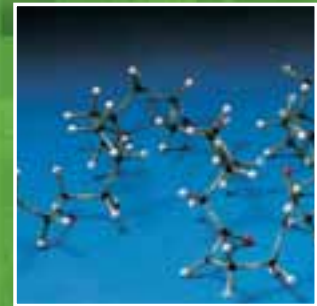




# 2004

ANNUAL REPORT







Contents

*There is no such thing as ruling the nation  
There is only serving the nation.*

1	Message from the Chairman	3	6	Demand Projections	11	11	Marketing, Export, Investment and Other Activities	29
2	Board of Directors and Auditors	5	7	Petkim's Share of The Domestic Market	12	12	Financial Section	39
3	Introduction by the General Manager	7	8	Production Activities	13	13	Chronological Development of Petkim	59
4	General Management	9	9	Flow Diagram	19	19	Corporate Governance Principles	63
5	Summary of the Last Five Years	10	10	Plants	21	21		







Message from the Chairman

“The Great Power Behind Development”



The Petrochemical industry which has been undergoing a big development after the second half of the 20<sup>th</sup> century plays an important role in the development and the improvement of the world economy with its technology and its expanding production chain. This industry became one of the most significant industries of 21<sup>st</sup> century due to durability and cost advantages of its products which can be substitute various natural raw materials.

Petkim which was founded to establish and develop the petrochemical industry was the first and the unique and today Petkim continuing to activate as the biggest petrochemical company of Turkey.

On the other hand, Petkim could not realize its mission that is the improvement of petrochemical industry, sufficiently. When the profit margins were high, investments were neglected and domestic market share was decreased for years.

As a result of confidence and stability obtained in last years in Turkey, the mission of Petkim is put in to practice again in 2004. We began to job by interrogating firstly ourselves and then our customers. We analyzed the weak points as the area

of improvement and we adopted the idea of continuous improvement as a corporate culture. Beside these, because of information age we should improve our behavioral models appropriate to logical ideas. We should produce practical solutions when we faced with problems and instead of centralized management, we should adopt human and principal based management.

Success, which can not be durable without team spirit, team work, and without corporate culture, is a team performance. As being Petkim family to construct the future of our country we will do whatever we can, as we did up to now.

Petkim has a marvelous potential with its human resources expertised on their job, technology, plants and its financial power to discover the future. As being a country where we have to pay a value to live, we should work harder not to pay anything in the future. All together with our shareholders, we have to carry Turkey's values from past to future.

Osman İLTER  
Chairman of The Board

I think, as one of the leaders of the sectors creating the highest added-value, it is an obligation to reach petrochemical sector to the capacities to meet our country's needs as far as Turkey's interests are concerned.





## Board of Directors and Auditors

2004 Annual Report Petkim

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## Board of Directors and Auditors

2004 Annual Report Petkim

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### Board of Directors

### Auditors

# Board of Directors and Auditors

- 1 Osman İLTER  
Chairman of the Board
- 2 Prof. Dr. M. Ali GÜRKAYNAK  
Vice Chairman
- 3 Kenan YAVUZ  
Member - General Manager
- 4 Birol AYDEMİR  
Member

- 5 Halit ÖCAL  
Member
- 6 M. Fikret USLU  
Member
- 7 Erkan GÜRKAN  
Member

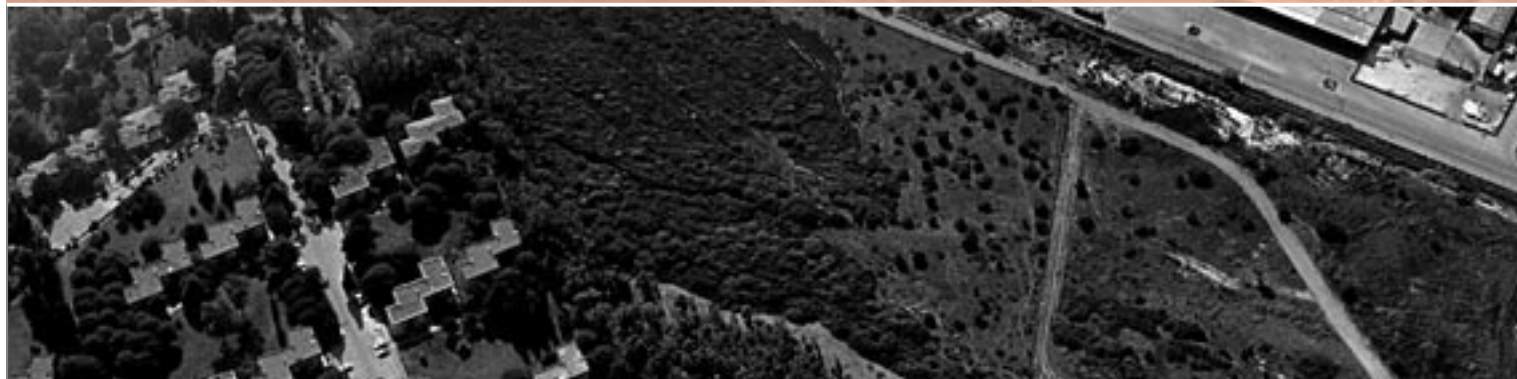
- a Mehmet Akif ULUSOY  
Auditors





## Introduction by the General Manager

“The Fundamental Stone  
of the Industry”



To be a member of Petkim which is a milestone of Turkish industry is a feeling of proud but this is also a big responsibility. We have to carry this distinguished corporation to the future, to the new positions.

We announced the year 2004 as the year for preparation to change, but 2005 is the year of change. What we called as change is the corporate structure, which is integrated with the universal values and based on corporate identity which should be prevented for the future and it has the capability of converting itself to a new corporate structure by putting forth its main capabilities with continuous development, increasing productivity, observing competition.

In the year of change we will implement PETKAM project, which was started at the beginnings of the 2000's, step by step. In this period, very important improvements, modernization activities, capacity increases would be realized. Petrochemical Industry has a potential to supply highest worth added rates in the world economy and demand for petrochemical products increased day by day. Because in modern life, they are being used very widely and take part in every part of the life. In addition to PETKAM Project which would be completed, we planned additional investments that costs 100 million \$ and we will realize these investments rapidly.

Any organization that is not focused on the future and not planned for tomorrow can not be stand on its own. Furthermore, only focusing and planning are not sufficient. We should consider how can we orientate and control the developments for our benefits. Expectation of not to stay behind of our competitors is the acceptance of

failure at the beginning. The way of being leader and a pioneer are to create differences. It is necessary for us to have the capability of performing differently from the others by using the advantages and the superiorities which we already have. We can not reach to developments of our century without having a strategy which focuses on the future and other companies and without using our core competences. Producing, sharing, being proud, happy or sad together. This is philosophy called as “Team Spirit” could be seen our society for hundreds of years. Now we should pass the existing beauties into organizational bodies and put them into practice, to increase our production and competitive power.

We should stand on our owns, we should have self confidence, we should believe in ourselves; we should do best for our country and for our corporation by slipping out from our fears.

As being Petkim Family we will continue to work for our country, as we did up to now. Petkim is the name of the company which invests, makes profit, gets enlarge, and shares worth added with its country. Our guarantee for realizing all of the plans is our workers, our customers and our suppliers, namely all of the rings of the Petkim Chain.

We will work harder to reach the production, sale and profit targets that we announced to public in 2005.

We have to keep our promise...

Kenan Yavuz  
General Manager

Petkim will be in the service of our country beginning from the April, 2005 with its capacity additions, new plants and manufacturing processes with completed maintenance operation. Worth added supplied by Petkim to country's economy has a big amount that can be declared by proud.







2 5 3 1 4 6

### General Management

- 1 Kenan YAVUZ**  
General Manager

**2 LÜTFİ DOĞAN**  
Assistant General Manager  
(Planning-Project-Investment)

**3 Abdulkadir TUNCER**  
Assistant General Manager  
(Operations)
- 4 M.Hayati ÖZTÜRK**  
Assistant General Manager  
(Financial-Commercial)

**5 Hatice KAYGIN**  
Assistant General Manager  
(Human Resources-Quality Systems)

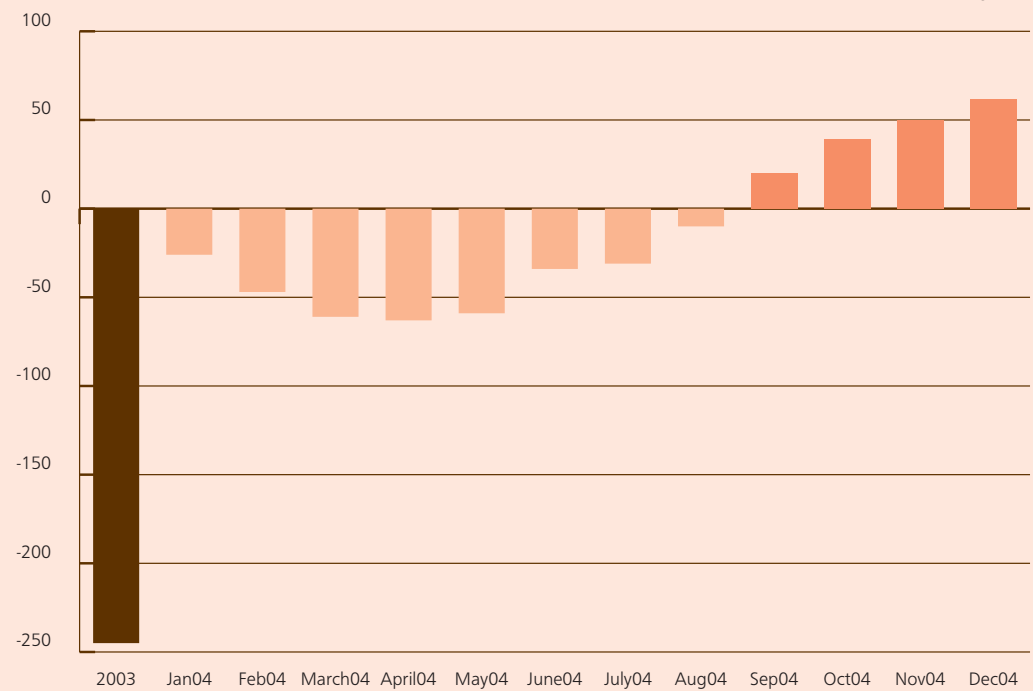
**6 Ali Öztürk**  
Group Manager  
( Purchasing )

### Summary of The Last Five Years

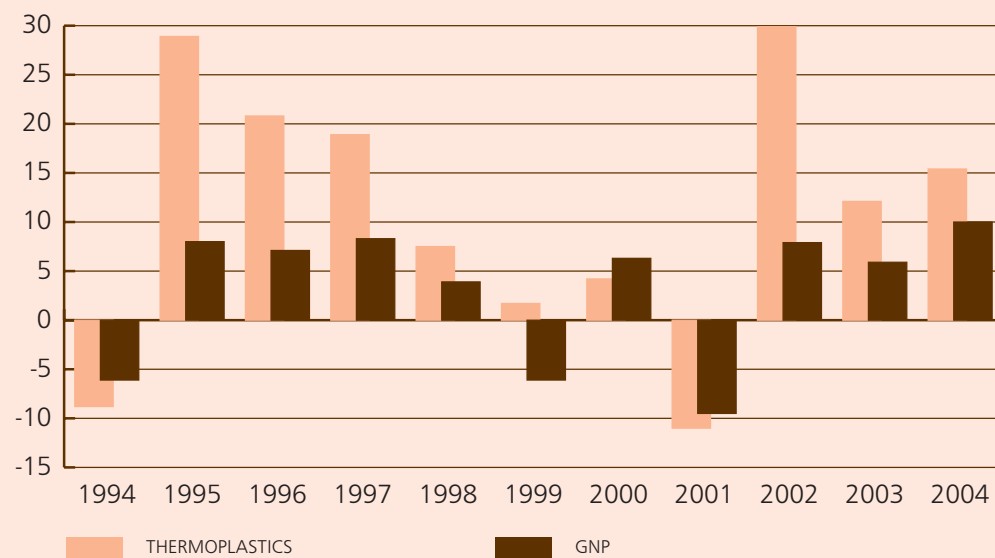
	2000	2001	2002	2003	2004
<b>NET SALES</b>	496,831	776,302	961,547	1,240,046	1,568,689
EXPORTS (MILLION US \$)	114	113	113	127	182
PRODUCTION VALUE	481,713	660,945	912,456	1,323,755	1,497,066
INVESTMENTS	21,944	47,877	112,355	72,722	113,639
DEPRECIATION AND AMORTIZATION	46,593	72,283	110,198	236,422	233,697
COMPENSATION FUND	55,195	71,239	94,053	117,691	113,886
<b>CURRENT PROFIT</b>					
BEFORE TAXES	(5,876)	8,456	15,011	(244,987)	61,943
NET PROFIT OR ( LOSSES)	(10,477)	2,887	2,647	(245,402)	61,943
NET PROFIT OR ( LOSSES) MILLION US \$	(15)	(7)	(1)	(183)	46
CAPITAL	117,000	204,750	204,750	204,750	204,750
FINANCIAL DEBT	3,339	-	23,949	14,990	10,889
TOTAL ASSETS	610,940	888,546	1,196,566	1,753,168	1,753,685
NUMBER OF EMPLOYEES	6,592	5,006	4,859	4,281	3,967
GROSS FOREIGN EXCHANGE SAVINGS (million US \$)	763	589	647	700	1,002
CONTRIBUTION TO THE NATIONAL ECONOMY	143,538	215,507	260,315	194,875	497,650

All figures unless specified are in billion TL. as of 31/12/2004, 1 US Dollar= 1,342,100 TL.

### Net Profit or (Losses)



% GNP & THERMOPLASTICS DEMAND GROWTH RATES FOR TURKEY



DOMESTIC DEMAND PROJECTIONS OF PETROCHEMICALS

000 Tons

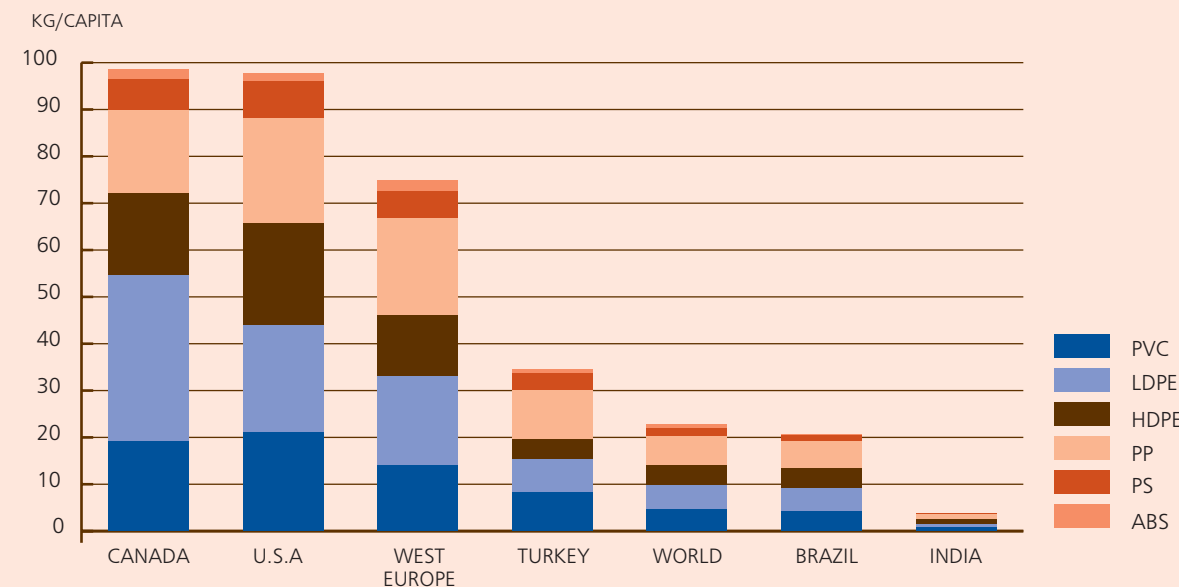
PRODUCTS	2004		FORECAST*					
	ACTUAL DEMAND	ANNUAL GROWTH %	A			B		
			2010	2015	99-04 G,RATE,%	2010	2015	94-04 G,RATE,%
<b>POLYMERS</b>	<b>2,343</b>	<b>15</b>	<b>4,448</b>	<b>8,967</b>	<b>13.0</b>	<b>5,190</b>	<b>11,265</b>	<b>15.3</b>
PVC	583	21	942	1,405	8.3	1,132	1,967	11.7
LDPE	387	8	458	526	2.8	553	744	6.1
LLDPE	117	47	685	2,988	34.3	688	3,015	34.4
HDPE	310	17	704	1,393	14.6	672	1,280	13.7
PP	748	15	1,339	2,174	10.2	1,752	3,561	15.2
PS	198	2	321	481	8.4	394	699	12.1
<b>FIBER RAW MATERIALS</b>	<b>814</b>	<b>31</b>	<b>1,267</b>	<b>1,834</b>	<b>7.7</b>	<b>1,545</b>	<b>2,726</b>	<b>11.6</b>
ACN	266	27	414	599	7.7	390	537	6.6
MEG	230	23	333	453	6.4	397	627	9.6
PTA	318	41	520	782	8.5	758	1,561	15.6
<b>RUBBER RAW MATERIALS</b>	<b>206</b>	<b>12</b>	<b>393</b>	<b>674</b>	<b>11.4</b>	<b>326</b>	<b>479</b>	<b>8.0</b>
SBR	61	13	125	228	12.8	92	129	7.1
CBR	25	18	49	84	11.5	41	62	8.5
CARBON BLACK	120	11	219	362	10.6	193	287	8.3
<b>OTHERS</b>	<b>228</b>	<b>51</b>	<b>254</b>	<b>279</b>	<b>1.9</b>	<b>282</b>	<b>338</b>	<b>3.6</b>
PA	56	8	67	78	3.0	73	92	4.6
p - X	172	74	187	202	1.5	209	246	3.3
<b>TOTAL</b>	<b>3,590</b>	<b>20</b>	<b>6,361</b>	<b>11,754</b>	<b>11.4</b>	<b>7,344</b>	<b>14,807</b>	<b>13.7</b>

(\*) A: Projected values are found by using 2004 actual consumptions and growth rates for the period 1999 - 2004  
 B: Projected values are found by using 2004 actual consumptions and growth rates for the period 1994 - 2004

Petkim's Share of The Domestic Market

	2000	2001	2002	2003	2004
<b>THERMOPLASTICS</b>	<b>34</b>	<b>35</b>	<b>33</b>	<b>27</b>	<b>24</b>
PVC	38	40	35	29	25
LDPE	60	68	56	52	48
HDPE	39	34	37	29	29
PP	16	17	15	11	9
PS	14	8			
<b>FIBER RAW MAERIALS</b>	<b>28</b>	<b>33</b>	<b>32</b>	<b>31</b>	<b>25</b>
ACN	22	36	37	34	32
MEG	38	38	42	38	28
PTA	25	27	21	22	17
<b>RUBBER RAW MATERIALS</b>	<b>49</b>	<b>43</b>			
SBR	69	52			
CBR	57	57			
CARBON BLACK	40	36			
<b>OTHERS</b>	<b>54</b>	<b>58</b>	<b>64</b>	<b>69</b>	<b>55</b>
BENZENE			100	99	99
O - X	100	100	100	100	100
P - X	47	46	55	63	45
PHTHALIC ANHYDRIDE	53	74	61	60	56
<b>TOTAL</b>	<b>35</b>	<b>37</b>	<b>35</b>	<b>31</b>	<b>27</b>

THERMOPLASTICS CONSUMPTION PER CAPITA

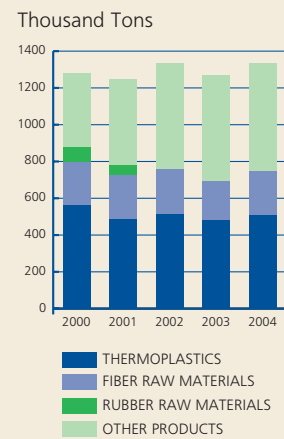




**High Capacity Production  
Environmentally Friendly**



PRODUCTION FOR MARKETING ACCORDING TO PRODUCT GROUPS



Having capacity utilization rate and technological structure over the world standard, Petkim is the only petrochemical producer at commercial scale in Turkey and it is one of the fundamental stones of the industry with investments capacity expansion.

