



2006 ANNUAL REPORT





41th year

*Petkim serving
the development
of national economy
by growing
consistently for 41 years,
on its journey of progress
and change that
pursues the technology
closely and respects for the
environment,
will continue to be a
source of pride for the
Turkish Petrochemical Sector.*





Experienced

41th year

In its 41th year, Petkim, a source of pride for Aegean and Turkey...





Leader

Production, Sales and Export records...





Transparent

One of the top five transparent companies in Turkey...





Innovatory

Trade policy changing with technology...





Responsible

Respect for the environment, social responsibility...





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By meeting the challenges we will enhance our portfolio and our capabilities.



Chemical industry is a branch of industry that begins from petroleum, natural gas, air, water, metals and minerals and produces more than 70,000 different products. Chemical Industry is a capital and technology intensive sector, has a wide range of products. By providing high added values and technologic innovations chemical industry is a locomotive sector for energy, agriculture, health, transportation, food, construction, electronic and textile sectors. In our country chemical industry depends on imports. Because of insufficient investments to the industry and the demand increase being more than the world average, Turkish chemical imports have been increasing continuously. Being the leader sector by providing inputs to the other sectors chemical industry is important for the future of Turkish economy. Because Turkish chemical industry is technology intensive, producing products having more added value increases the competition power of Turkey against the countries having the raw material advantages and developed countries. Petrochemical industry where the Petkim is almost the unique producer consists 25% of the total chemical production in our country.

Being the biggest player of the Turkish Petrochemical industry Petkim efforts to renew itself continuously. Aware of need of change and improvement, Petkim defined a vision to increase the competition power and to maintain the contribution to Turkish economy. Within the context of this vision Petkim aims to increase the production, domestic market share, to enter joint ventures in Turkey and in the world and to

be an important producer of the region in 2015.

2006 was a year of change and progress for Petkim. We achieved good results and are improving strongly. But there is much more to do. The supply and use of petrochemicals on which people depend presents a great and growing challenge for the world. As the largest producer of petrochemicals in Turkey we have the opportunity and ability to meet these challenges. In an increasingly demanding world by meeting the challenges we will enhance our portfolio and our capabilities.

After a year of 2005 uncertainties and fluctuations 2006 was partially more stable but hyper energy costs related to high oil prices reached maximum levels at July and August. After the summer decrease in the price of the oil and naphtha calmed down all industries in addition to ours. It is difficult to determine how long the relaxed period will last. But these days are the opportunities which will carry Petkim to the future.

Our aim is to use our products and services to successfully shape the future of our customers, shareholders and employees. By doing this the value of our company shall be increasing consistently. We combine economic success with our principles of environmental protection and social responsibility. This is our priority to reach a better future for us and for the next generations.

Our aim is to use our products and services to successfully shape the future of our customers, shareholders and employees.

2006 has been the year that almost all investment projects were completed and the plants were started to work regularly. Our production, sales and export values reached to record figures. Our capacity utilization rates which fell down in 2005 reached to 90% in 2006. In the future we aim to reach the maximum production levels by utilizing all of our capacity. Our country's petrochemical consumption rate has been increasing two times more rapidly than the country's growth rate so this assigns us new responsibilities as the unique domestic producer.

Petkim's new Waste Incineration Plant will also serve to other industrial plants for the disposal of their chemical wastes safely without any harmful effect on environment.

Petkim's combined Heat and Power plant is another investment that can result in positive effects on environment. After the realization of this investment capacity of the plant will increase from 170 MW to 220 MW. 40% saving in energy cost of Petkim will be

provided by using environment friendly natural gas. Emissions will be within the range of international industrial air pollution control limits.

We should also do much more to build for the future, in order to be more effective in domestic & foreign markets. Petkim aims at continuing capacity additions and modernization activities, expanding the product spectrum even after the year 2006. Petkim wants to evaluate investment opportunities for the future for the production of high value added products within the frame of these targets. Petkim carries out actions related with exploring the investment opportunities, determining the market size of Turkey and potential products that can be produced.

We aim to shape the attractive petrochemical market of Turkey by expanding our product chain. We believe that only the best team can be able to create Petkim's future. To do this we are implementing appropriate training & education programs for our employees. Every member of Petkim understands the importance of continuous personnel development, of learning from one another and encouraging each other to become even better.

"More active Petkim in domestic and foreign markets" is the dream of all. By meeting the domestic demand and by competing with world market especially in production of high value added products, this dream will be achieved. We will succeed this all together.



Board of Directors



Osman İLTER
Chairman of the Board



Prof. Dr. M. Ali GÜRKAYNAK
Vice Chairman



Kenan YAVUZ
Member – General Manager

Auditors



Mustafa ÖZEL
Auditor



Mustafa BULUT
Auditor



Birol AYDEMİR
Member



M. Fikret USLU
Member



Aziz GÜMÜŞ
Member





Petkim is the industrial giant of Turkey with its manufacturing technology respectful towards people and environment, with its contribution to cultural and socio economic life.

The petrochemical industry is an important leading sector with its technology and its expanding product chain. Petrochemical industry has started to develop in the second half of the 20th century and one of the essentials in economy in a short time due to usage, durability, price advantages and versatility of its products, which can substitute various natural raw materials. Today, petrochemical industry maintains its value on the economies of world countries. Even, it becomes increasingly more important on human life and economies of countries and regions from the beginning. So Petkim is the industrial giant of Turkey with its manufacturing technology respectful towards people and environment, with its contribution to cultural and socio economic life.

Turkey is one of the top ten emerging markets in the world. Its strategic position between major continents explains in economical and political ties to the Middle East, Europe and Asia. The proximity of Turkey to the Middle East, Europe and Asia gives Turkey a logistical advantage in the world trade. Turkey is the bridge between East and West and Petkim is the largest petrochemical producer in this bridge.

Annual turnover of the petrochemicals sector in Turkey is approximately USD 5-6 Billion and there is a strong growth potential in Turkey considering the factors such as the level of industrialization in Turkey, rapid population growth and developments in various industrial sectors. Turkish domestic market is one of the fastest growing markets in the world. The demand for petrochemical industry in Turkey

has been increasing faster than that of developed countries and world average level. Petkim was able to meet only 28% of domestic petrochemicals demand in 2006 despite the capacity increase brought by the PETKAM project. Imports are estimated to have accounted for approximately 70% of the Turkish market. This means that, these realized capacity increases are very insufficient to meet the rapidly growing demand. The share of the domestic production in consumption has been decreasing rapidly, and the import of petrochemical products of Turkey has also been increasing rapidly. Petkim increased its capacity by investments to a great extent and it works at very high operation rates such as 95-99%.

However, due to rapidly increasing domestic demand, Petkim's market share is decreasing, and due to rapid growing of economy, petrochemicals import of Turkey is increasing too. This situation decreases the competitive power of Petkim and accordingly Turkish petrochemical industry. Turkish economy is weakened due to foreign exchange loss and transfer of added value to overseas. Petrochemical market in Turkey has an annual growth rate of approximately 11%. Domestic production is the equipoise for imported petrochemical products. For that reason, our objective is increasing our market share to at least 50% within the five years by continuing capacity increase and modernization investments and making new investments on the production of high value added products.

The year 2005 was announced as the year of change for Petkim. The year 2006 was the year of getting results of PETKAM (Petkim Capacity Increase and Modernization) investments and reorganizational activities. After the completion of PETKAM project, production capacity was increased approximately 19% and overall production capacity was reached approximately 1.9 Million tons. All of the investments are realized by using our own sources. As of the end of the year 2006, Petkim has almost no financial debt on its balance sheet. Petkim is among the seven companies having the highest credit rating in Turkey for the year 2006. Additionally, Petkim was among the top five transparent companies in Turkey as a result of survey carried out by the cooperation of an International Credit Rating Organization Standard and Poors (S&P) and the Sabancı University Corporate Governance Forum of Turkey.

In 2006, the realized total investment expenditure of Petkim was approximately USD 66 Million. Total investment expenditures for the last five year were approximately USD 450 Million. Additionally, about USD 100 Million is planned for the year 2007. Within the year 2006, approximately 1.47 Million ton production is realized with capacity utilization rate of 88%. Annual sale was approximately USD 1.58 Billion at the end of the 2006. The total export realized in 2006 is USD 400 Million.

As known by all of us, energy has a strategic importance today. The most

important thing in the free market is reducing costs and increasing quality. Both of them mean more and cheaper energy. The share of energy costs in total production costs is very high in Turkey. The most important investment of Petkim is debottlenecking of steam generation unit to reduce energy costs which will be completed in 2007. Two of the boilers started the use of natural gas instead of fuel oil and after completion of this project all the boilers will be enable to utilize natural gas resulting in considerable savings in energy costs and minimizing flue gas emissions. Furthermore, by the addition of a 50 MW gas turbine generator the capacity of power generation unit will be increased to 220 MW.

Our slogan is development by the winds of change and everlasting growing.

The thermoplastics demand of Turkey in 2010 will require building of a new ethylene plant with the capacity of 1.0-1.5 Million tons/year and its downstream units. If petrochemical production remains at current level, the petrochemicals imports will amount to about USD 11-12 Billion in

2015. So additional investments must be realized in petrochemical industry in order to strengthen the competitive power of Turkish petrochemical sector, to provide added value of the sector remains in the country and provide foreign exchange saving. Petkim targets at growing by providing reliability on raw material supply, or by widening its product range, or by providing the production of wide-range of high value added products and reducing cost of utilities and production in order to increase our long-term competitive power. Our slogan is development by the winds of change and everlasting growing.

