capital Markets Board.** The Company can open branches, agencies and representation offices domestically and abroad in conformity with the provisions of the regulations in effect when the business of the company deems it necessary and by adopting a resolution of the Board of Directors in that respect.

**Notification made to the registered and announced address is deemed to be made to the Company. For a Company which moved from its registered and announced address but has not registered its new address within due time, this situation constitute a reason for termination.**

## NEW VERSION

### CAPITAL:

**Article 6-** The Company has adopted the registered capital system in conformity with the provisions of the Capital Market Law with number 2499 and has passed to this system as per the permission of the Capital Markets Board dated 07.12.1998 and with number 11838. **The upper limit permit issued by the Capital**

**CURRENT VERSION**

The upper limit permit issued by the Capital Markets Board for registered capital is valid for the years between 2009-2013 (5 years). Even if the upper limit permit given is not reached by the end of year 2013, in order for the Board of Directors to be able to adopt a resolution for capital increase after 2013, it is mandatory that an authorization is given in the General Meeting for the upper limit permitted before or a new upper limit by means of getting a permit from the Capital Market Board. If the aforementioned authorization is not taken, the company will be regarded to have left the Registered Capital system.

- a) Registered Capital:  
The Registered capital of the company is 300,000,000. (three hundred million) Turkish liras. This capital has been divided into 30,000,000,000 (thirty billion) shares each having a nominal value of 1.- (One) Kuruş.
- b) Issued Capital:  
The issued capital of the company is 1,000,000,000.- (one billion) Turkish liras, divided into 100,000,000,000 (one hundred billion) shares, each having a nominal value of 1.- (One) Kuruş. All the capital has been paid in.
- c) The Board of Directors shall be authorized to increase the issued capital for years 2009 - 2013 when it deems appropriate, on condition that the provisions of the Capital Market Law are adhered to and that such increase is within the upper limit for registered capital.

The shares constituting the capital will be followed up within the framework of the shares representing capital.

**CURRENT VERSION****CAPITAL INCREASE AND DECREASE:**

**Article 7-** When deemed necessary, the capital of the Company can be increased or decreased within the framework of Turkish Trade Code and the Capital Markets Law. The shareholders shall have legal preemption rights on the capital to be increased by means of issuance of new shares. The principles and procedures for use of preemption rights and the value of issuance of the shares to be given to shareholders will be determined by the Board of Directors and announced in the manner written in the articles of association.

However, the C group share will not participate in these increases and continue its existence as 1 (one) share.

**CURRENT VERSION****SHARE CERTIFICATES:**

**Article 8-** The shares of the company have been separated into three groups as A, B and C Groups, and they have been distributed to the shareholders pro rata to their shareholdings as shown herein below:

**NEW VERSION**

Markets Board for registered capital is valid for the years between **2013-2017 (5 years)**. Even if the upper limit permit given is not reached by the end of year **2017**, in order for the Board of Directors to be able to adopt a resolution for capital increase after **2017**, it is mandatory that an authorization is given in the General Meeting for the upper limit permitted before or a new upper limit by means of getting a permit from the Capital Market Board. If the aforementioned authorization is not taken, the company will be regarded to have left the Registered Capital system.

- a) Registered Capital:  
The Registered capital of the company is **4,000,000,000.- (four billion)** Turkish liras. This capital has been divided into **400,000,000,000.- (four hundred billion)** shares each having a nominal value of 1.- (One) Kuruş.
- b) Issued Capital:  
The issued capital of the company is 1,000,000,000.- (one billion) Turkish liras, divided into 100,000,000,000 (one hundred billion) shares, each having a nominal value of 1.- (One) Kuruş. All the capital has been paid in.
- c) The Board of Directors shall be authorized to increase the issued capital for years **2013 - 2017** when it deems appropriate, on condition that the provisions of the Capital Market Law are adhered to and that such increase is within the upper limit for registered capital.

The shares constituting the capital will be followed up within the framework of the shares representing capital.

**NEW VERSION****CAPITAL INCREASE AND DECREASE:**

**Article 7-** When deemed necessary, the capital of the Company can be increased or decreased within the framework of Turkish Commercial Code and the Capital Markets Law. The shareholders shall have legal preemption rights on the capital to be increased by means of issuance of new shares. The principles and procedures for use of preemption rights and the value of issuance of the shares to be given to shareholders will be determined by the Board of Directors and announced in the manner written in the articles of association.

However, the C group share will not participate in these increases and continue its existence as 1 (one) share.

**NEW VERSION****SHARE CERTIFICATES:**

**Article 8-** The shares of the company have been separated into three groups as A, B and C Groups, and they have been distributed to the shareholders pro rata to their shareholdings as shown herein below:

## CURRENT VERSION

SHARE GROUP	NAME OF SHAREHOLDER	TYPE OF SHARE	TOTAL SHARE QUANTITY	VALUE OF THE SHARES (TL)
A	Socar & Turkey Petrokimya A.Ş.	Registered	11,000,000,000	110,000,000.00
B	Socar & Turkey Petrokimya A.Ş.	Registered	40,000,000,000	400,000,000.00
A	Other	Registered	38,678,431,890	386,784,318.90
A	Privatization Administration	Registered	10,321,568,109	103,215,681.09
C	Privatization Administration	Registered	1	0.01
<b>TOTAL</b>			<b>100,000,000,000</b>	<b>1,000,000,000.00</b>

C group share belongs to the Privatization Administration. The privileges granted to C group share by the Articles of Association shall continue to be valid as long as Privatization Administration owns the C group share. With the conversion of the C group share into A group, the “right to nominate a candidate for the Board of Directors” granted to C group as per Article 11 of the Articles of Association shall be transferred to the shareholders holding A group shares.

In case it is decided to abolish the rights granted to C group share as per the last paragraph of Article 15, the share shall transform into A group share. In this case, C group's right to nominate a candidate for Board of Directors is transferred to A group.

## CURRENT VERSION

### ASSIGNMENT OF SHARES:

**Article 9-** Assignment of registered shares shall gain validity only when recorded in the company shareholder's stock register.

Consent of the Board of Directors is mandatory for assignment of shares to gain validity for the company, except for shares that have been or will be offered to the public through the Istanbul Stock Exchange Market.

If the assignment has not been registered in the company share book, the shareholder will be the person whose name is written in the company share book for the company. Registry to the company share book will be made by a Resolution of the Board of Directors. The Board of Directors may refrain from registry to the company share book without having to show any reason, on condition that the provisions of articles 418 and 419 of Turkish Trade Code are reserved.

It is mandatory that the board member appointed to the Board of Directors as representing the C group share casts a positive vote for registry of the Board of Directors to the company share book.

The C group share can be assigned to another Turkish Public Institution as per the authorities granted to the Directorate of the Privatization Institution by the Law with number 4046. In that case, assignment will be registered to the company share book at once without need for any resolution of the Board of Directors.

## NEW VERSION

SHARE GROUP	NAME OF SHAREHOLDER	TYPE OF SHARE	TOTAL SHARE QUANTITY	VALUE OF THE SHARES (TL)
A	Socar & Turkey Petrokimya A.Ş.	Registered	11,000,000,000	110,000,000.00
B	Socar & Turkey Petrokimya A.Ş.	Registered	40,000,000,000	400,000,000.00
A	Other	Registered	38,678,431,890	386,784,318.90
A	Socar Izmir Petrokimya A.Ş.	Registered	10,321,568,109	103,215,681.09
C	Privatization Administration	Registered	1	0.01
<b>TOTAL</b>			<b>100,000,000,000</b>	<b>1,000,000,000.00</b>

C group share belongs to the Privatization Administration. The privileges granted to C group share by the Articles of Association shall continue to be valid as long as Privatization Administration owns the C group share. With the conversion of the C group share into A group, the “right to nominate a candidate for the Board of Directors” granted to C group as per Article 11 of the Articles of Association shall be transferred to the shareholders holding A group shares.

In case it is decided to abolish the rights granted to C group share as per the last paragraph of Article 15, the share shall transform into A group share. In this case, C group's right to nominate a candidate for Board of Directors is transferred to A group.

## NEW VERSION

### ASSIGNMENT OF SHARES:

**Article 9-** Except **publicly traded shares**, validity of assignment of registered shares shall be subject to the approval of the Board of Directors. **In order for the Board of Directors to approve the assignment of shares**, it is mandatory that the member of the **Board of Directors appointed in representing the C group share casts affirmative vote**.

The C group share can be assigned to another Turkish Public Institution as per the authorities granted to the Directorate of the Privatization Institution by the Law with number 4046. In that case, assignment will be registered to the company share book at once without need for any resolution of the Board of Directors.

**CURRENT VERSION****CURRENT VERSION****BOARD OF DIRECTORS:**

**Article 11-** Management and representation of the Company are carried out by the Board of Directors. The Board of Directors is authorized to perform all kinds of works other than the works that the General Assembly itself is obliged to perform according to the laws. The Board of Directors consists of 9 (nine) members elected by the General Assembly. The General Assembly, while forming the Board of Directors, shall elect 4 (four) candidates who get the highest votes in the election performed amongst A group shareholders, 4 (four) candidates who get the highest votes in the election performed amongst B group shareholders, and 1 (one) candidate shown by C group shareholder. Following principles shall apply for determining candidates to the Board of Directors by A group shareholders:

- a) In case that the free float rate of A group shares is 20% (20% or more) of the total share capital, the right to determine two of the 4 (four) Board member candidates granted to A group belongs to A group, and the right to determine 2 (two) candidates again belongs to B group shareholders.
- b) In case that the free float rate of A group shares is 40% (40% or more) of the total share capital, the right to determine three of the 4 (four) Board member candidates granted to A group belongs to A group, and the right to determine 1(one) candidate again belongs to B group shareholders.
- c) In case that the free float rate of A group shares is 55% and more of the total share capital, all 4 (four) members shall be elected from amongst the candidates to be elected and nominated by A group pursuant to the abovementioned procedure.
- ç) Nominating candidates for the Board of Directors by the shareholders possessing A group shares is subject to their representation in the General Assembly, at which members of Board of Directors are to be elected, with a ratio of at least 1% of the A Group shares in the total share capital. The shareholders having the possession of A group shares shall determine the candidates for the Board membership in the meeting they make amongst themselves. In case shareholders having the possession of A group shares are not represented in the General Assembly with the ratio of 1%, the right to determine the candidate for the Board of Directors granted to these shareholders shall be exercised by B group shareholders. The Board of Directors shall be elected by the General Assembly from among these candidates.
- d) The number of independent directors who will serve at the Board of Directors, shall be determined as per the regulations of the Capital Markets Board in relation to corporate governance. The independent members of the board of directors shall be elected from among the persons to be nominated by the shareholders, in accordance with the principles and procedures prescribed within these articles of association and the regulations of the Capital Markets Board in relation to corporate governance.

**NEW VERSION****NEW VERSION****BOARD OF DIRECTORS:**

**Article 11-** The management and representation of the Company will be under responsibility of the Board of Directors. The Board of Directors will be authorized to carry out all duties except for the duties assigned specifically for the General Meeting. The Board of Directors shall comprise of 9 (nine) members to be appointed in the General Meeting. When appointing the members of the Board of Directors during the General Meeting, it is mandatory that 4 (four) candidates to be **nominated** by A group shareholders, 4 (four) candidates to be **nominated** by B group shareholders and 1 (one) candidate to be nominated by the C group shareholder are appointed.

The numbers and characteristics of the independent members of the Board of Directors that will be appointed to the Board of Directors shall be determined according to the regulations of the Capital Markets Board about corporate management. Independent members of the board of directors will be appointed from among the candidates to be nominated by the shareholders and appointment will be done in conformity with the procedures and principles set forth in these articles of association and the regulations of the Capital Market Board about corporate management.

In the event that a vacancy occurs in membership to the Board of Directors as a consequence of a death, resignation or cancellation of membership, the position will be filled in as per the election to be made by the Board of Directors as per article 363 of Turkish Commercial Code. The member of the Board of Directors to be appointed shall be submitted for approval in the first General Meeting. In the event that membership of the person is approved in the General Meeting, such person shall complete the duty term of the member that he is replacing. In the event of a vacancy in membership of a member of the Board of Directors appointed by A group shareholders, appointment shall once again be made from among candidates to be nominated by A group shareholders; in the event of a vacancy in membership of a member of the Board of Directors appointed by B group shareholders, appointment shall once again be made from among candidates to be nominated by B group shareholders. In the event of a vacancy in membership of a member of the Board of Directors appointed by the C group shareholder, appointment shall once again be made from among candidates to be nominated by C group shareholder.

In the event that a vacancy occurs in the independent membership to the Board of Directors, the regulations of the Capital Markets Board about corporate governance shall apply.

**Positions and working principles of the committees to be formed under the Board of Directors shall be determined by the corporate governance regulations of the Turkish Commercial Code, Capital Market Law and Capital Market Board and the related legislation provisions.**

## CURRENT VERSION

- e) In the event that the seat of any member of the Board of Directors becomes vacant due to death, resignation or termination of a membership, such vacant seat shall be filled upon the selection to be made by the Board of Directors as per the Article 315 of the Turkish Trade Code. The selected member of the Board of Directors shall be submitted to the approval of the next General Assembly to be convened. Provided that such membership is approved by the General Assembly, such person shall complete the term of office of the person it substitutes. In the event that the seat of any member of the Board of Directors, who was elected by having been nominated Group A shareholders, becomes vacant, the Board of Directors shall fill such vacant seat by selecting from among the persons nominated by the members of the Board of Directors who were elected by having been nominated by Group A shareholders; and in the event that the seat of any member of the Board of Directors who was elected by having been nominated by Group B shareholders, becomes vacant, the Board of Directors shall fill such vacant seat by selecting from among the persons nominated by the members of the Board of Directors who were elected by having been nominated by Group B shareholders. However, in the event that the number of the members of the Board of Directors who were elected by having been nominated by Group A shareholders is only 1 (one), the selection shall be made from among the persons to be nominated by Group C shareholders, in case of any vacancy.
- In the event that the seat of the member who as elected by Group C becomes vacant due to the above listed reasons, then such vacancy shall be filled in by the Board of Directors by electing the person or persons to be nominated by the Group C Shareholders. In the event that the seat of the independent member of the board of directors becomes vacant, the regulations of the Capital Markets Board in relation to corporate governance shall be adhered.
- f) In case it is notified that a member of the Board of Directors, representing a certain legal entity holding shares of the Company, has no relations with the mentioned legal entity any more or in case a certain legal entity holding shares of the Company transfers those shares to a third person or a member of the Board of Directors holding shares of the Company transfers those shares to a third person, then this member is deemed resigned from the Board membership and provision (e) of this article shall be applicable for nominating a person for the vacant membership.

## CURRENT VERSION

### QUALIFICATIONS OF AND ELECTION CONDITIONS FOR THE BOARD MEMBERS:

**Article 12-** Members of the Board of Directors shall be elected from among the persons who are shareholders of the Company, who are preferably university graduates, who have technical

## NEW VERSION

## NEW VERSION

### QUALIFICATIONS OF AND ELECTION CONDITIONS FOR THE BOARD MEMBERS:

**Article 12-** Members of the Board of Directors shall be elected from among **real persons**, who are **fully competent**, preferably university graduates, who have technical knowledge and/or



**CURRENT VERSION**

knowledge and/or general financial and legal knowledge and managerial experience in the fields of activity in which the Company is engaged, who have not been placed under interdiction and have not been sentenced to disgraceful offenses and who have the opportunity and determination to participate in all meetings of the board of directors. Independent Board Members shall be elected from among the persons bearing the qualifications required as per the regulations of the Capital Markets Board in relation to corporate governance. The persons, who do not bear some of those qualifications, may be elected as independent board members in accordance with the principles and the procedures prescribed by the Capital Markets Legislation in the event that the referred legislation allows such election.

A legal entity that is a shareholder cannot be a director; however, natural persons representing such legal entity can be elected as the member of the Board of Directors. The members of the board of directors, the shareholders holding the managerial control of the Company, senior executives and the spouses and the kinsmen and the relatives by marriage up to second degree of such persons shall be subject to Turkish Commercial Code and the regulations of the Capital Markets Board in relation to corporate governance, for entering into any business with or entering into competition with the Company or the affiliates thereof. Members of the Board of Directors shall not participate to the discussion of issues regarding themselves or concerning the benefit of themselves, and of their spouses and relatives by blood and affinity up to third degree who are not a member of the Board of Directors. In the event that such an issue is to be discussed, the members of the Board of Directors are liable to notify the Board of their relevance and to have such relevance written in the minutes.

**CURRENT VERSION****WORKING ORDER OF THE BOARD OF DIRECTORS:**

**Article 14-** The members of the Board of Directors shall be elected for a maximum term of office of 3 (three) years. The General Assembly may dismiss Board members before the expiry of the term. Board members whose term of office has expired may be re-elected.

**NEW VERSION**

general financial and legal knowledge and managerial experience in the fields of activity in which the Company is engaged, who have not been placed under interdiction and have not been sentenced to disgraceful offenses and who have the opportunity and determination to participate in all meetings of the board of directors. Independent Board Members shall be elected from among the persons bearing the qualifications required as per the regulations of the Capital Markets Board in relation to corporate governance. The persons, who do not bear some of those qualifications, may be elected as independent board members in accordance with the principles and the procedures prescribed by the Capital Markets Legislation in the event that the referred legislation allows such election.

**If a legal entity is appointed as a member of the Board of Directors, only one real person determined by the legal entity and acting on behalf of the legal entity will be registered and announced; furthermore, registry and announcement will also be announced on the website of the Company. Only this registered person can participate in meetings and cast votes on behalf of the legal entity. It is mandatory that the person to be registered on behalf of the legal entity is fully competent.**

The members of the Board of Directors, the shareholders holding the managerial control of the Company, senior executives and the spouses and the kinsmen and the relatives by marriage up to second degree of such persons shall be subject to Turkish Commercial Code and the regulations of the Capital Markets Board in relation to corporate governance, for entering into any business with or entering into competition with the Company or the affiliates thereof.

Members of the Board of Directors may not be present in the discussions about matters for which **there is a conflict of interest between themselves or their spouses or blood relatives or relatives by marriage and the Company**. In the event that such matters are to be discussed, they will be obliged to inform the **Board of Directors** about the matters and have the matter recorded in the minutes of the meeting.

**NEW VERSION****WORKING ORDER OF THE BOARD OF DIRECTORS:**

**Article 14:** The Board of Directors will appoint a Chairman and **at least** one Deputy Chairman **each year** in its first meeting. The authority to invite the Board of Directors to meeting is vested to the Chairman and to the deputy Chairmen in his absence. The Chairman or the Deputy Chairman in his absence has to invite the Board of Directors for a meeting upon request of 2 members.

## CURRENT VERSION

### CURRENT VERSION

#### MEETINGS OF THE BOARD OF DIRECTORS:

**Article 15-** The Board of Directors shall convene at any time necessitated by the Company's business at the headquarters or any other place deemed appropriate. However, it is obligatory to hold at least 6 (six) meetings in a year. The Board of Directors is held with the participation of at least 5 (five) members. The Board of Directors takes its decisions with the affirmative votes of 5 (five) members. A member who has not participated to four consecutive meetings without permission of Board of Directors or without a reasonable ground shall be deemed to have resigned. The decisions of Board of Directors may also be taken by the receipt of written affirmative opinions of all members on a proposal submitted by one of the members regarding a certain subject matter, unless one of the members requests to hold a meeting. Every year the Board of Directors shall make decisions regarding the establishment of the committees following the General Assembly meeting. The validity of the decisions of Board of Directors depends on the fact that they are in writing and signed. In case a decision quorum on a certain subject matter cannot be constituted, then the referred subject matter is deemed as rejected. The validity of the decisions that are to be taken by the Board of Directors on the following matters is subject to the affirmative vote of the member of Board of Directors elected from C group:

- a) Submission of the amendments to the Articles of Association that will affect the privileges assigned to C Group share to the General Assembly's approval,
- b) Registration of the transfer of registered shares on the share ledger;
- c) Determination of the form of letter of proxy indicated in the Article 31 of the present Articles of Association;
- ç) Decisions envisaging a 10% decrease in the capacity of any plant owned by the company;
- d) Establishment of a new company or partnership, acquisition of a company, participating to and/or merging with existing companies, demerger of the Company, changing the type of the Company, termination and liquidation of the Company.

For the transactions, which are deemed to be Significant Transactions, and any and all kinds of related party transactions of the company, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons, the mandatory regulations in relation to Corporate Governance Principles of the Capital Markets Board shall be adhered. The call for Board of Directors meetings shall be made at least three days prior to the meeting dates.

## NEW VERSION

### NEW VERSION

#### MEETINGS OF THE BOARD OF DIRECTORS:

**Article 15- Meetings of the Board of Directors can be held in electronic platform or they can also be held in a manner in which some members are physically present and some members participate** electronically. Meetings of the board of directors in which there is physical participation will be held at the company headquarters or a suitable location. **Meetings of the Board of Directors shall be held when the business of the company deems it necessary** and with the participation of minimum 5 (five) members. Resolutions of the board of directors will be adopted by affirmative opinions of five members. Unless neither member requests that a meeting is held, resolutions of the board of directors can be adopted with the affirmative votes of **minimum 5 (five) members to a proposal submitted** by any member in the form of a resolution.

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

The validity of the decisions of Board of Directors depends on the fact that they are in writing and signed. In case a decision quorum on a certain subject matter cannot be constituted, then the referred subject matter is deemed as rejected.

The validity of the decisions that are to be taken by the Board of Directors on the following matters is subject to the affirmative vote of the member of Board of Directors elected from C group;

- a) Submission of the amendments to the Articles of Incorporation that will affect the privileges assigned to C Group share to the General Assembly's approval,
- b) Registration of the transfer of registered shares on the share ledger;
- c) Determination of the form of Power of Attorney indicated in the Article 31 of the present Articles of Association;
- ç) Decisions envisaging a 10% decrease in the capacity of any plant owned by the company;
- d) Establishment of a new company or partnership, acquisition of a company, participating to and/or merging with existing companies, demerger of the Company, changing the type of the Company, termination and liquidation of the Company.

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

**CURRENT VERSION**

The privileges of the C group may only be limited or abolished with an amendment to be duly made in the articles of incorporation upon the decision of Higher Commission of Privatization or the competent authority at that date.

**CURRENT VERSION****DUTIES AND AUTHORITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS:**

**Article 16-** The Board of Directors of the Company is its body for representation and management. The Board of Directors shall carry out all duties for management and representation of the Company except for the authorities granted specifically for the General Meeting in its articles of Association and is vested with all the authority required for carrying out the duties.

The Board of Directors may delegate all or part of its management and representation authorities to one or more of its members, a General Manager that is not a Board Member, one or more managers as per the provisions of article 319 of Turkish Trade Code and it can also establish executive committees from among its members or externally in order to perform these duties and exercise the authorities. However, the Board of Directors may not delegate authority about matters for which there are C group concessions.