In the year of 2004, the production and maintenance operations had been performed as scheduled and the plants been operated at full capacity as per production programme and total quality concept. Unexpected and scheduled maintenance shutdowns of the plants were minimized with "Predictive Maintenance Methods" while maintenance operations continued.

Yearly maximum total production figures have been successfully realized, since the beginning of the start-up of the plants. The highest production figures were obtained at the Benzene, VCM, PVC, HDPE, and Caustic products. The name plate capacities were reached in the production of Benzene, PVC, LDPE, VCM, ACN, PP and PA plants. Capacity utilization rates was 100% in

thermoplastics and 94% in ethylene due to expansion investment. The fiber intermediates productions were realized at only 94% level due to technical production problems.

There is on going progress in improving the capacities, efficiencies and on-operation time of the plants. The capacity expansion investments for ethylene, PP plants and start-up of new project LDPE-T plant will be finalized within the first half of 2005.

Utility Plants have also proven their efficiencies in coping with the needs of the manufacturing plants. Waste treatment, pipe-line network and jetty facilities have contributed to the continuous production of the complex overall.

With a high product quality and a capacity utilization rate at average of 97%, Petkim serves to the country economy

Production Capacities

Tons/Year

PRODUCTS	Tons/Year
<b>THERMOPLASTICS</b>	<b>516,000</b>
PVC	150,000
LDPE	190,000
HDPE	96,000
PP	80,000
<b>FIBER RAW MATERIALS</b>	<b>249,000</b>
ACN	90,000
PTA	70,000
MEG	89,000
<b>OTHER PRODUCTS</b>	<b>799,000</b>
ETHYLENE	400,000
BENZENE	123,000
PA	34,000
CHLORINE	100,000
VCM	142,000
<b>TOTAL</b>	<b>1,564,000</b>

Production

Tons

PRODUCTS	CAPACITY	CAPACITY UTILIZATION%	GROSS PRODUCTION	FOR MARKETING
ETHYLENE	400,000	94	376,312	11
<b>THERMOPLASTICS</b>	<b>516,000</b>	<b>100</b>	<b>515,876</b>	<b>508,938</b>
PVC	150,000	104	156,585	156,585
LDPE	190,000	101	191,683	185,558
HDPE	96,000	94	90,300	89,487
PP	80,000	97	77,308	77,308
<b>FIBER RAW MATERIALS</b>	<b>249,000</b>	<b>94</b>	<b>234,343</b>	<b>234,343</b>
ACN	90,000	98	88,107	88,107
PTA	70,000	91	63,499	63,499
MEG	89,000	93	82,737	82,737
<b>OTHER PRODUCTS</b>	<b>399,000</b>	<b>99</b>	<b>1,509,581</b>	<b>588,100</b>
DEG			7,559	7,559
PA	34,000	101	34,412	34,412
BENZENE	123,000	107	131,394	131,394
o - X			35,205	6
p - X			97,080	52,120
C <sub>5</sub> MIXTURE			77,115	77,115
PROPYLENE (CG)			87,800	4,298
PROPYLENE (PG)			97,258	
C <sub>4</sub>			113,050	112,681
PY - GAS			287,173	6,299
AROMATIC OIL			65,196	65,637
CHLORINE	100,000	89	89,479	
CAUSTIC (100%)			101,200	88,886
VCM	142,000	99	140,180	
EDC			120,876	
HCl (27%)			16,982	1,230
MASTERBATCH			3,989	1,123
BAG			3,632	963
OTHERS (*)				4,378
<b>GRAND TOTAL</b>	<b>1,564,000</b>	<b>97</b>	<b>2,636,112</b>	<b>1,331,393</b>

(\*) Low Polymer, Atactic Polymer, TEG, Sulphuric Acid and Hypochlorid are marketable products.





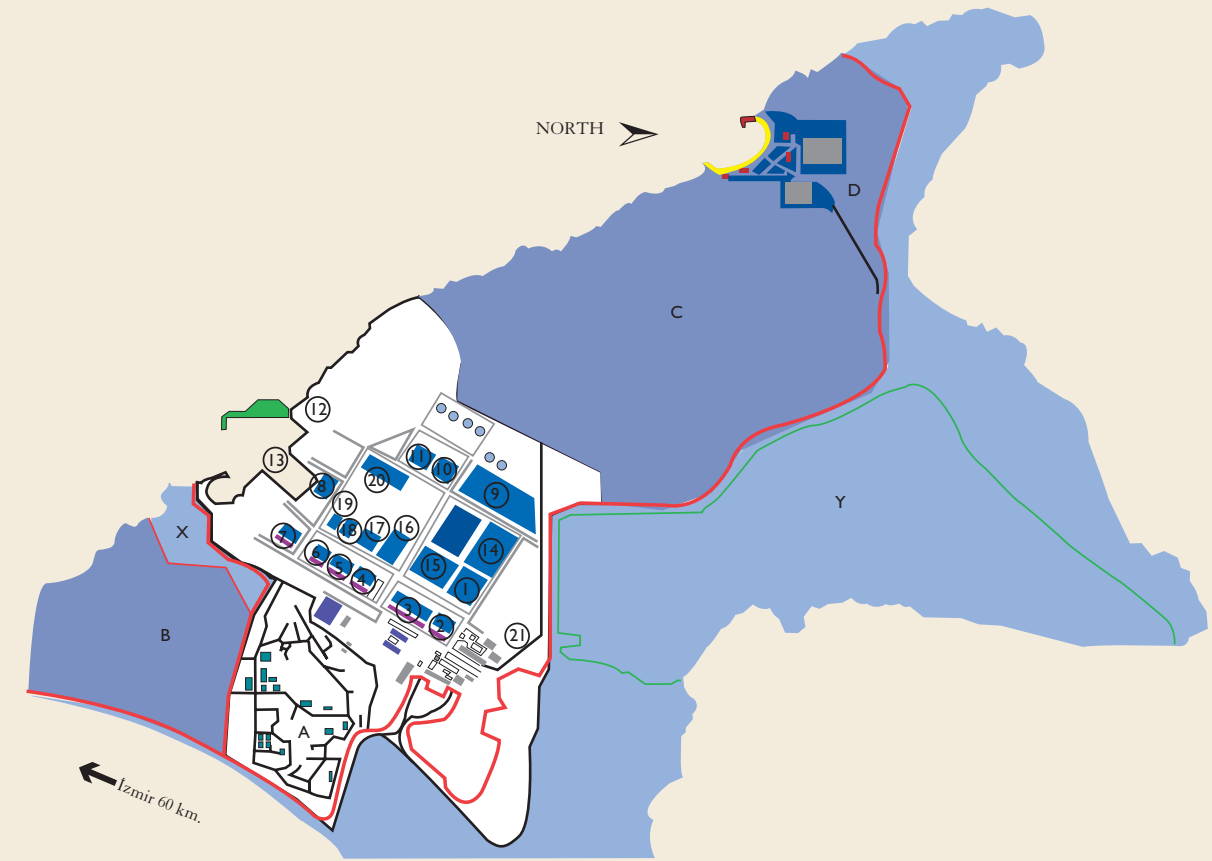
**Production for Marketing by Years  
( ALIĞA - YARIMCA)**

Tons

PRODUCTS	2000	2001	2002	2003	2004
ETHYLENE	6	2,750	8	8	11
<b>THERMOPLASTICS</b>	<b>558,526</b>	<b>487,139</b>	<b>515,277</b>	<b>477,517</b>	<b>508,938</b>
PVC	176,629	147,170	156,526	139,974	156,585
LDPE	215,939	198,805	194,184	184,519	185,558
HDPE	70,355	56,352	84,784	82,129	89,487
PP	75,937	77,944	79,783	70,895	77,308
PS	19,667	6,868			
<b>FIBER RAW MATERIALS</b>	<b>236,865</b>	<b>233,521</b>	<b>240,134</b>	<b>216,070</b>	<b>234,343</b>
ACN	77,483	87,986	91,295	84,243	88,107
PTA	71,951	62,740	64,992	56,369	63,499
MEG	87,431	82,795	83,848	75,458	82,737
<b>RUBBER RAW MATERIALS</b>	<b>79,406</b>	<b>58,513</b>			
SBR	27,688	19,067			
CBR	16,649	12,394			
CARBON BLACK	35,069	27,052			
<b>OTHER PRODUCTS</b>	<b>404,177</b>	<b>464,623</b>	<b>578,616</b>	<b>572,663</b>	<b>588,100</b>
DEG	8,070	7,907	7,816	7,169	7,559
PA	32,221	32,939	33,931	33,347	34,412
BENZENE	119,594	121,484	122,096	130,358	131,394
o - X	1,203	1,042			6
p - X	45,953	32,759	35,911	53,001	52,120
TOLUENE	48				
C <sub>5</sub> MIXTURE	67,226	66,042	66,775	71,187	77,115
PROPYLENE (CG)	5,194	4,895			4,298
PROPYLENE (PG)			2,274		
C <sub>4</sub>	48,519	67,223	110,999	114,225	112,681
PY - GAS	17,946	31,647	37,656	8,394	6,299
LPG	26	292			
AROMATIC OIL		7,180	52,949	61,054	65,637
CAUSTIC (100%)	50,990	84,299	87,169	86,871	88,886
LIQUID CHLORINE	14				
EDC			13,621		
HCl (27%)				48	1,230
MASTERBATCH	177	89	109	314	1,123
PLASTIC MATERIALS	3,295	2,103	1,975	1,011	963
OTHERS*	3,702	4,723	5,335	5,684	4,378
<b>GRAND TOTAL</b>	<b>1,278,980</b>	<b>1,246,546</b>	<b>1,334,035</b>	<b>1,266,258</b>	<b>1,331,393</b>

(\*): Low Polymer, Atactic Polymer, TEG, Sulphuric Acid, Hypochlorid in Aliğa and Organic by - products in Yarımca are marketable products.

Note : Yarımca Complex transferred to Tüpraş in 2002; as a consequence, the amounts as from 2002 only belong to Aliğa Complex.

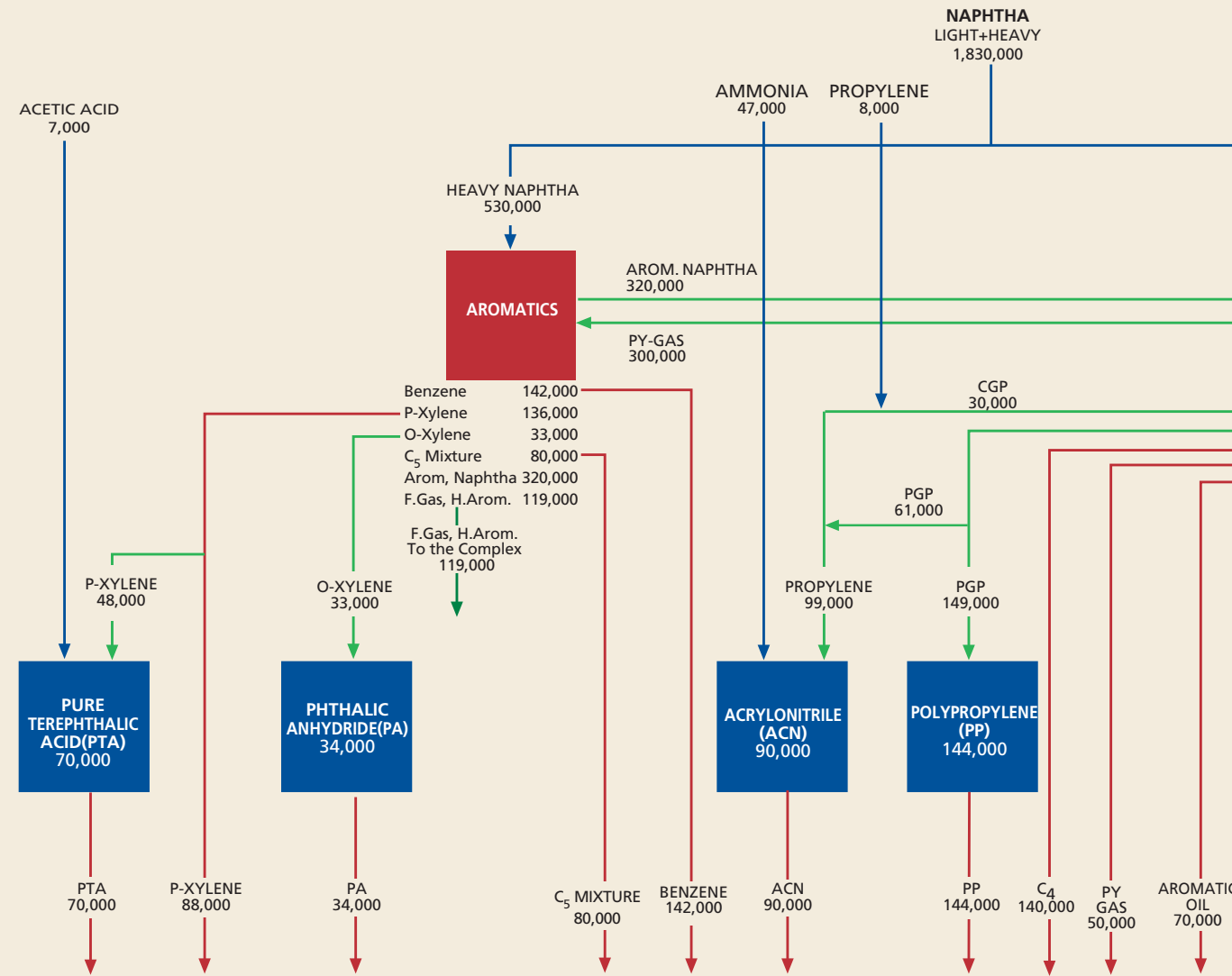


**Petkim**

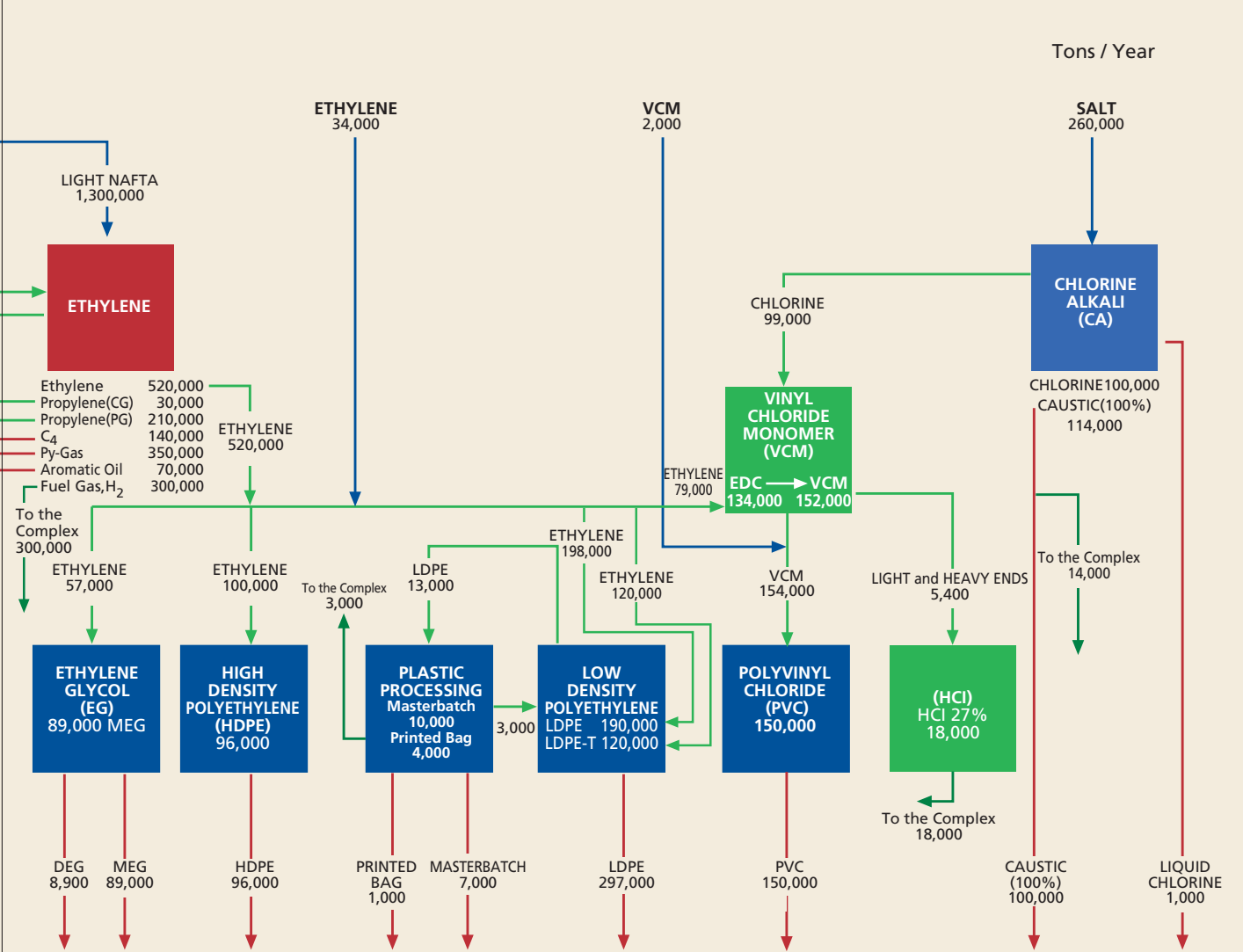
- |            |                       |                            |                      |
|------------|-----------------------|----------------------------|----------------------|
| 1 ETHYLENE | 8 EO&EG               | 15 Vent Gas Burning Tower  | A. Living Quarters   |
| 2 PVC      | 9 AROMATICS           | 16 Steam & Power           | B. Petkim+Foundation |
| 3 LDPE     | 10 ACN                | 17 Demineralized Water     | C. Forest Area       |
| 4 HDPE     | 11 VCM                | 18 Cooling Tower           | D. "Çayağzı" Beach   |
| 5 PP       | 12 CHLORINE ALKALI    | 19 Nitrogen & Air          | X. Petrol Ofisi      |
| 6 PA       | 13 Harbour            | 20 Waste Treatment         | Y. Tüpraş            |
| 7 PTA      | 14 Ethylene Tank Park | 21 Water Pretreatment Unit |                      |