In the following pages, you will find greater detail about the Petkim's results in 2006. They were conquests that consecrated the efforts of our employees and suppliers along with the trust of our shareholders and customers.

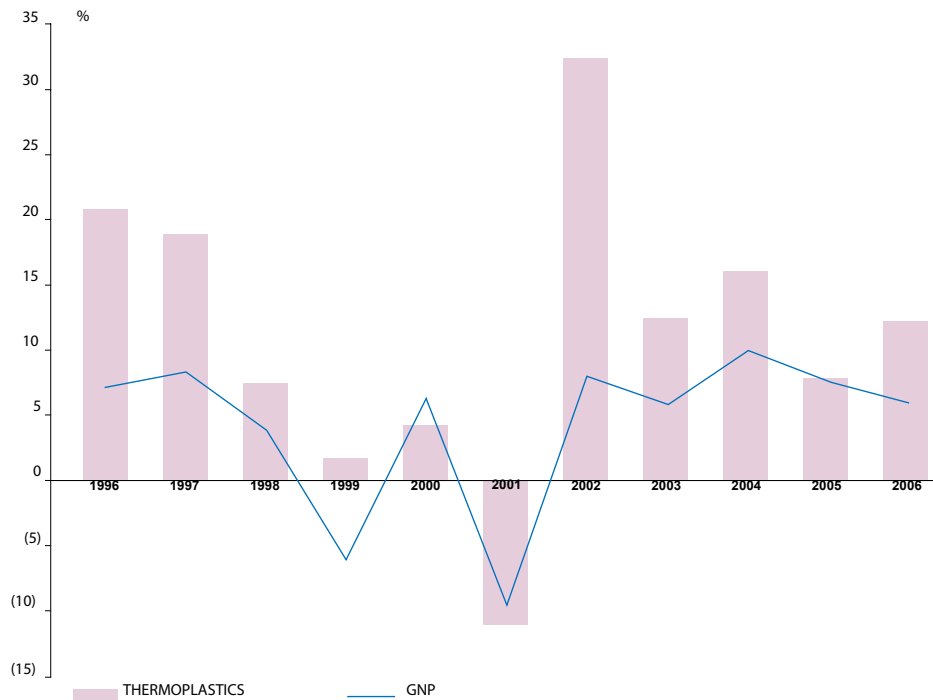


SUMMARY OF THE LAST FIVE YEARS					000 TRY
	2002	2003	2004	2005	2006
NET SALES	961,547	1,240,046	1,568,689	1,344,249	2,222,333
EXPORTS (MILLION US \$)	113	127	182	217	410
PRODUCTION VALUE	912,456	1,323,755	1,497,066	1,232,644	1,949,944
INVESTMENTS	112,355	72,722	113,639	207,535	96,897
DEPRECIATION AND AMORTIZATION	110,198	236,422	254,177	69,587	91,069
PROVISION FOR TERMINATION INDEMNITY	94,053	117,691	113,886	95,405	99,086
CURRENT PROFIT/(LOSS)					
BEFORE TAXES	15,011	(244,987)	61,943	(98,547)	57,986
NET PROFIT / (LOSS)	2,647	(245,402)	61,943	(98,547)	57,986
NET PROFIT / (LOSS) (MILLION US \$)	(1)	(183)	46	(73)	41
CAPITAL	204,750	204,750	204,750	204,750	204,750
FINANCIAL DEBTS	23,949	14,990	10,889	92,152	17,381
TOTAL ASSETS	1,196,566	1,753,168	1,753,685	1,801,846	1,838,953
NUMBER OF EMPLOYEES	4,859	4,281	3,967	3,758	3,700
GROSS FOREIGN EXCHANGE SAVINGS (MILLION US \$)	647	700	1,002	953	1,514
CONTRIBUTION TO THE NATIONAL ECONOMY	260,315	194,875	497,595	205,338	380,769

All figures unless specified are in thousand TRY as of 31.12.2006, 1 US Dollar = 1.4056 TRY



GNP & THERMOPLASTICS DEMAND GROWTH RATES FOR TURKEY



DOMESTIC DEMAND PROJECTIONS OF PETROCHEMICALS								000 TONS
PRODUCTS	2006		FORECAST*					
	ACTUAL DEMAND	ANNUAL GROWTH %	A			B		96 - 06 G.RATE,%
			2010	2015	01 - 06 G.RATE,%	2010	2015	
THERMOPLASTICS	2,913	12	5,444	12,426	16.9	4,396	7,663	10.8
PVC	706	8	1,210	2,373	14.4	1,004	1,560	9.2
LDPE	409	15	551	801	7.8	464	543	3.2
LLDPE	138	(0.3)	349	1,113	26.1	337	1,028	25.0
HDPE	440	15	1,011	2,858	23.1	714	1,305	12.8
PP	885	14	1,570	3,214	15.4	1,323	2,186	10.6
PS	335	16	753	2,066	22.4	555	1,042	13.4
FIBER RAW MATERIALS	753	1	916	1,203	5.0	979	1,368	6.8
ACN	289	24	413	646	9.4	355	460	5.3
MEG	206	(7)	234	273	3.2	259	345	5.9
PTA	258	(11)	269	283	1.1	365	564	9.1
RUBBER RAW MATERIALS	239	3	357	609	10.6	301	403	6.0
SBR	71	(7)	82	98	3.7	90	121	6.0
CBR	28	11	43	73	11.4	34	45	5.5
CARBON BLACK	140	7	232	438	13.5	177	237	6.1
OTHERS	182	(7)	215	279	4.3	191	203	1.2
PA	61	(1)	91	150	10.6	67	75	2.4
p - X	122	(9)	125	128	0.6	125	128	0.6
TOTAL	4,087	9	6,932	14,517	14.1	5,867	9,637	9.5

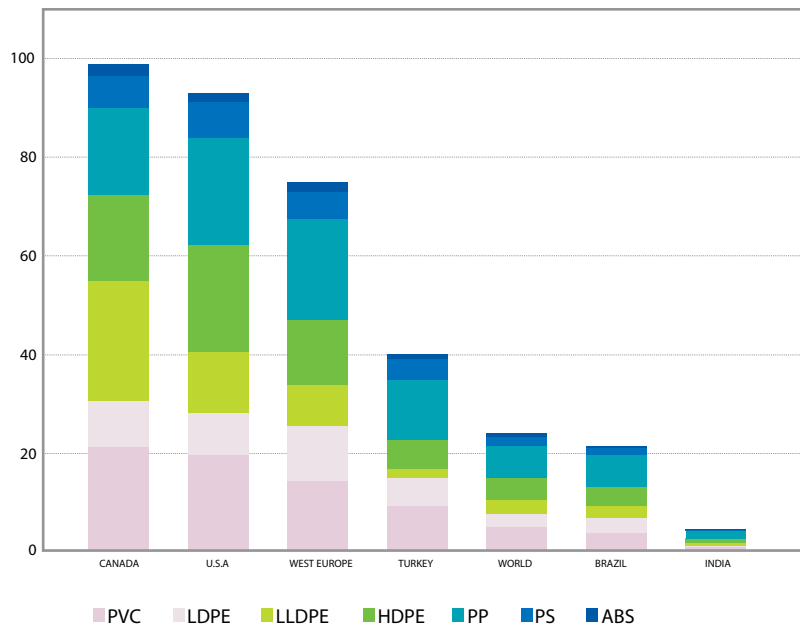
(*A) : Projected values are found by using 2006 actual consumptions and growth rates for the period 2001 - 2006

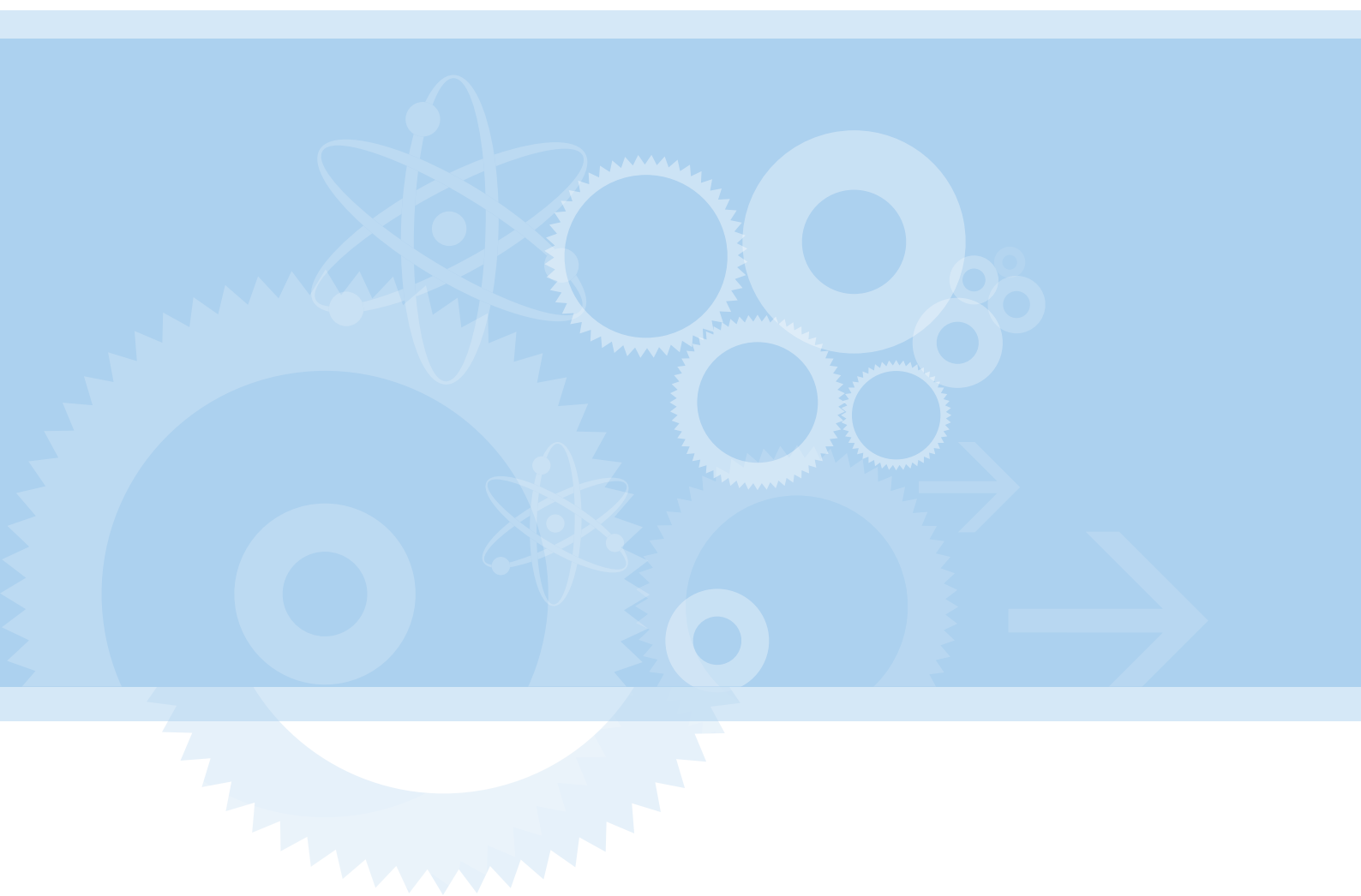
B : Projected values are found by using 2006 actual consumptions and growth rates for the period 1996 - 2006