The agenda of the meetings of the Board of Directors will be notified to the members of the Board of Directors minimum three days before the date of the meeting. All information and document that the members of the Board of Directors will need when performing their duties will be submitted to them upon request for review.

**NEW VERSION**

Invitations to the Board of Directors meetings and the agenda of the meetings will be notified to the members of the Board of Directors minimum three days in advance.

Those entitled to participate in the board of directors meeting of the company can also participate these meetings electronically as per article 1527 of Turkish Commercial Code. The Company can set up an Electronic Meeting System that will provide the opportunity for beneficiaries to participate these meetings electronically in conformity with the provisions of the Notice about "Meetings other than General Assembly Meetings of Incorporations to be held electronically". During the meetings to be held, the system set up as per this provision or the system that will provide support services will be used in order for beneficiaries to exercise their rights written in the relevant regulations within the framework stated in the Notice.

The privileges of the C group may only be limited or abolished with an amendment to be duly made in the articles of association upon the decision of Higher Commission of Privatization or the competent authority at that date.

**NEW VERSION****DUTIES AND AUTHORITIES OF THE MEMBERS OF THE BOARD OF DIRECTORS:**

**Article 16-** The Board of Directors of the Company is its body for representation and management. The Board of Directors shall carry out all duties for management and representation of the Company except for the authorities granted specifically for the General Meeting in its articles of Association and is vested with all the authority required for carrying out the duties.

The Board of Directors may, **by issuing an internal directive, delegate all or part of its management and representation authorities to one or more of its members**, a General Manager that is not a Board Member, one or more managers and it can also establish executive committees from among its members or externally in order to perform these duties and exercise the authorities. However, the Board of Directors may not delegate authority about **matters referred to in article 375 of Turkish Commercial Code** and for which there are C group concessions.

All information and document that the members of the Board of Directors will need when performing their duties will be submitted to them upon request for review.

## CURRENT VERSION

### CURRENT VERSION

#### REPRESENTATION AND BINDING OF THE COMPANY:

**Article 17-** The authority of management and representation against third parties of the Company belongs to the Board of Directors. The Board of Directors may assign part of all of these authorities to others. Any document to be issued by the company and a deed to be executed has be signed by the signatory authorities of the company and their signature should be accompanies by the company trade name.

### CURRENT VERSION

#### REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS:

**Article 18-** Remuneration of the members of the Board of Directors will be determined in the General Meeting.

### CURRENT VERSION

#### AUDITORS:

**Article 22-** The Company will be audited by 3 auditors to be appointed in the General Meeting. 1 of the auditors will be appointed from among the candidates to be nominated by the A group shareholders, 1 from among the candidates to be nominated by B group shareholders and 1 from among the candidates to be nominated by the C group shareholder. The duty term of the auditors will be 1(one) year. Any auditor, whose duty term has ended, can be reelected.

The following principles shall apply for appointment of auditors of A group shareholders:

- a) In the event that the free float rate of the A group shares is 30% (30% and more) of the total capital, the A groups shareholders will be vested with the authority to nominate the 1 Auditor granted to the A group.

## NEW VERSION

### NEW VERSION

#### REPRESENTATION AND BINDING OF THE COMPANY:

**Article 17-** The authority of representation against third parties of the Company belongs to the Board of Directors. The Board of Directors may appoint all or part of these authorities to others. **It is mandatory that at least one member of the Board of Directors is vested with the authority of representation.** Any document to be issued by the company or a deed to be executed must be signed jointly with two signatory authorities of the company and their signature should be accompanied by the trade name of the company.

The transfer of the representational authority may not be valid unless a notarized copy of the decree defining the persons authorized to represent and their representations is registered to the trade registry and announced. Limitation of the authority to represent does not bind third parties with good faith but registered and announced limitations shall be valid when the representational authority is specified for only the work of a center or a branch or for using it together.

### NEW VERSION

#### REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS :

**Article 18-** Members of the Board of Directors will receive a monthly or annual remuneration or a certain remuneration for each meeting, to be determined in the General Assembly Meeting. In addition to this remuneration and allowances, premiums and bonuses can also be paid to the Members of the Board of Directors upon a resolution to be adopted in the General Assembly Meeting in that respect.

### NEW VERSION

#### AUDITOR:

**Article 22-** The Auditor will be elected by the General Assembly of the Company for each operating year. Following the election, the Board of Directors will immediately register the auditor to the Trade Registry and announce the matter in the Turkish Trade Registry Gazette and on the website of the Company.

**CURRENT VERSION**

- b) Nomination of candidate auditors by A group shareholders is dependent on the fact that minimum 1% of the A group shares in the total capital are represented in the General Meeting in which elections for auditors are made. In that case, the candidate having received the highest number of votes in the election made by A group shareholders will be appointed in the General Meeting. In the event that the A group shareholders are not represented in the General Meeting in the ratio of 1% of the total issued capital, then the right of these shareholders to appoint an Auditor will be used by B group shareholders.
- c) In the event that the position of an auditor is vacated due to reasons such as death, resignation, dismissal or annulment of membership, their positions will be filled as per the election to be made in conformity with article 351 of Turkish Trade Code.

In the event that any vacancy occurs as a consequence of the reasons given above, the group entitled to nominate the vacated position will be entitled to nominate a new candidate for the position and other auditors will elect this candidate to fill in the vacancy.

**CURRENT VERSION****QUALIFICATIONS AND REQUIREMENTS OF AUDITORS:**

**Article 23-** Persons to be appointed as auditors should not be interdicted; they should not be convicted of disgraceful offenses and should not be convicted with a crime causing loss of title of membership as indicated in the Turkish Trade Code.

**CURRENT VERSION****DUTIES, AUTHORITIES AND RESPONSIBILITIES OF AUDITORS:**

**Article 24-** The Auditors shall be authorized and obligated to audit the general transactions and budget of the company, to perform the duties set forth in the Turkish Trade Code, to make recommendations to the Board of Directors in order provide that the company is managed well and that its rights are protected, to review the general transactions and the budget of the company and to perform the duties written in Turkish Trade Code, to make invitations for General Meetings when necessary, and to determine the agenda of the meeting, to issue the report written in article 354 of Turkish Trade Code. The Auditors will be obligated to carry out the duties assigned to them by the Laws and the articles of association in full and competent manner.

**CURRENT VERSION****REMUNERATION OF AUDITORS:**

**Article 25-** Remuneration of Auditors will be determined in the General Meeting.

**NEW VERSION****NEW VERSION****PRINCIPLES REGARDING AUDITING OF THE COMPANY:**

**Article 23-** The provisions of articles between 397 and 406 of Turkish Commercial Code, the Capital Markets legislation and other relevant legislation will apply for auditing of the Company.

**NEW VERSION**

*This article will be removed from the articles of association.*

**NEW VERSION**

*This article will be removed from the articles of association.*

## CURRENT VERSION

### CURRENT VERSION

#### EXTERNAL AUDIT:

**Article 26-** The Board of Directors will, subject to approval in the first general meeting to be held, appoint an independent audit company for minimum two and maximum four account periods in conformity with the Capital Market Law and the provisions of the regulations in effect and will determine its remuneration. The Balance Sheet, Income Statement and Annual report and Auditor's Report will be prepared in conformity with the Capital Market Law and the provisions of the Bulletins and Regulations of the Capital Market Board.

### CURRENT VERSION

### CURRENT VERSION

#### INVITATION TO THE MEETINGS AND QUORUM:

**Article 30-** Announcements for General Assembly meetings shall be made at least 3 (three) weeks before, except the announcement and meeting days, pursuant to Article 368 of the Turkish Commercial Code and the regulations of the Capital Markets Board in relation to corporate governance, in the Turkish Trade Registry gazette and at least in one local and/or national gazette and on the web site of the Company by specifying the date, hour and place of the meeting. The Company does not have an obligation to send registered mails for the notification of the date of the meeting to the shareholders possessing company shares traded on the stock exchange. The agenda of the assembly should be attached to the Announcement. All issues required to be announced and all other notifications and explanations required to be made to the shareholders together with the general assembly meeting announcement as per the provisions of Capital Market Law and relevant legislation shall be posted on the website of the Company. The General Assembly gathers with the participation of the shareholders possessing at least half of the company capital, except the circumstances requiring a higher quorum in accordance with the Turkish Commercial Code and this Article of Association, the decisions are taken with the majority of the present votes.

## NEW VERSION

### NEW VERSION

*This article will be removed from the articles of association.*

### NEW VERSION

#### PARTICIPATION TO THE GENERAL ASSEMBLY MEETING IN ELECTRONIC PLATFORM:

**Article 29/A-** Right owners granted with the right to participate in General Assembly Meetings can participate in these Meetings by electronic platform as well as per the provisions of article 1527 of Turkish Commercial Code. As per the provisions of the Regulation about "General Meetings to be held by Incorporations in electronic platform", the company can set up the electronic general assembly meeting system or purchase services from the systems established for this purpose, in order to be able to hold a general assembly meeting in electronic platform in which members can express their opinions, make proposals and cast votes. In all General Assembly Meetings to be held, as per the provisions of this article about articles of association, the right owners and their representatives will be entitled to exercise their rights referred to in the provisions of the regulation through the system to be installed.

### NEW VERSION

#### INVITATION TO THE MEETINGS AND QUORUM:

**Article 30-** Announcements for General Assembly meetings shall be made at least 3 (three) weeks before, except the announcement and meeting days, pursuant to Article 414 of the Turkish Commercial Code and the regulations of the Capital Markets Board in relation to corporate governance, in the Turkish Trade Registry gazette and at least in one local and/or national gazette and on the web site of the Company by specifying the date, hour and place of the meeting. The Company does not have an obligation to send registered mails for the notification of the date of the meeting to the shareholders possessing company shares traded on the stock exchange. The agenda of the assembly should be attached to the Announcement. All issues required to be announced and all other notifications and explanations required to be made to the shareholders together with the general assembly meeting announcement as per the provisions of Capital Markets Law and relevant legislation shall be posted on the website of the Company. **These points are announced in the Public Disclosure Platform and the related special case explanations are made.**

## CURRENT VERSION

Same quorums are also valid for the Company's Privileged Shareholders' General Assemblies. In case that the aforementioned General Assembly quorum is not reached in the first meeting, the General Assembly shall be called for a second meeting, where no quorum is required, and the decisions are taken with the majority of the present votes. In case Board resolutions which are stated in Article 15 and which require approval of Board member representing C Group shareholders necessitate General Assembly approvals, such approvals are subject to the affirmative vote of C group shareholder. In the event that the transactions which are deemed to be Significant Transactions, and any and all kinds of related party transactions of the company, and the transactions in relation to granting any guarantees, pledges and mortgages for the favor of any third persons are submitted to the approval of the general assembly as per the mandatory regulations in relation to Corporate Governance Principles of the Capital Markets Board, general assembly meeting and decision quorums shall be determined in accordance with the regulations of the Capital Markets Board.

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

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

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

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

## NEW VERSION

The General Assembly gathers with the participation of the shareholders possessing at least **one fourth** of the company capital, except the circumstances requiring a higher quorum in accordance with the Turkish Commercial Code and these **Articles of Association**, the decisions are taken with the majority of the present votes.

In the event that the above mentioned quorum is not established in the first meeting, invitation will be made once again for General Assembly Meeting and the amount of capital represented in the second meeting will not be taken into consideration and the resolutions with be adopted by unanimous votes of the shares represented. **The provisions of Turkish Commercial Code about meetings and quorum for meetings to be held for amendment of the articles of association shall be reserved.** In the event that resolutions subject to approval of the member of the Board of Directors representing the C group require a resolution of the General Meeting, adoption of such resolutions shall be subject to the affirmative vote of the C group shareholder.

**Provisions about special meeting of owners of concessionary shares and the quorum for those meetings shall be subject to the regulations of Turkish Commercial Code.**

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

**Shareholders representing minimum one twentieth of the capital of the company may request from the Board of Directors, by indicating the reasons and agenda, that an invitation is made for a General Assembly Meeting of if a general assembly meeting is already to be held, then the agenda items they wish to be discussed are included in the agenda of the meeting. In the event that the request of the shareholders for holding a general assembly meeting or adding new items to the agenda are refused by the Board of Directors or that the request is not responded in affirmative manner within 7 (seven) working days, the commercial court of first instance located in the place where the headquarters of the company is located can, upon request of the same shareholders rule that an invitation has been made for General Assembly meeting.**

## CURRENT VERSION

### CURRENT VERSION

#### APPOINTMENT OF PROXY:

**Article 31-** Shareholders can have themselves represented in the General Meetings by a proxy by means of issuance of a power of attorney. It is mandatory that the shareholders submit their power of attorneys to the Company during the general meeting, before establishment of the Presiding Board. The form of the power of attorney will be determined and announced by the Board of Directors in conformity with the regulations of the Capital Markets Board.

### CURRENT VERSION

#### VOTING RIGHT:

**Article 32-** Each share will have one voting right in the general meetings.

### CURRENT VERSION

#### VOTING METHOD:

**Article 33-** Votes will be cast by means of raising hands in the General Meetings. However, upon request of shareholder representing on tenth of the capital owned by the shareholders present and by approval of the General Meeting, secret voting can be adopted. The rights of the shareholders arising from article 377 of Turkish Trade Code are reserved. Regulations of the Capital Market Board about the matter are reserved.

## NEW VERSION

### NEW VERSION

#### APPOINTMENT OF PROXY:

**Article 31-** Shareholders can have themselves represented in the General Assembly Meetings by a proxy by means of issuance of a **power of attorney**. The proxy, in order to be able to participate in the General Meeting, should have submitted the **power of attorney** to the Company during the general meeting and before establishment of the presiding board. The Board of Directors will determine and announce the form of the power of attorneys within the framework of the regulations of the Capital Market Board. Provisions about appointment of the proxy electronically during general assembly meetings to be held in electronic platform are reserved.

The regulations in the Turkish Commercial Code and the Capital Markets regulation will apply for representation of shareholders.

### NEW VERSION

#### VOTING RIGHT:

**Article 32-** The voting rights of each shareholders in the General Assembly Meetings will be calculated by means of comparison of the total of the nominal value owned by the shareholder with the nominal value of the capital of the company.

Turkish Commercial Code, Capital Market Law and the related legislation provisions are complied with.

### NEW VERSION

#### VOTING METHOD:

**Article 33-** Shareholders **physically present in the General Meetings will cast votes by means of raising hands**. However, upon request of shareholder representing on tenth of the capital owned by the shareholders present and by approval of the General Meeting, secret voting can be adopted. Regulations of the Capital Market Board about the matter are reserved.



**CURRENT VERSION****CURRENT VERSION****DISCUSSIONS IN THE GENERAL MEETING AND CHAIRMAN:**

**Article 34-** The Deputy Chairman of the Board of Directors will chair the General Meetings in the absence of the Chairman of the Board of Directors.

A secretary and two recorders of votes, who do not have to be shareholders will be appointed in the General Meeting. The Chairman will be responsible to provide that the meeting is held in conformity with the laws. Minutes of the General Meeting will be signed only by the Chairman of the General Meeting, the secretary, recorders of votes and the Commissar of the Government.

**CURRENT VERSION****DOCUMENTS TO BE SENT:**

**Article 35-** Three copies of the Annual Report and the Auditor's Report and the annual balance sheet and the profit and loss statement and the minutes of the general meeting signed by the Commissar of the Government will be sent to the Ministry of Industry and Trade and the Ministry of Trade latest within one month following the date of the meeting.

The financial tables and reports foreseen to be prepared by the Capital Market Board and the independent audit report will be sent to the Capital Market Board and announced to the public within the scope of the principles and procedures to be determined by the Capital Market Board.

**NEW VERSION****NEW VERSION****DISCUSSIONS IN THE GENERAL MEETING AND CHAIRMAN:**

**Article 34-** Either **one of the Deputy Chairmen or one of the Members of the Board of Directors** will chair the general meetings.

**The chairman of the General Meeting will constitute the presiding board by appointing the secretary of the meeting and the recorder of votes.** The chairman will be responsible to provide that the meeting is held in conformity with the laws. Minutes of the general meeting will be signed by the presiding board and the Representative of the Ministry of Customs and Trade.

**NEW VERSION**

*This article will be removed from the articles of association.*

## CURRENT VERSION

### CURRENT VERSION

#### **DETERMINATION OF PROFIT:**

**Article 37-** The amount remaining after deducting all kinds of expenses acceptable within the framework of the regulations in effect will constitute the net profit of the company.

Legal reserves and taxes will be set aside from this net profit as per the provisions of article 38. An amount and rate to be determined by the Capital Market Board from the amount remaining will be divided to the shareholders as first dividend in the ratio of their shares. From the amount remaining, an amount not exceeding 0.1% of the total profit will be distributed to the members of the Board of Directors as profit share.

Unless a different resolution is adopted in the general meeting, the remaining profit will be distributed as second dividend in the ratio of their paid in capital shares.

Unless the legal reserves that need to be set aside as per the provisions of the laws in effect are set aside and unless first dividends are set aside for the shareholders as per the articles of association, no resolutions will be adopted for setting aside other legal reserves, to transfer profit to the following year, to distribute profit shares to the Members of the Board of Directors and officers, employees and workers.

The Board of Director can distribute dividend advance on condition that it has been authorized in that respect in the General Meeting, and that provisions of article 15 of the Capital Markets Law and the regulations of the Capital Market Board about the matter are reserved. The authority granted to the Board of Directors in the General Meeting to distribute dividend advance is limited with the year for which authority is given. No resolution can be adopted to grant additional advance dividend and/or distribute dividend unless the dividend advances of the previous year are offset fully.

## NEW VERSION

### NEW VERSION

#### **DETERMINATION OF THE PROFIT:**

**Article 37-** The amount remaining after deducting all kinds of expenses acceptable within the framework of the regulations in effect will constitute the net **profit** of the company.

Legal reserves and taxes will be set aside from this net **profit** as per the provisions of article 38. An amount and rate to be determined by the Capital Market Board from the amount remaining will be divided to the shareholders as first dividend in the ratio of their shares. From the amount remaining, an amount not exceeding 0.1% of the total profit will be distributed to the members of the Board of Directors as **profit** share.

Unless a different resolution is adopted in the general meeting, the remaining profit will be distributed as second dividend in the ratio of their paid in capital shares.

Unless the legal reserves that need to be set aside as per the provisions of the laws in effect are set aside and unless first dividends are set aside for the shareholders as per the articles of association, no resolutions will be adopted for setting aside other legal reserves, to transfer profit to the following year, to distribute **profit** shares to the Members of the Board of Directors and officers, employees and workers.

The Board of Director can distribute dividend advance on condition that it has been authorized in that respect in the General Meeting, and that provisions of article 15 of the Capital Markets Law and the **regulations** of the Capital Market Board about the matter are reserved. The authority granted to the Board of Directors in the General Meeting to distribute dividend advance is limited with the year for which authority is given. No resolution can be adopted to grant additional advance dividend and/or distribute dividend unless the dividend advances of the previous year are offset fully.

**Donations made within the year are taken into consideration when the first dividend base is determined.**

**Dividends are distributed in the distribution date, to all of the current shares in equal regardless of their issue and acquisition dates.**

**The distribution type and time of the profit to be distributed shall be decided by the General Assembly upon such offer by the Board of Directors.**

**The decision of dividend distribution taken according to the provisions of this article of association by the General Assembly may not be revoked.**

**CURRENT VERSION****CURRENT VERSION****LEGAL RESERVES:**

**Article 38-** The Company shall continue to set aside legal reserves in the ratio of 5% from its net profit until it reaches 20% of its issued capital. (The provisions of article 466 of Turkish Trade Code are reserved). In the event that legal reserves fall below the level of 20% of the issued capital for any reason whatsoever, the company will continue to set aside legal reserves until it reaches that same amount.

**CURRENT VERSION****ANNOUNCEMENTS:**

**Article 41-** Announcements about the Company will be made in conformity with the provisions of subparagraph 4 of article 37 of Turkish Trade Code. Announcements for invitations to the General Meetings will be made minimum two weeks before the date of the meeting by taking into consideration the provisions of article 368 of Turkish Trade Code. Furthermore, provisions of the laws and bulletins in effect about the announcements to be made as per the provisions of the Capital Market Law will be adhered to.

**CURRENT VERSION**

**PROVISIONAL ARTICLE 1-** While the nominal value of the shares was 1,000.- TL, it has been changed to 1 Kurush as per the Law with number 5274 about Making Amendments in the Turkish Trade Code and the Decree of the Council of Ministers dated 4 April 2007 with number 2007/11963. The total number of shares have increased because of this change share with nominal value of 1 Kurush was given in exchange for 10 shares of 1,000.- TL. The rights of the shareholders arising from the above mentioned change are reserved.

The term "Turkish Liras" included in these articles of incorporation are expressions that have been modified as per the Decree of the Council of Ministers.

**NEW VERSION****NEW VERSION****LEGAL RESERVES:**

**Article 38-** The Company shall continue to set aside legal reserves in the ratio of 5% from its net profit until it reaches 20% of its issued capital. (The provisions of article **519** of Turkish Trade Code are reserved). In the event that legal reserves fall below the level of 20% of the issued capital for any reason whatsoever, the company will continue to set aside legal reserves until it reaches that same amount.

**NEW VERSION****ANNOUNCEMENTS:**

**Article 41-** Announcements about the Company will be made **on the Company website and in the Turkish Trade Registry Gazette under the conditions specified in the Turkish Commercial Code.** The provisions of the laws and bulletins will apply for announcements that need to be made as per the provisions of the Capital Markets Law.