(\*) After Expansion



# Flow Diagram

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







**14 Plants, 8 Associated Facilities  
Harbour & Dam  
A Powerful Petrochemical Complex**



## Plants

<p><b>1 ETHYLENE PLANT</b> Capacity 400,000 Tons/Year Licensor Stone &amp; Webster Eng.Ltd.- ENGLAND Engineering &amp; Supply Contractor Stone &amp; Webster Eng.Ltd.-ENGLAND Construction Contractor Tekfen - TURKEY Start Up Date 21/03/85 2004 Production 376,312 Tons Number of Personnel 189 Manpower Productivity (Direct) 899 kg / Man-hour Conversion Factor Ethylene / Naphtha 30% Capacity Utilization Rate 94%</p>	<p><b>2 LOW DENSITY POLYETHYLENE ( LDPE) PLANT</b> Capacity 165,000 Tons/Year Licensor Imperial Chemical Ind. Ltd. ENGLAND Engineering &amp; Supply Contractor SIM - Chem Ltd. ENGLAND Construction Contractor Kutlutas - TURKEY Start Up Date 19/04/85 Expansion Date 1992 Capacity After Expansion 190,000 Tons/Year 2004 Production 191,683 Tons Number of Personnel 201 Manpower Productivity ( Direct ) 475 Kg / Man - hour Conversion Factor LDPE / Ethylene 95% Capacity Utilization Rate 101%</p>	<p><b>5 ACRYLONITRILE (ACN) PLANT</b> Capacity 70,000 Tons/Year Licensor Vistron Corp. - USA Engineering &amp; Supply Contractor Badger Pan America - ENGLAND Construction Contractor Entes - TURKEY Start Up Date 15/08/85 Expansion Date 1994 Capacity After Expansion 90,000 Tons/Year 2004 Production 88,107 Tons Number of Personnel 81 Manpower Productivity (Direct) 496 Kg / Man - hour Conversion Factor ACN / (Propylene + Ammonia) 62% Capacity Utilization Rate 98%</p>	<p><b>6 ETHYLENE GLYCOL ( EG) PLANT</b> Capacity 89,000 Tons/Year MEG Licensor Shell Research Ltd. - HOLLAND Engineering &amp; Supply Contractor Mitsui Eng.Shipbuilding Co.Ltd.&amp;Mutsui Co.Ltd.-JAPAN Construction Contractor AEA - TURKEY Start Up Date 12/12/85 2004 Production 82,737 Tons Number of Personnel 73 Manpower Productivity ( Direct ) 538 Kg / Man - hour Conversion Factor MEG / Ethylene 158% Capacity Utilization Rate 93%</p>
<p><b>3 HIGH DENSITY POLYETHYLENE (HDPE) PLANT</b> Capacity 44,000 Tons/Year Licensor Mitsui Petrochemical Co.- JAPAN Engineering &amp; Supply Contractor Mitsui Eng.Shipbuil.Co.Ltd.&amp;Mitsui Co.Ltd.-JAPAN Construction Contractor Koray - TURKEY Start Up Date 23/07/85 Expansion Date 2001 Capacity After Expansion 96,000 Tons/Year 2004 Production 90,300 Tons Number of Personnel 111 Manpower Productivity (Direct) 383 Kg / Man - hour Conversion Factor HDPE / Ethylene 97% Capacity Utilization Rate 94%</p>	<p><b>4 POLYPROPYLENE ( PP ) PLANT</b> Capacity 66,000 Tons/Year Licensor Mitsubishi Petrochemical Co.- JAPAN Engineering &amp; Supply Contractor Chiyoda Eng. Ltd.&amp; Mitsubishi Co.- JAPAN Construction Contractor AEA - TURKEY Start Up Date 04/08/85 Expansion Date 1994 Capacity After Expansion 80,000 Tons/Year 2004 Production 77,308 Tons Number of Personnel 114 Manpower Productivity (Direct) 323 Kg / Man - hour Conversion Factor PP / Propylene 91% Capacity Utilization Rate 97%</p>	<p><b>7 AROMATICS PLANT</b> Capacity 123,000 Tons / Year Benzene Licensor Universal Oil Products (UOP) - USA Engineering &amp; Supply Contractor JGC Corp.Nissho Iwai Corp.- JAPAN Construction Contractor Enka - TURKEY Start Up Date 22/03/85 2004 Production 131,394 Tons Number of Personnel 122 Manpower Productivity ( Direct ) 487 Kg / Man - hour Conversion Factor Benzene/ ( Naphtha+Py-Gas) 19% Capacity Utilization Rate 107%</p>	





8



9



12



11



10



13



14

## Plants

<b>8</b>	<b>PURE TEREPHTHALIC ACID ( PTA ) PLANT</b>
Capacity	70,000 Tons/Year
Licensor	Standart Oil Co. (Indiana) - USA
Engineering & Supply Contractor	Technipetrol S.P.A. - ITALY
Construction Contractor	Alarko - TURKEY
Start Up Date	28/04/87
2004 Production	63,499 Tons
Number of Personnel	114
Manpower Productivity (Direct)	263 Kg / Man - hour
Conversion Factor PTA / p-x	146%
Capacity Utilization Rate	91%

<b>10</b>	<b>CHLORINE ALKALI ( CA ) PLANT</b>
Capacity	75,000 Tons/Year Gas Chlorine
Licensor	Oronzio De Nora - ITALY
Engineering & Supply Contractor	Catalytic.Int.Inc.U.K.Oronzio De Nora Permelec S.P.A-ITALY
Construction Contractor	Entes - TURKEY
Start Up Date	04/05/85
Expansion Date	2002
Capacity After Expansion	100,000 Tons/Year
2004 Production	89,479 Tons
Number of Personnel	131
Manpower Productivity (Direct)	335 Kg / Man - hour
Conversion Factor Gas Chlorine / Salt	39%
Capacity Utilization Rate	89%

<b>9</b>	<b>PHTHALIC ANHYDRIDE ( PA ) PLANT</b>
Capacity	34,000 Tons/Year
Licensor	Atochem - FRANCE
Engineering & Supply Contractor	Krebs & Cie S.A.- FRANCE
Construction Contractor	Atilla Doğan - Turkey
Start Up Date	19/12/85
2004 Production	34,412 Tons
Number of Personnel	89
Manpower Productivity (Direct)	186 Kg / Man - hour
Conversion Factor PA / o-x	99%
Capacity Utilization Rate	101%

<b>11</b>	<b>VINYL CHLORIDE MONOMER ( VCM ) PLANT</b>
Capacity	108,000 Tons/Year
Licensor	ICI, Solvay - ENGLAND/BELGIUM
Engineering & Supply Contractor	CTIP S.P.A. - ITALY
Construction Contractor	Alarko - TURKEY
Start Up Date	09/07/86
Expansion Date	1995
Capacity After Expansion	142,000 Tons/Year
2004 Production	140,180 Tons
Number of Personnel	112
Manpower Productivity (Direct)	537 Kg / Man - hour
Conversion Factor VCM/ (Ethylene+Chlorine+EDC)	86%
Capacity Utilization Rate	99%

<b>12</b>	<b>POLYVINYL CHLORIDE ( PVC ) PLANT</b>
Capacity	105,000 Tons/Year
Licensor	ICI, Solvay - ENGLAND/BELGIUM
Engineering & Supply Contractor	CTIP S.P.A - ITALY
Construction Contractor	Alarko - TURKEY
Start Up Date	19/03/86
Expansion Date	1995
Capacity After Expansion	150,000 Tons/Year
2004 Production	156,585 Tons
Number of Personnel	150
Manpower Productivity ( Direct )	482 Kg / Man - hour
Conversion Factor PVC / VCM	98%
Capacity Utilization Rate	104%

<b>14</b>	<b>MASTERBATCH UNIT</b>
Capacity	10,000 Tons / Year
Engineering & Supply Contractor	JSW - JAPAN
Construction Contractor	Atilla Doğan -TURKEY
Start Up Date	14/04/93
2004 Production	3,989 Tons
Number of Personnel	28
Capacity Utilization Rate	40%

<b>13</b>	<b>PLASTIC PROCESSING PLANT</b>
Capacity	20,000,000 Units / Year
Engineering & Supply Contractor	Windmüller & Hölscher -GERMANY
Construction Contractor	Windmüller & PETKIM
Start Up Date	24/04/86
2004 Production	18,949,394 Units
Number of Personnel	51
Conversion Factor Bag / LDPE	96%
Capacity Utilization Rate	95%





1



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## Auxiliary Units

**1 GÜZEL HISAR WATER DAM**  
 Engineering & Supply Contractor D.S.İ - TURKEY  
 Construction Contractor Palet - TURKEY  
 Rainfall area 450 km<sup>2</sup>  
 Average rainfall in 2004 453 kg / m<sup>2</sup>  
 Minimum water level 63 m.  
 Normal water level 104 m.  
 Maksimum water level 107 m.  
 Dead Volume 13 Million m<sup>3</sup>  
 Active Volume 137 Million m<sup>3</sup>  
 Total Storage Capacity 150 Million m<sup>3</sup>

Güzelhisar Water Dam was constructed by Petkim in order to meet the water requirement of Petkim and near by industrial facilities. It is operated D.S.İ. (State Water Organization)

**3 DEMINERALIZED WATER UNIT**  
 Capacity 1,200 Tons / hour  
 Licensor Lurgi - GERMANY  
 Permutit - ENGLAND  
 Engineering & Supply Contractor Lurgi - GERMANY  
 Permutit - ENGLAND  
 Construction Contractor Alke - TURKEY  
 Start Up Date 1984  
 Expansion Date 1988  
 Capacity After Expansion 1,400 Tons / hour  
 Demi water produced in 2004 6,802,500 Tons  
 Number of Personnel 68

**2 WATER PRETREATMENT UNIT**  
 Capacity Max Flow Rate 5,578 m<sup>3</sup>/hour  
 (4,800 m<sup>3</sup>/hour normal Flow Rate)  
 Engineering & Supply Contractor Lurgi - Enka ITALY - TURKEY  
 Construction Contractor Alke - TURKEY  
 Start Up Date 1983  
 Total storage Capacity of Raw Water Basins 80,000 m<sup>3</sup>  
 Type of Water Produced Fire Water, Raw Water, Process water  
 Cooling Water & Drinking Water  
 Process Water Produced in 2004 22,053,733 Nm<sup>3</sup>  
 Number of Personnel 65

**4 STEAM GENERATION UNIT**  
 Capacity 1,200 Tons/h XHS (Produced HHS, HS, MS, LS.)  
 Engineering & Supply Contractor Mitsubishi Heavy Ind. Ltd. - JAPAN  
 Construction Contractor Tokar - TURKEY  
 Start Up Date 1984  
 Type of Fuel Consumed Fuel Oil (90-95%), Fuel Gas, Hidrogene, Vent Gas  
 XHS Production in 2004 8,136,361 Tons  
 Number of Personnel 84

**5 ELECTRICITY GENERATION - DISTRIBUTION UNIT**  
 Capacity (80 MVA+80 MVA+25 MVA+27 MVA)  
 4 Turbo Generators  
 Total production Capacity 170 MW  
 Licensor ABB - SWITZERLAND  
 Engineering & Supply Contractor ABB - SWITZERLAND  
 Construction Contractor Tokar - Koray - TURKEY  
 Start Up Date 1984 - 1985 - 2001  
 2004 Production 966,275 MWh  
 Number of Personnel 46  
 Self Generation Power/ Total Consumed Power 86%

**7 WASTE WATER TREATMENT UNIT**  
 Capacity 550 m<sup>3</sup> / h Oily Waste Water  
 120 m<sup>3</sup> / h Sanitary Waste Water  
 1,000 m<sup>3</sup> / h Chemical Waste Water  
 Licensor O.T.V. - FRANCE  
 Engineering & Supply Contractor Tekser - TURKEY  
 Construction Contractor Koray - TURKEY  
 Start Up Date 1984  
 Treatment Efficiency 90% BOD<sub>5</sub>, 60% COD

**SOLID - LIQUID WASTE INCINERATION**  
 Capacity 0.85 t / h Solid Waste  
 1.07 t / h Treatment Sludge  
 0.34 t / h Oily Waste  
 Licensor Vinci- FRANCE  
 Engineering & Supply Contractor Sistem Yapı - TURKEY  
 Construction Contractor Sistem Yapı - TURKEY  
 Start Up Date 2003  
 Number of Personnel 64 ( waste water treatment unit's personnel included)

**6 NITROGEN & AIR SUPPLY UNIT**  
 Capacity 26,000 Nm<sup>3</sup> / h Nitrogen Gas  
 Licensor (Unit 1-2),(Unit - 3) Nuovo Pignone -ITALY;Mitsubishi-JAPAN  
 Engineering & Supply Contractor Nuovo Pignone -ITALY;Nippon Sanso - JAPAN  
 Construction Contractor (Unit -1,2), (Unit -3) Alarko, Timsan - TURKEY  
 Start Up Date (U-2, U-1; U-3) 14.07.1984, 02.02.1985 ; 17.01.1994  
 Expansion Date 17.01.1994 (Unit - 3)  
 Capacity After Expansion 43,000 Nm<sup>3</sup> / h Nitrogen Gas  
 2004 Production 213,452,301 Nm<sup>3</sup>  
 Number of Personnel 48

**8 HARBOUR**  
 Purpose of Use Seaport services to the company and third parties  
 Number of Jetties 3 for Tankers+ 2 for Dry Loading + 1 for Salt  
 Dimensions of Jetties  
 Jetty 1 : 163 m Length, 6.50 m. Depth  
 Jetty 2 : 175 m Length, 9.50 m. Depth  
 Salt Jetty : 190 m Length, 5.50 m. Depth  
 Jetty 5 : 219 m Length, 10/17 m. Depth  
 General cargo jetty 1 : 163 m Length, 6.50 m. Depth  
 General cargo jetty 2 : 175 m Length, 9.50 m. Depth

Number of Incoming Ships in 2004 364  
 -Distribution of Ships loaded 222  
 -Distribution of Ships unloaded 142  
 Total Revenue obtained from pilotage services in 2004 667,810 \$





Making Up A Principle The Customer Satisfaction  
Renovating Its Technologies Continuously  
Growing with PETKAM  
**PETKİM**

## Products having good quality and Customer Oriented Marketing

In the petrochemicals market, rising trend which begun at the end of 2003 has been still continuing gradually along the year. Not golden years as in 1987 and 1995, but the petrochemical sector has lived one of higher profitability years in 2004. This activity of the petrochemicals sector in 2004 is explained by several factors such as conjunctural structure of the sector, the worldwide higher demand level than supply, rise in the crude oil price, and the quick increment of demand in developing countries especially in China.

Another factor for the year 2004 is that changing the route in the petrochemical sector is became more sharpen. As a matter of fact, while the production and consumption relatively decrease in the developed countries which the petrochemical industry was born, the route for the production is shifted to the Middle East Region, and the route for the consumption is shifted to Asia Region.

The activity begun in the world petrochemical sector has reflected positively to Turkish side too. While the demand increases in Turkish petrochemical industry taking on its back the higher growth rate in overall economy, the PETKAM project capacity investment which increases the production capacity of Petkim has reached to the final stage. When these investments are completed, the domestic market share of Petkim will rise from the level of approximately 30% to 40%.

Petkim has restructured its own sale system in 2004 to come out superior in the increasing competitive conditions in the sector during the last years. Marketing and customer focused restructuring

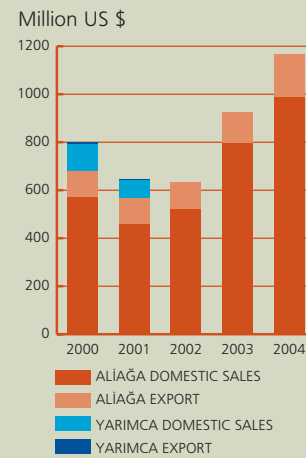
strategy of Petkim is based on increasing the market share, predominance in competitiveness, and long-term strategic cooperation with the customers as a partner. Within this frame, especially Sales Department has been shut-down, and by establishing Sales&Marketing and Customer Relationship Departments instead of it, the infrastructure of Petkim is reorganized.

In 2004, it is realized more than two hundreds visits for customer satisfaction. In order to redescribe the future of Petkim and to examine the sale system, the meetings were organized with the attendance of partners selected from the sector delegates and Petkim administrators. Additionally, the meetings were organized in İstanbul, Ankara, İzmir, Bursa, and Gaziantep to determine the partner's demands, needs, and expectations, and thus Petkim creates solutions to their problems. The cross examination and redescribing of the sales&marketing cycles have been continuing.

Giving priority to meet the customer demand, Petkim is objected to meet the customer demands and needs via import. Hence its trader identity has been brought out foreground besides its producer identity.

In 2004, 1,046 thousand tons domestic sales, 174 tons export-oriented sales, 264 thousand tons direct export sales were realized, and totally 1,309 thousand tons products were sold. Consequently 1,290 trillions TL. from domestic sales, 40 billions TL from export-oriented sales, and 279 trillions TL from direct export sales; totally 1,569 trillions TL sales revenue was obtained.

Sales Revenue For The Last Five Years



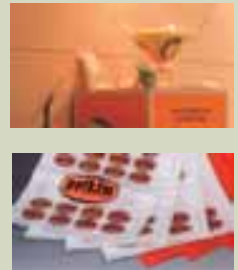
Developing the management system parallel to its vision and mission, Petkim is objected to total quality management for the purpose of increasing the customer satisfaction via mentality of servicing active supports after sales and tendering worldwide standard-products.