PETKİM'S SHARE OF THE DOMESTIC MARKET					%
	2002	2003	2004	2005	2006
THERMOPLASTICS	33	27	24	20	24
PVC	35	29	25	21	19
LDPE	56	52	48	50	62
HDPE	37	29	29	19	20
PP	15	11	9	6	13
FIBER RAW MATERIALS	32	31	27	21	23
ACN	37	34	40	23	33
MEG	42	38	28	29	25
PTA	21	22	17	14	10
OTHERS	64	69	55	45	70
BENZEN	100	99	99	100	99
o - X	100	100	100	100	100
p - X	55	63	45	41	71
PA	61	60	56	36	52
TOTAL	35	31	28	22	27

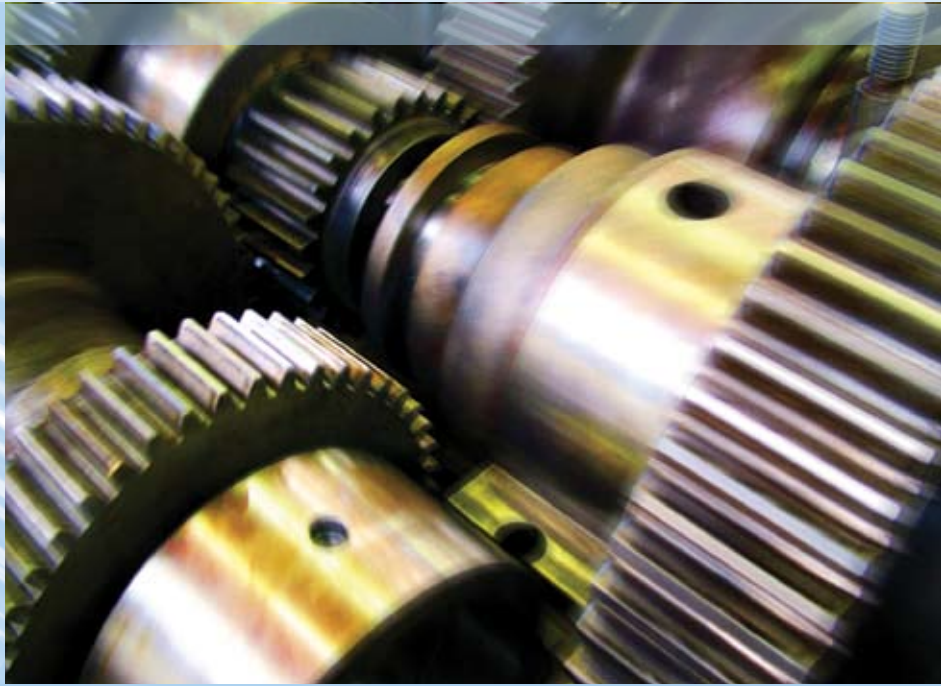
THERMOPLASTICS CONSUMPTION PER CAPITA

KG / CAPITA / YEAR





Production Activities



THE PRODUCTION RECORD HAS BEEN BROKEN WITH THE NEW CAPACITIES

After the completion of the expansion investments, annual production increased by 11% and reached a record level.

The production and maintenance operations had been performed as scheduled and the plants been operated at full capacity as per production program and total quality concept.

Capacity utilization rates were 94% in Ethylene, 97% in LDPE-T as to expanded and new capacities. The capacity of complex overall have been realized as 88%.

All modernization and revamping activities relevant to capacity and production efficiency increase have been carried out providing production continuity. The investment projects for packaging of the solid products in FFS polyethylene bags, fuel conversion in Steam Generation Unit from fuel oil to natural gas and

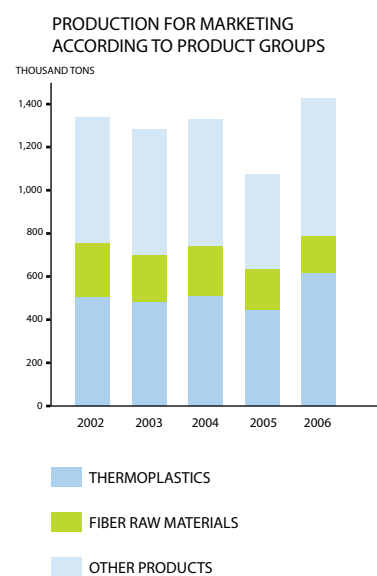
addition of a new gas turbine generator in Electricity Unit have been continuing. With the fuel conversion project in Steam Generation Unit; energy costs will be reduced, alternative fuel for energy production will be supplied and a cleaner environment will be obtained.

Utility Units 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.



PRODUCTION CAPACITIES	TONS / YEAR
THERMOPLASTICS	700,000
PVC	150,000
LDPE	190,000
LDPE - T	120,000
HDPE	96,000
PP	144,000
FIBER RAW MATERIALS	249,000
ACN	90,000
PTA	70,000
MEG	89,000
OTHER PRODUCTS	954,000
ETHYLENE	520,000
BENZENE	134,000
PA	34,000
CHLORINE	100,000
VCM	152,000
MASTERBATCH	10,000
BAG	4,000
TOTAL	1,903,000

PRODUCTION				TONS
PRODUCTS	CAPACITY	CAPACITY UTILIZATION %	TOTAL PRODUCTION	FOR MARKETING
ETHYLENE	520,000	94	490,294	(3,868)
THERMOPLASTICS	700,000	89	625,768	617,970
PVC	150,000	89	133,566	133,566
LDPE	190,000	95	180,639	173,336
LDPE -T	120,000	97	116,665	116,289
HDPE	96,000	86	83,034	82,915
PP	144,000	78	111,864	111,864
FIBER RAW MATERIALS	249,000	68	168,848	168,848
ACN	90,000	101	91,298	91,298
PTA	70,000	38	26,317	26,317
MEG	89,000	58	51,233	51,233
OTHER PRODUCTS	434,000	91	1,650,159	644,458
LOW POLYMER, HDPE			1,385	1,385
ATACTIC PP			736	736
DEG			4,464	4,464
GLYCOL MIXTURE			612	612
PA	34,000	109	37,055	37,055
BENZENE	134,000	106	141,393	141,393
o-X			39,939	5,747
p-X			123,067	104,371
C ₅ MIXTURE			64,705	64,705
PROPYLENE (CG)			48,997	(1,302)
PROPYLENE (PG)			179,641	7,938
C ₄			127,562	127,463
PY - GAS			356,778	59,588
AROMATIC OIL			88,299	5,496
CHLORINE	100,000	82	81,754	
CAUSTIC (100 %)			92,371	82,990
VCM	152,000	84	128,399	(690)
EDC			111,152	2,365
HCl (27 %)			13,605	(387)
MASTERBATCH	10,000	43	4,315	468
BAG	4,000	98	3,929	61
TOTAL	1,903,000	88	2,935,069	1,427,408