**Financial statements and reports that the Capital Market Board stipulates to be drawn up and independent audit reports are publicly disclosed within the frame of the regulations by the Capital Market Board.**

**NEW VERSION**

*This article will be removed from the articles of association.*

## DECLARATION OF INDEPENDENCE

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

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

- a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity, with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.’s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.
- b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.’s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.
- c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.
- d) The rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.
- e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.
- f) I am not working fulltime in a public body and organization.
- g) I am considered a resident of Turkey in accordance with the Income Tax Law.
- h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.’s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.
- i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.’s activities and to perform the tasks that I have undertaken precisely,
- j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

Respectfully yours,  
30/03/2012



Name/Surname: **İlhami ÖZŞAHİN**  
Turkish ID No: 183 293 636 90

## DECLARATION OF INDEPENDENCE

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

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

- a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.
- b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.
- c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.
- d) The rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.
- e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.
- f) I abide by the provision of the Article 5, paragraph 9 of CMB's Communiqué Serial IV, No 56 on Determination and Implementation of Corporate Governance Principles.
- g) I am considered a resident of Turkey in accordance with the Income Tax Law.
- h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.
- i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to perform the tasks that I have undertaken precisely,
- j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

Respectfully yours,  
01/11/2012



Name/Surname: **Hulusi KILIÇ**  
Turkish ID No: 641 712 380 68

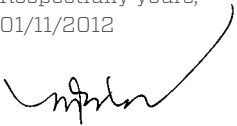
## DECLARATION OF INDEPENDENCE

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

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

- a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.’s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.
- b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.’s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.
- c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.
- d) Reserving the privileges of Privatization Administration’s C group share, which I represent as a legal entity, the rate of the shares in the capital of Petkim Petrokimya Holding A.Ş. I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.
- e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.
- f) I abide by the provision of the Article 5, paragraph 9 of CMB’s Communiqué Serial IV, No 56 on Determination and Implementation of Corporate Governance Principles.
- g) I am considered a resident of Turkey in accordance with the Income Tax Law.
- h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.’s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.
- i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.’s activities and to perform the tasks that I have undertaken precisely,
- j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

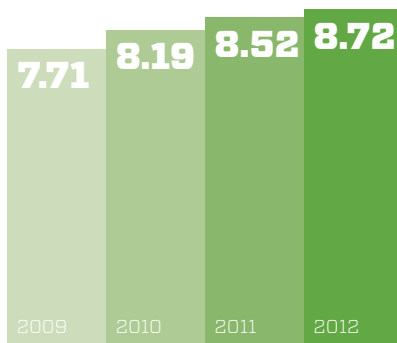
Respectfully yours,  
01/11/2012



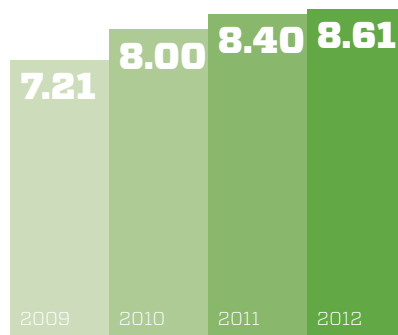
Name/Surname: **Muammer TÜRKER**  
Turkish ID no: 322 279 284 54

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

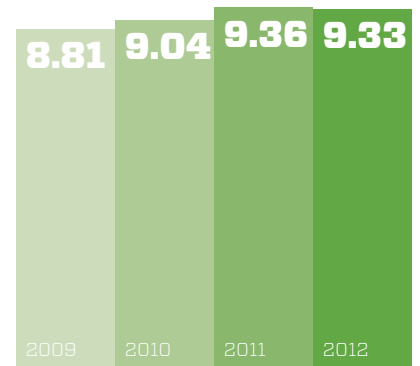
### CORPORATE GOVERNANCE COMPLIANCE RATING



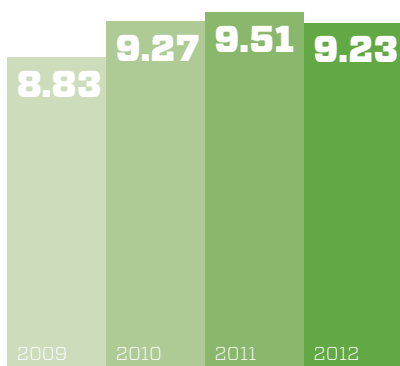
### SHAREHOLDERS



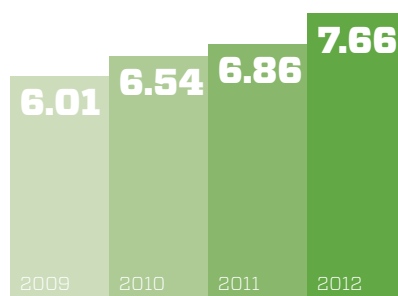
### PUBLIC DISCLOSURE AND TRANSPARENCY



### STAKEHOLDERS



### BOARD OF DIRECTORS



## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 1. Corporate Governance Principles Compliance Report

In corporate governance practices, the Company makes the utmost effort to comply with the Corporate Governance Principles (the Principles) of the Capital Markets Board (CMB). In areas where compliance cannot be met, Petkim provides reasons for the failure to comply and announces precautions taken against potential conflicts of interest that could arise from noncompliance. The Company updates its annual report and web site in compliance with the Principles and for the use of its stakeholders. Stakeholders can access detailed information via the corporate web site or direct their inquiries to the Corporate Governance and Investor Relations Executive Directorate.

The Company began to be rated in 2009 with regard to corporate governance practices related to the Principles. Kobarate International Credit Rating and Corporate Governance Services Inc. rated the Company in 2010, 2011 and 2012. The Company increased its credit rating to 8.72 in 2012, up from 8.52 the previous year. Petkim's 2012 rating shows that the Company complies with the Principles of CMB to a large extent and deserves to be traded on the ISE's Corporate Governance Index.

In line with the relevant CMB directive on the matter, Petkim's corporate governance rating was calculated via an assessment carried out under four weighted categories (shareholders, public disclosure and transparency, stakeholders, Board of Directors). The detailed report can be accessed via the

corporate web site ([www.petkim.com.tr](http://www.petkim.com.tr)). The comparative breakdown of the rating in different categories is shown in the chart.

During the year 2012, 63 special circumstance announcements were made to the ISE in accordance with the CMB's Communiqué on Public Disclosure of Special Circumstances. No additional information was requested by the Capital Markets Board and the Istanbul Stock Exchange for the announcements made for special circumstances. The Capital Markets Board has not imposed any sanctions on the Company caused by any noncompliance to special circumstance announcements. The special circumstance announcements are regularly sent via e-mail to domestic and foreign investors by the Investor Relations Unit. All of the Company's special announcements were made in a timely fashion. The Company's shares are not listed on a foreign stock exchange.

#### Reasons for as yet Unapplied Corporate Governance Principles

- The absence of cumulative voting method: A cumulative voting system has not been adopted by Petkim as it is not deemed to be a convenient practice.
- The absence in the Articles of Association of the shareholders' right to appoint an independent auditor and lack of additional stipulations concerning minority rights: The Articles of Association feature no stipulation concerning the shareholders' right to appoint an independent auditor at the General Assembly. However, the

shareholders' right to information and inspection are protected by Article 438 of the Turkish Commercial Code.

- Privileges concerning voting rights: The Group C share belonging to the Privatization Administration corresponds to a legal regulation and the Company does not have the capacity to make related amendments.
- Absence of female members in the Board of Directors: The issue is being evaluated by the Company
- As per the Articles of Association, General Assembly meeting is held at the headquarters of the Company in Aliağa, Izmir.
- In line with the Corporate Governance Principles, work is ongoing to establish donations and aid policy.
- In line with the Corporate Governance Principles, work is ongoing to create and announce the indemnity policy in favor of the employees of the Company.

#### Activities in the Period for Compliance with the Principles

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

The following relevant principles were implemented during the organization of the General Assembly: Provision of information as concerns the candidates to Board membership, the announcement of the agenda and relevant information documents at least three weeks prior to the Assembly, provision of information on privileged



shares, participation of managers at the meeting, invitation of the media and stakeholders to the meeting, open voting via raising hands and the announcement of this procedure to partners, and the publication of examples of power of attorney documents.

Following the amendment to the Articles of Association, three independent members were appointed to the Board of Directors.

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

In line with the CMB's Communiqué serial IV, no. 41 on Principles to be followed by the Joint Stock Corporations Subject to Capital Market Law, articles 7 and 8, a Corporate Governance and Investor Relations Directorate, responsible to the General Manager, was established to coordinate the corporate governance implementations and to ensure the corporation's conformity with capital market legislation.

## SECTION I: SHAREHOLDERS

### 2. Shareholder Relations Unit

Petkim's Corporate Governance and Investor Relations Executive Directorate is responsible for managing relations with current and potential shareholders, responding to questions by investors and analysts in the most efficient manner, and undertaking efforts to increase the Company's value.

Within the context of shareholder relations, the Company is committed to

carrying out the following activities in accordance with Corporate Governance Principles:

- To fulfill the requirements of Capital Markets Board (CMB) legislation, to make the necessary internal and external disclosures for compliance with the Corporate Governance Principles, to undertake improvements,
- To maintain communications with relevant institutions including the Istanbul Stock Exchange (ISE) and the Central Registry Agency (CRA),
- To organize Special Circumstance Announcements to be made to the public within the framework of current legislation and the Company's Public Disclosure Policy, and to pass these on to the Public Disclosure Platform (PDP), and to monitor all public disclosures within the framework of current legislation and the Company's Public Disclosure Policy,
- To make improvements for compliance to the Corporate Governance Principles,
- To ensure the maintenance of shareholder records in a sound, secure and updated manner,
- To conduct transactions regarding share certificates,
- To provide accurate, complete and regular information to shareholders, as well as to current and potential investors, regarding the Company's activities, financial outlook and strategies,
- To respond to the written and oral information demands of analysts carrying out research on the Company (excluding commercial secrets), to support the Company in the best manner and to ensure that reports prepared for investors are accurate and complete,
- To provide information to investors via organizing and attending meetings and conferences, and cooperating with domestic and foreign firms to organize or attend the same,

- To prepare and update information published on the corporate web site ([www.petkim.com.tr](http://www.petkim.com.tr)) in the section titled Investor Relations, in both Turkish and English,
- To carry out all transactions related to Ordinary and Extraordinary General Assembly meetings, in accordance with current legislation and the Articles of Association of the Company.
- The contact information for the Corporate Governance and Investor Relations Executive Directorate follows below:

#### **Mustafa ÇAĞATAY (Corporate Governance and Investor Relations Coordinator)**

Tel. : 0 232- 616 61 27

E-mail : [mcagatay@petkim.com.tr](mailto:mcagatay@petkim.com.tr)

#### **İlkay ÇETİN (Manager)**

Tel. : 0 232 - 616 61 27

E-mail : [icetin@petkim.com.tr](mailto:icetin@petkim.com.tr)

#### **Ahmet GÜRSESLİ (Specialist)**

Tel. : 0 232 - 616 61 27

E-mail : [agursesli@petkim.com.tr](mailto:agursesli@petkim.com.tr)

#### **Emre Can YÜCEOĞLU (Specialist)**

Tel. : 0 232 - 616 61 27

E-mail : [eyuceoglu@petkim.com.tr](mailto:eyuceoglu@petkim.com.tr)

In 2012, the Investor Relations Unit attended five overseas and four domestic conferences and met with over 90 investors at these conferences. In addition, two meetings were held to inform analysts about the Company; in total, 80 analysts were informed by the senior management as to Petkim's financial situation, strategies and operations.

During the year 2012, approximately 250 written and oral information requests from shareholders (except for confidential information and commercial secrets) were received and answered each month on a range of subjects including Company activities, general assembly meetings and stock certificate procedures.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

### 3. Exercise of Shareholders' Right to Obtain Information

There is no discrimination among the shareholders with respect to the exercise of the right to obtain information. All necessary information and documents relevant to shareholders' exercise of their rights is presented without discrimination between any shareholders and is available on the corporate web site, ([www.petkim.com.tr](http://www.petkim.com.tr)). Developments that may affect the exercise of the shareholders' rights are sent as an explanation to the Public Disclosure Project (PDP) system; such information is also disclosed on our web page as announcements in both English and Turkish.

In 2012, a total of 495 new registrations were made with regard to new stock purchase coupons, dividend coupons, stock certificate changes and registration procedures for share/rights holders.

The Articles of Association feature no stipulation concerning the shareholders' right to appoint an independent auditor at the General Assembly. However, the shareholders' right to information and inspection are protected by Article 438 of the Turkish Commercial Code. During the period no demand have been received regarding appointment of an independent auditor.

No complaints have been received within our period of duty.

### 4. General Assembly Meetings

The 2011 Ordinary General Assembly meeting was held at the headquarters of the Company in Aliağa, Izmir on May 8, 2012 at 11:00; the General Assembly of Privileged Shareholders of (A), (B) and (C) group was held on the same date at the same place at 13:00. The meeting was registered on May 14, 2012 and announced in the Trade Registry Gazette no 8050 on May 17, 2012.

All shareholders/stakeholders and the media were invited to the 2011 Ordinary General Assembly in accordance with the "transparency" principle of the Company.

Before the General Assembly, examples of power of attorney documents to be used for those who would be represented by proxies were in the announcements and could be found on the web site. Before the meeting, the voting procedure was announced and shareholders were informed via electronic means.

The shareholders and their representatives applying to the Company with blocking letters, Board Members, Auditors, the General Manager and Assistant General Managers and Corporate Governance and Investor Relations Executive Directorate carrying out the preparations for the General Assembly of the Company attended the General Assembly Meeting.

The meeting quorum was 68.908.282.192 (68.91%) shares and two stakeholders attended the meeting by proxy, while 17 stakeholders attended the meeting in person. The press did not attend the meeting. No term was prescribed for the registry to the share register to procure the participation of the holders of the registered shares at the General Assembly meeting. Issues related to the 2011 Ordinary General Assembly and the General Assembly of Privileged Shareholders of (B) and (C) group held on May 8, 2012 were published in the Turkish Trade Registry Journal, No. 8050, dated May 14, 2012. Since decision quorum could not be constituted, the General Assembly of Privileged Shareholders of (A) group was postponed to June 7, 2012.

At the General Assembly of Privileged Shareholders of (A) group held on June 7, 2012 the same decisions were taken and were published in the Turkish Trade Registry Journal, No. 8090, dated June 14, 2012. The minutes of the General Assembly can be accessed via the corporate web site ([www.petkim.com.tr](http://www.petkim.com.tr)).

In the General Assembly, the shareholders exercised their right to ask questions and they were answered by the Board of Directors. No one took the floor in the petitions and requests section of the meeting. The minutes were drawn up pursuant to the agenda items of the General Assembly. The minutes of the General Assembly were announced to the public the same

day in the ISE Special Circumstances Announcement and were registered in the Turkish Trade Registry Journal. The minutes, list of attendees, agendas, informational documents and ads were also presented on the corporate web site for all investors.

The invitation to the General Assembly meeting, its date, place and agenda items are duly announced three weeks in advance of the meeting in the Istanbul Securities Exchange Special Circumstance Announcement, the Turkish Trade Registry Journal and through advertisements placed in national newspapers.

From the time of the announcement of the General Assembly meeting, all relevant documents including the annual report, financial tables and statements, the profit distribution proposal, informational documents relating to the Assembly agenda, the latest version of the Articles of Association, as well as proposals for amendments to the text of the Articles of Association, were made available at the Company's headquarters and on the web site so as to provide access to the greatest number of shareholders in the easiest way.

Decisions made by the Board with respect to changes in the Company's capital and management structure, the division or change of shares, significant sales or purchases of material or immaterial assets, warrants, rents, guarantees, notes or assurances such as mortgages or other securities given to third parties are presented to the General Assembly. While making such decisions in the General Assembly would, it is believed, prolong the workflow and reduce the Company's ability to act quickly in accordance

with changing market conditions, shareholders are able to make their views known with respect to these types of decisions during the General Assembly. No issues were raised by the shareholders to add to the agenda during the 2011 General Assembly.

There is an item in the agenda of the General Assembly related to the donations and supports granted by the Company within the year and the shareholders are informed about the issue. The minutes of the meeting are available at the web page of the Company, at "Investor Relations/ General Assembly/".

The paid-up capital of Petlim Limancılık Ticaret A.Ş., the Company's affiliate, was increased from TL 100,000.00 to TL 8,000,000.00 within the framework of the decision taken at the general assembly held on November 13, 2012. The Board of Directors approved the Company's participation to capital increase with its decision no 122/220 taken on November 13, 2012.

### **5. Voting Rights and Minority Rights**

Article 32 of the Articles of Association of the Company states that shareholders who attend General Assembly Meetings shall have one vote per share. In the Articles of Association there is no provision that prevents a non-shareholder to cast a vote as proxy. Votes cast through proxies are in accordance with CMB regulations. According to Article 15 of the Company's Articles of Association, Group C Shares have privileged voting rights concerning nominating candidates for the Board.

Minority shares are represented in the General Assembly directly or through their proxies. There is no

cross-shareholding relationship with the Company's majority shareholders. There is no provision in the Articles of Association of the Company on the cumulative voting method. No change was made to a provision in the Articles of Association allowing minority shareholders to send a representative to the Board of Directors through the cumulative voting method. This issue will be evaluated by the General Assembly after the rights of all shareholders have been brought to a proper level through legal arrangements.

Since the implementation of the cumulative voting method is left to the free will of publicly traded joint-stock companies by the relevant communiqué of CMB, the Company did not make use of this method in 2012. There is no provision in the Articles of Association concerning the shareholders' right to demand the appointment of a special auditor at the General Assembly; however, the shareholders' right to information and inspection is guaranteed by the Article 438 of Turkish Commercial Code.

### **6. Profit Distribution Right**

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

With regard to the Company's profits, no privileges are granted by the Articles of Association. The Company established its profit distribution policy and submitted it to the general assembly. Information pertaining to Petkim's Profit Distribution Policy is published on the page 103 of the

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

annual report and on the corporate web site ([www.petkim.com.tr](http://www.petkim.com.tr)) under the link: Investor Relations/Share Certificates/Profit Distribution Policy.

The 2011 dividend distribution proposal of the Board of Directors was accepted by the General Assembly and starting from Monday, May 28, 2012;

- Shareholders who are full-fledged tax payers in Turkey and limited taxpayer companies obtaining dividends through an agency or a permanent representative in Turkey were paid 0.0558 kurus (kr) gross=net cash dividend per share with a nominal value of 1,00 kr at the rate of 5.58%.
- Other shareholders were paid 0.0558 kr gross, 0.04743 kr net dividend per share with a nominal value of 1.00 kr at the rate of 5.58%.

### 7. Transfer of Shares

Restrictions on the transfer of shares have been made in Article 9 of the Articles of Association of the Company.

#### Article 9:

Except for the shares offered and to be offered to public, the effect of transfer of the registered share/shares of the Company depends on the fact that a transfer is registered in the share book. The **affirmative vote** of the members of the Board of Directors elected to represent Group C shares **is a requirement** regarding the **approval of the Board of Directors** for the **transfer of shares**.

Group C share certificates may be transferred to another Turkish Public Institution having, in principle, the authorities assigned to the Prime Ministry Privatization Administration of the Republic of Turkey by Law number 4046. In such a case, the transfer shall immediately be registered in the share register without the need for a Board of Directors decision.

## SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. Information Policy

The Company's "Information Policy" was formulated according to legal regulations, Capital Markets legislation and published communiqués, and went into effect on August 6, 2009 with the Board of Directors decision number 46/108. On October 23, 2012, the information policy was revised with the Board of Directors decision number 119/215.

The goal of the information policy rests on open and effective communications to ensure the timely and equal sharing of information regarding the Company's past performance and future expectations with shareholders, investors, capital market specialists and market participants within the framework of basic accounting principles, the Capital Markets Board regulations and relevant legal requirements.

The Board of Directors is responsible for the implementation, monitoring

and development of the public disclosures and the information policy. Disclosures are the responsibility of and coordinated by the Corporate Governance and Investor Relations Executive Directorate (Coordinator Mustafa Çağatay), the Finance Department (Manager Özer Aksoy), the Human Resources Department (Manager Hasan Kocacığır), the Audit Committee, under the supervision of the Board of Directors.

Detailed information on the information policy is available online at the Company's web site, [www.petkim.com.tr](http://www.petkim.com.tr).

### 9. Company Web Site and Contents

The Company actively uses its corporate web site to ensure the fastest and most efficient communications with shareholders in line with CMB Corporate Governance Principles. Within the framework of CMB Corporate Governance Principles, information is given via the internet on: trade register information, latest partnerships and management structure, detailed information on privileged shares, trade registers in which changes are published, the Articles of Association in their latest form along with date and number, announcements of special circumstances, annual reports, periodic financial statements and tables, prospectuses, circulars relating to public offerings, the agendas of General Assembly

meetings, lists of attendees, forms for vote by proxy, rating reports, analyst reports and frequently asked questions. The web site's contents and structure have been developed in line with CMB principles both in English and Turkish. The Corporate Governance and Investor Relations Executive Directorate is responsible for the preparation of the Investor Relations section, for updating and correcting information and adding new information.

The site is continually updated in order to provide increasingly higher levels of service in line with the Company's goal of continuous improvement.

The issues related to the Corporate Governance Principles are available at the web page of the Company.

### 10. Annual Report

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

## SECTION III: STAKEHOLDERS

### 11. Provision of Information to Stakeholders

Announcement to the public of information with regard to the issues relevant to shareholders relating to our Company are made via special circumstance disclosures to the ISE and made public on the web site of the Company and via printed or visual media.

One-on-one or group meetings are held with suppliers and customers for information sharing. The stakeholders are informed through teleconferences and investor meetings held with domestic shareholders.

The disclosure of information inside the Company is realized through

the corporate portal, "Petkim Yaşam" magazine, corporate TV, "Petkim Ailem" newspaper and via the electronic communications-documentation system and by holding communications meetings during the year.

The related information is available on the web page under the link "Investor Relations/ Investor Contacts" in order for the stakeholders to notify to the Corporate Governance Committee or the Audit Committee about the contradictory company transactions against the regulation and operations, which are ethically inappropriate.

### 12. Stakeholders' Participation in Management

The participation of stakeholders in Management by representing the 38.68% publicly held portion of our Company is made possible by Articles 11 and 22 of the Articles of Association.

Additionally, corrective and preventive actions are carried out in light of evaluations of the customer communications system, questionnaires and periodic meetings.

A Performance Management System has been established and studies for the improvement of its processes are under way. Employee suggestions to add value are shared with management through the "Suggestion System" as part of the Suggestion Tracking System. These opinions and suggestions are evaluated by the authorized units and those deemed appropriate are implemented accordingly. In addition, blue-collar employees have the chance to present their suggestions and requests via their trade union.

The Employee Satisfaction survey, which is carried out once a year, provides another forum for employees to express their thoughts regarding the Company and to make suggestions for improvements.

### 13. Human Resources Policy

The HR policy of the Company consists of: Continuing its leading position in Turkish industry with further capacity expansions, satisfying its shareholders' expectations, adding to the value of its employees, being open to changes, being a regional leader, using its resources efficiently as a global company, showing concern for the environment, safety and occupational health, complying with quality standards, constantly developing its technology, drawing strength from the creativity of its employees, and using its human resources in an efficient manner leading the way to becoming an increasingly customer-oriented company. The main goal of our HR policy is to conduct activities such as human resources planning, selection, recruitment and appointment to service departments, as well as development, design and implementation of plans for the identification and fulfillment of training needs, identification of competences, performance and career management in accordance with the scientific methods required to carry out our Company's activities in an efficient and proactive manner.