## Sales For The Last Five Years ( Aliğa - Yarımca )

PRODUCTS	2000	2001	2002	2003	2004
ETHYLENE	6	2,750	8	8	11
<b>THERMOPLASTICS</b>	<b>533,060</b>	<b>510,785</b>	<b>526,433</b>	<b>472,529</b>	<b>489,381</b>
PVC	170,077	156,073	158,454	140,241	148,356
LDPE	203,691	208,629	198,561	182,154	180,201
HDPE	67,931	58,095	85,991	80,508	90,045
PP	74,338	78,143	83,427	69,626	70,779
PS	17,023	9,845			
<b>FIBER RAW MATERIALS</b>	<b>227,826</b>	<b>240,566</b>	<b>239,681</b>	<b>215,669</b>	<b>237,175</b>
ACN	73,193	93,674	88,604	84,152	91,917
PTA	67,311	66,932	65,824	56,037	62,179
MEG	87,322	79,960	85,253	75,480	83,079
<b>RUBBER RAW MATERIALS</b>	<b>79,868</b>	<b>58,282</b>			
SBR	27,425	18,339			
CBR	16,441	12,123			
CARBON BLACK	36,002	27,820			
OTHER MATERIALS	422,176	461,787	585,008	571,186	582,845
LOW POLYMER - HDPE	846	711	1,291	1,560	1,755
ATACTIC POLYMER PP	532	547	735	963	850
PA TAR	560	364	773	661	572
DEG	8,007	7,450	8,476	6,791	7,254
TEG	1,008	935	974	1,007	984
CAUSTIC (100%)	63,991	84,732	87,149	82,331	90,539
HYPOCHLORID	449	539	415	48	91
LIQUID CHLORINE	14				
SULPHURIC ACID (80%)		1,314	1,978	1,844	915
EDC			13,621		
HCl (27%)	61			48	1,230
PA	31,992	33,162	34,754	35,473	34,060
BENZENE	122,584	120,250	125,916	130,416	123,925
o - X	1,203	1,042			6
p - X	45,953	32,759	35,911	53,001	52,120
C <sub>5</sub> MIXTURE	68,512	65,230	66,849	71,962	77,394
PROPYLENE (CG)	5,194	4,895			4,298
PROPYLENE (PG)			2,274		
C <sub>4</sub>	48,519	67,223	110,999	114,225	112,681
AROMATIC OIL		7,180	52,949	61,054	65,637
PY GAS	17,946	31,647	37,656	8,394	6,299
LPG	103	588			
HYDROGENE	447	110	88		257
MASTERBATCH	244	94	146	343	1,025
PLASTIC MATERIALS	3,295	2,104	1,976	1,012	955
OTHERS (*)	716	225	78	54	
<b>GRAND TOTAL</b>	<b>1,262,936</b>	<b>1,274,170</b>	<b>1,351,130</b>	<b>1,259,392</b>	<b>1,309,412</b>

(\*) Heavy aromatics, sales of other materials.

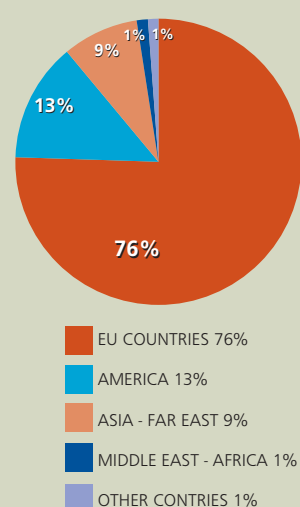
Note: Yarımca Complex transferred to Tüpraş in 2002; as a consequence, the amounts as from 2002 only belong to Aliğa Complex.





## Export to the Developed Markets

EXPORT ACCORDING TO REGIONS



In the petrochemical sector upward trend begun at the end of the year 2003 continued increasingly during the year 2004. Rise in the raw materials and energy costs became a driving force of the increase.

Upturn in the demand because of the economical developments and improvements seen generally in the world, has been the most important factor provided price rise. As a result of more increase in the product prices than raw material prices and economical growth, getting high sales volume provided high profit margin.

In the last quarter of the year, in China, sluggish demand has begun to reduce polymer raw material prices which kept the high level during the year 2004. Market was quite at the end of the year due to lack of Asian activity had artificially deflated in global.

Because our company sales policy is firstly to meet domestic demand at maximum scale and our market share dwindle away, export availabilities are limited in polymer raw materials. However as the consequence of a competitive pricing strategy, the following activities have been accomplished in the year 2004:

- total export volume of 263,850 metric tons
- total export revenue of 182,362 thousand USD

### EXPORTS

PRODUCTS	EXPORTS		EXPORTS ORIENTED		TOTAL	
	TONS	000 US \$	TONS	000 US \$	TONS	000 US \$
PVC	702	682			702	682
LDPE	2,364	2,962			2,364	2,962
HDPE	912	746			912	746
PP	11	12			11	12
ACN	6,821	6,657			6,821	6,657
MEG	18,757	15,718			18,757	15,718
DEG	2,780	2,283			2,780	2,283
PA	2,470	1,741			2,470	1,741
PTA	8,066	6,056			8,066	6,056
CAUSTIC 100%	9,933	1,655	174	28	10,107	1,683
PROPYLENE (CG)	4,298	2,002			4,298	2,002
PY - GAS	6,299	2,220			6,299	2,220
C <sub>4</sub>	58,388	24,518			58,388	24,518
BENZENE	123,257	101,834			123,257	101,834
P-X	18,538	13,230			18,538	13,230
LOW POLYMER -HDPE	79	18			79	18
<b>TOTAL</b>	<b>263,676</b>	<b>182,334</b>	<b>174</b>	<b>28</b>	<b>263,850</b>	<b>182,362</b>

Thermoplastic demand increases quickly in our country in the last years. However, our plant capacities have got behind this demand. Our company can meet a small part of domestic demand in the thermoplastic products. It has been started to study for import so as to increase the market share of our company, to be more competitive in the market and to supply raw materials to the producers on optimum conditions. The first transaction has realised as 3000 MT of high density polyethylene.

In paralel to the current market conditions, which are becoming increasingly complex and constantly changeable, all kind of data and information required for both the export and other activities of the company has effectively been acquired by following up the subscribed famous publications.

To inform both our executive and related operational staff about market trend, some usefull seminar briefings, given by the advisers of the international publication companies in our industry, have been organized.

## 19% Capacity Expansion with PETKAM

Petkim continues its investments oriented for meeting the medium and long term needs for petrochemicals of country. Petkim has started a capacity addition and modernization project, called PETKAM at the beginning of 2000's. PETKAM project is implemented step by step.

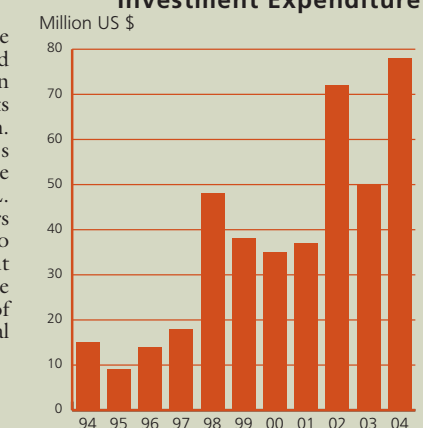
Almost in all of the plants, very important improvements, capacity additions and modernization activities are realized. In this scope, the start up studies of the capacity addition and modernization investments were begun in the mid of December, 2004. The capacity of ethylene, polypropylene and low density polyethylene plant is increased by 120,000 t/year, 64,000 t/year and 120,000 t/year, respectively.

Thus, Petkim as a modernized company will be in the service of our country beginning from the April,

2005 with its capacity additions, new plants and manufacturing processes with completed maintenance operation.

In 2004, the realized total investment expenditure of Petkim was approximately US\$ 78 Million and all of these expenditures were covered from its own sources. The most important investment projects were planned in Petkim's 2005 investment program. One of these most important projects is "Debottlenecking of Steam Generation Unit". The worth of this project is about 84 trillions TL. After the completion of this project, the boilers will be enabled to utilize natural gas in addition to fuel-oil and consequently a considerable amount of money will be saved. Furthermore, by the addition of a 50 MW gas turbine, the capacity of power generation unit will be increased to the total capacity of 220 MW.

Investment Expenditure



### Major Investment Projects

INVESTMENT PROJECT	PROJECT COST (MILLION US \$)	CAPACITY INCREASE (TONS/YEAR)	START-COMPLETION DATE
CHLORINE-ALKALI PLANT CONVERSION TO MEMBRANE CELL TECHNOLOGY	35.1	20,000 CHLORINE (80,000 - 100,000) 22,000 CAUSTIC (90,000 - 112,000)	1998 - 2001
ADDITION OF AN OXY-CHLORINATION LINE TO VCM PLANT	13.8	15,000EDC (MODERNIZATION OF THE WHOLE UNIT)	1997-2000
ADDITION OF A SECOND 20 MW CONDENSING TYPE TURBOGENERATOR TO THE POWER PLANT / ADDITION OF COOLING TOWER	12.1	56 MW (FROM 95 MW TO 151 MW)	1997-2001
ADDITION OF 17th REACTOR TO THE 4th PRODUCTION LINE OF PVC PLANT	0.8	10,000 (FROM 140,000 TO 150,000)	1998-2001
SECOND EXPANSION OF HDPE PLANT	18.5	30,000 (FROM 66,000 TO 96,000)	1998-2001
ADDITION OF A NEW LIQUID-SOLID WASTE TREATMENT UNIT AND MODERNIZATION OF THE EXISTING UNIT	20.2	INCINERATE 17,500 TONS/YEAR OF WASTE 11.5 TONS/HOUR STEAM PRODUCTION	1999-2002
EXPANSION OF THE WATER PRE-TREATMENT UNIT	7.9	3,000 M <sup>3</sup> /HOUR (FROM 4,500M <sup>3</sup> /HOUR TO-7,500M <sup>3</sup> /HOUR)	1999-2004
VCM PLANT REHABILITATION AND HCl PRODUCTION	19.8	10,000 (FROM 142,000 TO 152,000)	1999-2003
EXPANSION OF ETHYLENE PLANT	98.3	120,000 (FROM 400,000 TO 520,000)	1999-2005
ADDITION OF 3rd PRODUCTION LINE TO LDPE PLANT	76.6	120,000 (FROM 190,000 TO 310,000)	1999-2005
SECOND EXPANSION OF PP PLANT	30.0	64,000 (FROM 80,000 TO 144,000)	1999-2005
DEBOTTLENECKING OF STEAM GENERATION UNIT	48.1	INCREASE IN CAPACITY OF EXISTING BOILERS AND MODIFICATION FOR UTILIZATION OF NATURAL GAS IN ADDITION TO FUEL OIL	2001-2008
REHABILITATION OF COOLING WATER SYSTEM	11.4	INCREASE IN CAPACITY OF EXISTING COOLING WATER SYSTEM	2001-2005
REHABILITATION OF DEMINERALIZED WATER SYSTEM	4.8	INCREASE IN CAPACITY OF EXISTING DEMINERALIZED WATER SYSTEM	2001-2005
<b>TOTAL</b>	<b>397.4</b>		

## Research&Development (R&D)

Petkim has established its own R&D Center in 1970's when production units have started operation. Since its establishment, the R&D Center has been providing valuable support to Company's technical activities to solve the production problems and to anticipate the future requirement of Petkim's various plants, in close cooperation with its whole divisions.

Main objectives are to improve process efficiencies, process development, finding alternatives to the

raw materials, catalysts and chemicals, upgrading by-products and providing technical services such as analysis, test, and identification.

Technical information services were also provided to the various departments of the company with the computerized library having in-house created and purchased databases. Several articles with different subjects are published in national magazines and periodicals too.



In the branch of industry which has intensive technology and open to any development such as petrochemical industry, Petkim has one of the more important Research Centers in Türkiye in order to support technological developments.

## Information Technology

2004 has been the year of significant developments for IT department in Petkim. Required hardware and software infrastructure for "Office Automation" and "Management Information Systems", have been supplied, installed and pilot projects completed during the year. It is aimed to expand these applications to all of the systems in 2005.

Mainframe has been replaced with new model Z 890, which was announced to the World by IBM in April 2004.

The possibility of reaching and reviewing their own accounts via internet has been provided to Petkim customers by the HATS software.

Developing an "Electronic Ordering and Payment System" has been started at the end of the year. This application will provide to the customer to order, pay and demanding sales credit, over internet electronically. Petkim, will have the opportunity to follow the bank account and credit situation of his customer on-line and collect the money as required.

Petkim Web Site has been gained Dynamic infrastructure, Customer Satisfaction System has been started up, Personnel Training Tracking and Maintenance Tracking System applications have been developed and started to test during this year.

Network LAN System has been renovated and expanded to cover whole complex area.



## Quality System

In our company, first surveillance audit performed successfully at 20-22 October 2004 within the scope of TS EN ISO 9001 Quality Management System Certificate .

PETKİM suggestion system (PETÖS) constituted and implemented for the purpose of further utilizing of our employees creative opinions and ideas to provide continuous improvement, improving knowledge flow and providing an environment for our employees participation to the processes.

With the guide of our General Manager, the commity builded by the participation of General Manager Assistants and Group Managers regularly assemble every month within the scope of Total Quality Management and precautions were taken within our company. To improve activities such as:

- Quality Management System
- Performance Management System

- Suggestion System
- Workpower Planning
- Improvement Activities
- Corporate Culture Build-up, etc.

To establish Total Quality Management (TQM) belief and understanding within the all company and to launch the self-assessment program, a Goodwill Declaration was signed between our company and Turkish Quality Assembly at 22 November 2004

With the aim of to continuously improve the goals of our company; to have effective management and having an organizational structure which creating up quick solutions to our needs a restructuring consulting service contract was signed at the date of 1 December 2004 between our company and the National Productivity Centre. The project was assumed to be completed within 6 month.



In our company Total Quality Management implementations was aimed to generalize. For this purpose Strategic Management and Performance Management studies was accelerated.

## The Difference will be Created with Education

Intense training activities which affects the general working arrangement of our company continuously and aims enriching knowledge and experiences of personnel, and increasing effective and productive human activities realized in 2004. In addition to the programmed trainings, the additional training programs in parallel to the reorganization operations were realized and the attendance of relevant personnel was provided.

Job-site trainings continued in 2004 under the subjects of managerial, sales, commercial, financial, technical, computer and maintenance. 454 personnel participated in total 40 programs. The total 5,407 hours job-site training was realized.

Similar to the past years, the technical safety department and Environmental Unit continued to their periodical "Technical Safety" and "Environment and environmental protection" training programs. In addition, the

constitutional trainings were realized in the plants in the scope of Petkim's yearly technical program. The total of 10,956 hours training was realized in 2004.

In parallel to the increasing cooperation between Petkim and education institutions, practical training opportunity was given to 267 students in total, 27 students from technical high schools, 84 students from different departments of vocational colleges and 156 students from different departments of universities at Petkim's worksite during the summer of 2004.

In accordance with the apprenticeship and occupational training law, 186 students from industrial and vocational high schools completed their training in different departments of our company in 2003-2004 periods. 98 students started their occupational training in 2004-2005 periods.

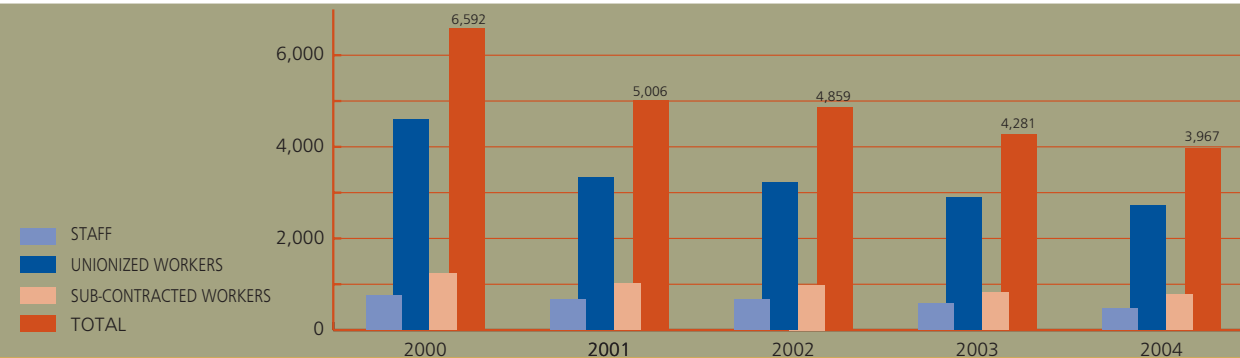




# Human Resources

## Personnel Situation

	2000	2001	2002	2003	2004
<b>ALIAĞA</b>	<b>4,580</b>	<b>5,006</b>	<b>4,859</b>	<b>4,281</b>	<b>3,967</b>
STAFF	545	665	658	571	469
UNIONIZED WORKERS	3,240	3,325	3,218	2,894	2,718
SUB-CONTRACTED WORKERS	795	1,016	983	816	780
<b>YARIMCA</b>	<b>2,012</b>				
STAFF	217				
UNIONIZED WORKERS	1,353				
SUB-CONTRACTED WORKERS	442				
<b>PETKİM</b>	<b>6,592</b>	<b>5,006</b>	<b>4,859</b>	<b>4,281</b>	<b>3,967</b>
STAFF	762	665	658	571	469
UNIONIZED WORKERS	4,593	3,325	3,218	2,894	2,718
SUB-CONTRACTED WORKERS	1,237	1,016	983	816	780



In our company, 13 departments had been closed. The number of assistants of General Manager had been reduced from 6 to 4, the member of board of management and the member of auditing board had also been reduced from 9 to 7 and 3 to 2 respectively. The number of personnel had been reduced in some units.

Meeting the company's personnel requirements from own organization is our primary objective, as also indicated in the "Investment and Financing Decree". To allocate the manpower aright and increase the manpower productivity, the "Manpower Planning Project" team had been founded. Works of project teams have been continued intently and uninterruptedly. As a results

of the "Manpower Planning Project" works, started in July of 2004, 843 personnel were interchanged between departments to get more benefit from manpower. In addition, the major part of the over-employment was trained to appreciate in the company.

In our company, a norm staff studies based on the principles of job evaluation and a job definition have been started together with National Productivity Centre (NPC) to employ qualified personnel at appropriate number, form a more effective organizational structure and use the public sources effectively. According to results of the norm staff studies, a new study will be started to provide the qualified manpower.



# Environmental Conscious

With the production capacity over 2.5 million per annum Petkim is a corporation which has believed in production to environment conscious in each area, from raw materials usage to its technology and from operation fields up to the administration form. Our company is aimed to be a model establishment taking into consideration environmental values which are responsible care programme, waste disposal systems, pollution analysis and monitoring studies, environmental investments, education studies and gives supports to environmental studies out of Petkim.

Petkim that is conscious of importance of sustainable development, not only carrying out legal requirements, but also aims to be found in enterprises which will continuously improve environmental performance. For this reason, Petkim has been adapted to responsible care programme

which is combined the environment management with its health and security areas and Petkim has been started to the application of responsible care programme by making voluntary commitment in 2000.