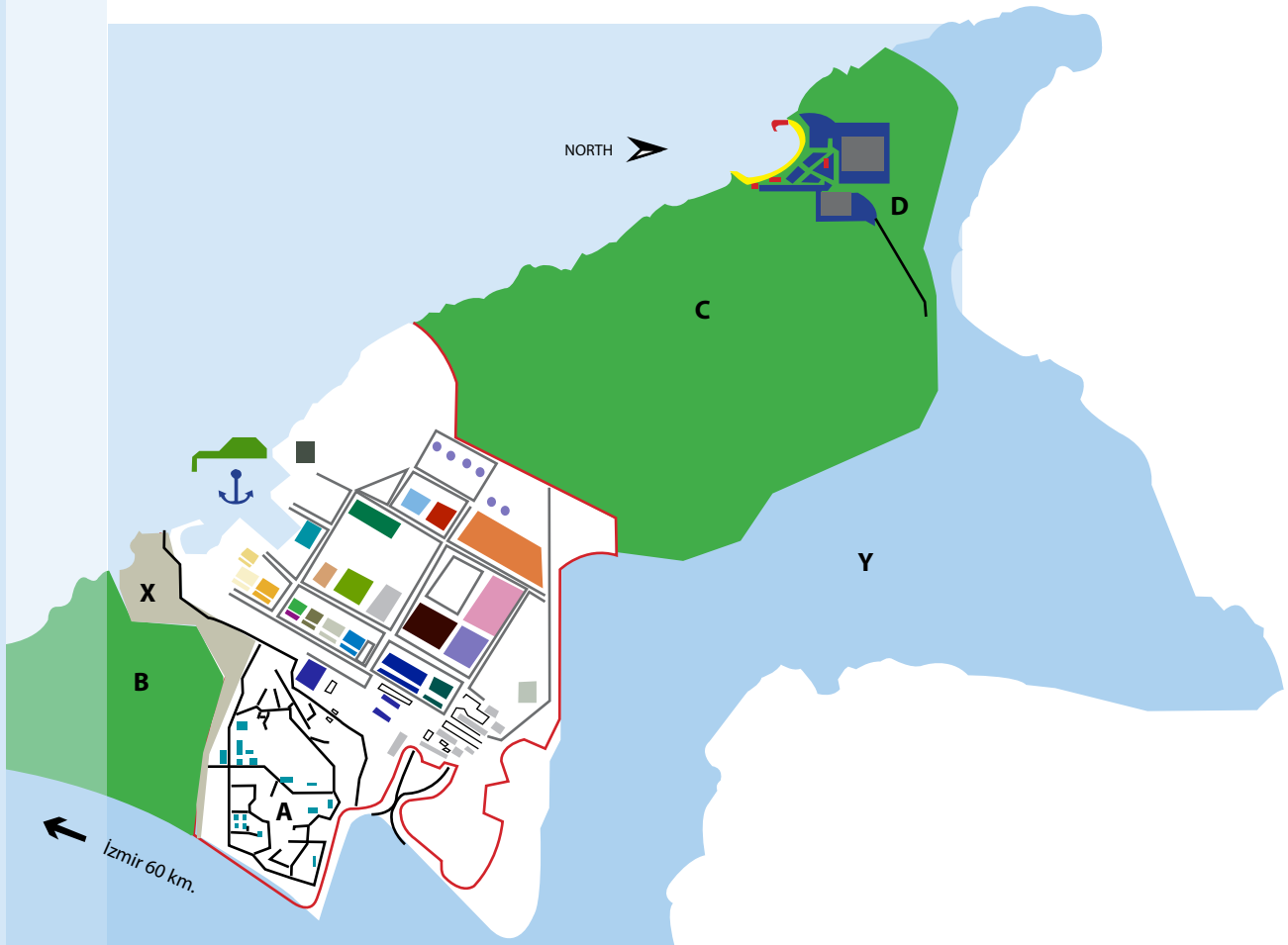
Production Activities

PRODUCTION FOR MARKETING BY YEARS					TONS
PRODUCTS	2002	2003	2004	2005	2006
ETHYLENE	8	8	11	9	(3,868)
THERMOPLASTICS	515,277	477,517	508,938	447,401	617,970
PVC	156,526	139,974	156,585	133,283	133,566
LDPE	194,184	184,519	185,558	151,032	173,336
LDPE - T				44,784	116,289
HDPE	84,784	82,129	89,487	67,808	82,915
PP	79,783	70,895	77,308	50,494	111,864
FIBER RAW MATERIALS	240,134	216,070	234,343	184,710	168,848
ACN	91,295	84,243	88,107	70,783	91,298
PTA	64,992	56,369	63,499	47,876	26,317
MEG	83,848	75,458	82,737	66,051	51,233
OTHER PRODUCTS	578,616	572,663	588,100	438,735	644,458
LOW POLYMER, HDPE	1,414	1,710	1,423	981	1,385
ATACTIC PP	746	965	927	321	736
DEG	7,816	7,169	7,559	5,971	4,464
GLYCOL MIXTURE	908	1,054	939	768	612
PA	33,931	33,347	34,412	22,710	37,055
BENZENE	122,096	130,358	131,394	106,680	141,393
o-X			6		5,747
p-X	35,911	53,001	52,120	25,372	104,371
C ₅ MIXTURE	66,775	71,187	77,115	58,287	64,705
PROPYLENE (CG)			4,298		(1,302)
PROPYLENE (PG)	2,274			12,823	7,938
C ₄	110,999	114,225	112,681	83,313	127,463
PY - GAS	37,656	8,394	6,299	28,524	59,588
AROMATIC OIL	52,949	61,054	65,637	14,412	5,496
CAUSTIC (100%)	87,169	86,871	88,886	76,873	82,990
VCM					(690)
EDC	13,621				2,365
HCl (27%)		48	1,230		(387)
MASTERBATCH	109	314	1,123	229	468
PLASTIC MATERIALS	1,975	1,011	963	790	61
OTHERS (*)	2,267	1,955	1,089	681	
TOTAL	1,334,035	1,266,258	1,331,393	1,070,855	1,427,408