**The main principles of our Human Resources policy consist of the following:**

- Define and apply the system for analyzing human resource skills and recruiting appropriate personnel to enable our Company to carry out its activities in an efficient and proactive manner.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Determine and apply training programs imparting the necessary knowledge, skills, talent and conduct to employees in order to ensure that our personnel are kept up-to-date with any changes in the nature of the business, that job satisfaction is achieved, and that our personnel are more successful in the workplace; and accordingly assess the results on behalf of our Company.
- Develop a Performance Management System, which enables the personnel to see results and to assess the results of their success
- Design and implement a career management system that provides constant progress for our personnel and prepares them for responsibilities above their current positions, and evaluate employees who are eager to assume greater responsibility at all levels in the most efficient way.
- Gather data on human resources needs and working conditions within the Company's job descriptions, and by evaluating that data, conduct job analysis and prepare job definitions in accordance with changing conditions.
- Establish working conditions that are appropriate to the business processes carried out; develop systems that encourage success and creativity. Benefiting from creative potential of all of our stakeholders (employees, customers, suppliers, shareholders, society) giving a chance to new ideas, which will add value to the Company, employees and other

stakeholders by reflecting in new products, services, processes, systems and social interactions. Triggering peoples' potential of "doing" and "being beneficial", enable them to do every job with care and inquiry and to use their knowledge and experience for the benefit of the Company and its employees. By motivating and appreciating the owners of creative ideas, increase the participation of all employees in the Company's activities and apply these ideas effectively.

- Guide the applications that will be implemented by soliciting employee opinions via questionnaires, and the like.
- Develop a "Corporate Culture and Concept" to provide for the social and cultural needs of the personnel.
- Build up a sustainability approach among employees in order to ensure that the necessities of today are met without reducing the resources for future generations. Raise the awareness of thinking long-term value creation, instead of short-term solutions, with consideration of environmental and socio-economic dimensions in strategy planning.
- Respect humans and our environment focusing on occupational health and safety as well as protection of environment during our Company's activities; develop systems to prevent work accidents, increase cooperation with neighboring plants, competent authorities and local management to improve Health-Safety-Environment performance, prioritize work health and safety and environment factors in our

Company's projects, organize in a manner to respond to emergencies promptly, behave in a transparent manner to our stakeholders during operational implementations.

As per the Article 27 of the Labor Law no 6356 under the heading of "Appointment and qualification of union representatives at the workplace," a head representative and other representatives are present at the workplace.

**On the subject of employee complaints regarding discrimination, and if they were lodged, what steps were taken:**

In the Company there is no discrimination and there have been no complaints of discrimination from our employees.

The employee's performances are monitored through target cards. Additionally, employees are provided information about performance and awards criteria via the corporate portal.

### **14. Ethical Rules and Social Responsibility**

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

**For us, investment in the environment and human health is not a cost item.**

Petkim sees investment in the

environment not as a cost item but as an indispensable component of its competitive structure. As its understanding is to be a petrochemical company that respects humanity and the environment, Petkim prioritizes occupational safety and the protection of the environment. Petkim invested in environment more than US\$ 210 million during the last 11 years. As a notable example of courage, Petkim's chimneys, which have high level of thermal power, are open for 7/24 to the audit by Ministry of Environment and Urbanization and results are monitored online. In December of 2012, 580 olive trees, which remained at the STAR Refinery's excavation area and feedback field of Petkim Port, were stubbed with meticulous efforts in cooperation with Menemen Forest Sub-district Directorate, and were carried to Yenişakran, Petkim Atatürk Olive Grove, comprises 6,000 olive trees planted in 2007. Thus, the trees, which were treated and harvested by Petkim for 40 years, started a new life.

**Petkim prioritizes its responsibilities towards society as it reflects in Petkim schools.**

- As they are our future, Petkim has constructed a number of schools to serve children and integrated them into the national education. The Company has built Petkim Elementary School in Petkim Complex, Gazi Elementary School, TED Aliağa College, Petrokimya Elementary School in Aliağa, Latife Hanım Elementary School in Karşıyaka, Körfez Petkim Elementary School in Yanımca, Izmit.

In the Aliağa district center, the construction of Heydar Aliyev Technical and Industrial Vocational High School, of which the groundbreaking was held on October 25, 2011 by İlham

Aliyev, President of the Republic of Azerbaijan, and Turkish Prime Minister Recep Tayyip Erdoğan, was completed in a record period of 270 days in 2012. The school began to accept students for the 2012-2013 academic year. The school, which was constructed as a campus with the latest technology for 720 students, costed totally TL 16 million.

- Close contact and cooperation with foundations: Within the context of "University-Industry Cooperation", Petkim provides support to universities, scientific institutes and vocational schools with materials, supplies and technical equipment. In addition, students from vocational high schools and universities are hosted by the Company within the scope of technical visits and are given the opportunity to undertake internships at Petkim. The activities of universities related to our sector such as congresses, symposia and workshops are sponsored by the Company.
- Petkim opens up to the public with "Open Door Days" In order to forge closer ties with the local community of Aliağa, the Company launched Open Door Days, which was met with great interest. Over 400 citizens received information about the Company's sensitivity towards the environment, production processes and occupational safety concerns. This activity, which successfully continued in 2010 and 2011, was expanded to other regions of Aliağa, as well as to Izmir in 2012; in 2013, it will continue in line with its program. Within the scope of this activity, which allows us to closely introduce the Company to the people living in Aliağa, we host village headmen

and neighborhood mukhtars, members of the City Council and managers and members of NGOs at Petkim and inform about our activities.

- Petkim continues to support sector bodies and university students: Petkim grants its full support to symposia, panels and congresses held by universities and industry institutions in the fields related to our sector. In 2012, the Company sponsored numerous events such as 20th Quality Congress of Kalder, Culture and Art Fest of Kabataş Highschool for Boys, Spring Fest of Ege University, KDS 2012 Symposium held by Istanbul Culture University Industrial Engineering Club, Energy Efficiency Summit held by Engineering Club of Ege University, 31st Symposium of Accounting Education in Turkey held by Istanbul University, Faculty of Business Administration, "Smiling Lids, Smiling Faces" campaign organized by Aliağa City Council, Plastech Fair organized for the first time in May, 2012 by İZFAŞ, Polymer Composites Symposium held by the Chamber of Chemical Engineers, Industrial Self-assessment Summits of Plastics Sector Platform and "What to Produce" events and project competition organized by Izmir High Technology Institute's Chemical Engineering Department. In these activities, Petkim managers have had the chance to share their experience and expertise with students and other participants. Additionally, our main shareholder SOCAR Turkey became one of the main sponsors of Speaking Books Fest, which was held by Governorship of Izmir under auspices of Hayrünnisa Gül, the spouse of Abdullah Gül, the President of the Republic of Turkey.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Repetition/1sn:  
Petkim moves ahead with solid steps in line with its strategic target of bringing 500 thousand square meters forest in 5 years in our country. We wish that this target will be a model not only for the industrial institutions in our region but also for the Turkish industry. In June 2009, a forest fire in Yeni Foça devastated some 200 hectares of land. In cooperation with the Aegean Forest Foundation, Petkim planted 11,000 saplings in this area and later decided to turn this one-off event into an ongoing activity. In 2011, the Company again introduced 11.300 saplings to the nature in an area of 75 square meters. The forest also became a symbol of the friendship between Turkey and Azerbaijan. Many other regional industrial companies were also inspired by Petkim's initiative. With a protocol signed with Aegean Forest Foundation in December 2012, the work started to establish the third Heydar Aliyev Friendship and Remembrance Forest. The Company will plant 225 thousand square meters land together with the forest to be established near Öreleş Village, Yenışakran, which will be comprised of 12 thousand saplings on a 75,000 square meter field. This figure does not include the trees planted in the region of our premises. In addition, the Company regularly plants trees on the premises of the Aliağa Complex and around company housing; giving special importance to foster a love for trees among the families and children of employees.
- We take firm steps forward towards our "Smoke-free Life" objective:  
Making yet another corporate breakthrough in Turkey, in December 2010, Petkim launched the most extensive stop smoking campaign in the private sector. When our Company declared an objective of total smoking cessation among the Company's employees, the campaign drew interest beyond expectations. In this campaign, Petkim management covers one-third of the related medical expenses of participants. Within the framework of the campaign which still continues, 256 employees have applied to Smoking Cessation Polyclinic opened by Medical Services.
- Aliğa Petkim Continues to be the Province's Pride in Basketball:  
The Aliğa Petkim Basketball Team continues to be an important part of the social fabric of the Aliğa community with its successful performance in the Beko Primary Basketball League. We continue our sponsorship, which began in 2008-2009 season when the team moved up to premier league. The team attained the best performance in 2011-2012 season finishing the league in the 7th position and thus was entitled to participate in elimination round of Eurochallenge. The Company's sponsorship to the team does not only infer supporting sports. Its sponsorship allows Aliğa to be branded as a "basketball city" and serves as a positive role model for young people by helping engage them in sports activities.
- LÖSEV Building in Ankara:  
Donated by Petkim  
Petkim has provided the Turkish Pediatric Leukemia Foundation (LÖSEV) with a seven-story, 12-office building in Gaziosmanpaşa, Ankara, rent free and with a 20-year lease. In doing so, the Company has played a key role in giving comfort and support to children with leukemia.
- A Joint Project with Ege TV:  
Petkim continues to be the primary sponsor of a series called "Real Economy," which airs Friday nights every two weeks at 9:00 p.m. on Ege TV, the largest regional television channel in Turkey. Produced and presented by Serkan Aksüyek, Petkim's Corporate Communications Director, the program brings to the public attention the challenges facing the Turkish real economy along with expectations and possible solutions. The program is closely followed by the business community in the Aegean Region.
- Petkim and Environment:  
In line with its target of being a regional player in petrochemical industry, Petkim is always respectful towards human and environment in its production activities. The Company continuously renovates its technology, goes beyond the expectations of its stakeholders, supports participation and creativity of its employees and believes in sustainable



excellence. In addition to its technological development and the value added it creates, Petkim assumes a significant role in the environmental improvement of our country with awareness of “environmental responsibility”. Our Company, which sustained its environmental efforts together with production activities, achieved to integrate environmental sensitivity and consciousness into its corporate structure. With principle of “prevention of pollution at source”, our Company uses clean technology in its new investments. In line with its efforts to monitor environmental risks, Petkim meets all requirements of its environmental responsibilities through the wastewater pre-treatment systems, wastewater and waste burning facilities.

For all its investments Petkim assesses the environmental impacts at the planning stage and issues EIA reports. With regard to the Company's investments during the period, for the integrated projects of “Construction of PET Plant”, “Construction of BDX Plant”, “Capacity Increase in Ethylene Plant”, “Capacity Increase in PTA Plant”, “Capacity Increase in LDPE-T Plant” in the file of Integrated Projects/I. Part, as well as for “Capacity Increase in Phthalic Anhydride Plant” and “Capacity Increase in Petkim Port” projects EIA reports were positive. For the Ethoxyl Plant, Cable LDPE production and Starting of EO Purification Unit in EO/EG Plant projects, which are in the file of Petrochemical Integrated Projects/II. Part, the Company applied for EIA on August 18, 2012 and the process is ongoing.

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

## SECTION IV: BOARD OF DIRECTORS

### 15. The Structure and Composition of the Board of Directors

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

#### Information on the Board Members and the General Manager

NAME SURNAME	TITLE		Positions Outside the Company
Vagif Aliyev	Chairman	Non-executive	In-group / State Oil Company of Azerbaijan Republic, Head of Capital Management
David Mammadov	Vice Chairman	Non-executive	In-group / State Oil Company of Azerbaijan Republic, Vice President, Refinery
Muammer Türker	Member	Independent	Out-group / National Security Board, General Secretary
Farrukh Gassimov	Member	Non-executive	In-group / State Oil Company of Azerbaijan Republic, Vice President, Law
Kenan Yavuz	Member	Non-executive	In-group / SOCAR TURKEY Enerji A.Ş. Group Executive Manager/CEO
Süleyman Gasimov	Member	Non-executive	In-group / SOCAR Vice President, Economy
İlhami Özşahin	Member	Independent	Out-group / Financial Advisor
Hulusi Kılıç	Member	Independent	Out-group / Ministry of Foreign Affairs Bilateral Political Affairs General Manager
Mehmet Hayati Öztürk	Member	Non-executive	In-group
Sadettin Korkut	General Manager	Executive	-

The Board of Directors is composed of nine members selected by the General Assembly.

Comprehensive information regarding Board Members is available in the initial pages of the Annual Report and on our web page. The rules for selection of the Board are defined in detail in Articles 11-18 of the Articles of Association. There are independent members at the Board of Directors in accordance with

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Corporate Governance Principles. All of the Company's Board members are non-executive members of the Board. The independent members of the Board of Directors are vested with independent membership as per CMB's Corporate Governance Principles. They have no relations with Petkim Petrokimya Holding A.Ş. and its related parties.

**The curriculum vitae of the Board members and the General Manager are available in the initial pages of the Annual Report.**

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

Hulusi KILIÇ	: 15.11.2012
Muammer TÜRKER	: 15.11.2012
İlhami ÖZŞAHİN	: 10.03.2012
Alaattin AYKAÇ	: 10.03.2012
Turhan-Cemal BERİKER	: 10.03.2012

Nomination Committee assesses the candidate proposals to become an independent member, including the ones made by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria and Nomination Committee submits this assessment as a report to the board for its approval.

Independence declarations are submitted to the Board of Directors via Corporate Governance Committee 10 days before the meeting date. The independence declarations of independent members of the Board are available on pages 82-83-84 of the Annual Report. Within the activity period, there have not been situations that jeopardize the independence.

The term of Board membership is three (3) years. The General Assembly may remove Board members before the completion of their term. Members who have completed their terms may be elected to consecutive terms.

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

The General Assembly approved that the shareholders holding the managerial control of the Company, the members of the board of directors, senior executives and the spouses and the kinsmen and the relatives by marriage up to second degree of such persons can enter into any business with or enter into competition with the Company or the affiliates thereof. In 2012, there has not been such a transaction.

The below mentioned minimum qualifications sought for the election of members to the Board of Directors of the Company are in compliance with Corporate Governance Principles of the CMB.

As per Article 12 of the Articles of Association of the Company, members of the Board of Directors shall be elected from among the persons who are shareholders of the Company, who are preferably university graduate, who have technical knowledge and/or general financial and legal knowledge and managerial experience in the fields of activity in which the Company is engaged, who have not been placed under interdiction and have not been sentenced to disgraceful offenses and who have the opportunity and determination to participate in all meetings of the board of directors. Independent Board Members shall be elected from among the persons bearing the qualifications required as per the regulations of the Capital Markets Board in relation to corporate governance. The persons, who do not bear some of those qualifications, may be elected as independent board members in accordance with the principles and the procedures prescribed by the Capital Markets Legislation in the event that the referred legislation allows such election.

### **16. Principles of Activity of the Board of Directors**

The Board of Directors convenes at any time necessitated by the Company's business. However, it is obligatory to hold at least 6 (six) meetings in a year. The Board held 12 meetings in 2012. The agenda of the Board of Directors meetings is determined by the Chairman considering the suggestions on the agenda from the Company as well, and is notified to the members. The meetings of the Board of Directors are coordinated by the Board of Directors Coordinatorship. The members of the

Board of Directors fully participated in the meetings. The meetings are held at the headquarters of the Company or any other place deemed appropriate by the Board of Directors. The Board of Directors is held with the participation of at least 5 (five) members. The Board of Directors takes its decisions with the affirmative votes of 5(five) members.

A member who has not participated to four consecutive meetings without permission of Board of Directors or without a reasonable ground shall be deemed to have resigned. The decisions of Board of Directors may also be taken by the receipt of written affirmative opinions of all members on a proposal submitted by one of the members regarding a certain subject matter, unless one of the members requests to hold a meeting.

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

The validity of the decisions of Board of Directors depends on the fact that they are in writing and signed. In case a decision quorum on a certain subject matter cannot be constituted, then the referred subject matter is deemed as rejected.

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

The different opinions and grounds for opposing votes explained in the Board

meetings are recorded in the decision minutes. However, recently, there has been no public announcement, due to the nonexistence of any opposing opinions or differences of opinion.

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

Transfer of shares is restricted by the Article 9 of the Company's Articles of Association.

#### **Article No 9:**

Except for the shares offered and to be offered to public, the effect of **transfer of the registered share/shares** over the company depends on the fact that this transfer **is registered** on the share book. The **affirmative vote** of the member of the **Board of Directors** elected to represent C group share is a requisite to be present in the decision of Board of Directors for the validity of the share transfer for the company.

A C group share certificate may be transferred to another Turkish Public Institution having, in principle, the authorities assigned to Prime Ministry Privatization Administration of the Republic of Turkey by the Law numbered 4046. In such a case, the transfer shall immediately be registered at the share book without requiring a Board of Directors decision in this respect.

Additionally, as per the Article 15 of the Company's Articles of Association; The validity of the decisions that are to be taken by the Board of Directors on the following matters is subject to the affirmative vote of the member of Board of Directors elected from C group:

**a)** The amendments to the Articles of Association that will affect the privileges assigned to C Group

share,

- b)** Registration of the transfer of registered shares on the share ledger,
- c)** Determination of the form of letter of proxy indicated in the Article 31 of the present Articles of Association,
- ç)** Decisions envisaging a 10% decrease in the capacity of any plant owned by the company,
- d)** Establishment of a new company or partnership, acquisition of a company, participating to and/or merging with existing companies, demerger of the Company, changing the type of the Company, termination and liquidation of the Company.

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

#### **17. Number, Structure and Independence of the Committees Established under the Board**

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

A Chairman for each committee is elected from among independent members of the Board and all of the committee members are non-executive members of the Board of Directors. In conformity with their working principles, the committees of the Board of Directors convened three times in the year. Committee members fully participated in the meetings.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Muammer Türker, independent member of the Board of Directors, is the member of both Audit Committee and Risk Detection Committee. There are three independent members in the Board of Directors. Since it is a requisite that chairman of each committee as well as the chairman and all members of the Audit Committee should be constituted by the independent Board members, each of these members take responsibility in two committees. At the General Assembly to be held in 2013, following the election of the members of the Board of Directors, distribution of tasks at the committees will be rearranged.

### AUDIT COMMITTEE

Members	Title
İlhami ÖZŞAHİN	Chairman - Independent
Muammer TÜRKER	Member - Independent

The Audit Committee acts with the consent of the Board and within the framework of the Board's working principles. The Audit Committee consists of two independent Board members. The Audit Committee is responsible from ensuring the overall soundness of financial and operational activities; specifically, transparency of internal and independent auditing activities, efficiency of internal control system, analysis and election of independent auditing firm, compliance of financial statements of the Company to international accounting standards and prevailing legislation.

### CORPORATE GOVERNANCE COMMITTEE

Members	Title
Hulusi KILIÇ	Chairman - Independent
Vagif ALIYEV	Member - Non-executive
Farrukh GASSIMOV	Member - Non-executive
Kenan YAVUZ	Member - Non-executive

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

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

### EARLY DETECTION OF RISK COMMITTEE

Members	Title
Muammer TÜRKER	Chairman - Independent
David MAMMADOV	Member - Non-executive
Süleyman GASIMOV	Member - Non-executive

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

At the meeting of the Company's Board of Directors dated March 21, 2012 and numbered 103/184, the name of the existing Risk Management Committee was changed to Risk Detection Committee.

### 18. Risk Management and Internal Control

#### Corporate Risk Management Implementations

The Company established an efficient risk management and internal control system. The system is monitored by the activities and reports of Risk Management and Internal Control Executive Directorate.

The Company follows a risk management policy in conformity with international standards and applications regarding the risks that it encounters or may encounter. The Risk Management and Internal Control Executive Directorate carries out its activities with a holistic, systematic and proactive approach to ensure that the operations of the Company are conducted in accordance with related regulations and legislation while also considering its short, medium and long-term targets. The Directorate targets to establish a shared language throughout the Company,

to integrate risk concept into the corporate culture, to restructure the organization in accordance with risk management and to set processes and systems required by corporate risk management.

Regarding corporate risk management, the employees of the other departments also assume duties and responsibilities at various levels of the process. The risks are identified together with the processes owners, analyzed and assessed through techniques in the standards and developed by the Directorate. As a result of analyses and assessments made in risk evaluation process,

the decision are taken among four different risk attitudes: Accept, mitigate, transfer and avoid. Finally, at the risk monitoring and reviewing level of the process, risk matrices and analyses are updated if required. The risk matrices are recorded in order to transfer these studies to corporate memory.

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

periodically updated. The Company gets consultancy service when required in order to mitigate the risks that it may encounter.

**Financial Risks**

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

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

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

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

<b>STRATEGIC RISKS</b>	<b>FINANCIAL RISKS</b>
<b>COMPANY OBJECTIVES</b>	
<b>OPERATIONAL RISKS</b>	<b>EXTERNAL RISKS</b>

**Strategic Risks**

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

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

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

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

In its domestic and international activities, the Company is subject to a series of laws and legislation. Within the framework of compliance risk, these laws and legislation are closely monitored; employees are informed through training activities and seminars and relative tables are

## **CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

### **Operational Risks**

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

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

The risks in the field of human resources are monitored to ensure the realization of the Company's targets and strategies, to maximize employee

satisfaction and to enhance corporate loyalty. The work in this field are conducted with the Company's employee focused approach, which also takes place among the corporate values of Petkim. Professional knowledge and motivation of employees are increased by various training programs and social activities.

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

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

### **External Risks**

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

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

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

### **Internal Control Systems**

In addition to its activities in the corporate risk management, the Directorate conducts control activities with Internal Control Unit in coordination with Audit Committee, which was established by the Board of Directors. Internal Control Unit conducts auditing and reports the results within the framework of Annual Internal Control Plan. Carrying out its business with a risk-focused and proactive approach, the

unit particularly focuses on the most risky fields; shares the results with related departments, ensures that required action plans are made and follows up the improvements.

The control activities of the Internal Control unit are classified according to risk focuses based on the main processes in the Company's Process Management System Approach. The audit plan is carried out according to risk priorities in line with these processes.

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

Our Board of Directors and the committees under the Board of Directors carry out risk management, supervision and audit activities in line with the relevant regulations and legislation. In 2012, the Company carried out raw material purchases, particularly our main raw material naphtha, service purchases and real

estate leasing transactions with its controlling company and affiliates. In our report prepared as per the Article 199 of the Turkish Commercial Code, regarding our activities in 2012, it was concluded as follows: "For us and according to the evident circumstances and conditions, in 2012, in each transaction of Petkim Petrokimya Holding A.Ş with controlling companies and affiliates, which were specified in Article 199 of Turkish Commercial Code, an appropriate counter action has been carried out, there were not any steps being taken or avoided or any damages to the Company caused by the steps taken or avoided."

#### **19. Strategic Targets of the Company**

Forging ahead on its journey of excellence, in 2012, Petkim was nominated to National Award of Quality organized in cooperation with TUSİAD and Kalder and was granted National Quality Success Award in the category of Large-scale Institutions.

Achieving success in its journey, Petkim updated its mission and vision through a series of workshops conducted in 2011 with participation of the executive management and employees at all levels. In 2012, the Company made relative revisions in this field.

The Company established its four-year Strategic Plan through the studies of Current Situational Analyses (CSAs) in line with the Annual Plan Approach in 2010, and updated the Strategic Plan by revising CSAs in 2011 and 2012.