Our company carries the environmental activities according to Environmental Policy. The waste water treatment systems, waste disposal units as liquid-solid burning facility, using membrane technology instead of mercury based process in the production of chlor-alkali, increasing the efficiency of burning for energy saving, establishing Environmental Unit in order to follow and inspect of fulfilling Petkim's obligation in accordance to the environmental legislations, environmental trainings of its personnel are some of the activities done by Petkim in frame of its environmentally policy.



Petkim that is conscious of importance of sustainable development, not only carrying out legal requirements, but also aims to be found in enterprises which will continuously improve environmental performance.

# Health

Petkim is a company which is made up a principle the health of its personnel in order to protect them for every kind of situation which may result from the nature of production processes. For this purpose, it has a well equipped medical department with experienced doctors and infirmaries who can make first aids to personnel and their families in any cases.

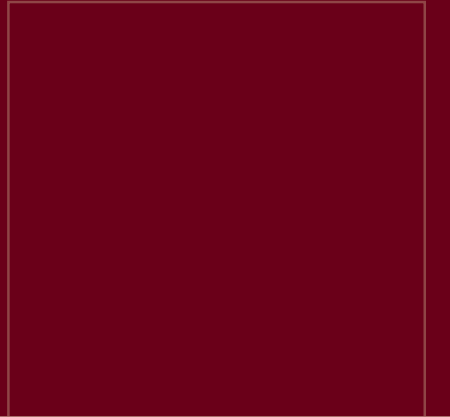
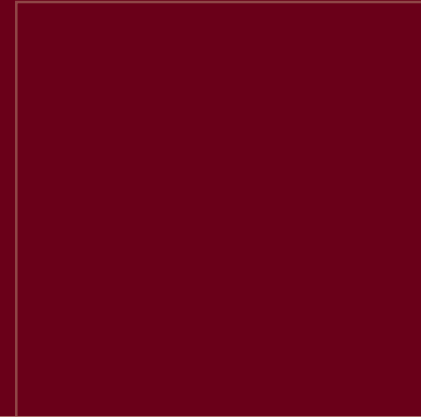
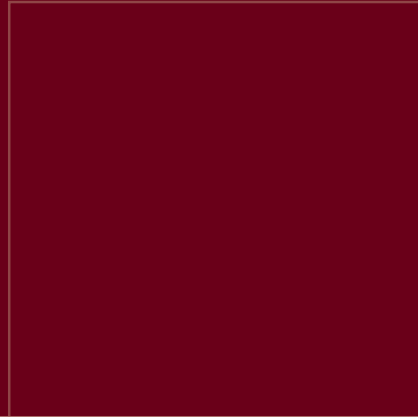
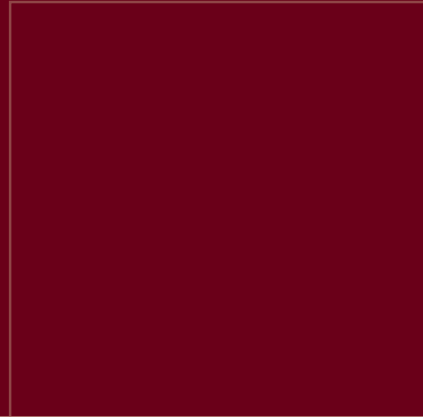
In the Medical Department of Petkim, overall six doctors, three of them work part-time, serve to the staff. Additionally, a radiologist and an odilog

have been working in the infirmary. Together with medical services, cares such as lungs scanning and required medical analyses are continued throughout the year.

Petkim that is conscious of that the productivity in the company supplied by healthy personnel undergoes all of its personnel to a periodic examination during the year.

All of the efforts are the major indicators of that Petkim appreciated the human factor.









Denet Yeminli Mali Müşavirlik A.Ş.

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**TO THE BOARD OF DIRECTORS AND SHAREHOLDERS  
 PETKİM PETROKİMYA HOLDİNG A.Ş.  
 İZMİR**

1. We have audited the accompanying balance sheet of Petkim Petrokimya Holding A.Ş. (the Company) as of 31 December 2004 and 2003 and the related statements of income, shareholders' equity and cash flows for the years then ended, all expressed in the equivalent purchasing power of Turkish Lira at 31 December 2004. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Petkim Petrokimya Holding A.Ş. as of 31 December 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards.

İstanbul,  
 28 January 2005

Denet Yeminli Mali Müşavirlik A.Ş.

*Denet A.Ş.*

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**PETKİM PETROKİMYA HOLDİNG A.Ş.  
 BALANCE SHEETS  
 as of 31 December 2004 and 2003  
 (expressed in terms of the purchasing power of the Turkish Lira  
 as of 31 December 2004)  
 (Millions of TL)**

ASSETS	Notes		
		31 December 2004	31 December 2003
<b>CURRENT ASSETS</b>			
CASH AND CASH EQUIVALENTS	4	166,884,855	160,948,245
MARKETABLE SECURITIES	5	-	31,942,147
TRADE RECEIVABLES (NET)	6	166,733,846	115,061,680
INVENTORIES (NET)	7	273,308,526	174,703,532
OTHER RECEIVABLES (NET)	8	1,225,065	1,649,183
PREPAID EXPENSES AND OTHER ASSETS	9	8,684,669	19,310,320
<b>TOTAL CURRENT ASSETS</b>		<b>616,836,961</b>	<b>503,615,107</b>
<b>NON CURRENT ASSETS</b>			
INVESTMENTS	10	2,865	2,865
OTHER FIXED ASSETS		7,619	14,710
<b>INTANGIBLE ASSETS</b>			
NET OF ACCUMULATED DEPRECIATION	11	450,206	176,358
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
NET OF ACCUMULATED DEPRECIATION	12	1,136,387,242	1,249,359,427
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,136,847,932</b>	<b>1,249,553,360</b>
<b>TOTAL ASSETS</b>		<b>1,753,684,893</b>	<b>1,753,168,467</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
		31 December 2004	31 December 2003
BANK LOANS	13	10,889,368	17,064,535
TRADE PAYABLES (net)	14	86,595,674	118,916,107
DUE TO SHAREHOLDERS		85,220	98,979
ADVANCES RECEIVED		31,233,893	47,149,832
TAXES AND DUTIES PAYABLE		22,128,340	11,744,704
OTHER PAYABLES AND ACCRUED EXPENSES	15	1,392,128	7,840,653
TAX PROVISION	16	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>152,324,623</b>	<b>202,814,810</b>
<b>NON CURRENT LIABILITIES</b>			
PROVISION FOR TERMINATION INDEMNITY	19	98,115,660	84,952,991
OTHER LONG TERM PAYABLES AND ACCRUED EXPENSES	17	622,094	7,410,189
DEFERRED TAX LIABILITIES	18	43,123,487	102,483,166
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>141,861,241</b>	<b>194,846,346</b>
<b>CONTINGENT LIABILITIES</b>	26	-	-
<b>SHAREHOLDERS' EQUITY</b>			
SHARE CAPITAL	19	204,750,000	204,750,000
ADJUSTMENT TO SHARE CAPITAL	19	2,074,062,217	2,074,062,217
SHARE PREMIUM		365,119	365,119
LEGAL RESERVES	20	304,520,471	304,520,471
ACCUMULATED LOSS		( 1,124,198,778 )	( 1,228,190,496 )
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,459,499,029</b>	<b>1,355,507,311</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,753,684,893</b>	<b>1,753,168,467</b>

The accompanying notes form an integral part of these financial statements

## PETKİM PETROKİMYA HOLDİNG A.Ş.

## STATEMENTS OF INCOME

as of 31 December 2004 and 2003

(expressed in terms of the purchasing power of the Turkish Lira as of 31 December 2004)

(Millions of TL)

	Notes	31 December 2004	31 December 2003
NET SALES	22	1,568,689,497	1,240,046,037
COST OF SALES	23	(1,400,411,581)	(1,327,599,455)
<b>GAIN / (LOSS) FROM SALES</b>		<b>168,277,916</b>	<b>(87,553,418)</b>
OPERATING EXPENSES	24	(106,412,936)	(109,879,838)
<b>GAIN / (LOSS) FROM OPERATIONS</b>		<b>61,864,980</b>	<b>(197,433,256)</b>
FINANCIAL EXPENSES		(16,070,416)	(37,659,682)
OTHER INCOME / EXPENSES (net)	25	(9,853,409)	76,166,054
<b>GAIN / (LOSS) BEFORE INCOME TAX AND MONETARY GAIN / (LOSS)</b>		<b>35,941,155</b>	<b>(158,926,885)</b>
TAXES PAYABLE		-	-
DEFERRED TAX INCOME		59,359,679	121,566,983
GAIN / (LOSS) BEFORE MONETARY GAIN		95,300,834	(37,359,902)
MONETARY GAIN / (LOSS)		8,690,884	(277,372,170)
<b>GAIN / (LOSS) FOR THE PERIOD</b>		<b>103,991,718</b>	<b>(314,732,072)</b>
<b>GAIN / (LOSS) PER SHARE (TL)</b>	<b>21</b>	<b>508</b>	<b>(1,537)</b>

## PETKİM PETROKİMYA HOLDİNG A.Ş.

## STATEMENTS OF SHAREHOLDERS' EQUITY

as of 31 December 2004 and 2003

(expressed in terms of the purchasing power of the Turkish Lira as of 31 December 2004)

(Millions of TL)

	Capital	Adjustment to Capital	Share Premium	Legal Reserves	Accumulated Loss
BALANCE AS OF 1 JANUARY 2003	204,750,000	2,386,736,964	336,570	461,694,697	(1,361,337,055)
CORRECTION OF CAPITAL INDEXATION	-	(312,674,747)	-	-	312,674,747
CORRECTION OF SHARE PREMIUM INDEXATION	-	-	28,549	-	(28,549)
CORRECTION OF LEGAL RESERVES INDEXATION	-	-	-	(157,174,226)	157,174,226
NET EFFECT OF CORRECTING THE ASSETS AND LIABILITIES INDEXATION	-	-	-	-	(21,941,793)
LOSS FOR THE PERIOD	-	-	-	-	(314,732,072)
BALANCE AS OF 31 DECEMBER 2003	204,750,000	2,074,062,217	365,119	304,520,471	(1,228,190,496)
INCOME FOR THE PERIOD					103,991,718
BALANCE AS OF 31 DECEMBER 2004	204,750,000	2,074,062,217	365,119	304,520,471	(1,124,198,778)

The accompanying notes form an integral part of these financial statements

## PETKİM PETROKİMYA HOLDİNG A.Ş.

## STATEMENTS OF CASH FLOW

as of 31 December 2004 and 2003

(expressed in terms of the purchasing power of the Turkish Lira as of 31 December 2004)

(Millions of TL)

	31 December 2004	31 December 2003
CASH FLOWS FROM OPERATING ACTIVITIES		
NET LOSS FOR THE PERIOD	103,991,718	(314,732,072)
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
DEPRECIATION AND AMORTISATION	254,177,158	236,422,328
PROVISION FOR TERMINATION INDEMNITIES	13,162,668	1,304,149
NET EFFECT OF CORRECTION IN EQUITY	-	(21,941,793)
DECREASE IN MARKETABLE SECURITIES	31,942,147	44,797,291
DECREASE / (INCREASE) IN TRADE RECEIVABLES	(51,672,166)	34,475,322
(INCREASE) IN INVENTORIES	(98,604,994)	(493,255)
DECREASE IN OTHER RECEIVABLES AND PREPAID EXPENSES	11,049,769	58,408,382
(INCREASE) / DECREASE IN LONG TERM RECEIVABLES AND OTHER FIXED ASSETS	7,091	(10,834)
(DECREASE) IN SHORT TERM PAYABLES	(32,320,433)	(29,402,789)
(DECREASE) IN ADVANCES RECEIVED	(15,915,939)	(16,098,918)
(DECREASE) IN TAX PROVISIONS	-	(16,037,058)
(DECREASE) / INCREASE IN OTHER PAYABLES AND ACCRUED EXPENSES	3,921,353	(36,834,108)
INCREASE / (DECREASE) IN OTHER LONG TERM PAYABLES AND ACCRUED EXPENSES	(6,788,095)	4,588,939
(DECREASE) IN DEFERRED TAX LIABILITIES	(59,359,679)	(121,566,983)
NET CASH PROVIDED BY OPERATING ACTIVITIES	153,590,598	(177,121,399)
DECREASE / (INCREASE) IN PROPERTY, PLANT AND EQUIPMENT	(141,116,188)	131,446,795
DECREASE / (INCREASE) IN INTANGIBLE ASSETS	(362,633)	101,943
NET CASH USED IN INVESTING ACTIVITIES	(141,478,821)	131,548,738
(DECREASE) IN SHORT TERM BANK LOANS	(6,175,167)	(13,866,649)
NET CASH USED IN FINANCING ACTIVITIES	(6,175,167)	(13,866,649)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	5,936,609	(59,439,310)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	160,948,245	220,387,555
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	166,884,855	160,948,245

The accompanying notes form an integral part of these financial statements



**PETKİM PETROKİMYA HOLDİNG A.Ş.****Notes to the Financial Statements****for the years ended 31 December 2004 and 2003****(expressed in terms of purchasing power of the Turkish Lira as of 31 December 2004)****1. Principal Activities**

The principle activity of Petkim Petrokimya Holding A.Ş. (the Company) is the production and sales of petrochemical products and all the related domestic and export trade operations.

**2. Basis of Presentation**

a. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), whereas the Company maintains its accounting records in accordance with the Turkish Commercial Code, Turkish Tax Legislation and Capital Market Board regulations. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation, in general, in conformity with the IFRS by the International Accounting Standards Committee. The effects of the adjustments are summarised in Note 2(b).

International Accounting Standard No 29 (IAS 29) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that the corresponding figures for the previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%. Cumulative inflation rates in Turkey for the last two years ended 31 December 2003 and 2004 exceed or approach to 100%. The restatement is calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics. Such indices and conversion factors are set out below:

Date	Index	Conversion factor
31 December 2000	2,626.0	2,811
31 December 2001	4,951.7	1,697
31 December 2002	6,478.8	1,297
31 December 2003	7,382.1	1,138
31 December 2004	8,403.8	1,000

The following principles have been applied in the preparation of the restated financial statements :

- Financial statements are stated in terms of the measuring unit as at 31 December 2004 and the corresponding figures for the previous periods are restated in the same terms.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- Non-monetary assets and liabilities and components of shareholders' equity are restated by applying the relevant conversion factors. Additions to property, plant and equipment in the year of acquisition as well as additions to investments in properties are restated using the relevant conversion factors.
- All items in the statement of income are restated by applying the monthly relevant conversion factors.
- The effect of general inflation on the net monetary position is included in the statements of income as monetary gain or loss.

b. The accompanying financial statements are prepared in accordance with the International Financial Reporting Standards and the adjustments which are not stated in the statutory books are set out below:

- Provision for termination indemnities,
- Calculation of deferred tax liabilities,

**3. Summary of Significant Accounting Policies****a. Revenue recognition :**

Revenues and expenses are recorded on accrual basis. Accordingly, sales are recorded when products are delivered and invoiced to customers.

**b. Financial Instruments:**

Financial instruments consist of the financial assets and liabilities stated below:

**i. Cash and Cash Equivalents:**

Cash and Cash Equivalents consist of cash and banks.

Cash is composed of Turkish Lira balances and is valued at cost value.

Bank accounts consist of demand and time deposit accounts. Turkish Lira deposit accounts are stated at cost values and the foreign currency accounts are translated into Turkish Lira at the foreign currency buying rate issued by the Central Bank as at 31 December 2004.

Cash deposited by the Company directly to the bank accounts are classified in the accompanying financial statements as Cash and Cash Equivalents and in the accompanying financial statements, demand deposits are stated at cost and time deposits are stated at cost plus interest accrued at the balance sheet date.

**Fair Value**

Fair value is the amount for which a financial instrument could be exchanged between two willing parties in an arm's length transaction. It is primarily considered the same as the quoted value of the financial instrument, however in case there is no quoted value, the purchase or sale value of an instrument is accepted to be the fair value of the financial instrument.

As the foreign currency cash and cash equivalents are translated into Turkish Lira at the foreign exchange rates valid at the balance sheet date, it is assumed that the fair values of these assets approximate their book values.

As the demand deposit accounts, cash and cheques received are converted into cash in very short terms, and as there is no risk of value decrease, their book values are considered to approximate to their fair values.

The cost plus interest totals of time deposit accounts are considered to be equivalent to their fair values.

**ii. Marketable Securities**

Marketable securities consist of treasury bills and government bonds which are valued by treating as accrued income that portion of the income to be received at the maturity date accruing for the period between the acquisition date and the balance sheet date. The accrued amounts for marketable securities are included in the related marketable securities account of the accompanying balance sheets.

**Fair Value**

The cost plus accrued income totals of marketable securities are considered to be equivalent to their fair values.

**iii. Trade Receivables**

Trade receivables are financial assets created by the Company through selling goods directly to the customers. Trade receivables of the Company are stated in the financial statements at the discounted values in accordance with their maturities.

**Fair Value**

As the receivables have short term maturities and as there is no significant risk of doubtful receivables, it is assumed that the discounted book values of the trade receivables are equivalent to their fair values.

**3. Summary of Significant Accounting Policies (continued)****b. Financial Instruments (continued):****iv. Other Receivables, Prepaid Expenses and Other Assets :**

Majority of the other receivables, prepaid expenses and other assets consist of the Value Added Taxes that are carried forward to next year and prepaid taxes and funds as of the balance sheet date.

**Fair Value**

The fair value of the other receivables, prepaid expenses and other assets are considered to be equivalent to their carrying values.

**v. Short Term Bank Loans and Other Trade Payables**

The short term bank loans of the Company are stated in foreign currency and Turkish Lira and the foreign currency loans are translated into Turkish Lira at the rates issued by the Turkish Central Bank at the balance sheet date. The loans are stated at their principal plus interest expenses accrued as of the balance sheet date.

Trade payables are stated in the financial statements at the discounted values in accordance with their maturities.

**Fair Value**

The fair value of the short term bank loans are presumed to be equivalent to the carrying values computed by adding the accrued interest liabilities calculated over the effective interest rate as of the balance sheet dates on the cost of the mentioned financial debts. Similarly, as the trade payables are discounted, the discounted book values of the trade payables are presumed to be equivalent to their fair values.

**c. Financial Instruments and Financial Risk Management :****Foreign Currency Risk**

The Company is not exposed to foreign currency risk as shown in Note 31 to the financial statements.

**Doubtful Receivables Risk**

The Company minimizes the risk of doubtful receivables by obtaining bank guarantee letters from its vendors which are converted into cash immediately in case of default by the vendor.