(*) : Sulphuric Acid, Hypochloride

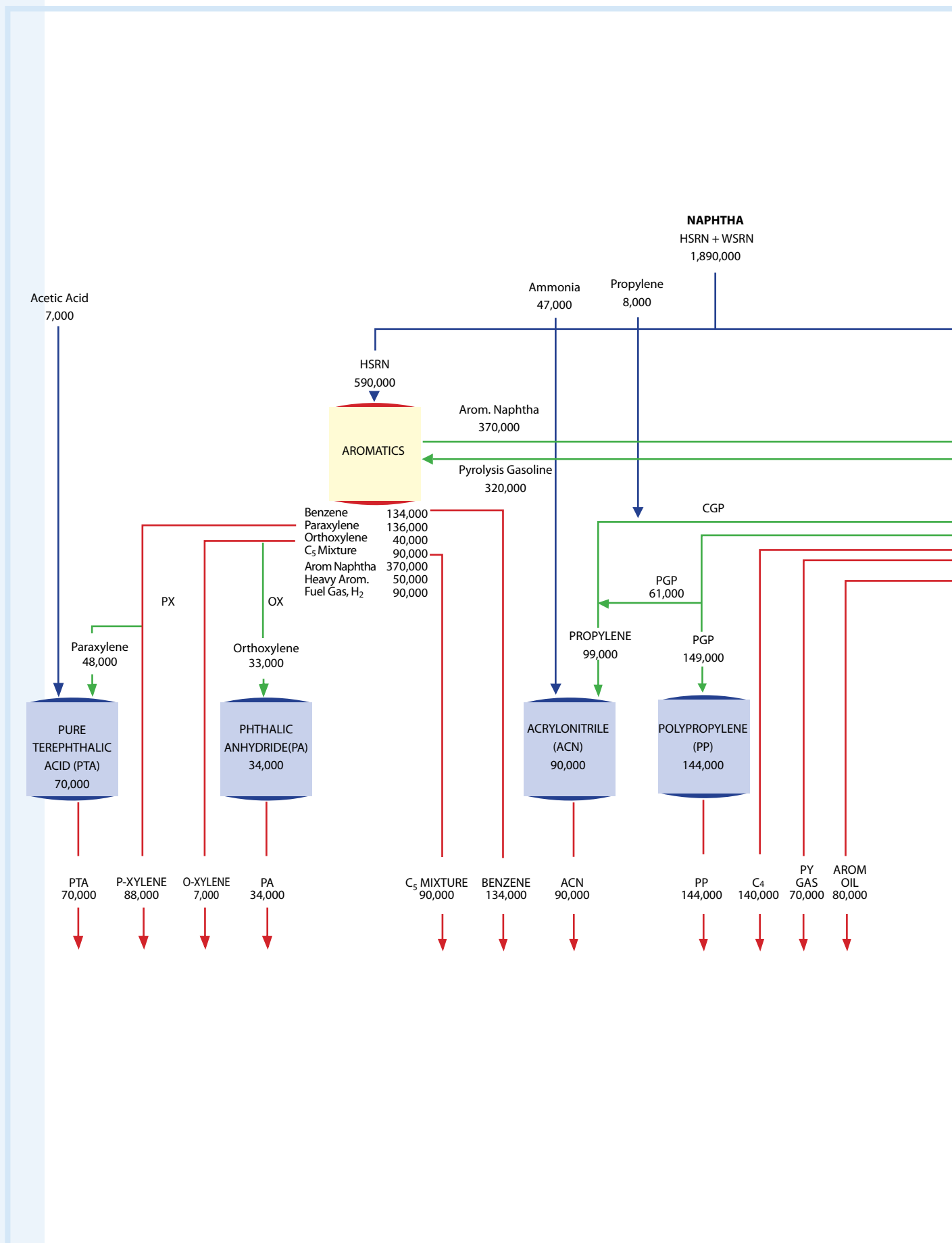


ALIĞA COMPLEX LAYOUT

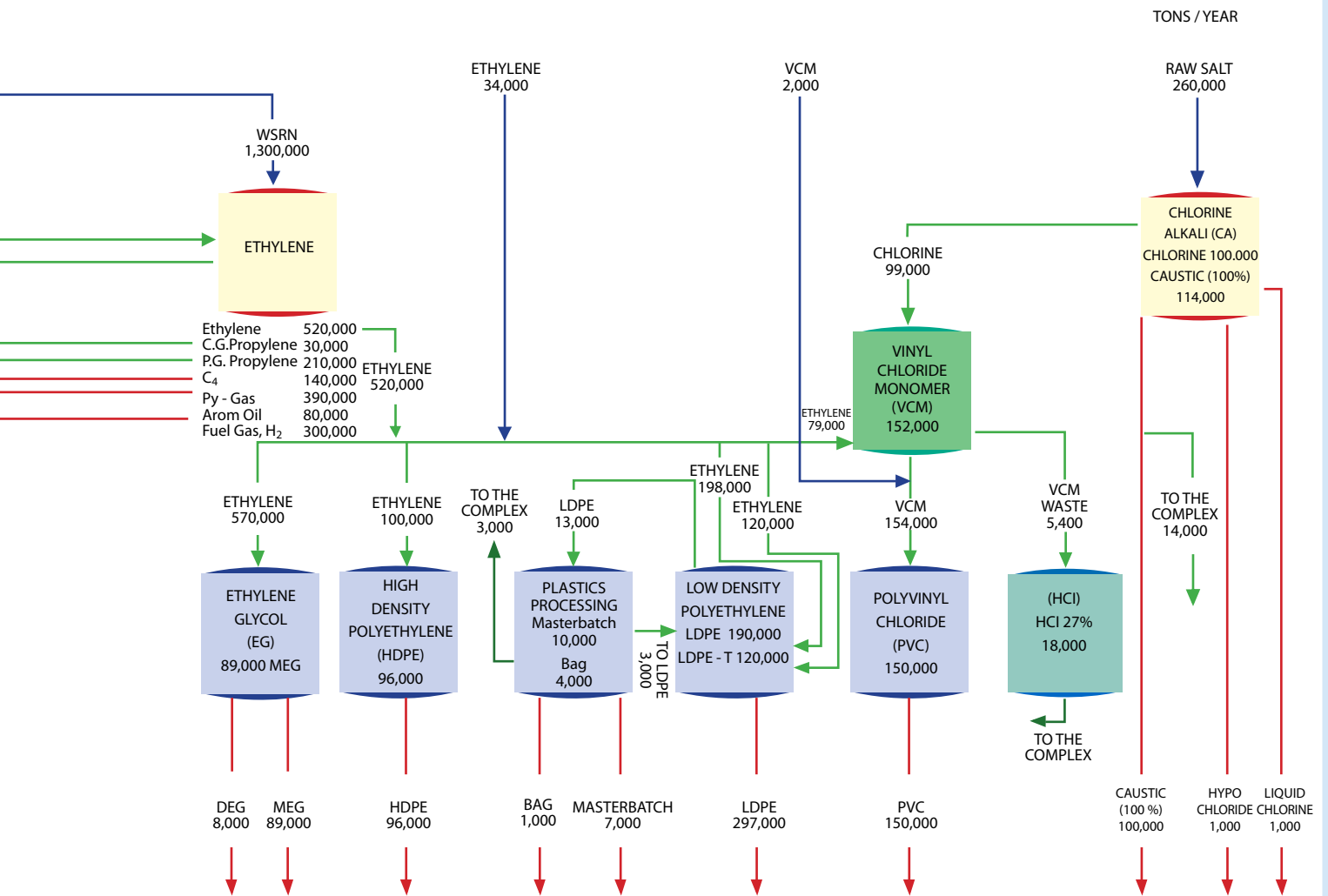


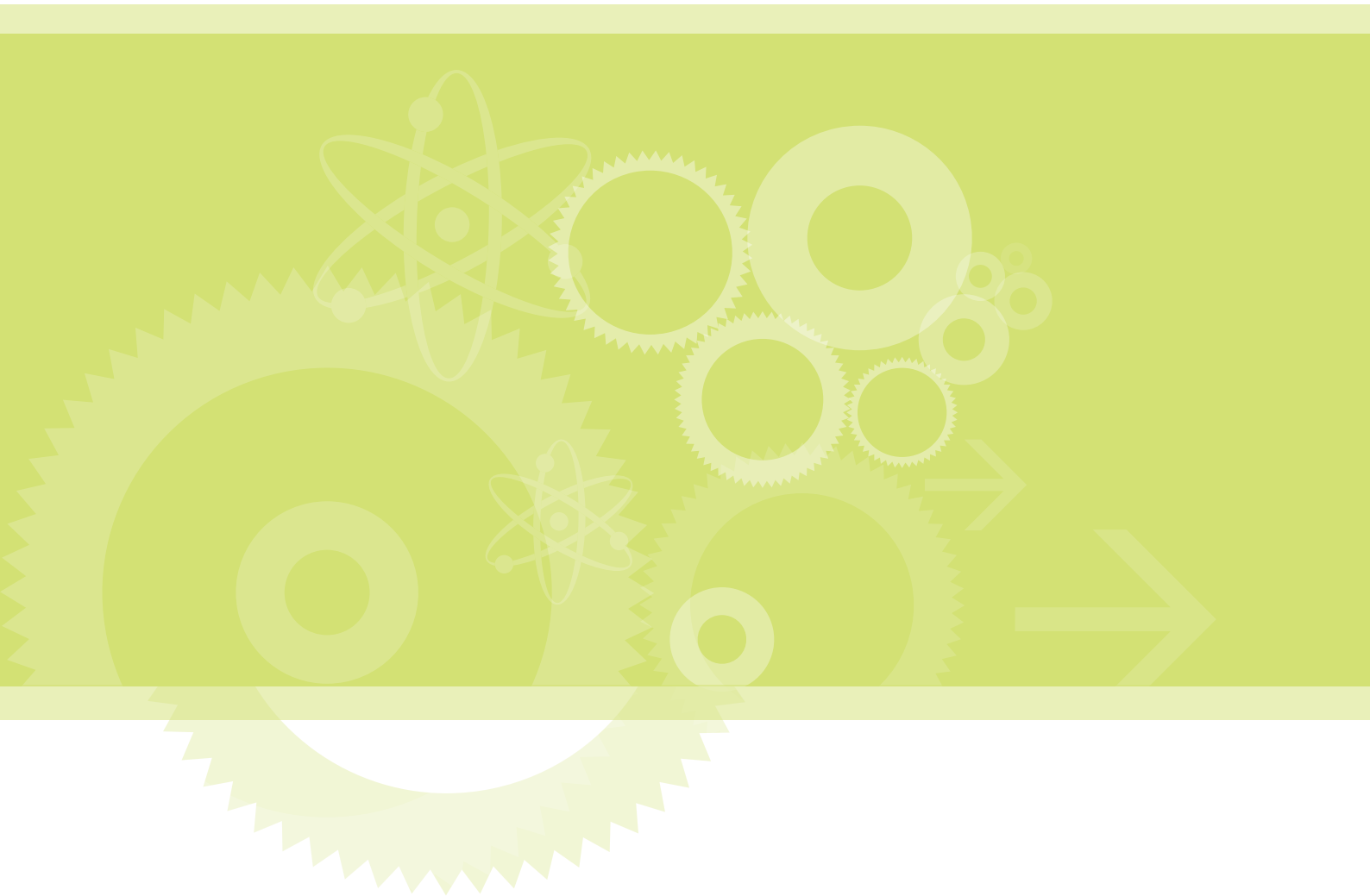
 ETHYLENE	 EO/EG	 VENT GAS BURNING TOWER	A. LIVING QUARTERS
 PVC	 AROMATICS	 STEAM AND POWER	B. PETKİM + FOUNDATION
 LDPE	 ACN	 DEMINERALIZED WATER	C. FOREST AREA
 HDPE	 VCM	 AIR, NITROGENE, OXYGENE	D. ÇAYAĞZI
 PP	 CHLORINE ALKALI	 WASTE TREATMENT	X. PETROL OFİSİ
 PA	 PLASTICS PROCESSING	 WATER TREATMENT	Y. TÜPRAŞ
 LDPE - T	 ENVIRONMENTAL UNIT	 HARBOUR	
 PTA	 ETHYLENE TANK PARK		

FLOW DIAGRAM



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





Plants



ETHYLENE PLANT

Nameplate Capacity	400,000 Tons / Year
Licensor	Stone & Webster Eng.Ltd.- ENGLAND
Engineering & Supply Contractor	Stone & Webster Eng.Ltd.- ENGLAND
Construction Contractor	Tekfen - TURKEY
Start up Date	21.03.1985
Expansion Date	2005
Capacity after Expansion	520,000 Tons / Year
2006 Production	490,294 Tons
Number of Personnel	193
Manpower Productivity (Direct)	1,120 Kg / man - hour
Production / Raw Material	100 %
Capacity Utilization Rate	94 %



LOW DENSITY POLYETHYLENE (LDPE) PLANT

Nameplate Capacity	165,000 Tons /Year
Licensor	Imperial Chemical Ind. Ltd. ENGLAND
Engineering & Supply Contractor	SIM - Chem Ltd. ENGLAND
Construction Contractor	Kutlutaş - TURKEY
Start up Date	19.04.1985
Expansion Date	1992, 2001
Capacity after Expansion	190,000 Tons / Year
2006 Production	180,639 Tons
Number of Personnel	150
Manpower Productivity (Direct)	540 Kg / man - hour
Conversion Factor LDPE / Ethylene	95 %
Capacity Utilization Rate	95 %



LOW DENSITY POLYETHYLENE TUBULAR (LDPE-T) PLANT

Nameplate Capacity	120,000 Tons / Year
Licensor	Sabtec - HOLLAND
Engineering & Supply Contractor	Technip - FRANCE
Construction Contractor	Tokar A.Ş. - TURKEY
Start up Date	24.05.2005
2006 Production	116,665 Tons
Number of Personnel	95
Manpower Productivity (Direct)	540 Kg / man - hour
Conversion Factor LDPE-T / Ethylene	98 %
Capacity Utilization Rate	97 %