In order to ensure the realization of its mission and vision, Petkim reviewed and redefined its Process Management System. In line with the Process Management System,

all of the business processes and process structures are reviewed, upper and main processes, which realize strategies, as well as process performance indicators and their enablers were identified. These processes were described in Approaches and Function Relation Flowcharts.

#### **Within the framework of its process management system;**

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

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

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

## **CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT**

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

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

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

Current Situational Analysis (CSA) was completed in also 2012 to provide input to Strategic Plan studies. Current Situational Analysis comprises feedback from stakeholders; current and future market analysis; competitor and competition analysis; social, economic, political and technological analysis; assessment of supply chain and collaborations; analysis of comparative and educational information; analysis of creative ideas, performance criteria analysis; and internal and external audit analyses. The CSAs and improvement suggestions prepared by the departments and committees were consolidated at the Executive CSA Consolidation meeting in line with the principle of balancing stakeholder expectations. By assessing improvement plans in CSAs, Strategic Plan for 2012 was prepared. Realization of the strategies is monitored through holistic review of process performance indicators.

The Company's vision and mission statement are published on the official website, [www.petkim.com.tr](http://www.petkim.com.tr), company portal and in its annual report.

### **20. Remuneration and Financial Benefits**

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

Remuneration and other benefits to which Board Members shall be entitled are determined at the General Assembly. Relative information is announced, together with the benefits entitled to other executive managers, under the title of "Benefits Provided to the Executive Managers" on the 27th article of independent auditor's report, which is also included into the Company's annual report. There is no further remuneration to reflect the performance of the Company.

The Company does not lend money or loan nor give neither indemnities nor similar securities to any of its Board members or to directors of the Company.



## **PROFIT DISTRIBUTION POLICY**

According to the decision of Board of Directors dated December 12, 2010 and numbered 57/123, the determination of Profit Distribution Policy in 2010 and in the forthcoming years is as follows;

According to the Articles numbered 37, 38 and 39 in the Articles of Association of the Company namely, "Determination of Profit", "Reserve Funds" and "Time and Manner of the Payment of the Profit", the profit distribution policy is formed within the framework of the Turkish Commercial Code and the provisions of Capital Market Legislation.

- In line with the determination of Profit Distribution Policy in 2010 and in the forthcoming years, the Company, in principle, accepts to distribute profits to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- In the event that distributable profit is available in accordance with relevant communiqués of the CMB, the profit distribution resolution is to be taken by the Board of Directors, as long as the amount is not below 50% of the distributable profit within the framework of the provisions of Capital Market Legislation and Turkish Commercial Code, and shall be submitted to the approval of General Assembly; and the distribution shall be completed within the legal time allotted.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend, shall be distributed to Board Members.
- A consistent policy shall be followed recognizing both the interests of the shareholders and the Company in the implementation of the Profit Distribution Policy.
- The date of distribution shall be decided by the General Assembly upon proposal of the Board. Profit distribution payments shall be completed within the legal time allotted. The relevant legislation, communiqués, and regulations of CMB shall be followed in regards to other profit distribution matters.
- In the event that the calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at the General Assembly meeting about the reasons and how the undistributed profits are to be allocated.

## STATEMENT OF RESPONSIBILITY

### BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

DECISION DATE: 06/03/2013  
DECISION NUMBER: 9-20

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL  
MARKETS BOARD COMMUNIQUÉ OF SERIES XI NO. 29, SECTION THREE ARTICLE 9

- a) Having examined the independently audited balance sheet, income statement, cash flow table and statement of changes in equity and relevant footnotes, as well as the annual activity report of the Company for the period of 31/12/2012,
- b) We have concluded that the above mentioned report does not contain any misrepresentation of the facts on major issues, or any omissions that may be construed as misleading as of the date of the disclosure, and that,
- c) The financial tables and other financial information included in the report fairly reflect the facts about the financial situation of the Company and the outcomes of its operations as regards the period concerned, within the framework of information available to us in so far as our duties and responsibilities in the Company are concerned.

Best regards,



**İlhami ÖZŞAHİN**  
Member



**Muammer TÜRKER**  
Member

## STATUTORY AUDITORS' REPORT

**TO THE GENERAL ASSEMBLY OF Petkim PETROKİMYA HOLDİNG A.Ş.  
(01.01.2012-31.12.2012)**

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

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

<b>Ömer ADSIZ</b>	<b>Koray ATALIK</b>	<b>Ferruh Murat BENZER</b>
08.05.2012-31.03.2013	08.05.2012-31.03.2013	08.05.2012-31.03.2013

We are not shareholders or employees of the Company.

### Numbers of Board Meetings and Auditors' Meetings Attended

In 2012, totally 12 Board of Directors' meetings were made, five of them were attended by the auditors.

### Scope and Dates of the Examinations Conducted on the Corporate Accounts, Books, and Documents and Conclusions:

Investigations and controls have been carried out on 26.01.2012, 02.03.2012, 29.06.2012, 09.08.2012, 09.11.2012 and 31.12.2012. It was observed that books are in conformity with legislation and generally accepted accounting principles.

### Number and Conclusions of Cash Counts Performed at the Company's Treasury, according to Paragraph 3, Clause 1, Article 353 of the cancelled Turkish Commercial Code numbered 6762:

In 2012, on the examinations conducted, it was observed that the valuable documents received and kept in the safe are in compliance with the records.

### Examinations and dates performed according to Paragraph 4, Clause 1, Article 353 of the cancelled Turkish Commercial Code numbered 6762

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

### Complaints and Unlawful Acts Noted and Measures Taken:

No complaints have been received within our period of duty.

We have examined the accounts and transactions of Petkim Petrokimya Holding A.Ş. for the period of 01.01.2012 - 31.12.2012 according to Turkish Commercial Code, Tax Laws, Capital Markets Law, Articles of Association, other regulation and generally accepted accounting principles and standards.

In our opinion, the Balance Sheet for the period of 01.01.2012 - 31.12.2012 reflects the true financial status of the Company at the date; the Income Statement for period 01.01.2012 - 31.12.2012 reflects the true operational results of the period.

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

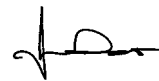
**27.02.2013**  
**STATUTORY AUDITORS**



**Ömer ADSIZ**  
Member



**Koray ATALIK**  
Member



**Ferruh Murat BENZER**  
Member

INTRODUCTION  
ACTIVITIES IN 2012  
CORPORATE GOVERNANCE  
**FINANCIAL INFORMATION**

PETKİM  
2012 ANNUAL REPORT

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

# **PETKİM PETROKİMYA HOLDİNG A.Ş.**

Consolidated financial statements for the period  
between January 1 - December 31, 2012 together  
with report of independent auditors

**Petkim Petrokimya Holding A.Ş.**

**Contents**

	<b>Page</b>
Independent auditors' report	109
Consolidated balance sheet	110-111
Consolidated statement of comprehensive income	112
Consolidated statement of changes in equity	113
Consolidated statement of cash flows	114
Notes to the consolidated financial statements	115-171



Güney Bağımsız Denetim ve  
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### Independent auditors' report

To the Shareholders of Petkim Petrokimya Holding Anonim Şirketi:

We have audited the accompanying consolidated balance sheet of Petkim Petrokimya Holding Anonim Şirketi ("Petkim" or the Company) and its Subsidiary (together referred as "the Group") as at December 31, 2012 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

### Group's Management's responsibility for the consolidated financial statements

The Group's management is responsible for the preparation and fair presentation of financial statements in accordance with financial reporting standards published by the Capital Market Board. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Market Board. Those standards require that ethical requirements are complied and independent audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the consolidated financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of Petkim Petrokimya Holding Anonim Şirketi and its Subsidiary as of December 31, 2012 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Market Board.

### Additional paragraph for convenience translation to English:

As at December 31, 2012, the accounting principles described in Note 2 to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the Capital Market Board. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and the cash flows in accordance with IFRS.

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

Metin Canoğulları, SMMM  
Engagement partner

March 6, 2013  
Istanbul, Turkey

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **CONSOLIDATED BALANCE SHEET**

**AT DECEMBER 31, 2012**

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

		<b>Current year</b>	Previous year
		<b>Audited</b>	Audited
	<b>Notes</b>	<b>December</b>	December
		<b>31, 2012</b>	31, 2011
<b>Assets</b>			
<b>Current assets</b>			
		<b>1.442.049.360</b>	1.333.922.362
Cash and cash equivalents	4	<b>291.960.681</b>	145.285.932
Investments held to maturity	5	-	1.035.785
Trade receivables			
- Other trade receivables	7	<b>544.542.888</b>	583.953.670
- Trade receivables from related parties	27	-	166.364
Other receivables			
- Other receivables	8	<b>1.163.439</b>	1.558.031
- Other receivables from related parties	27	<b>87.164.459</b>	6.925.893
Inventories	9	<b>462.483.548</b>	462.549.922
Other current assets	17	<b>54.734.345</b>	132.446.765
<b>Non-current assets</b>			
		<b>1.357.306.883</b>	1.337.205.512
Property, plant and equipment	11	<b>1.322.089.594</b>	1.296.889.902
Intangible assets	12	<b>14.533.560</b>	12.738.153
Investment property	10	<b>1.020.532</b>	1.020.532
Other non-current assets	17	<b>18.201.760</b>	21.368.035
Deferred income tax assets	25	<b>1.461.437</b>	5.188.890
<b>Total assets</b>		<b>2.799.356.243</b>	2.671.127.874

The accompanying notes form an integral part of these consolidated financial statements.



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2012

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

		Current year	Previous year
		Audited	Audited
	Notes	December 31, 2012	December 31, 2011
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>1.019.243.711</b>	841.240.908
Financial liabilities	6	263.855.378	258.387.280
Trade payables			
- Other trade payables to third parties	7	217.390.061	160.608.950
- Trade payables to related parties	27	473.416.977	355.092.769
Other payables			
- Other payables	8	7.066.976	6.657.387
- Other payables due to related parties	27	118.767	72.302
Provision for employee benefits	16	11.324.703	9.040.937
Provisions	14	3.950.627	3.747.877
Other current liabilities	17	42.120.222	47.633.406
<b>Non-current liabilities</b>		<b>115.795.138</b>	127.198.190
Financial liabilities	6	25.282.361	41.231.989
Provision for employee benefits	16	84.836.235	80.750.205
Other non-current liabilities	17	5.676.542	5.215.996
<b>Total liabilities</b>		<b>1.135.038.849</b>	968.439.098
<b>Equity</b>		<b>1.664.317.394</b>	1.702.688.776
Share capital	18	1.000.000.000	1.000.000.000
Adjustment to share capital	18	486.852.283	486.852.283
Restricted reserves appropriated from profits		4.868.316	-
Retained earnings		155.168.177	113.495.168
Net profit for the year		17.428.618	102.341.325
<b>Total equity and liabilities</b>		<b>2.799.356.243</b>	2.671.127.874

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

**PETKİM PETROKİMYA HOLDİNG A.Ş.**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

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

		Current year	Previous year
		Audited	Audited
		January	January 1
		1 December	December
	Notes	31, 2012	31, 2011
Sales	19	4,348.910.031	3.891.322.098
Cost of sales	19	(4.272.668.110)	(3.716.625.449)
<b>Gross profit</b>		<b>76.241.921</b>	174.696.649
Research and development expenses	20	(2.363.729)	(2.481.629)
Marketing, selling and distribution expenses	20	(28.555.067)	(28.857.721)
General administrative expenses	20	(103.973.703)	(90.351.633)
Other operating income	22	75.542.802	134.053.157
Other operating expense	22	(27.205.947)	(24.116.755)
<b>Operating (loss) / profit</b>		<b>(10.313.723)</b>	162.942.068
Finance income	23	140.668.974	150.880.512
Finance costs	24	(109.199.180)	(196.026.855)
<b>Profit before taxation</b>		<b>21.156.071</b>	117.795.725
Taxation on income	25	(3.727.453)	(15.454.400)
-Current year tax expense	25	-	(1.232.645)
-Deferred tax expense	25	(3.727.453)	(14.221.755)
<b>Net profit for the year</b>		<b>17.428.618</b>	102.341.325
<b>Other comprehensive income (after tax)</b>		<b>-</b>	-
<b>Total comprehensive income</b>		<b>17.428.618</b>	102.341.325
<b>Attributable to:</b>			
Minority interest		-	-
Equity holders of the Parent		17.428.618	102.341.325
<b>Earnings per share (kuruş) - Minority interest</b>	26	-	-
<b>Earnings per share (kuruş) - Equity holders of the parent</b>	26	<b>0,02</b>	0,10

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2012

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

	Share capital	Adjustment to share capital	Restricted reserves	Current year profit	(Accumulated deficit) / retained earnings	Total equity
January 1, 2011	1.000.000.000	486.852.283	-	130.084.920	(16.589.752)	1.600.347.451
Transfers	-	-	-	(130.084.920)	130.084.920	-
Net profit for the year	-	-	-	102.341.325	-	102.341.325
Total comprehensive income	-	-	-	102.341.325	-	102.341.325
December 31, 2011	1.000.000.000	486.852.283	-	102.341.325	113.495.168	1.702.688.776
<b>January 1, 2012</b>	<b>1.000.000.000</b>	<b>486.852.283</b>	<b>-</b>	<b>102.341.325</b>	<b>113.495.168</b>	<b>1.702.688.776</b>
Transfers	-	-	4.868.316	(102.341.325)	97.473.009	-
Dividend payment	-	-	-	-	(55.800.000)	(55.800.000)
Net profit for the year	-	-	-	17.428.618	-	17.428.618
Total comprehensive income	-	-	-	17.428.618	-	17.428.618
December 31, 2012	1.000.000.000	486.852.283	4.868.316	17.428.618	155.168.177	1.664.317.394

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

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

		Current year Audited January 1- December 31, 2012	Previous year Audited January 1- December 31, 2011
	Notes		
<b>Cash flows from operating activities:</b>			
Profit before taxation		21.156.071	117.795.725
<b>Adjustments to reconcile profit before tax to net cash generated from operating activities:</b>			
Depreciation and amortization	11-12	71.672.474	61.607.823
Interest income	23	(39.816.911)	(37.769.051)
Interest expense	24	18.456.300	21.219.238
Provision for legal cases, net		(2.018.579)	(381.352)
Provision for employment termination benefits - net	16	16.563.740	4.324.324
Gain on sales of fixed assets	22	(21.276.275)	(113.118.996)
Provision for doubtful receivables	7-8-22	6.271.414	595.033
Provision for notice pay, net		2.146.743	-
Provision for seniority incentive bonus, net	16	4.875.450	3.651.339
Provision for unused vacation rights, net	16	523.443	1.396.283
Change in Impairment on inventories, net	9	(2.780.427)	2.753.949
Unrealized foreign currency (gains) / losses on borrowings		(16.154.983)	48.860.537
<b>Operating profit before changes in operating assets and liabilities</b>		<b>59.618.460</b>	<b>110.934.852</b>
<b>Changes in the operating assets and liabilities:</b>			
Trade receivables	7	33.305.732	(169.626.444)
Inventories	9	2.846.801	(50.830.089)
Other receivables		(79.843.974)	3.989.676
Other current assets	17	77.712.420	(70.178.471)
Other non-current assets	17	3.166.275	11.003.299
Trade payables	7	56.781.111	(170.523.406)
Trade payables to related parties	27	118.324.208	162.584.907
Provisions		74.586	168.181
Other payables		456.054	600.994
Other liabilities	17	(5.052.638)	(5.573.246)
Seniority incentive bonus paid, net	16	(3.779.044)	(2.757.899)
Employee termination benefits paid, net	16	(15.055.490)	(8.663.199)
Taxes paid		-	(1.232.645)
<b>Net cash generated by / (used in) operating activities</b>		<b>248.554.501</b>	<b>(190.103.490)</b>
<b>Investing activities:</b>			
Interest received		39.816.911	37.741.064
Purchase of property, plant and equipment and intangible assets	11-12	(99.500.773)	(160.813.484)
Proceeds from sales of property, plant and equipment and intangible assets		22.156.967	124.720.084
Increase in investments held to maturity		1.035.785	(999.905)
Research and development expenses recognized as expense		1.702.460	-
Change in financial investments		-	2.865
<b>Net cash (used in) / generated by investing activities</b>		<b>(34.788.650)</b>	<b>650.624</b>
<b>Financing activities:</b>			
Proceeds from borrowings		92.843.075	261.148.166
Redemption of borrowings		(87.169.622)	(107.340.120)
Interest paid		(16.964.555)	(20.779.695)
Dividends paid		(55.800.000)	-
<b>Net cash (used in) / generated by financing activities</b>		<b>(67.091.102)</b>	<b>133.028.351</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>146.674.749</b>	<b>(56.424.515)</b>
Cash and cash equivalents at the beginning of the period		145.285.932	201.710.447
<b>Cash and cash equivalents at the end of the period</b>	4	<b>291.960.681</b>	<b>145.285.932</b>

The accompanying notes form an integral part of these consolidated financial statements.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

# **PETKİM PETROKİMYA HOLDİNG A.Ş.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012**

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

### **1. Group's organization and nature of operations**

Petkim Petrokimya Holding A.Ş. ("Petkim" or "the Company") was established on April 3, 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex. During the course of the Company, construction of other plants continued. In 1985, Aliağa Petrochemical Complex was established. The Company has 14 main plants, 1 bag production unit and 1 solid waste incineration facility. The Company operates its facilities in the petrochemical sector in Turkey.

The Company is mainly engaged in the following fields:

- To establish and to operate factories, plants either at home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,
- To process and to treat the raw materials and supplementary/auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from home or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,
- To pack any products, which may be obtained and derived at any stage of the production activities, and to establish packing and packaging industrial plants for such purpose, to recycle and/or to sell any wastes, byproducts and the materials of various qualities, and to establish and to operate plants and facilities for the disposal of the waste materials and hazardous wastes which cannot be recycled, and to offer disposal services to any third persons, and to sell any and all kinds of scraps,
- To establish and to operate new enterprises, which provide the manufacturing and the production of all of the materials and substances listed above, and to establish and to operate the marine and road organizations in relation thereto, to expand the already established enterprises, and to purchase and to operate the already established enterprises in part or in whole,
- To commit undertakings for the establishment and operation of the plants and facilities at home and abroad in relation to its scope of activity, and to enter into and to execute cooperation and partnership agreements with domestic and international legal and real persons in relation its own scope of activity, to participate in the already established companies, or to incorporate new companies,
- To establish warehouses and sales points and regional organizations either at home or abroad, and to open up branches and liaison offices, and to be engaged in procuring activities, and to participate in the companies which will be engaged in such activities, and to carry out and to perform the wholesale or retail sales and the exportation of its own finished products and products as well as the finished products and products which it imports or purchases,
- To be engaged with the activities which are fundamental to the manufacturing and production of the equipment to be used for the maintenance and repair, and the investments for sustainment, perfection, refurbishment of the enterprises, and for new business investments, and to establish any necessary enterprises for such purposes, and to increase the capacity of the machinery, and to recover any surplus capacity thereof, and to generate the energy needed by the enterprises, when required,
- To enter into and to execute any agreements for patents, brands, licenses, know-how, procurement and supply, engineering, building & construction and assembly, and such other similar agreements with the domestic and the international firms,
- To carry out and to perform training, research and development activities and operations within the fields falling into its scope of activity, and to have such activities and operations be carried out and performed, and to offer laboratory analysis services for any third persons and organizations,

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

- To have shipping and transportation services be carried out and performed, and to carry and to perform shipping and transportation services at particular cases and when required,
- In order to meet its need in relation to its scope of activity, to acquire movable and immovable properties, to establish and to revoke real rights on its own or on the immovable properties of the others, when required, to dispose, to lease, to lease out any movable properties or real estate, and to establish any usufruct rights and servitudes, encumbrances on real estate, and such other rights either for its favor or against its own, and to sell any immovable and movable properties when required,
- Provided that the requisite explanations and statements to be sought by the Capital Markets Board within the scope of any extraordinary circumstances are submitted, to give bails, to warrant guarantees, mortgages and pledge for the favor of the liabilities/debts of its own or of the companies to which it subscribes, and to receive any bails, guarantees, mortgages and pledges, and to release and to amend the same in order to obtain its receivables,
- In relation to the trading, which is carried out and performed by way of importation and exportation, at the relevant branch of industry, to maintain and handle relations with any and all sectors concerning such industry, to participate in the branches of industry, engineering and consulting, and to participate in the bids and tenders, and to commit any undertaking thereto,
- To carry out and to offer engineering services either at home or abroad in relation to the businesses which are within its scope of activity,
- In order to accomplish its purpose, to borrow from any resources either domestic or international,
- In relation to its scope, provided that the final provision of the Article 15 of the Capital Market Law is reserved, to enter into partnerships, and to acquire any already established partnerships, and/or to merge with such partnerships, and to participate to the ones to be established,
- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,
- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,
- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by 3rd parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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

The "Share Sales Agreement", with respect to the sales of 51% of shares of Petkim Petrokimya Holding A.Ş. (which has been in the privatization process for several years) to SOCAR & Turcas Petrokimya A.Ş. ("STPAŞ"), 44% of which previously owned by the Republic of Turkey Ministry Privatization Administration ("Administration") and 7% State Pension Fund ("Emekli Sandığı Genel Müdürlüğü") transferred to Republic of Turkey Social Security Institution, was signed on May 30, 2008.

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

As of December 31, 2012 and December 31, 2011, the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Company is registered at the Capital Markets Board ("CMB") and its shares have been quoted in Istanbul Stock Exchange ("ISE") since July 9, 1990.

Consolidated financial statements were approved to be issued by the Board of Directors March 6, 2013 and signed by Mr. Saadettin Korkut, General Manager and Mr. Bülent Aksu, Vice President of Finance, on behalf of the Board of Directors. General Assembly and relevant regulators has the right to modify legal financial statements and the consolidated financial statements.

#### Subsidiaries

The Company has participated to Petlim Limançılık Ticaret A.Ş. ("Petlim") with the capital of TL 100.000 and the share of 99,99%, according to the decision of Board of Director dated April 28, 2010 and numbered 64/132, to implement port activities. With the general assembly resolution dated, November 13, 2012, the share capital of Petkim has been increased to TL 8.000.000. Petkim and its subsidiary is referred together as "the Group".

The number of personnel in the Group is 2.405 as of December 31, 2012 (December 31, 2011 - 2.586).

	December 31, 2012	December 31, 2011
Union (*)	1.895	2.045
Non-union (**)	510	541
	<b>2.405</b>	<b>2.586</b>

(\*) Indicates the personnel who are members of Petrol İş Union.

(\*\*) Indicates the personnel who are not members of Petrol İş Union.