**Liquidity Risk**

As of 31 December 2004 and 2003 the liquid assets (current assets less inventories) of the Company exceed its short term debts and accordingly the Company is not exposed to short term liquidity problem.

**Cash Flows Risk**

The Company holds no financial assets or liabilities among its financial instruments that can result in cash outflows due to the variable interest rates.

**d. Inventories :**

Inventories are stated at the lower of restated cost or net realisable value. Cost is determined using weighted average method.

**e. Investments :**

Investments are stated at cost, as adjusted for the measuring unit current at 31 December 2004.

**f. Property, plant and equipment :**

Property, plant and equipment are stated at cost, as adjusted for the measuring unit current at 31 December 2004 less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The ranges of useful lives applied to the various classes of assets are as follows :

**3. Summary of Significant Accounting Policies (continued)**

Buildings	10-50	years
Land Improvements	5-50	years
Machinery, Plant and Equipment	5-50	years
Motor Vehicles	5	years
Fixtures and Furniture	5	years
Other fixed assets	5	years

**g. Intangibles :**

Intangible assets are stated at cost, as adjusted for the measuring unit current at 31 December 2004 less the amortisation charges.

**h. Termination indemnities :**

Under Turkish Labour Law, the Company is required to pay termination indemnities to each employee who completes one year of service and whose employment is terminated without due cause, is called up for military service, leaves within one year after marriage (women only), and to those employees who retire or die. The amount payable consists of one month's salary for each year of service. This entitlement is limited to TL 1,574,740,000 in respect of each year of service as of 31 December 2004 (31 December 2003 – TL 1,389,950,000).

The Company has calculated the termination indemnity liabilities stated in the accompanying financial statements as per the principles of recognition and evaluation defined in Benefits Offered to Employees Section (Section no.19) of IFRS. As the characteristics of the termination indemnity liabilities are similar in kind to the "Post Employment Benefit Plans" stated in this section, these liabilities are calculated and stated in the financial statements on the basis of below mentioned "Proposed Unit Loan Method" and other various assumptions.

- The dates that the employees will gain their pension rights are determined with respect to the prevailing social security laws with consideration to their past employment durations.
- In calculating the current value of future liabilities that may arise due to the retirement or contract termination of an employee, it is assumed that the current salaries and wages or the value of the termination indemnity upper limit determined by the Labor Law for 31 December 2004 to remain constant for restatement purposes, and later on, this value is reduced by the discount rate of 5,45% to determine the current net value of the termination indemnity liability at the balance sheet date.
- Actuarial calculation is needed to determine the ratio of the employees to gain their right for receiving termination indemnity to the total number of employees. This calculation is made through determining the ratio of former Company personnel who received their termination indemnity rights to the total number of personnel.

As of 31 December 2004 and 2003, the actuarial forecasts used for calculating the termination indemnity liability are as follows:

	2004	2003
Discount rate	5,45%	6,5%
The ratio of former Company personnel who received their termination indemnity rights to the total number of personnel	100%	100%

**i. Earnings Per Share :**

Earnings per share has been calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the related period.

**j. Foreign currency transactions :**

Foreign currency transactions are translated into Turkish Lira at exchange rates prevailing at transaction dates.

**k. Deferred taxes :**

Deferred taxes are recognised for income and expense items that are reported in different years for financial reporting and income tax purposes.



**4. Cash and Banks**

Cash and banks consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Cash	1,000	1,929
Banks	166,883,855	160,899,410
Other liquid assets	-	46,906
	<b>166,884,855</b>	<b>160,948,245</b>

**5. Marketable Securities**

Marketable securities consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Government bonds	-	31,942,147
	-	31,942,147

**6. Trade Receivables**

Trade receivables consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Trade receivables	169,822,823	41,796,255
Notes receivables	-	75,308,618
Doubtful receivables	166,139	189,133
	169,988,962	117,294,006
Discount on trade and notes receivables (-)	(3,088,977)	(2,043,193)
Provision for doubtful receivables (-)	(166,139)	(189,133)
	<b>166,733,846</b>	<b>115,061,680</b>

**7. Inventories (Net)**

Inventories consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Raw materials	94,601,989	85,274,987
Semi finished goods	15,953,841	39,413,350
Finished goods	143,818,514	44,099,312
Other inventories	479,345	610,146
Advances given	18,454,837	5,951,068
	273,308,526	175,348,863
Provision for inventory value decrease (-)	-	(645,331)
	<b>273,308,526</b>	<b>174,703,532</b>

**8. Other Receivables (Net)**

Other receivables consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Receivables from personnel	311,928	348,932
Job advances	913,137	1,138
Advances given to personnel	-	7,434
Receivables from tax offices	-	1,007,046
Receivables from other government offices	-	10,332
Other miscellaneous receivables from real persons and legal entities	-	274,301
Other doubtful receivables	17,101	19,468
	1,242,166	1,668,651
Provision for doubtful receivables (-)	(17,101)	(19,468)
	<b>1,225,065</b>	<b>1,649,183</b>

**9. Prepaid Expenses and Other Assets**

Prepaid expenses and other assets consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Prepaid expenses	3,934,223	4,401,282
Deferred VAT	-	10,045,293
Other VAT	1,292,199	1,040,218
Prepaid taxes and funds	3,434,668	3,789,393
Other assets	23,580	34,134
	<b>8,684,669</b>	<b>19,310,320</b>

**10. Investments**

Investments consist of the following (millions of TL) :

	31 December 2004		31 December 2003	
	Holding	Amount	Holding	Amount
İzmir Teknopark Ticaret A.Ş.	0.125%	2,865	0.125%	2,865

**11. Intangible Assets**

Intangible assets consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Rights	965,940	603,307
Accumulated amortisation (-)	(515,734)	(426,949)
	<b>450,206</b>	<b>176,358</b>

**12. Property, Plant and Equipment (Net)**

Property, plant and equipment consist of the following (millions of TL) :

	Opening 1 January 2004	Additions	Disposals and Transfers	Closing 31 December 2004
Land	4,460,163	-	-	4,460,163
Land improvements	75,472,784	4,157,932	(6,265)	79,624,451
Buildings	152,699,427	13,632,296	(8,181,472)	158,150,251
Machinery and equipment	5,194,034,581	8,368,212	(73,232)	5,202,329,561
Vehicles	12,797,464	171,765	(289,022)	12,680,207
Furniture and fixtures	51,665,713	1,039,053	(3,066,625)	49,638,141
Other	996,150	-	-	996,150
Construction in progress	189,154,040	138,339,172	-	327,493,212
Given order advances	62,587,045	-	(18,850,294)	43,736,751
	5,743,867,367	165,708,430	(30,466,910)	5,879,108,887
Accumulated Depreciation (-)	(4,494,507,940)	(254,088,373)	5,874,668	(4,742,721,645)
	1,249,359,427	( 88,379,943)	(24,592,242)	1,136,387,242

	Opening 1 January 2003	Additions	Disposals and Transfers	Correction	Closing 31 December 2003
Land	5,147,792	-	-	(687,629)	4,460,163
Land improvements	90,834,842	214,613	-	(15,576,671)	75,472,784
Buildings	215,487,454	-	-	(62,788,027)	152,699,427
Machinery and equipment	6,188,927,613	51,100,806	(100,128)	(1,045,893,710)	5,194,034,581
Vehicles	15,985,211	-	(90,916)	(3,096,831)	12,797,464
Furniture and fixtures	74,521,283	523,020	(177,798)	(23,200,792)	51,665,713
Other	1,019,616	-	-	(23,466)	996,150
Construction in progress	162,913,033	41,583,687	(15,342,680)	-	189,154,040
Given order advances	75,698,936	59,007,970	(72,119,861)	-	62,587,045
	6,830,535,780	152,430,096	(87,831,383)	(1,151,267,126)	5,743,867,367
Accumulated Depreciation (-)	(5,213,399,480)	(236,330,080)	266,735	954,954,885	(4,494,507,940)
	1,617,136,300	(83,899,984)	(87,564,648)	(196,312,241)	1,249,359,427

**13. Bank Loans**

Bank loans consist of the following (millions of TL) :

		31 December 2004	
	Currency	Amount of Currency	Millions of TL
Short term loans;	TL	-	10,380,000
Interest accrual			509,368
			10,889,368
		31 December 2003	
	Currency	Amount of Currency	Millions of TL
Short term loans;	TL	-	15,749,797
Interest accrual			1,314,738
			17,064,535

**14. Trade Payables**

Trade payables consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Trade payables	86,946,157	120,539,070
Deposits and guarantees received	779,518	442,370
	87,725,675	120,981,440
Discount on trade payables (-)	(1,130,001)	(2,065,333)
	86,595,674	118,916,107

**15. Other Payables and Accrued Expenses**

Other payables and accrued expenses consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Personnel salary and wages accrual	64,153	2,003,393
Provision for the conditional liabilities	-	1,416,956
Other VAT	1,292,198	1,040,219
Overdue or deferred payables and taxes	-	2,689,457
Deferred income	-	650,099
Special Consumption Taxes Payable	23,579	-
Other payables and accrued expenses	12,198	40,529
	1,392,128	7,840,653

**16. Taxes on Income****2004**

Corporate earnings are subject to corporation tax at a rate of 33%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding, whether distributed or not, is calculated at a rate of 19.8% according to the Provisional Article 61 of ITL. Whether exempted or not, dividends paid in cash to real persons with full liability and real persons and entities with limited liability (non-residents) are subject to income tax withholding at a rate of 10%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings. On the other hand, no withholding tax is applicable to entities with full liability in profit distributions.

Further, provisional corporation tax is paid at a rate of 33% on the profits declared for interim periods to be deducted from the corporation tax.

Starting from 2005, corporation tax and provisional corporation tax rate will be 30%.

With respect to the bis article 298 of the Tax Law amended by Law 5024, the financial statements of tax payers that keep their accounting records on balance sheet basis are subject to inflation adjustment under the conditions that the increase in the wholesale price indices exceeds 100% for the last three years and 10% for the current year. The Company has applied inflation accounting as promulgated by the Ministry of Finance in its statutory books.



**16. Taxes on Income (continued)****2003**

Corporate earnings are subject to corporation tax at a rate of 30%. In case investment allowance is deducted in the calculation of taxable income, same as with other profits exempted from corporation tax, no withholding calculation is required in cases where such earnings are not distributed. However in case the investment allowance used is based on the supplementary articles 1 and 6 of the Income Tax Law (ITL) which have been annulled by Law nr 4842, income tax withholding is calculated at a rate of 19.8% according to the Provisional Article 61 of ITL and no separate calculation for fund payment is required. Whether exempted or not, dividends paid in cash are subject to income tax withholding at a rate of 10%. However, income tax withholding is not applicable to the dividends arising from 1998 and prior years' profits and from the exempt profits relating to the years 1999, 2000, 2001 and 2002 as well as income and profits corresponding to the above mentioned investment allowance taxed at the rate of 19.8%. Addition of current year and prior year profits (retained earnings) to share capital has not been regarded as distribution of profits and therefore no withholding tax is applicable to these earnings.

Further, provisional corporation tax is paid at a rate of 30% on the profits declared for interim periods to be deducted from the corporation tax.

There was no taxable income as at 31 December 2004 and 2003 .

**17. Other Long Term Payables and Accrued Expenses**

Other long term payables and accrued expenses consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Internal insurance fund	2,021	3,600,127
Long term overdue or deferred payables and taxes	301,869	3,810,062
Other Long term liabilities	318,204	-
	622,094	7,410,189

**18. Deferred Tax Liability and Income****a. Deferred Tax Liability**

Deferred tax liability consists of the following (millions of TL) :

	Temporary Differences	
	31 December 2004	31 December 2003
Restatement of fixed assets (net)	(205,894,400)	(422,412,725)
Restatement of inventories (net)	(35,966,216)	(3,418,390)
Provision for termination indemnity	98,115,660	84,952,992
Adjustment for the interest accrual	-	(1,382,529)
Adjustment for the deferred income	-	650,099
Total net temporary difference	(143,744,956)	(341,610,553)
Tax rate	30%	30%
Deferred Tax Liability	(43,123,487)	(102,483,166)

**18. Deferred Tax Liability and Income(continued)****b. Deferred Tax Income**

Deferred tax income is calculated as follows (millions of TL) :

	31 December 2004	31 December 2003
Deferred tax liability as of 31 December 2003	-	(102,483,166)
Deferred tax liability as of 31 December 2004	( 43,123,487)	-
Reversal of deferred tax liability as of 31 December 2002	-	220,050,149
Reversal of deferred tax liability as of 31 December 2003	102,483,166	-
Deferred tax income	59,359,679	121,566,983

**19. Share Capital**

The registered and restated values of the share capital are as follows (millions of TL) :

	31 December 2004			
	Holding	Registered Value	Restatement Difference	Restated Capital
Privatization Administration	88.86%	181,947,446	1,843,005,089	2,024,952,535
T.C. Retirement Fund	7%	14,332,500	145,184,355	159,516,855
Other*	4.14%	8,470,054	85,872,773	94,342,827
	100%	204,750,000	2,074,062,217	2,278,812,217

	31 December 2003			
	Holding	Registered Value	Restatement Difference	Restated Capital
Privatization Administration	88.86%	181,947,446	1,843,005,089	2,024,952,535
T.C. Retirement Fund	7%	14,332,500	145,184,355	159,516,855
Other*	4.14%	8,470,054	85,872,773	94,342,827
	100%	204,750,000	2,074,062,217	2,278,812,217

\* Represents total of shareholdings less than 10% which are public shares.

**20. Retained Earnings**

Retained earnings include legal reserves provided in accordance with Turkish Trade Law.

The Company is required to appropriate a certain percentage of its earnings to legal reserve. Legal reserves, which are divided as First Legal Reserve and Second Legal Reserve, are calculated as below :

(a) First Legal Reserve : Appropriated out of net profit at the rate of 5% until such reserve is equal to 20% of issued and fully paid capital.

(b) Second Legal Reserve : Appropriated out of net profit at the rate of 10% of distributions after providing for First Legal Reserve and an amount equal to 5% of capital as dividends.

Legal reserves which do not exceed one-half of the share capital may only be used to absorb losses, or for purposes of continuity of the operations in times of business difficulties and to prevent unemployment or to lessen its effects.

**21. Earnings/ (Loss) Per Share**

As of 31 December 2004 earnings per share is TL 508 which was calculated on 204,750,000,000 number of ordinary shares of capital, nominal value of TL 1,000 per share (31 December 2003 – loss per share TL 1,537).

**22. Net Sales**

Net sales consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Domestic sales	1,292,582,510	1,026,732,867
Exports	279,018,258	227,122,638
Other sales	-	78,024
	1,571,600,768	1,253,933,529
Sales returns and discounts	(2,911,271)	(13,887,492)
	1,568,689,497	1,240,046,037

**23. Cost of Sales**

Cost of sales consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Raw material costs	922,103,101	762,348,631
Direct labour costs	62,949,815	56,731,098
General production costs	323,818,858	264,438,466
Depreciation expense	164,734,232	236,330,080
Change in semi finished goods	23,459,509	3,906,420
Change in finished goods	(99,719,202)	333,702
Cost of services sold	3,065,268	3,511,058
	1,400,411,581	1,327,599,455

**24. Operating Expenses**

Operating expenses consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Research and development expenses	1,360,377	1,298,316
Marketing, selling and distribution expenses	7,543,152	7,898,963
General administration expenses	97,509,407	100,682,559
	106,412,936	109,879,838

**25. Other Income**

Other income consist of the following (millions of TL) :

	31 December 2004	31 December 2003
Interest income	30,297,966	52,221,918
Foreign exchange gain	21,726,544	57,784,316
Foreign exchange loss (-)	(26,864,584)	(57,243,309)
Provisions written back as income	2,175,896	61,619,679
Idle capacity expenses (-)	(40,938,820)	(34,770,922)
Previous year income	168,141	936,790
Previous year expenses (-)	(466,149)	(1,108,095)
Tax penalties (-)	-	(10,232,510)
Other income	11,629,113	8,034,484
Other expenses (-)	( 7,581,516)	(1,076,297)
	( 9,853,409)	76,166,054

**26. Contingent Liabilities**

As of 31 December 2004 the Company had outstanding contingent liabilities to third parties in the form of bank guarantees and given cheques amounting to TL 16,414,786 million (31 December 2003 – TL 109,265,537 million).

**27. Subsequent Events**

a) The termination indemnity upper limit, which stood at TL 1,574,740,000 as of 31 December 2004, has been increased to TL 1,648,900,000 with effect from 1 January 2005 and to TL 1,727,150,000 with effect from 1 July 2005. (31 December 2003 – TL 1,389,950,000).

b) With effect from January 1, 2005, the currency of the Republic of Turkey is redenominated, with one million Turkish Lira being converted into a new unit of currency known as the New Turkish Lira ("New Turkish Lira"). The smallest unit of currency is the New Kuruş, which represents one-hundredth of one New Turkish Lira. The current Turkish Lira banknotes will no longer be circulated as of the end of 2005.

**28. Conditional Events**

As of 31 December 2004 the total of claims against the Company by the third parties in relation to ongoing legal disputes amounted to TL millions 3,770,523 (31 December 2003 TL millions – 6,174,088) and US Dollars 1,144,425.60 . The Company management has not made provision for the remaining amount upon the advice of Company's lawyers and CMB decision dated 8 March 2002 nr 13/306 .

As of 31 December 2004 the legal claims set by the Company against third parties and companies amounts to TL millions 20,347,720 (31 December 2003 - TL millions 21,555,467 ).