HIGH DENSITY POLYETHYLENE (HDPE) PLANT

Nameplate Capacity	44,000 Tons / Year
Licensor	Mitsui Petrochemical Co.- JAPAN
Engineering & Supply Contractor	Mitsui Eng.Shipbuil.Co.Ltd.&Mitsui Co.Ltd.-JAPAN
Construction Contractor	Koray - TURKEY
Start up Date	23.07.1985
Expansion Date	1993, 2001
Capacity after Expansion	96,000 Tons / Year
2006 Production	83,034 Tons
Number of Personnel	96
Manpower Productivity (Direct)	379 Kg / man - hour
Conversion Factor HDPE / Ethylene	96 %
Capacity Utilization Rate	86 %



**POLYPROPYLENE (PP) PLANT**

Nameplate Capacity	66,000 Tons /Year
Licensor	Mitsubishi Petrochemical Co.- JAPAN
Engineering & Supply Contractor	Chiyoda Eng. Ltd.& Mitsubishi Co. - JAPAN
Construction Contractor	AEA - TURKEY
Start up Date	04.08.1985
Expansion Date	1993, 2005
Capacity after Expansion	144,000 Tons /Year
2006 Production	111,864 Tons
Number of Personnel	119
Manpower Productivity (Direct)	431 Kg / man - hour
Conversion Factor PP / Propylene	93 %
Capacity Utilization Rate	78 %

**ACRYLONITRILE (ACN) PLANT**

Nameplate Capacity	70,000 Tons /Year
Licensor	Vistron Corp. - USA
Engineering & Supply Contractor	Badger Pan America - ENGLAND
Construction Contractor	Entes - TURKEY
Start up Date	15.08.1985
Expansion Date	1993
Capacity after Expansion	90,000 Tons / Year
2006 Production	91,298 Tons
Number of Personnel	86
Manpower Productivity (Direct)	453 Kg / man - hour
Conversion Factor ACN/(Propylene+Ammonia)	64 %
Capacity Utilization Rate	101 %

**ETHYLENE GLYCOL (EG) PLANT**

Nameplate Capacity	89,000 Tons / Year MEG
Licensor	Shell Research Ltd. - HOLLAND
Engineering & Supply Contractor	Mitsui Eng. Shipbuilding Co. Ltd.&Mutsui Co. Ltd. JAPAN
Construction Contractor	AEA - TURKEY
Start up Date	12.12.1985
2006 Production	51,233 Tons MEG
Number of Personnel	74
Manpower Productivity (Direct)	306 Kg / man - hour
Conversion Factor MEG / Ethylene	157 %
Capacity Utilization Rate	58 %

**AROMATICS PLANT**

Nameplate Capacity	123,000 Tons / Year Benzene
Licensor	Universal Oil Products (UOP) - USA
Engineering & Supply Contractor	JGC Corp.Nissho Iwai Corp.- JAPAN
Construction Contractor	Enka - TURKEY
Start up Date	22.03.1985
Modification Date	2005
Capacity after Modification	134,000 Tons/Year Benzene
2006 Production	141,393 Tons
Number of Personnel	121
Manpower Productivity (Direct)	514 Kg / man - hour
Production / Raw Material	100 %
Capacity Utilization Rate	106 %

PURE TEREPHTHALIC ACID (PTA) PLANT

Nameplate Capacity	70,000 Tons / Year
Licensor	Standart Oil Co. (Indiana) - USA
Engineering & Supply Contractor	Technipetrol S.P.A. - ITALY
Construction Contractor	Alarko - TURKEY
Start up Date	28.04.1987
2006 Production	26,317 Tons
Number of Personnel	122
Manpower Productivity (Direct)	100 Kg / man - hour
Conversion Factor PTA / p-x	148 %
Capacity Utilization Rate	38 %



PHTHALIC ANHYDRIDE (PA) PLANT

Nameplate Capacity	34,000 Tons / Year
Licensor	Atochem - FRANCE
Engineering & Supply Contractor	Krebs & Cie S.A. - FRANCE
Construction Contractor	Atilla Doğan - TURKEY
Start up Date	19.12.1985
2006 Production	37,055 Tons
Number of Personnel	64
Manpower Productivity (Direct)	263 Kg / man - hour
Conversion Factor PA / o-x	108 %
Capacity Utilization Rate	109 %



CHLORINE ALKALI (CA) PLANT

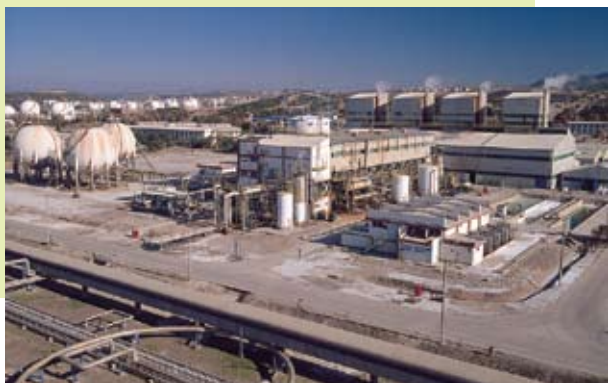
Nameplate Capacity	75,000 Tons / Year Gas Chlorine
Licensor	Oronzio De Nora - ITALY
Engineering & Supply Contractor	Catalytic. Int. Inc. U.K. Oronzio De Nora Permelec S.P.A-ITALY
Construction Contractor	Entes - TURKEY
Start up Date	04.05.1985
Expansion Date	2000
Capacity after Expansion	100,000 Tons / Year Gas Chlorine
2006 Production	81,754 Tons Gas Chlorine
Number of Personnel	123
Manpower Productivity (Direct)	298 Kg / man - hour
Conversion Factor (Gas Chlorine+Caustic (100%)) / Salt	83 %
Capacity Utilization Rate	82 %



VINYL CHLORIDE MONOMER (VCM) PLANT

Nameplate Capacity	108,000 Tons / Year
Licensor	ICI, Solvay - ENGLAND / BELGIUM
Engineering & Supply Contractor	CTIP S.P.A. - ITALY
Construction Contractor	Alarko - TURKEY
Start up Date	09.07.1986
Expansion Date	1995, 2000-2003
Capacity after Expansion	152,000 Tons / Year
2006 Production	128,399 Tons
Number of Personnel	116
Manpower Productivity (Direct)	467 Kg / man - hour
Conversion Factor VCM/(Ethylene+Chlorine+EDC)	86 %
Capacity Utilization Rate	84 %



**POLYVINYL CHLORIDE (PVC) PLANT**

Nameplate Capacity	105,000 Tons / Year
Licensor	ICI, Solvay - ENGLAND/BELGIUM
Engineering & Supply Contractor	CTIP S.P.A - ITALY
Construction Contractor	Alarko - TURKEY
Start up Date	19.03.1986
Expansion Date	1995, 2001
Capacity after Expansion	150,000 Tons / Year
2006 Production	133,566 Tons
Number of Personnel	146
Manpower Productivity (Direct)	412 Kg / man - hour
Conversion Factor PVC / VCM	98 %
Capacity Utilization Rate	89 %

**PLASTIC PROCESSING PLANT**

Nameplate Capacity	4,000 Tons / Year
Engineering & Supply Contractor	Windmüller & Hölscher - GERMANY
Construction Contractor	Windmüller & PETKİM
Start up Date	24.04.1986
2006 Production	3,929 Tons
Number of Personnel	60
Conversion Factor Bag / Film	96 %
Capacity Utilization Rate	98 %

**MASTERBATCH UNIT**

Nameplate Capacity	10,000 Tons / Year
Engineering & Supply Contractor	JSW - JAPAN
Construction Contractor	Atilla Doğan -TURKEY
Start up Date	14.04.1993
2006 Production	4,315 Tons
Number of Personnel	13
Capacity Utilization Rate	43 %

Auxiliary Units

GÜZELHISAR WATER DAM

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

Engineering & Supply Contractor	D.S.İ
Construction Contractor	Palet - TURKEY
Rainfall Area	450 km ²
Average Rainfall in 2006	500 - 600 kg / m ²
Minimum Water Level	63 m
Normal Water Level	104 m
Maksimum Water Level	107 m
Dead Volume	13 Million m ³
Active Volume	137 Million m ³
Total Storage Capacity	150 Million m ³



WATER PRETREATMENT UNIT

Nameplate Capacity	Max Flow Rate 5,578 m ³ /h (4,800 m ³ /h Normal Flow Rate)
Engineering & Supply Contractor	Lurgi - GERMANY ; Enka - TURKEY (Line 1) OTV - FRANCE ; Akfen - TURKEY (Line 2)
Construction Contractor	Alke - TURKEY (Line 1) Akfen - TURKEY (Line 2)
Start up Date	1983
Expansion Date	2005
Capacity after Expansion	Max. Flow Rate 8,578 m ³ /h (7,800 m ³ /h Normal Flow Rate)
Total Storage Capacity of Raw Water Basins	80,000 m ³
Type of water Produced	Fire Water, Raw Water, Process Water, Cooling Water & Drinking Water
Process Water Produced in 2006	16,570,000 Tons
Number of Personnel	62



DEMINEALIZED WATER UNIT

Nameplate Capacity	1,200 m ³ / h
Licenser	Lurgi - GERMANY ; Permutit - ENGLAND ; OTV - FRANCE
Engineering & Supply Contractor	Lurgi - GERMANY ; Permutit - ENGLAND ; OTV - FRANCE
Construction Contractor	Alke - TURKEY ; Alke - Marsis - TURKEY
Start up Date	1984
Expansion Date	1988, 2006
Capacity after Expansion	1,700 m ³ / h
Demi Water Produced in 2006	4,219,343 Tons
Number of Personnel	79