The registered address of the Group as of the date of these consolidated financial statements is as follows:

PK. 12, 35800  
Aliağa, İzmir

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

## **2. Basis of presentation of consolidated financial statements**

### **2.1 Basis of presentation**

#### **Accounting standards**

The consolidated financial statements of Petkim have been prepared in accordance with the accounting and reporting principles accepted by the CMB, namely "CMB Financial Reporting Standards". The CMB regulated the principles and issued of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from January 1, 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), (As of November 2011, TASB has been closed and its duties have been transferred to Public Oversight Accounting and Auditing Standards Authority, "POA") IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the POA, which do not contradict with the aforementioned standards shall be applied.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year commencing from January 1 2005.

Consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the weekly announcements numbered 2008/16, 2008/18, 2009/02 and 2009/04, including the compulsory disclosures.

The Group maintains its books of account and prepares its statutory consolidated financial statements in accordance with the requirements and regulations of the CMB and Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements are prepared by posting the adjustments and reclassifications to the statutory consolidated financial statements prepared according to historical cost convention in order to comply with the fair presentation principle of the CMB Financial Reporting Standards. The consolidated financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention except for the financial assets and liabilities, which are expressed with their fair values.

### **2.2 Changes in IFRS**

The accounting policies adopted in preparation of the financial statements as at December 31, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:

##### *IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)*

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

##### *IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)*

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and did not have any impact on the financial position or performance of the Company.

#### **Standards issued but not yet effective and not early adopted**

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

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

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

##### *IAS 19 Employee Benefits (Amended)*

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The significant impact of the amended standard is reclassification of actuarial gain/loss to other comprehensive income statement which is currently disclosed in income statement.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### *IAS 27 Separate Financial Statements (Amended)*

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

##### *IAS 28 Investments in Associates and Joint Ventures (Amended)*

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

##### *IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)*

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

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

New disclosures would provide users of financial statements with information that is useful in (i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (ii) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

##### *IFRS 9 Financial Instruments - Classification and Measurement*

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### *IFRS 10 Consolidated Financial Statements*

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

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This amendment will not have any impact on the financial position or performance of the Company.

##### *IFRS 11 Joint Arrangements*

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

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

##### *IFRS 12 Disclosure of Interests in Other Entities*

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

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

##### *IFRS 13 Fair Value Measurement*

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

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

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

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

##### *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)*

The guidance is effective for annual periods beginning on or after January 1, 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

##### **Improvements to IFRS**

The IASB has issued the Annual Improvements to IFRS 2009 - 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after January 1, 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

##### *IAS 1 Financial Statement Presentation:*

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

##### *IAS 16 Property, Plant and Equipment:*

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

##### *IAS 32 Financial Instruments: Presentation:*

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### *IAS 34 Interim Financial Reporting:*

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

##### *IFRS 10 Consolidated Financial Statements (Amendment)*

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after January 1, 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

#### **2.3 Summary of significant accounting policies**

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

##### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Petkim and Petlim in which Petkim has a shareholding interest of 99,99%. Subsidiary is consolidated from the date on which control is transferred to Petkim until the date on which the control is transferred out of Petkim.

As stated above, the consolidated financial statements consist of the financial statements of Petkim and its subsidiary which it controls. This control is normally evidenced when Petkim owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiary is consolidated by using full consolidation method, accordingly the registered subsidiary values are netted off with the related equity items. The equity and net income attributable to minority shareholders' are shown as minority interest in consolidated balance sheet and consolidated statement of comprehensive income.

Balances and transactions between Petkim and its subsidiary, including intercompany profits and unrealized profits and losses (if any) are eliminated. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances.

##### **Inventories**

Inventories are valued at the lower of cost and net realisable value. The cost of inventory consists of purchase materials, cost of conversion and other costs that are necessary to bring the inventories to their present location and condition. The costs of inventories are determined on a weighted average basis by the Group.

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

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

Spare parts and material stocks are valued at the lower of cost and net recoverable value. The cost of spare parts and material stocks consist of purchase materials and other costs that are necessary to bring them to their present location and condition. The costs of spare parts and material stocks are determined on a weighted average basis by the Group (Notes 9).

#### **Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses if any. Historical costs include the costs directly related to the acquisition of property plant and equipment. Costs incurred after the acquisition can be capitalized to the net book value of the assets or can be booked as another asset if and only if it is probable that the future economic benefits will flow to the Group and cost of the asset can be measured reliably. Repair and maintenance expenses are charged to the consolidated statement of comprehensive income as they incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset. Depreciation is provided using the straight-line method based on the estimated useful lives of the net assets (Note 11).

Spare parts and material stocks qualify as property, plant and equipment when they are expected to be used more than one period and only in connection with an item of property, plant and equipment. Spare parts and material stocks are carried at cost less the accumulated depreciation which is calculated over the remaining useful life of the related item of property, plant and equipment.

Buildings, machinery and equipment are capitalized and depreciated when they are in the condition necessary for operations in the manner intended by the management. Residual values of property, plant and equipment are deemed as insignificant.

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

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

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

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are included in the other operating income and expense accounts, in the consolidated statement of comprehensive income as appropriate.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### **Intangible assets**

Intangible assets comprise acquired rights, information systems and software and capitalized development costs. Intangible assets are amortized on a straight-line basis over their estimated useful lives from the date of acquisition. In case of impairment, the carrying values of the intangible assets are written-down to their recoverable amounts (Note 12).

The estimated useful lives of intangible assets are as follows:

	<b>Useful life</b>
Rights and software	3-15 years
Development Projects	5 years

##### **Investment properties**

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

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

##### **Research and development expenses**

Research expenditures are recognized in the consolidated statement of comprehensive income when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- existence of the intention to complete the intangible asset and use or sell it,
- existence of the ability to use or sell the intangible asset,
- reliability of how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenses are amortized in 5 years by straight-line method effective from the start of the production.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### **Impairment of assets**

At each reporting date, the Group assesses whether there is an impairment indication for the assets, except for the deferred income tax asset and financial assets stated at fair values.

The Group assesses whether there is any indication that the book value of tangible and intangible assets, calculated by the acquisition cost less accumulated amortization, may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. When the individual recoverable value of assets cannot be measured, the recoverable value of the cash-generating unit of that asset is measured.

Provision for doubtful receivables is booked in the consolidated financial statements when there is a indication that the related receivable can not be collected. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.(Note 22).

Impairment exists if the carrying value of an asset or a cash-generating unit is greater than its recoverable amount, which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

When the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying value, the asset's (or cash-generating unit's) carrying value is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized in the consolidated statement of comprehensive income.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### **Operating leases**

###### *The Group as the lessee*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

###### *The Group as the lessor*

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

##### **Financial assets**

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

###### *Cash and cash equivalents*

Cash and cash equivalents consist of cash in hand, deposits at banks and highly liquid investments with insignificant risk of change in fair value and with maturity periods of three months or less (Note 4).

###### *Trade receivables and provision for impairment*

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

###### *Investments held to maturity*

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

###### *Trade payables*

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 7).

###### *Bank borrowings*

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

If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more than 12 months, they are classified under non-current liabilities (Note 6).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### *Recognition and de-recognition of financial instruments*

The Group recognizes a financial asset or financial liability in its consolidated balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.

All other borrowing costs are expensed in the consolidated statement of comprehensive income in the period they incurred.

##### **Related parties**

Parties are considered related to the Company if;

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- (vi) The entity is controlled or jointly controlled by a person identified in (a),
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

#### **Government grants**

All government grants, including non-monetary government grants followed up at fair values, are taken into account in the financial statements when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Company. Government grants shall be recognized in profit or loss on a systematic and pro rata basis over periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate (Note 13).

#### **Current and deferred income tax**

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date (Note 25).

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values.

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

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements (Note 25).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### **Employee benefits**

###### **(a) Defined benefit plans:**

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Furthermore, the Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority (Note 16).

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the consolidated statement of comprehensive income.

###### **(b) Defined contribution plans:**

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

##### **Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions, as of the balance sheet date, are recorded with the best estimate of management in order to provide for the estimated obligation and are discounted, if they are material for the consolidated financial statement.

##### **Contingent assets and liabilities**

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 14).

Contingent liabilities are not recognized in the consolidated financial statements, and disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is mostly probable.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### **Revenue recognition**

Revenue is based on the invoiced amount of products sold and services given. Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realised. Net sales represent the invoiced value of goods sold less sales returns and commission and exclude related taxes.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

##### **Transactions in foreign currency**

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statement of comprehensive income.

##### **Accounting policies, changes in accounting estimates and errors**

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

##### **Critical accounting estimates and judgments**

Preparation of consolidated financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the management's best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions. Significant estimates of the Group management are as follows:

- a) There are numerous transactions and calculations in the ordinary course of business, whose impact on income taxes requires significant judgment in determining the provision for income taxes. The Group recognizes deferred income tax liabilities for anticipated taxable events and recognizes deferred income tax assets on loss carry forwards, tax credits and deductible temporary differences to the extent that the realization of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred tax expense in the period of realization of the final tax outcome. As a result of the projections made by the Group management by using its best estimates deferred income tax asset regarding to the unused investment incentives was recognized in the consolidated financial statements (Note 25).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

- b) Tangible and intangible assets have been depreciated and amortized by using estimated useful lives. Estimated useful lives determined by management have been disclosed in Note 11 and Note 12.
- c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 16).
- d) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, their individual performances after the balance sheet date up to the issuing date of the consolidated financial statements and furthermore, the renegotiation conditions with these debtors are considered (Note 7 and 8).

#### **Share capital and dividends**

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognized as an appropriation of the profit in the period they are declared.

#### **Subsequent events**

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue.

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements (Note 30).

#### **Earnings per share**

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

#### **Convenience translation into English of consolidated financial statements originally issued in Turkish**

The accounting standards described above (defined as CMB Financial Reporting Standards) differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between January 1 - December 31, 2005. Accordingly, these consolidated financial statements are not intended to present the financial position, the results of operations and the cash flows in accordance with IFRS.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 3. Segment reporting

As the primary operation of the Group is to produce and sell petrochemical products and as these operations have similar economical features, production processes, customer classes and distribution methods, the Group operations are considered to be as single operating segment. Accordingly, the Group management considers single operating segment, rather than multiple operating segments, when making decisions on the resources management and in the assessment of performance measurement of the operations.

#### 4. Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash	-	1.423
Banks	<b>291.960.681</b>	145.284.509
- Foreign currency demand deposits	<b>11.431.005</b>	9.045.209
- Foreign currency time deposits	<b>123.510.037</b>	88.258.171
- TL demand deposits	<b>12.987.511</b>	4.350.529
- TL time deposits	<b>144.032.128</b>	43.630.600
	<b>291.960.681</b>	145.285.932

As of December 31, 2012, foreign currency demand deposits consist of overnight deposits, bear the effective weighted average interest rates for USD and Euro 3,60% and 2,60%, respectively (December 31, 2011 - USD 5%, Euro 4,70%).

As of December 31, 2012, TL time deposits consist of only overnight deposits and bear the effective interest rate of 8,14%. (December 31, 2011 - 12,00% and 11,80%).

The Group has no blocked bank deposits as of December 31, 2012 (December 31, 2011 - None).

Based on the independent data with respect to the credit risk assessment of the banks at which the Group has deposits, are sufficient in terms of credit quality of the banks. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

#### 5. Investments held to maturity

	December 31, 2012			December 31, 2011		
	Cost	Amortized cost	Carrying cost	Cost	Amortized cost	Carrying cost
<b>Government Bond</b>	-	-	-	999.905	1.035.785	1.035.785
<b>Total</b>	-	-	-	999.905	1.035.785	1.035.785

As of December 31, 2011, interest rate of government bond is 9,70%, maturity date is January 20, 2012 and the bond is collected as cash at the maturity date.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **6. Financial liabilities**

	December 31, 2012	December 31, 2011
Short-term bank borrowings	248.382.750	248.665.466
Short-term installment of long term borrowings	13.629.250	9.314.975
Interest accruals	1.843.378	406.839
	<b>263.855.378</b>	<b>258.387.280</b>

USD denominated of bank borrowings received from various banks for financing needs by the Group is TL 253.004.078 (December 31, 2011 - USD and TL, TL 247.834.314). Mature of bank borrowings respectively for USD is 95 days (December 31, 2011 - USD 148 days, TL 62 days).

Bank borrowings amounting to TL 10.851.300 as of December 31, 2012 (December 31, 2011- TL 10.552.966) are overnight loans without bearing any interest and used for the month-end Social Security Institution ("SSI") payments and Custom transactions.

The amounts and interest rates of bank borrowings as of December 31, 2012 and 2011 are as follows:

		December 31, 2012	
	Nominal interest rate (%)	Original currency	Amount
<b>Short-term bank borrowings</b>			
USD borrowings	Libor + 0,75% - 2,60% (*)	133.250.000	237.531.450
TL borrowings	-	10.851.300	10.851.300
Interest accruals	-	-	1.843.378
			<b>250.226.128</b>
		December 31, 2011	
	Nominal interest rate (%)	Original currency	Amount
<b>Short-term bank borrowings</b>			
USD borrowings	Libor+1,65%, 0,99%-2,33% (*)	125.000.000	236.112.500
TL borrowings	6,5%	12.552.966	12.552.966
Interest accruals	-	-	406.839
			<b>249.072.305</b>

(\*) Interest rates of borrowings with variable rates amounting to TL 237.351.450 is between Libor+0,75 and Libor+2,60%. (December 31, 2011 Interest rates of borrowings with variable rates amounting to TL 75.556.000 is Libor+1,65% and interest rates of borrowings with fixed rates amounting to TL 160.556.500 is between 0,99% and 2,33%).



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 6. Financial liabilities (continued)

	December 31, 2012		December 31, 2011	
	Nominal interest rate (%)	Amount	Nominal interest rate (%)	Amount
<b>Short-term instalment of long-term bank borrowings</b>				
USD borrowings	Libor + 3,75%	13.629.250	Libor+3,75%	9.314.975
		13.629.250		9.314.975

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

As of December 31, 2012, the Group did not give any guarantee to the financial institutions for the TL and USD borrowings (December 31, 2011 - None).

	Maturities	Interest rate (%)	December 31, 2012	
			Original currency	TL
<b>Long-term bank borrowings</b>				
USD borrowings	June 14, 2016	Libor + 3,75%	6.785.714	12.096.214
	June 30, 2015	Libor + 3,75%	7.397.143	13.186.147
<b>Total</b>			<b>14.182.857</b>	<b>25.282.361</b>

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

As of December 31, 2012 and 2011 the principal repayment schedule of the borrowing is as follows:

	December 31, 2012		December 31, 2011	
	Original currency (USD)	Original currency (USD)	Original currency (USD)	Original currency (USD)
2012	-	-	-	9.314.975
2013	13.629.250	13.629.250	7.645.714	7.645.714
2014	7.645.714	7.645.714	7.645.714	7.645.714
2015	5.180.000	5.180.000	5.180.000	5.180.000
2016	1.357.143	1.357.143	1.357.143	1.357.144
<b>Total</b>	<b>27.812.107</b>	<b>27.812.107</b>	<b>31.143.547</b>	<b>31.143.547</b>

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **7. Trade receivables and payables**

##### **a) Short-term trade receivables**

	December 31, 2012	December 31, 2011
Trade receivables	553.430.274	586.569.642
	553.430.274	586.569.642
Provision for doubtful receivables	(8.887.386)	(2.615.972)
	544.542.888	583.953.670

As of December 31, 2012, the effective weighted average interest rates used in the calculation of unearned credit finance income of short-term trade receivables are 6,14%, 0,41% ve 0,05% for TL, USD and Euro, respectively (December 31, 2011 - 11,04%, 0,43% and 0,67% for TL, USD and Euro, respectively).

The aging analysis of trade receivables including doubtful receivables as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Overdue receivables	37.471.378	54.607.839
0 - 30 days	218.155.260	221.620.751
31 - 60 days	132.289.325	147.437.928
61 - 90 days	75.599.346	86.610.804
91 days and over	89.914.965	76.292.320
	553.430.274	586.569.642

As of December 31, 2012, trade receivables amounting to TL 37.471.378 (December 31, 2011 - TL 54.607.839) of total overdue receivables amounting to TL 14.943.278 (December 31, 2011 - TL 16.947.166) were past due, however, the Group holds guarantee letters amounting to TL 12.771.952 (December 31, 2011 - TL 9.293.594) for such receivables (Note 28). Furthermore, trade receivables from foreign customers amounting to TL 13.640.714 (December 31, 2011 - TL 37.660.673) are guaranteed with letter of credits. Furthermore, the Group accounted for provision for doubtful receivables for the TL 8.887.386 portion of its past due receivables (December 31, 2011 - TL 2.615.972).

Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains 100% of total outstanding TL trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided for.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 7. Other trade receivables and payables (continued)

The average maturity dates of trade receivables are 74 days. (December 31, 2011 - 63)

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials.

As of December 31, 2012, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TL 815.871.402 (December 31, 2011 - TL 789.439.890) (Note 14).

The aging of overdue receivables as of December 31, 2012 and 2011 (including doubtful receivables) is as follows:

Overdue period	December 31, 2012	December 31, 2011
0 - 1 month	25.470.860	19.354.125
1 - 3 months	7.755.967	8.185.986
Over 3 months	4.244.551	27.067.728
	<b>37.471.378</b>	54.607.839

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

	2012	2011
<b>January 1</b>	<b>(2.615.972)</b>	(2.020.939)
Additions during the year (Note 22)	<b>(6.271.414)</b>	(595.033)
<b>December 31</b>	<b>(8.887.386)</b>	(2.615.972)

#### a) Short-term trade payables

	December 31, 2012	December 31, 2011
Trade payables-net	217.390.061	160.608.950
	<b>217.390.061</b>	160.608.950

Average maturity for short-term trade payables is 26 days as of December 31, 2012 (December 31, 2011 - 24 days).

The effective weighted average interest rates used in the calculation of unincurred finance costs of short-term trade payables are 6,08%, 0,33% for USD and EUR denominated trade payables, respectively (December 31, 2011- The effective weighted average interest rates of short-term trade payables for TL, USD and EUR denominated trade payables are 11,04%, 0,43% and 0,67% respectively).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **8. Trade receivables and payables**

	December 31, 2012	December 31, 2011
<b>a) Other short-term receivables</b>		
Receivables from scrap sales	331.916	575.379
Claim recoveries from insurance companies	-	213.632
Receivables from personnel	85.334	4.568
Other	1.166.394	1.184.657
	<b>1.583.644</b>	<b>1.978.236</b>
Provision for other doubtful receivables	(420.205)	(420.205)
	<b>1.163.439</b>	<b>1.558.031</b>

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

	2012	2011
<b>January 1</b>	<b>(420.205)</b>	<b>(420.205)</b>
Additions in the year (Note 22)	-	-
<b>December 31</b>	<b>(420.205)</b>	<b>(420.205)</b>

#### **b) Other short-term payables**

Payable to personnel	6.299.280	5.511.494
Deposits and guarantees received	767.696	1.145.893
	<b>7.066.976</b>	<b>6.657.387</b>

#### **9. Inventories**

	December 31, 2012	December 31, 2011
Raw materials	102.594.312	137.004.691
Work-in-progress	112.607.550	75.917.827
Finished goods	129.485.014	185.335.157
Trade goods	13.046.782	19.916.795
Goods-in-transit	91.136.235	31.888.164
Other inventories	14.415.318	16.069.378
	<b>463.285.211</b>	<b>466.132.012</b>
Less: Provision for impairment on inventories	(801.663)	(3.582.090)
	<b>462.483.548</b>	<b>462.549.922</b>

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 9. Inventories (continued)

Movements of provision for impairment on inventories for the years ended December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31 2011,
<b>January 1</b>	<b>(3.582.090)</b>	(828.141)
Charge during the year for impairment of inventory	-	(2.760.057)
Released during the year	<b>2.780.427</b>	6.108
<b>December 31</b>	<b>(801.663)</b>	(3.582.090)

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

	December 31, 2012	December 31, 2011
Finished goods	-	2.325.911
Other inventories	<b>801.663</b>	822.033
Merchandise	-	434.146
	<b>801.663</b>	3.582.090

#### 10. Investment property

	December 31, 2012	December 31, 2011
Investment Property <sup>(*)</sup>	<b>1.020.532</b>	1.020.532
	<b>1.020.532</b>	1.020.532

(\*) In 2010, a land owned by the Company, situated at the location of Arapçiftliği of the county of Aliağa, with in the area 1.375.000 m2 and acquisition cost of TL 1.020.532 has been leased to STAR Rafineri A.Ş. (STAR) which is the 81,50% subsidiary of Socar Turkey Enerji A.Ş. (STEAS) - which is the indirect major shareholder with 61,32% shareholding for a period of 49 years. The rental amount is 3.000.000 USD + VAT per annum and rent for the following years will be increased at the end of each year with the related year libor +1%, by means of considering the amounts determined in the valuation reports prepared by Artı Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Elit Gayrimenkul Değerleme A.Ş. that are licenced by the Capital Market Board. Market value of the land according to the valuation reports mentioned above was estimated as TL 177.500.000 and TL 126.000.000 as of December 31, 2010. According to the valuation report which was prepared by Elit Gayrimenkul Değerleme A.Ş. to Socar Turkey Enerji A.Ş.- major shareholder of the Group, for the mentioned land in January 2013, the market value of the land has been determined as TL 378.125.000. The increase of the market value of the mentioned land resulted from the approval of the change of construction plan and the investments made by Star Rafineri A.Ş. to the land for making the land possible to invest.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 11. Property, plant and equipment

The movements of tangible assets and related accumulated depreciation for the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2011	Additions	Transfers (Note 12)	Disposals	December 31, 2012
<b>Cost:</b>					
Land	9.409.277	-	-	(41.289)	9.367.988
Land improvements	84.470.950	-	14.437.958	-	98.908.908
Buildings	152.051.968	-	13.372.074	-	165.424.042
Machinery and equipment	5.930.045.391	55.688	34.437.428	(15.152.162)	5.949.386.345
Motor vehicles	10.276.650	-	191.593	(1.252.895)	9.215.348
Furniture and fixtures	55.846.841	-	1.807.990	-	57.654.831
Other fixed assets	996.152	-	-	-	996.152
Construction in progress (*)	259.752.886	100.032.860	(68.177.480)	-	291.608.266
	<b>6.502.850.115</b>	<b>100.088.548</b>	<b>(3.930.437)</b>	<b>(16.446.346)</b>	<b>6.582.561.880</b>
<b>Accumulated depreciation:</b>					
Land improvements	(76.979.771)	(1.437.341)	-	-	(78.417.112)
Buildings	(85.273.398)	(3.243.140)	-	-	(88.516.538)
Machinery and equipment	(4.983.198.311)	(63.371.449)	-	14.312.759	(5.032.257.001)
Motor vehicles	(9.396.696)	(275.614)	-	1.252.895	(8.419.415)
Furniture and fixtures	(50.115.885)	(1.750.183)	-	-	(51.866.068)
Other fixed assets	(996.152)	-	-	-	(996.152)
	<b>(5.205.960.213)</b>	<b>(70.077.727)</b>	<b>-</b>	<b>15.565.654</b>	<b>(5.260.472.286)</b>
<b>Net book value</b>	<b>1.296.889.902</b>				<b>1.322.089.594</b>

(\*) Since the construction in progress contains incomplete projects, as of balance sheet date they have not been capitalized yet.