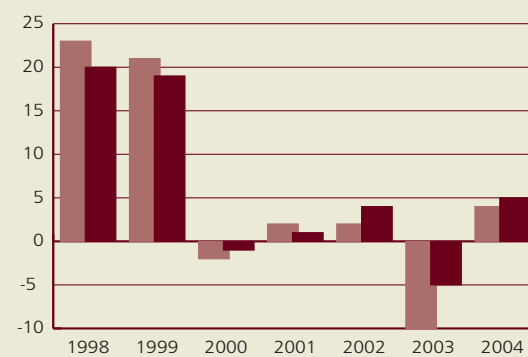
**29. Foreign Currency Balances**

As of 31 December 2004 foreign currency balances consist of the following :

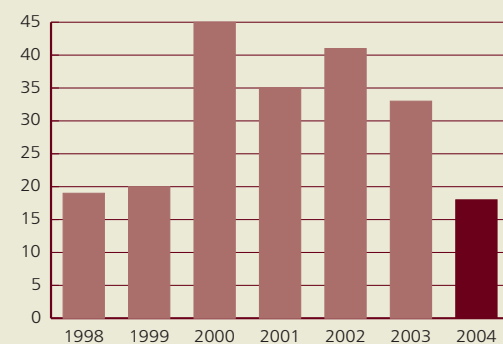
	US Dollar	Euro	Yen	Sterlin	Equivalent of Millions of TL
Cash at Banks	4,748,623	9,563,137	-	-	23,843,066
Trade receivables	66,504,717	3,625,845	-	-	95,879,675
Given order advances	10,895,874	1,245,660	38,624,000	-	17,397,676
Trade payables (-)	(140,072)	(6,260)	-	975	(202,917)
Advances received (-)	(60)	-	-	-	(98)
Foreign Currency					
Position	82,009,082	14,428,382	38,624,000	975	136,917,402

As of 31 December 2003 foreign currency balances consist of the following :

	US Dollar	Euro	CHF	Sterlin	Equivalent of Millions of TL
Cash at Banks	37,377,359	7,884,709	-	-	65,932,011
Trade receivables	58,397,679	1,145,253	-	-	83,512,073
Given order advances	1,329,539	1,517,777	-	218,400	5,045,339
Trade payables (-)	(15,364,543)	(188,915)	(6,700)	-	(21,888,592)
Advances received (-)	(675,272)	-	-	-	(947,114)
Foreign Currency					
Position	81,064,762	10,358,824	(6,700)	218,400	131,653,717

**PROFIT RATIO, %**

■ RETURN ON EQUITY  
■ RETURN ON ASSETS

**DEPT LIABILITIES RATIO****FINANCIAL RATIOS %**

	1998	1999	2000	2001	2002	2003	2004
CURRENT RATIO	409	489	224	277	216	244	405
LIQUIDITY RATIO	299	297	133	177	134	148	219
DEBT TO EQUITY RATIO	19	20	45	35	41	33	18
GROSS SALES PROFIT RATIO	19	20	8	14	5	(2)	11
NET PROFIT (LOSS) RATIO	13	13	(2)	0	0	(8)	4
RETURN ON EQUITY*	23	21	(2)	2	2	(10)	4
RETURN ON ASSETS	20	19	(1)	1	4	(5)	5

(\*) Profit before taxes

Table values for the year 2004 have prepared in accordance with communiques (Nr. 11/20) issued by Capital Markets Board.

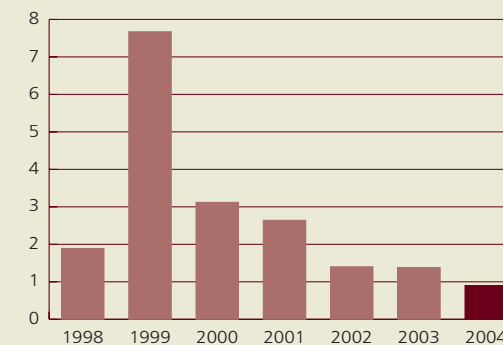
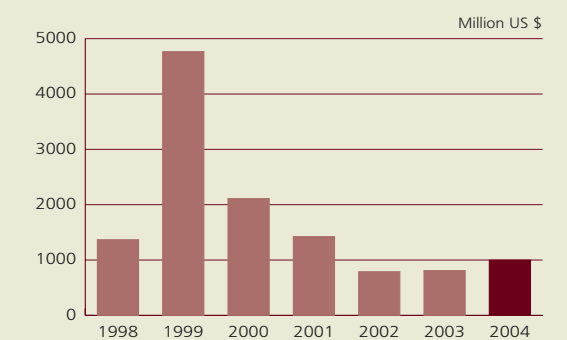
**DIVIDEND AND SHARE STATISTICS**

	1998	1999	2000	2001	2002	2003	2004
DIVIDEND (BILLIONS TL)	7,020	14,625	-	-	-	-	-
DIVIDEND RATIO PER SHARE (%)	6	13	-	-	-	-	-
EARNINGS RATIO PER SHARE (%)	729	32	(9)	1	1	(42)	30
SHARE PRICE IN STOCK MARKET (TL)*	142,500	22,000	11,250	8,500	5,800	5,900	6,550
MARKET VALUE/BOOK VALUE (\$)*	0.46	0.04	0.02	0.01	0.004	0.004	0.005
MARKET VALUE/BOOK VALUE	1.89	7.67	3.12	2.64	1.40	1.38	0.90
PRICE/EARNINGS RATIO	19.54	69.28	(125.63)	602.78	448.59	(14.15)	21.65

(\*) Year end of price.

Table values for the year 2004 have prepared in accordance with communiques (Nr. 11/20) issued by Capital Markets Board.

VALUE OF 1\$ AT THE END OF THE YEAR (TL/\$)	312,720.00	540,098.00	671,765.00	1,439,567.00	1,634,501.00	1,395,835.00	1,342,100.00
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**MARKET / BOOK VALUE****MARKET VALUE (ISTANBUL STOCK EXCHANGE PRICES)**





**1965-1970**

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

**1971-1975**

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

**1976-1977**

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

**1978-1983**

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

**1984-1989**

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

**1990-1995**

- In 1990 Petkim's capital was raised to 2 Trillion TL. and to 3 Trillion TL. in 1991.
- Alpet and Yarpet, the two subsidiaries of Petkim were taken over by Petkim with all of their assets and liabilities, on the basis of their balance sheets as of 31. 08. 1990
- Petkim and Aliağa Complex organizations were merged and Yarımca Complex Management was established.
- As a result of expansion and rehabilitation accomplishments, capacity increases were achieved, at the Aliağa Complex in 1993 in the LDPE, HDPE, PP and ACN plants and PVC, PS, CB, SBR, CBR and BDX plants at the Yarımca Complex in 1995.

Although petrochemical industry in our country has a past considered a time of short period, it has been exhibited an important development. Turkish petrochemical industry has an experience came from its forty-years-activities and has a high growth potential in the petrochemicals sector.

**1996-1999**

- TS-EN-ISO 9002 Quality Assurance Certificate was obtained.
- The company has made a change from the paid-up capital system to the authorized capital system. The company has increased its capital from 3 Trillion TL to 117 Trillion TL against the revaluation fund of fixed assets amounting to 114 Trillion TL.
- The highest level of investment expenditures were realized in 1998.
- The re-documentation audit which was achieved by Turkish Standards Institution (TSE) resulted successfully and the right to use the TS-EN-ISO 9002 Quality Assurance Certificate for another 3 years was obtained.

**2000**

- The installation aiming to produce chlorine in membrane-cells instead of mercury type cells and increasing the chlorine production capacity of Chlorine Alkali Plant up to 100,000 tons/year have been completed and taken into operation.
- In the project for the installation of a second 20 MW condensing type turbogenerator at the Power Plant, erection and assembly of the turbogenerator has been completed.
- In the second expansion of the HDPE Plant to 96,000 tons / year, one of the important projects aiming to increase the production capacity, engineering and procurement have been completed. Process licensing and basic engineering for the second expansion of Polypropylene Plant to 144,000 tons /year as well as royalty and engineering-procurement for increasing the capacity of Low Density Polyethylene Plant to 310,000 tons /year have been contracted. As for the expansion of Ethylene (NSC) Plant to 520,000 tons / year basicengineering design has been completed.

**2001**

- The company has increased its capital from 117,000 billion TL to 204,750 billion TL as per The Board decision dated 19.04.2001, numbered 1022/17 and with the certificate of Capital Market Board related to the completion of capital increase, dated 30.10.2001, numbered 2461 According to the Privatization High Council's decree Yarımca Complex excluding lodging and social buildings was taken over by Tüpraş with a price of 60 million US \$. After the Privatization High Council's decree issued in Official Gazette, the transfer was completed on November 1, 2001.
- The second expansion of the HDPE Plant of Aliağa Complex aiming to increase the production capacity from 66,000 tons/year to 96,000 tons/year have been completed in 2001. The project for the addition of the 17th reactor to the 4th production train of the PVC plant which will increase the production capacity by 10,000 tons/year has been completed in the year of 2001.

**2002**

- In the Waste Treatment- Disposal of Chemical Treatment Sludge Project, contract for know-how, engineering procurement and training services pertaining to the solid/liquid incinerator was signed with Vinci Environment (France) in 1999. Construction and erection of the incinerator was completed by Sistem Yapı İnş. Tes A.Ş. on 29th November, 2002. Commissioning work is in progress.

**2003**

- The Board of Directors of Petkim decided to close Çanakkale Plastic Processing Plant as of 01.11.2003 and to transfer the equipment which could be used in Aliağa Complex to Aliağa. According to this decision, the plant was closed down on 01.11.2003 and transfer of the equipment to Aliağa Complex was completed.
- Solid-Liquid Waste Incineration Unit was started up.

**2004**

- Plant expansion and modernization studies were started in the middle of December at Ethylene, LDPE and Propylene Plants.
- Consultancy service agreements of restructuring project have been signed with National Productivity Center.





## Corporate Governance Principles

With respect to the directive dated 10.12.2004-Nr.48/158 of Capital Market Board, It had been added to the Annual Report.



## CORPORATE GOVERNANCE PRINCIPLES

### 1. Declaration

Corporate Governance principles, adopted by the Board of Directors, provide the governance of Petkim during the 01.01.2004 - 31.12.2004 span. "Shareholders dividend policy" has been issued in Petkim web site Financial Information link.

In the "Investors" information section date and percentage of dividend / distribution policies have been issued since the first floating date. Financial statements consist of annual reports for 1997-1999, both annual and quarter periods for 2000-2004, including b/s explanations. Another link is issued for Annual Report.

Investor news consist of Commerce Registration, shareholding structure, dividend / distribution policy, Company's Article of Association, explanation for special occasions, Corporate Governance Principles, board meetings, voting form for nomination, agenda and FAQ.

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Investors have been informed about "dividend/ distribution policies, company and capital structure".

### 3. Information Rights of Investors

Information requests have been answered by means of telephone call (1,200), e-mail (12) and letter (14) during the 2004. Further related information has been issued on the website.

Information requests related to Investors rights which are obtained by means of every kind of communication media, have been evaluated in our website. Furthermore, explanations for new occasions effecting investors rights, have been clearing to Capital Markets Board (SPK) and Istanbul Stock Exchange under the Public Informing Project (KAP).

### 4. Board Meeting

Ordinary Board Meeting assembled at 31.03.2004. Representing Shares quantity was 196,311,175,750, as an Investor, Brown Brothers Harriman Co/Master Trust Bank of Japan RE attended to the meeting, media didn't. 3. Article of Company's Articles of Association was changed as, "In Conformity with the Electricity Market Regulation in order to provide its own power generation, under the framework of auto-producer license ownership Company can operate in producing power and heat generation, selling of the power and heat to the other power license owners and consumers, import power generation related investment equipments and fuel".

An extra – ordinary board meeting assembled on 16.07.04. Representing Shares Quantity was 196,316,409,745. Boston Safe Deposit & Philip Elect, Brown Brothers Harriman Co/Master Trust Bank of Japan RE attended to the meeting. Invitation was realized by means of news papers. Company's Articles of Association was changed so that Board Directors sum decreased from 9 to 7.

### 5- Voting and Minority Rights

According to article 15 of Company's Articles of Association, C Group share has got the privilege.

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

- Any changing about Company's Articles of Association
- Capital increase/decrease
- Registration of bearer share
- Changing on Employee regulations
- Independent Audit Company assignment
- CEO payments
- Dividend policy
- Authorization assignment stated on the Article 31 of Company's Articles of Association.
- Any decision on capacity changing over % 10
- Any acquisition or joint-venture decision

### 6. Dividend Policy and Period

No privileges in Dividend Policy.

Great investment Project has been realized in the recent 5 years, reaching USD 330 million. Nearly about USD 100 million investment projects have been planned for 2005. All investments have been performed by means of own sources and profits obtained. In the near future tremendous capacity increase will be provided by means of investments to be realized so that profit margins will be able to reflected to the shareholders

### 7. Share Transfer

Restrictions on share transfer are defined in the article 8 and 9 of Company's Articles of Association.

Article 8: In case of POA share percentage would drop under 1 %, C group share will be deemed an A group share and all privileges will be lasted.

Article 9: Group C shares may be transferred to another Public Cooperation which is having the same authorization as POA has.

## PART II INFORMING THE PUPLIC and TRANSPARENCY

### 8. Information Policy

Four officers are responsible and have authority to inform the public. In accordance with the transparency principles, accounting policies applied and operation results are announced to public.

Annual and quarterly financial statements since 1977 are published in our website financial news link.

All information related to influential effect an stock values of our company have been announcing to public within limited time determined by the Stock Exchange.

All information is updated periodically.

### 9. Explanation on Special Occasion

In accordance with the stock Exchange Regulations, 22 explanatory announcements were realized during the2004. No additional information was required from Capital Market Board (SPK) and Istanbul Stock Exchange (IMKB).

### 10. Website

On website all information, from management to privatization, are specified. At the first half of 2005,

Company's Articles of Association, explanations on special occasions, Board meeting agendas, participants, meeting reports, voting forms, obligatory information forms and FAQ will be added to website. Investors will be able to reach to Corporate Governance Principles on rearranged website.

### 11. Person who is having managerial Ownership shares

There is no non-public managerial ownership share.

### 12. Insider Dealing

All necessary precautions are taken to prevent any insider dealing. Below listed officers are announced to public who are engaged in any transaction related to insider dealing.

Kenan YAVUZ	General Manager
M. Hayati ÖZTÜRK	Asst. General Manager
Lütfi DOĞAN	Asst. General Manager
Ahmet BARUTCU	Group Manager (Financial)
Selahattin YÜZÜGÜLDÜ	Finance Manager
Şeref HEKİMOĞLU	Accounting Manager

## PART III RESPONSIBILITIES and DUTIES

### 13. Information

Invdividuals who are having rights are being informed about their rights in related topics by means of media.

### 14. Representation of Investors

Owners of the 4.14% free floating shares are not representing in the Board Management.

### 15. Human Resource Policy

Main principles of human resources are;  
To improve employees capability  
To meet shareholders expectations

To be respectful to employees  
To adapt changing environment  
To be leader in its region  
To use its sources efficiently  
To focus on employees efficiency  
To be respectful human and environment  
To renovate its technology and quality standards  
To focus on customer needs

An Employee Relations and Training Unit constituted in the Human Resource Department in order to focus on healthy relationship with employees, provide all necessary training facilities, solve existing problem and take necessary steps to prevent arising problem and offer proposal for solutions

No complaint transmitted about discrimination from employees so far.

Company strictly obeys to legal employment terms. Informative monthly meetings are assembled for mutual understanding, better working conditions and efficiency. Identification of work, performance and rewarding criteria are defined.

Efficiency and other important criteria are taken into consideration for extra payments to incite employees. Mutual understanding is essential on talks performed between labor union and employer.

Discrimination is out of question on race, religion and sex.

All precaution measures are taken to prevent human rights violations.

#### 16. Customer and Supplier Relationship

Customer contentment is privilege matter.

Customer demands have been providing as fast as possible and informing about every step.

Production are performed in accordance with the Quality Standards and strictly complied with the standards in every pace Spoilt products are replaced and indemnified under guaranty procedure of Petkim.

Petkim strictly comply with the secrets related to customers' information.

Petkim shows a great importance to constitute healthy relationship and comply to the contracts realized with the customers and suppliers.

Sales policy is focused on customer contentment. In order to achieve this aim, organization structure revised.

Under the long term relationship base, customers are deemed as the partner of Petkim.

So that meetings has been assembled on Customer dense big cities to understand their problems, needs and expectation, prospect of Petkim and question on the sales policy.

Customers have been visited in order to settle problems on their sites and information given about re-structuring. As a result of meetings;

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

An internet link is opened for customers to observe their offer, allocation, consignment and financial statements. Restructuring is still on the way for sales and distribution process.

Close relationships are realized to provide for further projects with small and medium sized manufacturers which are under the KOSGEB organization.

Petkim is still working for over supplies, to provide customer needs by means of Import goods.

“Direct Collecting System” which is lasting the letter of indemnity necessity on deferred sales, is on the way and will be come to life in the second half of 2005.

All customer complaints are collected and paid great attention to solve their problems in short and long term by means of coordinative works among related departments. Applications listed here below;

- Customers are deemed as close business partner of Petkim
- Communication medias are verified and extended
- 204 customers are visited in their sites.
- By means of Customer questionnaire which performed on product and service quality complaints were strictly detected and preventive measures have been taken for problems which will be arisen in the future.
- Many problems have been solved on transportation and consignment documents.
- Works on verification of transportation means is still going on.
- Slip sheet application to increase the loading capacity is still going on.
- Works on big bag volume to increase from 1,000 to 1,400 kg to fast loading is still on the way.
- Works on packaging in some plants in order to increase package volume from 1,000 to 1,500 kg is still on the way.
- PE FFS bags will be used instead of Kraft bags to minimize tearing.

#### 17. Social Responsibility

Petkim pays great attention to environment, end-users and society.

Petkim has constructed four Elementary School and handed over them Ministry of Education and allocated an High School for a Private Education Association in order to support educational operations.

Petkim is running a sport club and providing various kinds of facilities for amateur sporting activities.

Petkim also provides utilities for employees and their families to promote social activities.

#### PETKİM PETROCHEMICAL COMPANY ENVIRONMENTAL ACTIVITIES

PETKİM having an annual production capacity of 2,5 million tons, is an environmentally sensitive company in all production activities, raw material usage, technology, operational and management facilities. We aim to be a model company by environmental protection facilities like Responsible Care Program applications, waste treatment plants, pollution monitoring and controlling facilities, energy and resource conservation, waste reduction, environmental investments, inside and outside environmental training activities and supporting the national and international studies on sustainable development issues.

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

Seminars, commission studies and discussion meetings arranged by TCIA, are very beneficial as it eases following the national environmental legislation and admit of sharing knowledge and experiences with other companies about coping with environmental responsibilities. Beside, since RC program is a worldwide program and TCIA is a member of CEFIC, we can informed more effectively about the environmental regulations, developments and implementations both in EU and the under countries.

We carry out environmental works according to our Environmental Policy.



## ENVIRONMENTAL POLICY

### CLEAN PRODUCTION ENVIRONMENTAL PROTECTION POLLUTION PREVENTION

Voluntarily, we adopt these tasks as our priorities in all our production facilities, beyond legal responsibilities.

As required by our Environmental Management System integrated with health and safety issue,

#### WE COMMIT;

- To take environmental protection as a main factor in our investments,
- To prefer environmentally friendly raw materials,
- To reduce waste amount, to treat by clean technology and to increase recycling ratio,
- To use natural resources efficiently,
- To work for environmental consciousness improvement of our staff,
- To fulfill our legal responsibilities,
- To define and achieve new goals to improve our environmental performance continuously,
- To control pollution and reduce environmental impacts,
- To share information with public about our environmental facilities.