STEAM GENERATION UNIT

Nameplate Capacity	1,200 Tons / h XHS (Produced HHS,HS,MS,LS)
Engineering & Supply Contractor	Mitsubishi Heavy Ind. Ltd. - JAPAN
Construction Contractor	Tokar - TURKEY
Start up Date	1984
Modernization Date	2006
Contractor of Modernization	Ansaldo Caldaie and TOKAR Consortium
Type of Fuel Consumed	Fuel Oil, Fuel Gas, Aromatic Oil, Hidrojene , Vent Gas
XHS Production in 2006	5,824,702 Tons
Number of Personnel	97





ELECTRICITY GENERATION-DISTRIBUTION UNIT

Nameplate Capacity	(80 MVA+80 MVA+25 MVA+27 MVA) 4 Turbo Generators
Total Production Capacity	170 MW
Licensor	ABB - SWITZERLAND
Engineering & Supply Contractor	ABB - SWITZERLAND
Construction Contractor	Tokar - Koray - TURKEY
Start up Date	1984 - 1985 - 2001
2006 Production	617,399 MWh
Number of Personnel	45
Self Generation Power/Total Consumed Power	53 %



NITROGEN & AIR SUPPLY UNIT

Nameplate Capacity	26,000 Nm ³ / h Nitrogen Gas
Licensor (Unit-1,2) , (Unit-3)	Nuovo Pignone - ITALY; Mitsubishi - JAPAN
Engineering & Supply Contractor	Nuovo Pignone - ITALYA; Nippon Sanso - JAPAN
Construction Contractor (Unit-1,2) , (Unit-3)	Alarko - TURKEY; 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 ³ / h Nitrogen Gas
2006 Production	208,387,796 Nm ³ Nitrogen Gas
Number of Personnel	50

WASTE WATER TREATMENT UNIT

WASTE WATER TREATMENT

Nameplate Capacity	550 m ³ /h Oily Waste Water 120 m ³ / h Sanitary Waste Water 1,000 m ³ / 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 ₅ , 60 % COD



SOLID-LIQUID WASTE INCINERATION

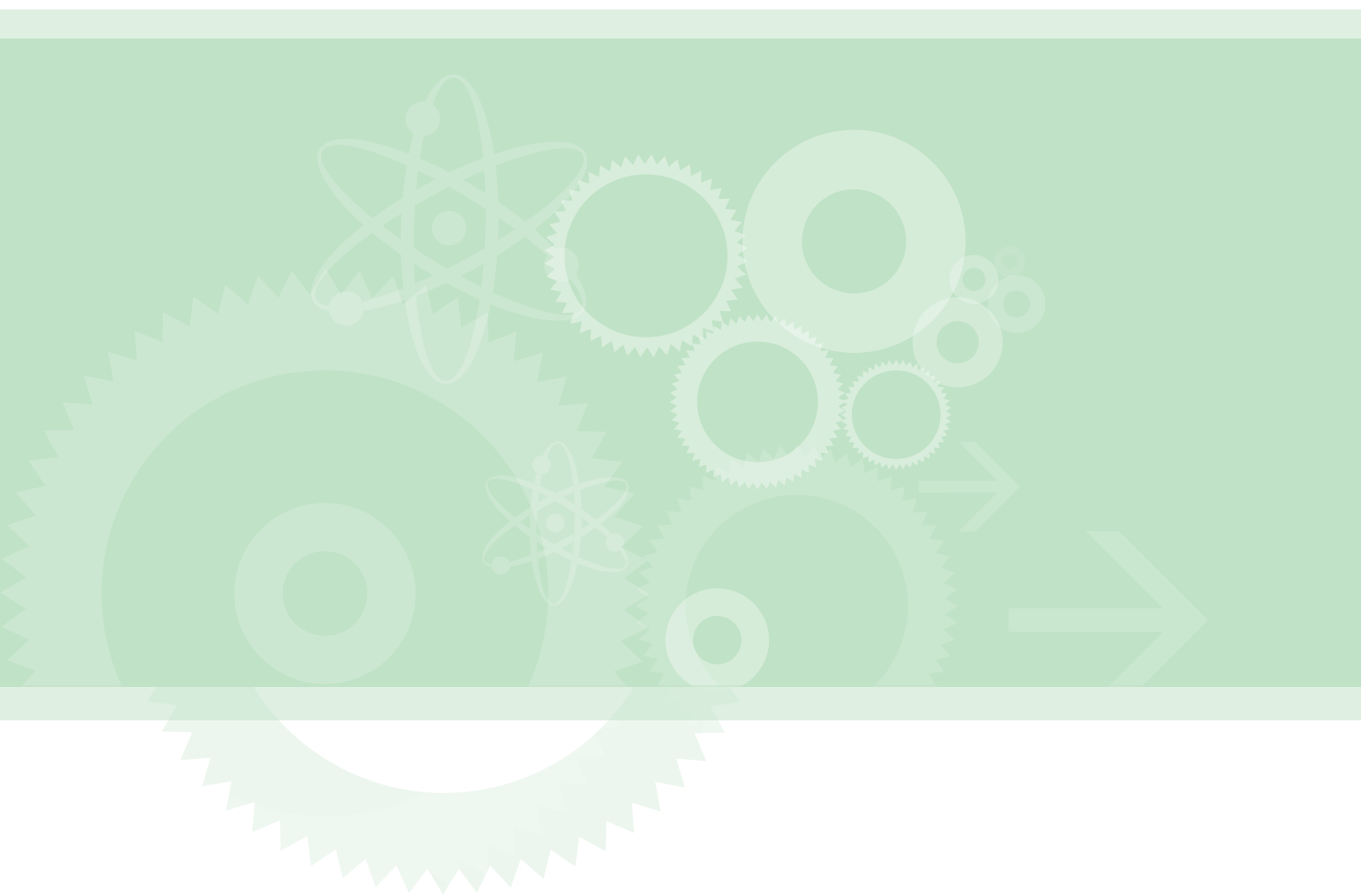
Nameplate Capacity	0.85 Tons / h Solid Waste 1.07 Tons / h Treatment Sludge 0.34 Tons / h Oily Waste
Licensor	Vinci - FRANCE
Engineering & Supply Contractor	Sistem Yapı - TURKEY
Construction Contractor	Sistem Yapı - TURKEY
Start up Date	2003
Number of Personnel	56 (Includes Waste Water Treatment Unit's Personnel also)



HARBOUR

Purpose of Use	Seaport services to the company and third parties
Number of Jetties	3 for Tankers, 2 for Dry Loading, 1 for Salt
Dimensions of Jetties	Jetty 1 : 163 m Length, 6.50 m Depth Jetty 2 : 175 m Length, 9.50 m Depth Salt Jetty : 190 m Length, 6.00 m Depth Jetty 5 : 219 m Length, 10 / 17 m Depth General Cargo Jetty 1: 163 m Length, 6.50 m Depth General Cargo Jetty 2: 175 m Length, 9.50 m Depth
Number of Incoming Ships in 2006	368
- Distribution of Ships loaded	174
- Distribution of Ships unloaded	194
Total Revenue Obtained from Pilotage Services in 2006	1,041,323 USD





Sales-Marketing, Export and Other Activities



NEW IMPROVEMENTS IN CUSTOMER ORIENTED SERVICES

Forecasts in petrochemical products market for 2006 were pessimistic especially because of the increase in supply of Middle East region. Counter to the expectations year of 2006 passed quite active and expectations for 2007 are positive. The most important reason of positive market sentiment in 2006 was the delay in the new investment plans in petrochemical sector, especially the delay of start-ups of the plants in Iran, and the unexpected growth of the world economy. Although the petrochemical market was active, increase in the energy and feedstock prices could not be reflected to the downstream product prices and it reduced the profit margin of the sector. Far East, increasingly becoming stronger in world petrochemical sector both in supply and demand sides, particularly developments in China, strengthened its determinative place in the market.

For the first half of the year, petrochemical market in Turkey was stagnant, but, in the second half, market became more active. High demand increase in petrochemical products has been realized also in 2006 as in the past years.

Petkim has sustained its strength in the domestic market through twenty percent production capacity growth and product diversification due to new investments. The new product types of LDPE-T and PP are accepted and demanded by our customers.

Our company continued its activities, in accordance with customer oriented sales and marketing policy due to new developments. Thus, Customer Information System was developed to enable to customers in order to follow their sales and consignment information and account movements via internet. Also in this context, our customers are able to send their requests, complaints and suggestions via our web site and find solutions to their problems rapidly. In our electronic trade project DSTS (Online Order and Payment System) usage have been started as pilot applications and also e-trade, customer-based contract agreement sale methods have been improved and implementations continued. Determination and test production implementations of new product species aimed to meet the needs of the sector have been continued.

Despite of the unfair competition environment in the sector, our company follows a policy in order to supply competitively priced products to customers. In this context, domestic market research and developments in global market are reported daily, weekly and monthly in order to follow a pricing policy parallel to the market.

Significant success has been achieved in presentation and promotion of products of the tubular LDPE plant that was started up and PP plant that was expanded in the previous year. Demand was high especially in PP EH-241 and tubular LDPE G03-21T product species.