	December 31, 2010	Additions	Transfers (Note 12)	Disposals	December 31, 2011
<b>Cost:</b>					
Land	10.868.199	-	-	(1.458.922)	9.409.277
Land improvements	87.860.345	-	674.385	(4.063.780)	84.470.950
Buildings	157.525.826	-	2.251.898	(7.725.756)	152.051.968
Machinery and equipment	5.967.342.591	7.493.835	53.948.370	(98.739.405)	5.930.045.391
Motor vehicles	9.950.237	-	510.318	(183.905)	10.276.650
Furniture and fixtures	53.853.066	-	2.028.210	(34.435)	55.846.841
Other fixed assets	996.152	-	-	-	996.152
Construction in progress	165.401.524	157.538.569	(63.187.207)	-	259.752.886
	<b>6.453.797.940</b>	<b>165.032.404</b>	<b>(3.774.026)</b>	<b>(112.206.203)</b>	<b>6.502.850.115</b>
<b>Accumulated depreciation:</b>					
Land improvements	(79.808.992)	(1.217.333)	-	4.046.554	(76.979.771)
Buildings	(87.662.925)	(3.231.486)	-	5.621.013	(85.273.398)
Machinery and equipment	(5.019.902.645)	(54.039.890)	-	90.744.224	(4.983.198.311)
Motor vehicles	(9.344.810)	(235.791)	-	183.905	(9.396.696)
Furniture and fixtures	(48.527.369)	(1.597.936)	-	9.420	(50.115.885)
Other fixed assets	(996.152)	-	-	-	(996.152)
	<b>(5.246.242.893)</b>	<b>(60.322.436)</b>	<b>-</b>	<b>100.605.116</b>	<b>(5.205.960.213)</b>
<b>Net book value</b>	<b>1.207.555.047</b>				<b>1.296.889.902</b>

There is no mortgage on property, plant and equipment as of December 31, 2012 (December 31, 2011 - None).

The Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 1.749.952 (December 31 2011 - TL 4.950.500) (Note 24).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 11. Property, plant and equipment (continued)

Depreciation charges amounting to TL 70.077.727 for the year ended December 31, 2012 (December 31, 2011 - TL 60.322.436) were allocated to cost of sales by TL 55.948.315 (December 31, 2011 - TL 47.590.107), to idle capacity expenses by TL 4.944.033 (December 31, 2011 - TL 3.570.007), to inventories by TL 3.977.607 (December 31, 2011 - TL 3.938.720), to general administrative expenses by TL 4.814.679 (December 31, 2011 - TL 4.858.886), to marketing, selling and distribution expenses by TL 192.596 (December 31, 2011 - TL 147.150), and to research and development expenses by TL 200.497 (December 31, 2011 - TL 217.566).

The major part of the additions to machinery and equipments as of December 31, 2012 related to the modernization of production facilities and machineries which are classified under construction in progress as of December 31, 2011 and completed in year 2012. The Group's management plans to increase the efficiency and environmental compliance with these investments. Construction in progress as of December 31, 2012 has similar characteristics with previous year's construction in progress.

#### 12. Intangible assets

The movements of intangible assets and related accumulated amortization for the years ended December 31, 2012 and 2011 were as follows:

	December 31, 2011	Additions	Transfers (Note 11)	Disposals <sup>(*)</sup>	December 31, 2012
<b>Cost:</b>					
Rights and software	15.695.634	11.197	3.930.437	-	19.637.268
Other	1.102.070	1.150.980	-	(1.702.460)	550.590
	16.797.704	1.162.177	3.930.437	(1.702.460)	20.187.858
<b>Accumulated amortization:</b>					
Rights and software	(4.059.551)	(1.594.747)	-	-	(5.654.298)
	(4.059.551)	(1.594.747)	-	-	(5.654.298)
<b>Net book value</b>	<b>12.738.153</b>				<b>14.533.560</b>

(\*) Recognized as expense in 2012 (Note 22).

	December 31, 2010	Additions	Transfers (Note 11)	Disposals	December 31, 2011
<b>Cost:</b>					
Rights and software	11.921.608	-	3.774.026	-	15.695.634
Other	370.490	731.580	-	-	1.102.070
	12.292.098	731.580	3.774.026	-	16.797.704
<b>Accumulated amortization:</b>					
Rights and software	(2.774.164)	(1.285.387)	-	-	(4.059.551)
	(2.774.164)	(1.285.387)	-	-	(4.059.551)
<b>Net book value</b>	<b>9.517.934</b>				<b>12.738.153</b>

There is no mortgage on intangible assets as of December 31, 2012 (December 31, 2011 - None).

Amortization charges amounting to TL1.594.747 (December 31, 2011 - TL 1.285.387) for the year ended December 31, 2012 were allocated to cost of sales by TL 344.120 (December 31, 2011 - TL 760.178), to research and development expenses by TL164.884 (December 31, 2011 - TL 213.760) and to general administrative expenses by TL 1.085.743 (December 31, 2011 - TL 311.449).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **13. Government grants**

As of December 31, 2012, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL1.239.335 (December 31, 2011 - TL 988.776) and TL 71.802 of this amount is related to the research and development projects and reclassified 'Deferred income' under 'Other short term liabilities' (Note 17), and the remaining TL 1.167.533 has been presented in income statement.

#### **14. Provisions, contingent assets and liabilities**

	December 31, 2012	December 31, 2011
<b>a) Short-term provisions:</b>		
Provision for notice pay	2.146.743	-
Provision for EMRA <sup>(*)</sup> contribution share	1.405.152	1.328.835
Provision for legal cases	378.133	2.396.712
Other	20.599	22.330
	<b>3.950.627</b>	<b>3.747.877</b>

(\*) Energy Market Regulatory Authority.

#### **b) Guarantees received:**

Bank guarantees within the context of DOCS	479.750.512	448.877.371
Letters of guarantee received	334.120.890	338.562.519
Mortgages	2.000.000	2.000.000
	<b>815.871.402</b>	<b>789.439.890</b>

#### **c) Guarantees given:**

Letters of guarantee given	49.185.605	56.431.637
Guarantee cheques given	-	70.000.000
	<b>49.185.605</b>	<b>126.431.637</b>

The letters of guarantee received amounting to TL 479.750.512 (December 31, 2011 - TL 448.877.371) of the total letters of guarantee received amounting to TL 815.871.402 (December 31, 2011 - TL 789.439.890) are bank guarantees within the context of DOCS and the remaining TL 336.120.890 (December 31, 2011 - TL 340.562.519) includes bank letter of guarantees obtained from customers amounting to TL 268.092.439 (December 31, 2011 - TL 285.528.897), letter of credits amounting to TL 8.636.981 (December 31, 2011 - TL 3.095.155), checks received amounting to TL 5.669.161, (December 31, 2011 - TL 220.178) guarantee letters obtained from suppliers due to goods and service procurements amounting to TL 51.722.309 (December 31, 2011 - TL 48.436.511) and mortgages received amounting to TL 2.000.000 (December 31, 2011 - TL 2.000.000), (December 31, 2011 - TL 1.281.778 policy exists.)

Movements of the provision for notice pay is as follows:

	2012	2011
<b>January 1</b>	-	-
Change in the Period, net	2.146.743	-
<b>December 31</b>	<b>2.146.743</b>	-



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 14. Provisions, contingent assets and liabilities (continued)

Movement of the provision for EMRA contribution share is as follows:

	2012	2011
January 1	1.328.835	1.138.324
Changes in the Period, net	76.317	190.511
December 31	1.405.152	1.328.835

Movement of the provision for legal cases is as follows:

	2012	2011
January 1	2.396.712	2.778.064
Changes in the Period, net	(2.018.579)	(381.352)
December 31	378.133	2.396.712

The total guarantees given amounting to TL 49.185.605 (December 31, 2011 - TL 126.431.637) were distributed to customs administrations and Republic of Turkey Prime Ministry Undersecretariat of Customs by TL 38.605.850 (December 31, 2011 - TL 39.472.900), to Türkiye Elektrik Ticaret ve Taahhüt A.Ş. related to electricity purchases by TL 2.599.544 (December 31, 2011 - TL 5.505.649), to EMRA by TL 2.875.000 (December 31, 2011 - TL 4.161.000) and to other miscellaneous institutions for other transactions by TL 5.105.211 (December 31, 2011 - TL 3.092.088, also TL 4.200.000 guarantee letter have been distributed to Türkiye İhracat Bankası and TL 70.000.000 guarantee checks to Türkiye Petrolleri A.Ş.)

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

	December 31, 2012	December 31, 2011
A. Total amount of CPMs given for the Company's own legal personality	49.185.605	126.431.637
B. Total amount of CPMs given on behalf of fully consolidated companies	-	-
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
	49.185.605	126.431.637

Collaterals, pledges and mortgages amounting to TL 49.185.605 consist of USD 65.000 equivalent to TL 115.869, Euro 10.500.000 equivalent to TL 24.692.850 and TL 24.376.886 (December 31, 2011- USD 115.000 equivalent to TL 217.224, Euro 10.500.000 equivalent to TL 25.659.900 and TL 100.554.513).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **14. Provisions, contingent assets and liabilities (continued)**

As of December 31, 2012, the ratio of the other CPM's given by the Group to the equity is 0% (December 31, 2011 - 0%)

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of December 31, 2012 and 2011 are as follows

<b>Operational leases</b>	<b>2012</b>	<b>2011</b>
0-1 year	<b>5.347.800</b>	6.104.970
1-5 year(s)	<b>21.391.200</b>	24.919.880
5 years and more	<b>224.607.600</b>	251.118.690
<b>Total</b>	<b>251.346.600</b>	282.143.540

#### **15. Commitments**

The group does not have any commitments as of December 31, 2012 (December 31, 2011 - purchase of natural gas amounting to 463.000.000 cubemeter. Total amount of the mentioned commitment is TL 235.852.200)

#### **16. Employee benefits**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>i) Short-term employee benefits:</b>		
Provision for unused vacation rights	<b>6.543.251</b>	6.019.808
Provision for seniority incentive bonus	<b>4.781.452</b>	3.021.129
	<b>11.324.703</b>	9.040.937
<b>ii) Long-term employee benefits:</b>		
Provision for employment termination benefits	<b>81.698.462</b>	77.224.780
Provision for seniority incentive bonus	<b>3.137.773</b>	3.525.425
	<b>84.836.235</b>	80.750.205

#### **Unused vacation rights**

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

	<b>2012</b>	<b>2011</b>
<b>January 1</b>	<b>6.019.808</b>	4.623.525
Changes in the Period, net	<b>523.443</b>	1.396.283
<b>December 31</b>	<b>6.543.251</b>	6.019.808

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **16. Employee benefits (continued)**

##### **Provision for employment termination benefits**

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month's salary limited to a maximum of TL 3.033,98 for each year of service as of December 31, 2012 (December 31, 2011 - TL 2.731,85).

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

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

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

	<b>December 31, 2012</b>	December 31, 2011
Discount rate (%)	<b>3,84</b>	6,07
Probability of retirement (%)	<b>100,00</b>	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.129,25, which is effective from January 1, 2013, has been taken into consideration in the calculation of employment termination benefits of the Group (January 1, 2012 - TL 2.805,04).

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

	<b>2012</b>	2011
<b>January 1</b>	<b>77.224.780</b>	76.896.064
Interest cost	<b>2.965.432</b>	4.667.591
Actuarial loss and service cost	<b>16.563.740</b>	4.324.324
Payments during the year	<b>(15.055.490)</b>	(8.663.199)
<b>December 31</b>	<b>81.698.462</b>	77.224.780

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **16. Employee benefits (continued)**

##### **Provision for seniority incentive bonus:**

The Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority.

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace. The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than 6 month are not considered. Periods which are more than 6 month are considered as 1 year.

For the non-union personnel working at the Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than 6 month are not considered. Periods which are more than 6 month are considered as 1 year.

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

IAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	December 31, 2012	December 31, 2011
Discount rate (%)	3,84	6,07
Probability of retirement (%)	100,00	100,00

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

	2012	2011
<b>January 1</b>	<b>6.546.554</b>	5.329.607
Interest cost	276.265	323.507
Actuarial loss and service cost	4.875.450	3.651.339
Payments during the year	(3.779.044)	(2.757.899)
<b>December 31</b>	<b>7.919.225</b>	6.546.554

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 17. Other assets and liabilities

##### i) Other assets

	December 31, 2012	December 31, 2011
<b>a) Other current assets:</b>		
Value added tax ("VAT") receivable	22.582.788	78.689.429
Advances given for inventories	16.934.935	25.255.974
Advances given for customs affairs	6.970.273	12.201.284
Prepaid expenses	5.765.343	5.811.404
Prepaid taxes	2.386.863	9.968.533
Other	94.143	520.141
	<b>54.734.345</b>	<b>132.446.765</b>
	December 31, 2012	December 31, 2011
<b>b) Other non-current assets:</b>		
Spare parts	14.647.990	11.410.414
Advances given for fixed assets	3.512.270	2.615.358
Other	41.500	7.342.263
	<b>18.201.760</b>	<b>21.368.035</b>

##### ii) Other liabilities

	December 31, 2012	December 31, 2011
<b>a) Other short-term liabilities:</b>		
Order advances received	26.226.606	24.917.974
Short-term deferred income (*)	8.044.352	7.485.670
Taxes and funds payable and other deductions	7.429.897	6.342.481
Provision for undelivered invoice of material purchase (**)	-	8.634.426
Other	419.367	252.855
	<b>42.120.222</b>	<b>47.633.406</b>

(\*) As of December 31, 2012, short-term deferred income consists deferred rent income accrued amounting to TL 5.794.179 regarding the land leased to Star Rafineri A.Ş. and TL 1.050.126 regarding the land leased to Socar Power Enerji Yatırımları A.Ş., government grants amounting to TL 71.802 (Note 13), office rent income amounting to TL 63.294, land allocation fee amounting to TL 110.936 and other miscellaneous income amounting to TL 954.015.

(\*\*) Purchases of raw material from third parties whose invoices have not arrived yet are presented under the short term deferred liabilities in 2011. Purchases of raw material from related parties whose invoices have not arrived yet amounting to TL 20.772.142 are presented under the trade payables to related parties in 2012 (Note 27).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **17. Other assets and liabilities (continued)**

	December 31, 2012	December 31, 2011
<b>b) Other long-term liabilities:</b>		
Long-term deferred income (*)	5.674.521	5.213.978
Other	2.021	2.018
	<b>5.676.542</b>	<b>5.215.996</b>

(\*) As of December 31, 2012, long-term deferred income consist of land allowance income amounting to TL 5.103.043 which was leased to STAR and TL 571.478 is from other income.

#### **18. Equity**

The shareholders of the Company and their shareholdings as of December 31, 2012 and 2011 were as follows:

Group:	Shareholder:	December 31, 2012		December 31, 2011	
		Amount	Share (%)	Amount	Share (%)
A-B	Socar Turkey Petrokimya A.Ş.	510.000.000,00	51	510.000.000	51,00
A	Publicly owned	386.784.318,90	38,68	386.784.319	38,68
A	Socar İzmir Petrokimya A.Ş.	103.215.681,09	10,32	-	-
C	Republic of Turkey Prime Ministry Privatization Administration	103.215.681	10,32	0,01	-
	Total paid share capital	<b>1.000.000.000,00</b>	<b>100</b>	1.000.000.000	100
	Adjustment to share capital	<b>486.852.283,00</b>		486.852.283	
	<b>Total share capital</b>	<b>1.486.852.283,00</b>		1.486.852.283	

Adjustment to share capital" represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

The Company's authorized registered share capital ceiling is TL 300.000.000 and it is divided to 100.000.000.000 shares with a face value of Kuruş1 ("Kr") each. The Company's authorized share capital comprises, with a face value of Kr 1 each, 59.999.999.999 shares of type A, 40.000.000.000 shares of type B and 1 share of type C type preferred share belonging to the Administration (December 31, 2011: shares with a face value of Kr1 each, 59.999.999.999 shares of type A, 40.000.000.000 shares of type B and 1 share of type C type preferred share belonging to the Administration).

The shares belonging to Administration are composed of type C as of December 31, 2012 (December 31, 2011 - A and C type shares).

The Company's capital is composed of all registered (December 31, 2011 - all registered) shares.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **18. Equity (continued)**

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Based on the decision of Board of Directors dated April 28, 2011 and numbered 64/133, the issued capital of the Company was increased from TL 204.750.000, which is in the registered capital ceiling of TL 300.000.000 within the context of exception granted by the article 4 paragraph 7 of the communiqué "Principles of Issued Capital System" (Series IV, No: 38) indicating that "registered capital ceiling might be passed over by adding all internal reserves except cash increase to capital one time";

- Issued capital increased to TL 1.000.000.000, TL 795.250.000 of which is transferred from inflation adjustments on equity through capitalization issue on equity.
- Capital issues belong to 5th array A and B group of registered shares.

Retained earnings in the statutory financial statements are available for distribution, except for the provision for the legal reserves stated below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. On the other hand, in case of the distribution of the total net distributable profit as dividend, limited only for such case, the second legal reserve is appropriated at the rate of 9% per annum of net distributable profit in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The Group has set restricted reserve from profit TL 4.868.316 for the condition mentioned above (December 31, 2011 - None).

The accumulated profit of the Group amounting to TL 155.168.177 is classified in retained earnings under "Equity" in the consolidated balance sheet (December 31, 2011 - TL 113.495.168 under accumulated losses).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **18. Equity (continued)**

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from January 1, 2008, "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (like differences from inflation adjustments) shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Capital adjustment differences have no other use other than being transferred to share capital.

Companies quoted on the Istanbul Stock Exchange, are authorized by the CMB to distribute dividends regarding the clauses below:

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to issued capital and historical amount of extraordinary reserves can be used for in kind capital increase, dividend distribution in cash or the net loss deduction. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

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

	<b>December 31, 2012</b>	December 31, 2011
Legal reserves and special funds	<b>6.107.651</b>	988.776
Accumulated deficit	-	(35.330.423)
Net profit for the year	<b>2.042.887</b>	94.766.095
	<b>8.150.538</b>	60.424.448

#### **Dividend paid**

With the Ordinary General Assembly resolution dated May 8, 2012, the Company has decided to distribute TL 55.800.000 gross dividend from 2011 and retained earnings. With this resolution, related amounts have been transferred to shareholders accounts.



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 19. Sales and cost of sales

	January 1 - December 31, 2012	January 1 - December 31, 2011
Domestic sales	2.534.576.111	2.528.752.525
Export sales	1.863.754.413	1.384.123.759
Other sales	16.995.122	41.152.483
	<b>4.415.325.646</b>	<b>3.954.028.767</b>
Less: Other discounts	(51.797.781)	(43.200.540)
Less: Sales discounts	(9.976.515)	(13.419.114)
Less: Sales returns	(4.641.319)	(6.087.015)
<b>Sales</b>	<b>4.348.910.031</b>	<b>3.891.322.098</b>
Raw material usage	(3.324.479.604)	(2.865.731.174)
Cost of sold trade goods	(386.717.611)	(433.884.171)
Energy	(305.634.122)	(255.556.140)
Labour	(135.833.805)	(132.411.541)
Depreciation	(56.292.435)	(48.350.285)
Change in finished goods	(55.850.143)	106.866.909
Packaging costs	(13.876.311)	(12.682.545)
Change in work-in-process	36.689.724	3.104.414
Other	(30.673.803)	(77.980.916)
<b>Cost of sales</b>	<b>(4.272.668.110)</b>	<b>(3.716.625.449)</b>
<b>Gross profit</b>	<b>76.241.921</b>	<b>174.696.649</b>

Other sales and other discounts classified under sales are composed of sales price differences between the sales order and sales transaction date. The sales prices differences for and against the benefit of the Group have been classified in other sales and other discounts, respectively.

#### 20. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1 - December 31, 2012	January 1 - December 31, 2011
<b>a) Research and development expenses:</b>		
Staff costs	1.574.312	1.410.240
Depreciation and amortization	365.381	431.326
Other	424.036	640.063
	<b>2.363.729</b>	<b>2.481.629</b>

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **20. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses (continued)**

	January 1- December 31, 2012	January 1 - December 31, 2011
<b>b) Marketing, selling and distribution expenses:</b>		
Outsourced services	17.222.154	18.235.097
Staff costs	6.322.862	5.782.351
Sponsorship expenses	500.000	500.000
Depreciation and amortization	192.596	147.150
Other	4.317.455	4.193.123
	<b>28.555.067</b>	<b>28.857.721</b>
<b>c) General administrative expenses:</b>		
Staff costs	36.529.589	27.633.691
Outsourced services	19.210.615	26.313.415
Employment termination benefits-net	16.563.740	4.324.324
Energy expenses	12.350.122	9.899.977
Depreciation and amortization	5.900.422	5.170.335
EMRA contribution share	1.425.751	1.351.164
Other	11.993.464	15.658.727
	<b>103.973.703</b>	<b>90.351.633</b>
<b>Total operating expenses</b>	<b>134.892.499</b>	<b>121.690.983</b>

#### **21. Expenses by nature**

	January 1- December 31, 2012	January 1 - December 31, 2011
Raw materials usage and changes inwork-in-process and finished goods	3.343.640.023	2.755.759.851
Cost of commercial goods sold	386.717.611	433.884.171
Energy	317.984.244	265.456.117
Labor and staff cost	180.260.568	167.237.823
Depreciation and amortization	62.750.834	54.099.096
Outsourced services	36.432.769	44.548.512
Employment termination benefits - net	16.563.740	4.324.324
Other	63.210.820	113.006.538
	<b>4.407.560.609</b>	<b>3.838.316.432</b>

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 22. Other operating income/(expense)

	January 1 - December 31, 2012	January 1 - December 31, 2011
<b>Other operating income:</b>		
Expense charge income (*)	27.000.000	-
Gain on fixed asset sales (**)	21.276.275	115.031.533
Rent income	20.939.750	7.655.550
TUBITAK research and development support income	1.167.533	-
Infrastructure income	871.520	658.413
Maintenance cost of energy	864.758	694.461
Disability income	559.844	752.824
Compensation from customers	393.278	58.932
Income from insurance recoveries	41.635	552.097
Income from finalized legal cases	-	381.352
Other	2.428.209	8.267.995
	<b>75.542.802</b>	<b>134.053.157</b>

(\*) Expenses charged to Star Rafineri A.Ş. which are made on their behalf in 2012.

(\*\*) Gain on fixed asset sale includes the gain on sale of the land to SOCAR Power Enerji Yatırımları A.Ş. amounting to TL 19.661.911.