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

PETKİM is aware of the importance of collective working in environmental issue and we are always in cooperation with our stakeholders, environmental authorities and organizations. Especially, our contribution to the reconstruction facilities for adaptation Turkey to EU is one example of this cooperation for the development of our country. Petkim took part as a pilot plant in one of this studies, "A Twin Project for Adaptation and Implementations of Integrated Pollution, Prevention and Control Directive in Turkey" which is organized by Netherlands Government and Ministry of Environment and Forest of Turkey. Beside, we were participated to the workshops for "High Cost Environmental Investments Planning Project" and "Odor Emissions and Emissions Management in Turkey".

According to the precaution principle, we take measures considering the risks instead of supposition that our products are innocent. For example, we provide ERIC (Emergency Road Identification Card) of our products, carried by land, to transportation companies and costumers; even ADR (EU regulation for dangerous goods by land transport) hasn't been implemented yet in Turkey. We also prepared the emergency response plans for each plant in case of any industrial accident risks. More, the response plans are present also for outside emergency condition that will be carried out under the management of Aliğa Governor and by cooperation with other local companies and institutions.

In all facilities, Petkim act with social responsibility consciences and provide information sharing to public to reply their concern by local authorities' intervention.

## ENVIRONMENTAL INVESTMENTS

INVESTMENTS	YEAR OF INVESTMENT	COST OF INVESTMENT
Wastewater Treatment Plant	1985	18,000,000 \$
Sludge Incineration Modification (B)	1992	785,000 \$
Incinerator for ACN Plant	1993	1,600,000 \$
Sludge Incineration Modification (A)	1994	825,000 \$
Rebuilding of Oily Wastewater Sewer System	1995	435,000 \$
COD Rehabilitation Study	1997	43,000 \$
Construction of Temporary Storage Cells	1998	80,000 \$
Establishment of Environmental Laboratory	1998	50,000 \$
Discharge Channel Modification	1998	160,000 \$
Remediation of Chemical Waste Sludge	1998	2,530,000 \$
CA Plant- Modification for Membrane Cell Process instead of Mercury Process	2000	26,500,000 \$
Discharge Channel Cleaning	2000	18,000 \$
Barriers for Sea Pollution Control	2000	200,000 \$
Consultancy from Ege University for Biological Treatment System	2000	10,000 \$
Ambient air and Stack gas Emissions Measurements by DEU	2000	10,000 \$
Liquid-Solid Industrial Waste Incineration Unit	2002	20,200,000 \$
Mobile Monitoring Station for Ambient Air Quality Control	2002	151,000 £
Environmental Operational Cost in 2004		22,000 Billion TL.

The information about environmental implementations of Petkim can be obtained from our website. We always take into consideration NGO and public opinion and suggestions in our management strategies and their contributions are very important for us. The requests from universities and schools like information, documentation, technical site trips are met and they are informed about our environmental facilities. Beside, our Responsible Care-Public Relations/Communications Group arranged a composition contest on a subject "PETKİM and Environment" in 2002, among the first schools in Aliğa and the guerdons were offered to premier students with a ceremony.

PETKİM is admired for its environmental investments and projects. Petkim made a large investment for changing the mercury cell technology to the membrane cell technology. By this project, the environment can be protected from the worse effects of mercury as well as significant amount of energy can be saved. In 2000, Petkim was awarded as a company that provides the most energy saving and the most environmentally beneficial in "The Energy Saving Project Competition among the Industrial Establishments" among the 46 private and state enterprises in all over the country.

The other prize was achieved in the competition held for the second time on January 2001 with the project named "Increasing the Burning Efficiency of Heavy Fuel-Oil" in the category of "The Most Environmentally Friendly Energy Saving Project".

Petkim established The Environmental Department in 1998 to manage the environmental facilities effectively. In this department 3 environmental engineer, 1 chemical engineer and 5 technical personnel work for following up and auditing environmental legal responsibilities, waste management, pollution monitoring, environmental training, improvement of environmental performance and the other environmental activities. A laboratory is also present in the department equipped with various analyzers and measurement instruments.

## WASTE MANAGEMENT

### Wastewater Control

Chemical and oily wastewater from plants/auxiliary units and domestic wastewater from offices, houses, and social buildings are treated separately in the central wastewater treatment plant. It was built in the complex site during establishment, 1986.

The treated wastewater is discharged to the sea according to the standards determined in Water Pollution Control Regulation. WWTP is consists of physical, chemical, biological systems and a waste sludge incinerator.

In some plants, we have primary treatment systems consists of oil separation, neutralization and settling units so that the pollution load coming to WWTP can be decreased.

To follow the treatment efficiency and confirm with the regulation standards, daily and periodically wastewater analysis are done in The Central Laboratory, The Waste Treatment Laboratory and The Environmental Department Laboratory of PETKİM. In this analysis, the samples are taken from the discharge points of plants, discharge channel, open channels and analyzed for COD, BOD, SS, oil and grease, phenol etc.

In 2004, totally 7,381,096 m<sup>3</sup> wastewater are treated and 353 COD analysis, 371 SS analysis, 106 oil grease analysis, 262 sulphur analysis, 9 total-N analysis, 10 phenol analysis and 8 times of heavy metal analysis have done in this year.

### Wastewater Treatment Plant



<b>CAPACITY :</b>	550 m <sup>3</sup> /h	Oily Wastewater
	1,000 m <sup>3</sup> /h	Chemical Wastewater
	150 m <sup>3</sup> /h	Domestic Wastewater
<b>EFFICIENCY:</b>	90% BOD	
	60% COD	
	85% SS	
	75% Oil	

For COD parameter, we confirmed to standards of The Water Pollution Control Regulation by 90% and almost by 99% for the other parameters; SS, oil-grease, Total-N, phenol and heavy metals. Furthermore, daily COD analysis and ph measurement were done at the wastewater discharge point of plants and open channels to follow up the pollution loads. The open channels in the complex site were also controlled for ph at two times a day to check if there any leakages or unwanted conditions.

### Air Pollution Control

We carry out air pollutions controlling activities by two section; stack gas emissions and ambient air quality:

### Stack Gas Emissions

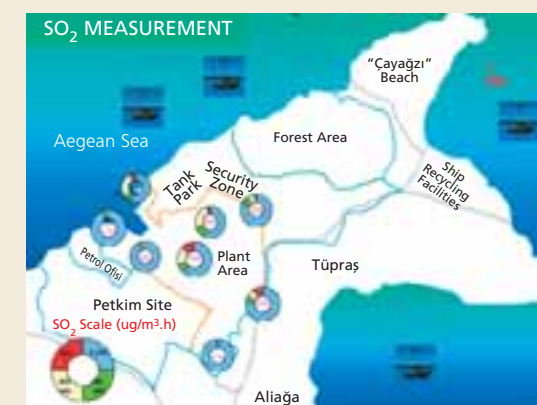
Petkim prefers to use fuel gas instead of fuel oil in process furnaces and incinerators to reduce especially sulphur dioxide emissions. Emissions from Steam and Power Generation Plant because of heavy fuel oil usage could be reduced by the study that increases the burning efficiency as well as saving energy.

The most important initiative of PETKİM for emission reduction was started in 2004. This investment site and stack gas emission measurements are done periodically to follow up the SO<sub>2</sub>, CO, NO<sub>x</sub> at that source. In 2004, emission measurements were done 7 times by The Environmental Department at the whole sources. There are 24 emission sources in our complex. It includes modification of boilers thus, natural gas can be used and emissions can be eliminated in our Steam-Power Generation Plant.

### Ambient Air Quality Management:

One of our projects to improve the ambient air quality in our complex site is the establishment an incineration system in VCM plant that collects and burns the chlorinated hydrocarbon emissions while producing HCl.

We purchased a mobile station in 2003 for monitoring the ambient air quality in and around of the complex site. By this station equipped with modern instruments and software systems, continuous measurement can be done and results are recorded at the station computer. Also, a software system found at the office gives a chance for remote control of the station.



The parameters and the measurement methods can be seen from the table. The results are reported and evaluated with meteorological data by a special software program.

Parameter	Method
O <sub>3</sub>	UV Absorption
VOC ( benzene, toluene, ethylbenzene, m-xylene, o-xylene, p-xylene)	PID Gas Chromatograph
Particulate Matter	Beta Gauge
SO <sub>2</sub> , H <sub>2</sub> S	UV- Florissant
NO, NOx, NO <sub>2</sub> , NOy, NH <sub>3</sub>	Chemiluminescence
HCl, HF, Acrylonitrile, Acetic Acid, H <sub>2</sub> O, CO <sub>2</sub>	FTIR (Fourier Transform Infrared)
Total Hydrocarbon	FID (Flame Ionization Detector)
CO	NDIR Correlation
Cl <sub>2</sub>	Gas Detector
Location	
Wind Speed and Direction, Temperature, Pressure, Solar Radiation, Humidity	



We monitored the air quality at 10 point in the complex area for almost 1 month period at each station in 2004. The resulted reports were offered to The Environment and Forest Directorship of Izmir.

## Waste & Hazardous Waste Management

We collect the solid wastes separately as domestic, industrial, hazardous and medical waste and they are treated in accordance with the regulations and their characteristics.

Petkim Waste Incineration Plant was set up for the treatment of industrial and hazardous wastes from our production facilities. Some kind of hazardous wastes can not be burnt, and they are stored in leakproof concrete cells. Economically valuable wastes like isododecane are sold to the companies having environmental license for recycling. The off-spec products and scrap materials are also sold. In 2004, 1,056,000 YTL income was derived by off-spec products sales, 560,400 YTL by scrap materials sales and 850,400 YTL by economically valuable wastes sales. The scrap plastics are recycled and used for producing films. The wastes from our medical service are sent to The Municipality of Aliağa.

## LIQUID-SOLID WASTE INCINERATION PLANT

Garbage and the hazardous wastes that can be burnt like waste oil, waste sludge, waste sludge from treatment plant and solid hydrocarbons are incinerated in this plant which was set up in 2003. Since the wastes are incinerated at high temperature, dioxin or furans are not formed. The incinerator designed by the best technology generates also high pressurized steam as by-product. The waste gases formed from burning are filtrated by active carbon. In this way, environmental effects can be eliminated.

We don't accept any radioactive, explosive wastes or shambles wastes, cadavers, wastes contaminated by mercury or chlorine to the incinerator.

Petkim Liquid Solid Waste Incinerator is equipped with the online stack gas emission measurement instruments. The plant is designed to automatically shut down as if the emissions exceed the limits defined in The Regulation on Hazardous Waste Control. The ash and clinker formed from burning are sent to IZAYDAS to final disposal.



**CAPACITY: 2.2 tons waste/h**  
**STEAM AS BY-PRODUCT: 12 ton XHS/h**

There is no plant else beside IZAYDAŞ in Turkey. Petkim is the first and only company which is set up such an important plant by making a great investment.

In 2004, 3,931 tons of solid waste, 1,862 tons of liquid waste were incinerated and 61,032 tons of steam was derived during the testing operation.

## Noise Control

According to The Noise Control Regulation, we measure the noise periodically at the specific points and around the instruments that is assigned as the noise source at each plant site. We took some precautions to reduce the noise like using silencer at sources and insulating some instruments to reduce vibration. Further, some instruments were moved to closed areas. We also provided the protective equipments to our site employee.

Noise measurements were done at totally 48 point of the process site and control rooms by Petkim Environmental Department in 2004. The results from 5 periodical measurements show that we could confirm the noise regulation standards by 80% in this year.

## Sea Pollution Control

Sea Pollution Control is another main environmental task since Petkim is in shore of The Nemrut Bay. We purchased a 1,000 m of barrier to prevent dispersion of oil, hydrocarbon or another material spillage if any accidental pollution occurs at the sea. At times, we make field operations with our neighbors, PO and Tüpraş Refinery to be prepared to emergency conditions.

The other issue related to the sea pollution control is receiving the wastes from ships and treatment. The regulation about this subject was published in Turkey at the end of 2004 and we started to study on it to organize the facilities in our harbor according to this regulation.

## 18. Board of Directors Structure

Totally 7 board members are elected by the shareholders. 3 members, among candidates nominated by the A group shareholders, 3 members, among candidates nominated by the B group shareholders and 1 member among candidates nominated by the C group.

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

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

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

In case of death, resignation and etc. of a member, election is performed according to article 315 of Turkish Commercial Law. In case of "A" group member's resignation, new member is elected among candidates nominated by the "A" group shareholders. In case of "B" group member's resignation, new member is elected among candidates nominated by the "B" group shareholders. In case of resignation, when "A" group shares are represented by only one member, this "A" group member is elected among candidates nominated by the "C" group shareholders. In case of resignation of member elected by "C" group, member is assigned by the Board among candidates nominated by the "C" group shareholders.

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

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

## 19. Qualification of Board Members

Have to be legally competent, to have company's share and not to expose to any dishonorable crime. Candidates' membership is valid after having Company's share. (Except Turkish Commercial Law, article 334 and 335) Comprehensive information about members is available on our web site.

## 20. Mission, Vision and Strategy

**Vision:** Aims to have 50% domestic share, 5 million tons of sales quantity and national and international partnership by the 2015.

**Mission:** To respect human and environment, continuously renovate its technology, create shareholders value and meet their expectations, provide suitable environment for innovations, focus on customer need, strengthen country's power of competence and be flexible to adapt changing environment.

**Strategy:** To increase the company's value, increase the customers' satisfaction, increase the market share, improve the productivity and quality, advance the human resource quality and advance the technological and managerial quality.



**21. Risk Management and Internal Control**

Inspection Department performs the investigation of company's operations in the name of General Manager in accordance with the law, rules, regulations and Company's Article of Association. Inspection Unit's responsibilities, authorities and tasks have been defined in the Company's Regulations.

Inspection Department carries out the below mentioned duties;

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

**22. Board Members' and Executives' Authorities and Responsibilities**

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

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

**23. Operations of Board of Directors**

Board of Directors is assembled at least one time in a month. Meeting point is Company Center or it may change according to Board Management decision. Board of Directors is only assembled at least by means of five members' attendance. Decisions are taken by means of five members positive voting. Board member is deemed resigned, when he/she doesn't attend at least four meetings. Only written and signed decisions are valid. Decisions in a certain topic are invalid which is signed by the under majority of members.

Management and representation of company is in the hand of Board. Board of Directors may over all or some part of its authority to others. Validity of documents and contracts are depends on assigned personnel signs.

**24. Restrictions**

Any Board Member can't provide consultancy or Professional service to the company.

**25. Ethic rules**

- To save environment
- To help society
- To be respectful everybody
- To give importance to workers' health and security
- To give importance to team work
- To focus on customer
- To pay attendance for experienced and trained workers
- To incite improvements

**26. Structure of Committee formed by Board Management**

A committee has been formed for auditing. It has been constituted by means of three Board Members. Committee audits accounting, declares about financial figures and surveys the services provided by the Independent Auditing Company.

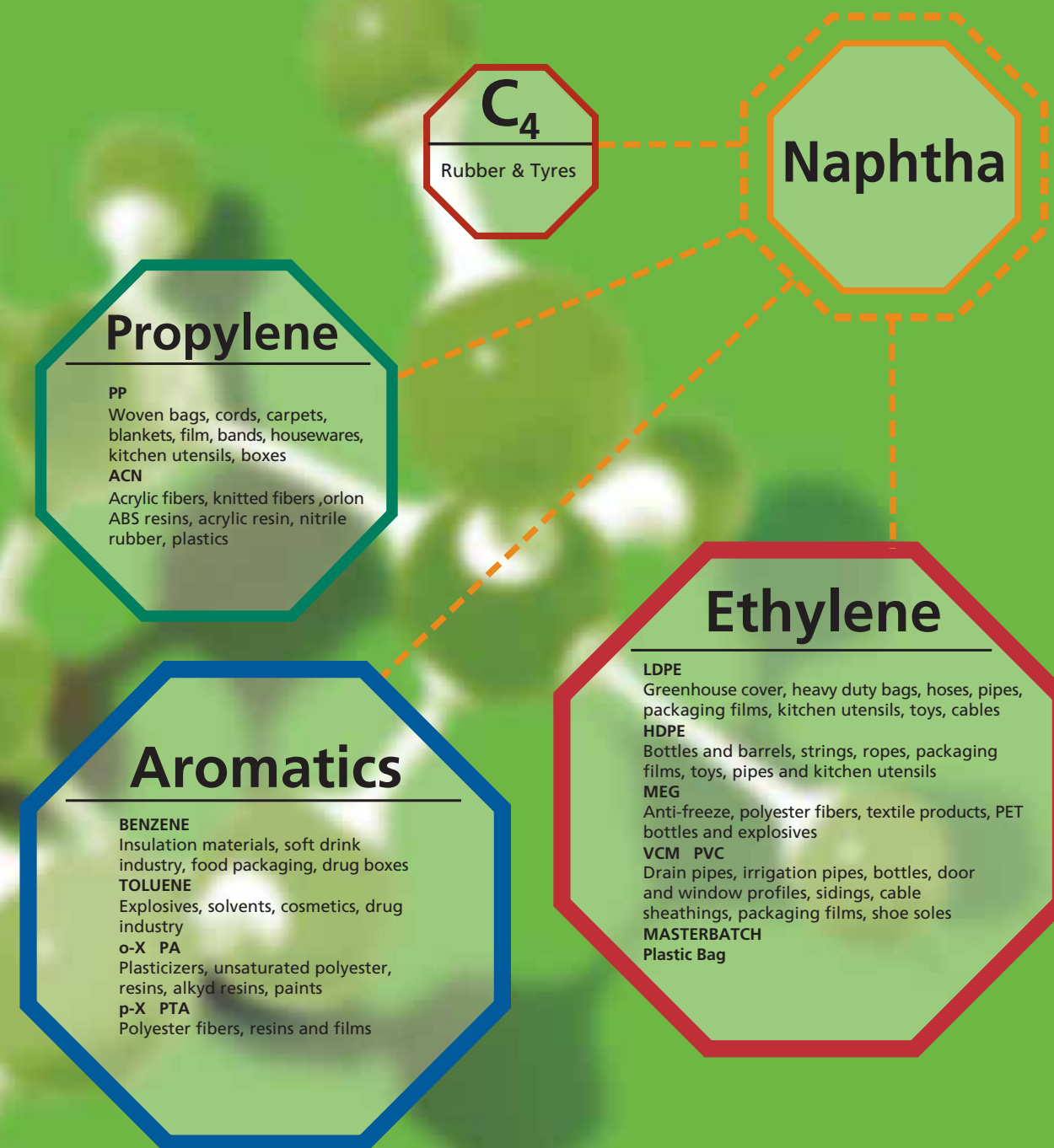
Committee assigns the Independent Auditing Company, observes the performance of it and provides a written assessment to the Board of Directors about activities they performed.

Committee is assembled at least four times annually.

**27. Board Members' Fees**

A Government Organization called Planning Association determines the fees and extra payments to be paid for Board Members. No compensation is paid other than ordinary fees. Travel allowances are paid according to the Governmental Organization regulations for public officers.

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





**Petkim Petrokimya Holding A.Ş.**

**BOARD of DIRECTORATE**  
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