	January 1 - December 31, 2012	January 1 - December 31, 2011
<b>Other operating expense:</b>		
Idle capacity expense	(18.849.562)	(17.543.638)
Research and Developments Expense (Note 12)	(1.702.460)	-
Provision for doubtful receivables (Note 7 and 8)	(6.271.414)	(595.033)
Compensation and penalty charges	(96.491)	(1.313.763)
Loss on Fixed assets sales	-	(1.912.537)
Other	(286.020)	(2.751.784)
	<b>(27.205.947)</b>	<b>(24.116.755)</b>

#### 23. Finance income

	January 1 - December 31, 2012	January 1 - December 31, 2011
Foreign exchange gain	100.852.063	113.111.461
Interest income	39.816.911	37.769.051
	<b>140.668.974</b>	<b>150.880.512</b>

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **24. Finance costs**

	January 1 - December 31, 2012	January 1 - December 31, 2011
Foreign exchange loss	(89.866.424)	(170.830.651)
Interest expense	(18.456.300)	(21.219.238)
Bank commission expense	(876.456)	(3.976.966)
	<b>(109.199.180)</b>	<b>(196.026.855)</b>

Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 1.749.952 in property, plant and equipment (December 31, 2011 - TL 4.950.500) (Note 11).

#### **25. Tax assets and liabilities**

##### **i) Corporation tax:**

	January 1 - December 31, 2012	January 1 - December 31, 2011
Current income tax expense	-	(19.866.464)
Carryforward tax losses used	-	18.633.819
Deferred tax expense	(3.727.453)	(14.221.755)
<b>Total tax expense</b>	<b>(3.727.453)</b>	<b>(15.454.400)</b>

The corporation tax rate of the fiscal year 2012 is 20% (December 31, 2012 - 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution (except for the 19,8% withholding taxes paid in the event of the utilization of investment incentive allowance within the scope of Income Tax Law temporary clause 61).

With the article 5 of the law 6009 adopted by Turkish National Assembly on July 23, 2010 and published on the official gazette on August 1, 2010, phrase in the temporary article numbered 69 of Income Tax Law numbered 193 stating that "might be offset from the fiscal gain within the context of the laws and regulations(including tax rate) applicable at this date", was substituted as " might be offset from fiscal gain within the context of the laws and regulations(including tax rate specified in paragraph 2 article 61 of this law) applicable at this date". In addition, a phrase coming after the substituted phrase stating that "investment incentives which will be deducted from fiscal gain during determination of tax base cannot be greater than 25% of the gain and tax is calculated from remaining gain according to applicable tax rate" was also added.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **25. Tax assets and liabilities (continued)**

With the above mentioned amendments,

- a.** Unused and carried investment incentive amounts might be used without any period limitation but the amount of investment incentive that can be deducted, was restricted up to the limit of 25% of fiscal gain.
- b.** The practice of applying income tax rate (20%- 40%) applicable as of December 31, 2005 for income tax payers and 30% for corporate tax payers on remaining tax base, if any, after deducting investment incentive was abandoned and principle of using applicable tax rate (15%-35% for income tax payers and 20% for corporation tax payers) of the period investment incentive used is adopted.
- c.** With the phrase added to paragraph 1 of article 69 ("including tax rate specified in paragraph 2 article 61 of this law") 19,8% of income tax cut is applied to fiscal gains for which investment incentive (applied before April 24, 2003) is applied but ceded to following period due to inadequate fiscal gain, parallel to former application. Hence, 19,8% stoppage application, formerly called "withholding investment incentive" remained unchanged.

As a result of the above mentioned amendments, the Group booked TL 322.452 additional deferred tax asset over its unused investment incentives as of December 31, 2012. As of December 31, 2012, total deferred asset calculated over its unused investment incentive is TL 64.954.766 (2011- TL 64.632.314).

Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

#### *Transfer pricing*

The Law No: 5520 Article 13, which made new arrangements to transfer pricing was effective from January 1 2007. With the aforementioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. In this respect, corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction, has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **25. Tax assets and liabilities (continued)**

The reconciliations of the taxation on income for the years ended December 31, 2012 and 2011 were as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
<b>Profit before taxation on income</b>	<b>21.156.071</b>	117.795.725
Tax calculated at enacted tax rates	<b>(4.231.214)</b>	(23.559.145)
Unused investment incentives on which deferred income tax assets recognized	<b>322.452</b>	7.244.913
Deductible income effect	<b>46.621</b>	-
Disallowable expenses	<b>(491.718)</b>	(388.678)
Other	<b>626.406</b>	1.248.510
	<b>(3.727.453)</b>	(15.454.400)

#### **ii) Deferred taxes**

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the CMB Financial Reporting Standards and the statutory tax financial statements.

For the companies operating in Turkey, deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (December 31, 2011 - 20%).

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 25. Tax assets and liabilities (continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2012 and 2011 were as follows:

	Taxable temporary		Deferred income tax assets/ (liabilities) differences	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(426.455.162)	(401.201.186)	(85.291.032)	(80.240.237)
Gain from sale of land	(19.661.911)	-	(3.932.382)	-
Unincurred finance cost	(364.765)	(635.924)	(72.953)	(127.185)
<b>Deferred income tax liabilities</b>	<b>(446.481.838)</b>	<b>(401.837.110)</b>	<b>(89.296.367)</b>	<b>(80.367.422)</b>
Carryforward tax losses	15.393.538	-	3.078.708	-
Unused investment incentives	324.773.832	323.161.571	64.954.766	64.632.314
Employment termination benefits and seniority incentive bonus provision	89.617.686	-	-	-
	17.923.537	16.754.267	-	-
Provision for unused vacation rights	6.543.251	6.019.808	1.308.650	1.203.962
Provision for notice pay	2.146.743	-	429.348	-
Rent allowance fee	5.213.979	5.324.914	1.042.796	1.064.983
Unearned credit finance income	2.529.177	3.209.408	505.835	641.882
Recognizing research & development expenses, net	534.926	-	106.985	-
Inventory impairment	-	2.760.057	-	552.011
Provision for legal cases	378.133	2.396.712	75.627	479.342
Provision for doubtful receivables	5.907.998	112.986	1.181.600	22.597
Other	749.760	1.024.765	149.952	204.954
<b>Deferred income tax assets</b>	<b>453.789.023</b>	<b>427.781.555</b>	<b>90.757.804</b>	<b>85.556.312</b>
<b>Deferred tax assets - net</b>			<b>1.461.437</b>	<b>5.188.890</b>

The movement of deferred income taxes is as follows:

#### Deferred tax asset - net

	2012	2011
<b>January 1</b>	<b>5.188.890</b>	<b>19.410.645</b>
Current year deferred tax (expense)/income	(3.727.453)	(14.221.755)
<b>December 31</b>	<b>1.461.437</b>	<b>5.188.890</b>

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Financial losses can not be deducted from retained earnings. As of December 31, 2012, the Group has right of financial loss of 2012 amounting TL 15.393.538 which to deduct from taxable income until 2017(December 31, 2011 - None). The Group management recognized tax losses for which the realization of the related tax benefit as considering the valid time to use the right, through the future taxable profit has deemed probable with respect to its projections. Therefore, for all of the mentioned tax losses, deferred tax assets have been calculated.

As of December 31, 2012, the Group has unused investment incentive amounting to TL 324.773.832 (December 31, 2011 - TL 323.161.571). As of December 31, 2012, the Group management recognized deferred income tax asset on the portion of unused investment incentive for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **26. Earnings per share**

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

Earnings per share is calculated by dividing net profit for the period to weighted average number of shares in issue during that period.

	January 1 - December 31, 2012	January 1 - December 31, 2011
Net profit for the year	17.428.618	102.341.325
Weighted average number of shares with nominal value of Kr 1 each (thousand)	100.000.000	100.000.000
<b>Earnings per share (Kuruş)</b>	<b>0,02</b>	0,10

#### **27. Transactions and balances with related parties**

Summary of the intercompany balances as of December 31, 2012 and 2011 and significant intercompany transactions were as follows:

##### **i) Balances with related parties:**

	December 31, 2012	December 31, 2011
<b>a) Other receivables from related parties:</b>		
Star Rafineri A.Ş. ("STAR") <sup>(2)</sup> <sup>(***)</sup>	46.796.759	6.925.893
SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup> <sup>(**)</sup>	33.887.286	-
SOCAR Turkey Enerji A.Ş. ("STEAS") <sup>(1)</sup>	6.480.414	-
	<b>87.164.459</b>	6.925.893

<sup>(1)</sup> The portion amounting to TL 6.468.255 of the receivable amounting to TL 6.480.414 from STEAS, consists of the expense charges to related party regarding to the protocol made for the school construction with Group and STEAS.

<sup>(\*\*)</sup> Consists from sale of the land amounting to TL 19.661.911 and other receivables to Socar Power Enerji Yatırımları A.Ş.

<sup>(\*\*\*)</sup> Consists from expense charges and rent incomes.



(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 27. Transactions and balances with related parties (continued)

	December 31, 2012	December 31, 2011
<b>b) Trade receivables from related parties:</b>		
SOCAR Azeri Kimya <sup>(2)</sup>	-	166.364
	-	166.364
<b>c) Short term trade payables to related parties:</b>		
SOCAR Trading S.A. <sup>(2) (*)</sup>	288.068.835	332.518.257
SOCAR Trading Overseas DMCC <sup>(2)</sup>	177.208.216	-
Petrokim Trading Ltd. ("Petrokim") <sup>(2)</sup>	8.155.496	21.836.710
SOCAR Bosphorus Enerji ve Ticaret A.Ş. <sup>(2)</sup>	92.855	-
SOCAR Bosphorus Plaza Bina Yönetimi <sup>(2)</sup>	24.210	-
STEAŞ <sup>(1)</sup>	-	843.404
	473.549.612	355.198.371
Less: Unearned credit finance income	(132.635)	(105.602)
	473.416.977	355.092.769

(\*) Raw material purchase made within the 2012 but not yet the invoice arrived amounting to TL 20.772.142 is presented under the short term trade payables to related parties (Note 17).

Short term trade payables to related parties mainly resulted from naphtha and LPG purchases. Average maturity for short-term trade payables to related parties is 71 days.

#### d) Other payables to related parties:

Due to shareholders <sup>(1)</sup>	118.767	72.302
	118.767	72.302

(1) Shareholders of the Company

(2) Shareholders of the Company or Socar's subsidiaries

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **27. Transactions and balances with related parties (continued)**

##### **ii) Transactions with related parties:**

	January 1 - December 31, 2012	January 1 - December 31, 2011
<b>a) Finance costs/(income) from related party transactions - net:</b>		
SOCAR Trading S.A. <sup>(2)</sup>	15.641.503	(37.310.926)
Petrokim <sup>(2)</sup>	469.263	(1.200.324)
SOCAR Trading Overseas DMCC <sup>(2)</sup>	226.707	-
STAR <sup>(2)</sup>	-	402.577
STEAŞ <sup>(1)</sup>	-	190.298
SOCAR Azerikimya Production Union	(33.962)	-
SOCAR Power Enerji Yatırımları A.Ş.	(2.124)	-
	<b>16.301.387</b>	<b>(37.918.375)</b>

Finance costs from transactions with SOCAR Trading S.A. consist of foreign exchange gains/losses from naphtha purchases during the year.

##### **b) Service purchases from related parties:**

STEAŞ <sup>(1)</sup>	7.309.519	8.642.256
Socar Bosphorus Enerji ve Tic. Ltd. Şti <sup>(2)</sup>	236.441	262.164
Socar Bosphorus Bina Yönetimi <sup>(2)</sup>	126.040	25.550
	<b>7.672.000</b>	<b>8.929.970</b>

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

##### **c) Product purchases from related parties:**

SOCAR Trading S.A. <sup>(2)</sup>	2.025.973.127	1.941.292.132
SOCAR Trading Overseas DMCC <sup>(2)</sup>	356.141.859	-
Petrokim <sup>(2)</sup>	127.559.131	380.831.978
STEAŞ <sup>(1)</sup>	-	2.279.817
	<b>2.509.674.117</b>	<b>2.324.403.927</b>

Product purchases from SOCAR Trading S.A., SOCAR Trading Overseas DMCC and Petrokim in the period ended December 31, 2012 consist of naphtha and LPG which are used as raw materials in the production of the Group.

<sup>(1)</sup> Shareholders of the Company

<sup>(2)</sup> Shareholders of the Company or Socar's subsidiaries

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 27. Transactions and balances with related parties (continued)

##### d) Sales to related parties:

	January 1 - December 31, 2012	January 1 - December 31, 2011
SOCAR Trading S.A. <sup>(2)</sup>	6.377.561	-
SOCAR Azeri Kimya <sup>(2)</sup>	691.659	356.809
	<b>7.069.220</b>	356.809

##### e) Rent income from related parties:

STAR <sup>(2)</sup>	6.114.140	6.498.882
SOCAR Trading S.A. <sup>(2)</sup>	-	848.068
STEAS <sup>(2)</sup>	-	175.548
	<b>6.114.140</b>	7.522.498

##### f) Property plant and equipments sale:

Socar Power Enerji Yatırımları A.Ş. <sup>(2)</sup>	30.400.600	-
	<b>30.400.600</b>	-

##### g) Key management emoluments:

###### i. Key management emoluments - short term:

Payments for salary and seniority incentives	4.085.835	2.436.461
Provision for unused vacation	186.767	231.567
Provision for seniority incentive	100.185	91.727
	<b>4.372.787</b>	2.759.755

###### ii. Key management emoluments - long term:

Provision for employment termination benefits	40.506	32.875
Provision for seniority incentives	-	34.466
	<b>40.506</b>	67.341
	<b>4.413.293</b>	2.827.096

The Group classifies the general manager, assistant general managers, board of directors and audit committee members as executive management.

Key management emoluments consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

<sup>(1)</sup> Shareholders of the Company

<sup>(2)</sup> Shareholders of the Company or Socar's subsidiaries

**PETKİM PETROKİMYA HOLDİNG A.Ş.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

**28. Financial instruments and financial risk management****a) Credit risk:**

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompanies) in every agreement. As part of its sales policy, the Group obtains collateral at an amount of 100% of total outstanding TL trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits. The credit risk exposure in terms of financial instruments as of December 31, 2012 and 2011 were as follows:

	Receivables					Total
	Trade receivables <sup>(1)</sup>		Other receivables			
December 31, 2012	Related parties	Third parties	Related parties	Third parties	Bank deposits	Financial assets
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	- 544.542.888	87.164.459	1.163.439	291.960.681	-	924.851.467
- The part of maximum credit risk covered with guarantees etc.	- 402.228.982	-	-	-	-	402.228.982
A. Net book value of financial assets neither past due nor impaired <sup>(3)</sup>	- 515.958.896	87.164.459	1.163.439	291.960.681	-	896.247.475
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired <sup>(3)</sup>	-	-	-	-	-	-
C. Net book value of assets past due but not impaired <sup>(4)</sup>	- 28.583.992	-	-	-	-	28.583.992
- The part covered by guarantees etc.	- 12.771.952	-	-	-	-	12.771.952
D. Net book value of assets impaired	- 8.887.386	-	420.205	-	-	9.307.591
- Past due (gross book value)	- (8.887.386)	-	(420.205)	-	-	(9.307.591)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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

	Receivables					Total
	Trade receivables <sup>(1)</sup>		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Financial assets
December 31, 2011						
(Maximum amount of credit risk exposed as of reporting date A+B+C+D+E) <sup>(2)</sup>	166.364	583.953.670	6.925.893	1.558.031	145.284.509	1.035.785
- The part of maximum credit risk covered with guarantees etc.	-	426.269.727	-	-	-	-
A. Net book value of financial assets not due or not impaired <sup>(3)</sup>	166.364	531.961.803	6.925.893	1.558.031	145.284.509	1.035.785
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired <sup>(3)</sup>	-	-	-	-	-	-
C. Net book value of assets past due but not impaired <sup>(4)</sup>	-	51.991.867	-	-	-	-
- The part covered by guarantees etc.	-	46.954.267	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	2.615.972	-	420.205	-	-
- Impairment amount (-)	-	(2.615.972)	-	(420.205)	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

<sup>(1)</sup> Trade receivables of the Group are mainly composed of thermoplastic and fibre material sales.

<sup>(2)</sup> Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

<sup>(3)</sup> Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

<sup>(4)</sup> Group management, predict that there will not be any problems with the collection of overdue financial assets based on its past experiences. The aging of related amounts is as follows:

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

##### **December 31, 2012**

	Trade receivables		Total
	Related parties	Third parties	
1-30 days overdue	-	16.583.474	16.583.474
1-3 months overdue	-	7.755.967	7.755.967
Over 3 months overdue	-	4.244.551	4.244.551
<b>Total overdue receivables</b>	-	<b>28.583.992</b>	<b>28.583.992</b>
<b>The part covered by the guarantees</b>		<b>12.771.952</b>	<b>12.771.952</b>
			<b>15.812.040</b>

##### **December 31, 2011**

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

#### **b) Liquidity risk:**

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers lines from high-quality lenders. In order to maintain continuous liquidity, the Group management closely monitors the collection of trade receivables on time in order to prevent any financial burden that may result from late collections and arranges cash and non-cash credit limits with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of December 31, 2012 and 2011 are as follows:

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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

December 31, 2012:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Non-derivative financial liabilities</b>					
Bank borrowings- short term	263.855.378	265.412.949	171.647.052	93.765.897	-
Bank borrowings - long term	25.282.361	27.703.199	-	1.069.315	26.633.884
Trade payables	217.390.061	217.622.191	217.622.191	-	-
Trade payables to related parties	473.416.977	473.549.612	473.549.612	-	-
Other payables	7.066.976	7.066.976	7.066.976	-	-
Other payables to related parties	118.767	118.767	118.767	-	-

December 31, 2011:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Non-derivative financial liabilities</b>					
Bank borrowings- short term	258.387.280	262.338.558	127.281.847	135.056.711	-
Bank borrowings - long term	41.231.989	48.298.296	570.214	5.127.014	42.601.068
Trade payables	160.608.950	160.608.950	160.608.950	-	-
Trade payables to related parties	355.092.769	355.092.769	355.092.769	-	-
Other payables	6.657.387	6.657.387	6.657.387	-	-
Other payables to related parties	73.272	73.272	73.272	-	-

#### c) Market risk:

##### i) Foreign exchange risk

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange-denominated cost items, the determination of sales prices by the Group in foreign exchange terms is a factor that decreases the foreign exchange risk in the cash flows.





(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

Table of sensitivity analysis for foreign currency risk:

December 31, 2012	Appreciation of foreign currency	Depreciation of foreign currency	Profit/Loss	Appreciation of foreign currency	Depreciation of foreign currency	Equity
<b>Change of USD by 10% against TL:</b>						
1- Asset/Liability denominated in USD - net	(40.813.516)	40.813.516		-	-	-
2- The part hedged for USD risk (-)	-	-		-	-	-
<b>3- USD effect - net (1+2)</b>	<b>(40.813.516)</b>	<b>40.813.516</b>		-	-	-
<b>Change of EUR by 10% against TL:</b>						
4- Asset/Liability denominated in EUR - net	4.035.293	(4.035.293)		-	-	-
5- The part hedged for EUR risk (-)	-	-		-	-	-
<b>6- EUR effect - net (4+5)</b>	<b>4.035.293</b>	<b>(4.035.293)</b>		-	-	-
<b>Change of other currencies by 10% against TL:</b>						
7- Assets/liabilities denominated in other foreign currencies - net	(9.775)	9.775		-	-	-
8- The part hedged for other foreign currency risk (-)	-	-		-	-	-
<b>9- Other foreign currency effect - net (7+8)</b>	<b>(9.775)</b>	<b>9.775</b>		-	-	-
<b>Total (3+6+9)</b>	<b>(36.787.998)</b>	<b>36.787.998</b>				

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

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

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## PETKİM PETROKİMYA HOLDİNG A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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

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

	2012		2011	
	Original amount	TL	Original amount	TL
USD	753.928.108	1.349.291.250	568.052.071	953.814.688
EURO	222.168.803	510.940.924	181.852.038	417.789.061
TL	3.522.239	3.522.239	12.520.010	12.520.010
<b>Total export</b>		<b>1.863.754.413</b>		<b>1.384.123.759</b>
USD	1.683.552.998	3.020.113.924	1.552.144.098	2.590.458.939
Japanese Yen	274.672.890	6.017.532	931.444.497	18.298.919
EUR	11.427.971	26.442.831	62.901.782	140.336.383
British Sterling	692.691	1.969.600	414.847	1.087.239
Swiss Frank	642.472	1.239.816	237.526	438.306
<b>Total import</b>		<b>3.055.783.703</b>		<b>2.750.619.786</b>

#### ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by balancing interest rate sensitive assets and liabilities.

The Group's interest rate position as of December 31, 2012 and 2011 is presented below:

	2012	2011
<b>Financial instruments with fixed interest rate</b>		
Financial liabilities		
- USD financial liabilities	246.189.452	160.751.868
- TL financial liabilities	10.851.300	12.573.911
<b>Financial instruments with variable interest rate</b>		
- USD financial liabilities	32.096.987	126.293.490

In case of +/- 1% change in variable rate loans interest expense will change by +/- TL 194.751 (December 31, 2011- TL 631.467)

#### iii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphta prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

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

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Turkey. While the Company determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sectoral publications and Company's production levels, stock levels and order amounts received.

##### **d) Capital risk management:**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including borrowings, trade payables and other payables, other short-term and long-term liabilities, as shown in the balance sheet) less cash and cash equivalents:

	December 31, 2012	December 31, 2011
Total debt	1.034.927.284	874.900.079
Less: Cash and cash equivalents (Note 4)	(291.960.681)	(145.285.932)
<b>Net debt</b>	<b>742.966.603</b>	<b>729.614.147</b>
Total equity	1.664.317.394	1.702.688.776
<b>Debt/equity ratio</b>	<b>45%</b>	<b>43%</b>

#### **29. Financial instruments (fair value and financial risk management disclosures)**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable;

(Convenience translation of an auditors' report and consolidated financial statements originally issued in Turkish)

## **PETKİM PETROKİMYA HOLDİNG A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)**

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

#### **29. Financial instruments (fair value and financial risk management disclosures) (continued)**

##### *Financial assets*

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties, are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

##### *Financial liabilities*

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

The carrying amounts and the fair values of the borrowings as of December 31, 2012 and 2011 were as follows:

	Decemeber 31, 2012		December 31, 2011	
	Carrying amounts	Fair values	Carrying amounts	Fair values
<b>Short-term liabilities</b>				
USD credits	237.531.450	237.581.061	245.813.369	245.926.050
TL credits	10.851.300	10.851.300	12.573.911	12.573.911
<b>Long-term liabilities</b>				
USD credits	25.282.361	25.537.824	41.231.989	41.596.153

#### **30. Subsequent events**

None.

#### **31. Disclosure of other matters**

None.



## CONTACT DETAILS

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