In 2006 total sales figures are as follows:

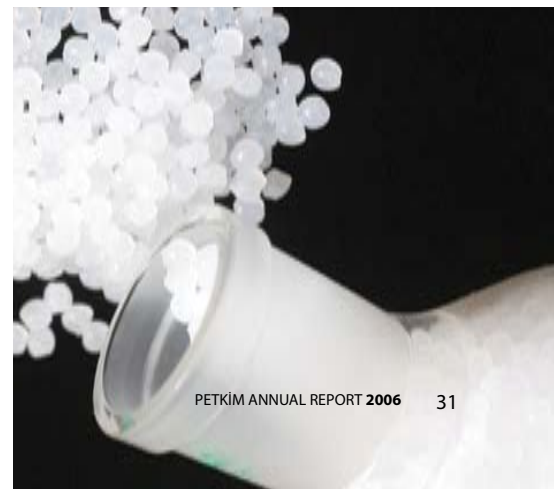
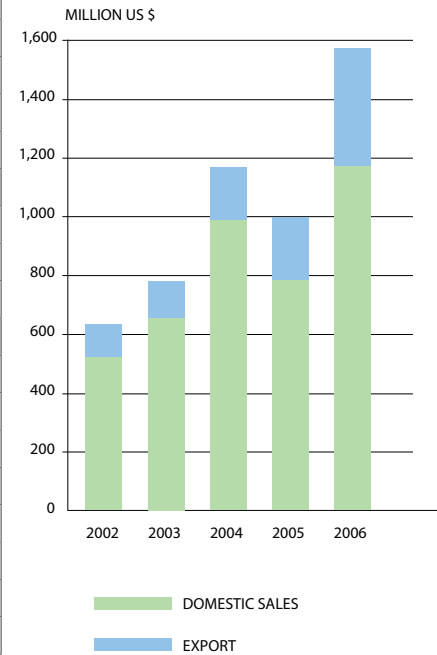
1,008 thousand tons, amounting TRY 1,630 million (tax free) domestic sales, 318 tons, amounting TRY 471 thousand (tax free) export oriented sales, 466 thousand tons, amounting TRY 592 million (tax free) direct export sales.



SALES FOR THE LAST FIVE YEARS					TONS
PRODUCTS	2002	2003	2004	2005	2006
ETHYLENE	8	8	11	9	11
THERMOPLASTICS	526,433	472,529	489,381	446,234	651,800
PVC	158,454	140,241	148,356	139,234	139,605
LDPE	198,561	182,154	180,201	148,587	187,236
LDPE - T				38,014	118,388
HDPE	85,991	80,508	90,045	71,396	86,940
PP	83,427	69,626	70,779	49,003	119,631
FIBER RAW MATERIALS	239,681	215,669	237,175	181,209	176,392
ACN	88,604	84,152	91,917	66,735	94,136
PTA	65,824	56,037	62,179	47,023	28,751
MEG	85,253	75,480	83,079	67,451	53,506
OTHER PRODUCTS	585,008	571,186	582,845	451,143	646,953
LOW POLYMER, HDPE	1,291	1,560	1,755	962	1,305
ATACTIC PP	735	963	850	372	742
PA, TAR	773	661	572	368	
DEG	8,476	6,791	7,254	6,073	5,121
GLYCOL MIXTURE	974	1,007	984	768	612
PA	34,754	35,473	34,060	22,177	37,403
BENZENE	125,916	130,416	123,925	114,853	139,025
o-X			6		6,695
p-X	35,911	53,001	52,120	25,372	109,223
C ₅ MIXTURE	66,849	71,962	77,394	57,926	63,762
PROPYLENE (CG)			4,298		
PROPYLENE (PG)	2,274			12,823	9,936
C ₄	110,999	114,225	112,681	83,313	128,036
PY - GAS	37,656	8,394	6,299	28,524	56,728
AROMATIC OIL	52,949	61,054	65,637	14,412	8,639
CAUSTIC (100 %)	87,149	82,331	90,539	81,787	79,047
HYPOCHLORIDE	415	48	91	201	
SULPHURIC ACID (80 %)	1,978	1,844	915	480	
VCM					
EDC	13,621				
HCl (27%)		48	1,230		
HYDROGENE	88		257		
MASTERBATCH	146	343	1,025	284	315
PLASTIC MATERIALS	1,976	1,012	955	448	363
OTHERS	78	54			
TOTAL	1,351,130	1,259,392	1,309,412	1,078,594	1,475,155

PA TAR, Hydrogene, H₂SO₄ and hypochloride have been excluded but VCM has been included in 2006.

SALES REVENUE FOR THE LAST FIVE YEARS



THE RECORD YEAR IN EXPORT

Petkim's export figures which was shown an increase in the recent years, have hit a record level in 2006. Petkim's export has reached its maximum value of 410 million USD in 2006, while it was 217 million USD in 2005.

A competitive export pricing strategy has been settled by following direction of the market and daily price movements in petrochemical market in which prices change continuously .

As a conclusion of evaluating all possible demands of product export in 2006 :

- Total export quantity has been realized as 467 thousand tons by increasing 62% in proportion to the previous year.
- Total export revenue has been realized as 410 million USD by increasing 89% in proportion to the previous year.

As a result of the studies that were realized in order to penetrate different markets and introduce our products at different markets, number of the countries to which export was realized in 2006 has been increased to 41.

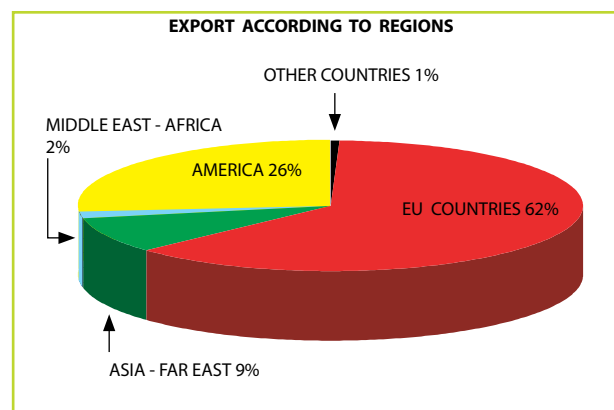
In order to reach to the end-users besides trading companies, a market research has been made and customer number have reached to 112 in 2006, while it was 80 in 2005.

While in previous years delivery of our products had been only on FCA/FOB basis, delivery on CIF, CIP, DDU basis has been enabled. By this way, it has been possible to reach to the end users avoiding purchase on

FCA/FOB Aliğa basis and our costumer's portfolio has been enlarged.

Benzene sales, the most important export product, have been increased to the end users in our customer's portfolio . While the sales of Benzene to the end users were 26 percent of the total Benzene sales in 2005, this proportion has increased to 63 percent in 2006.

In order to follow the market conditions which is changing and improving rapidly, all kind of knowledge and news needed have been obtained effectively and daily by means of following international publications subscribed, seminars given by the advisers of the international publication companies in our industry have been organized. Costumer's satisfaction survey has been conducted in order to evaluate the costumer's content.



Export figures have reached to the highest point in Petkim's history by following the developments in petrochemical sector and market closely, using high capacity in production and changing delivery conditions.

PRODUCTS	EXPORTS		EXPORTS ORIENTED		TOTAL	
	TONS	000 US \$	TONS	000 US \$	TONS	000 US \$
PVC	5,469	5,124	65	58	5,534	5,182
LDPE	15,132	19,652			15,132	19,652
LDPE - T	45,705	57,169			45,705	57,169
HDPE	784	1,037			784	1,037
PP	1,368	1,775			1,368	1,775
MEG	2,780	2,257			2,780	2,257
DEG	1,550	1,270			1,550	1,270
PA	5,837	6,046			5,837	6,046
PTA	1,944	1,722	253	265	2,197	1,987
CAUSTIC %100	3,609	884			3,609	884
PROPYLENE (PG)	9,936	9,392			9,936	9,392
PY - GAS	56,728	32,564			56,728	32,564
C ₄	128,036	93,882			128,036	93,882
BENZENE	138,711	128,245			138,711	128,245
o - X	6,695	5,562			6,695	5,562
p - X	42,160	42,960			42,160	42,960
OTHERS		550				550
TOTAL	466,444	410,091	318	322	466,762	410,414

NATURAL GAS USAGE HAS STARTED WITH ECONOMICAL AND ENVIRONMENTAL FRIENDLY INVESTMENTS

By the end of 2005, our company has realized the revamping and modernization activities of our plants within the framework of PETKAM Project which has been initiated in 2000. In 2006 however, in addition to the existing ongoing projects our company has given more priority to rehabilitation investments.

In 2006, Petkim has financed investments from its own financial resources and completed the major portion of the debottlenecking project of our Steam Generation Unit which is also a part of PETKAM Project. This unit, when completed in 2007, can utilize natural gas in addition to fuel oil in

its boilers resulting in a considerable amount of saving and minimum environmental emissions. With the same project, by the addition of 50MW gas turbine, the present electric production capacity will be increased to 220MW.

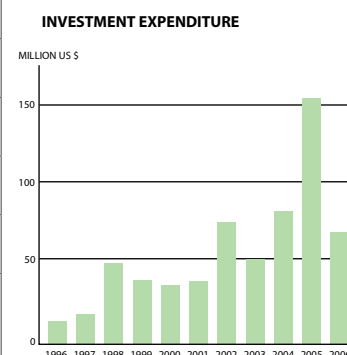
In 2006, the existing Bag Filling Units of our LDPE, HDPE, PP and PA plants have been replaced with FFS (Form-Fill-Seal) type of filling units. So far, 95% of the project has been completed. Upon completion of this project the loss of products during the bagging process will be prevented and bagging cost will be minimized.

As an ongoing project; a new steel pipeline has been installed between Güzelhisar water dam and Petkim plants in addition to the existing concrete pipeline of 1,400 mm diameter in order to reduce the risks of a possible fire in case of emergency caused by an earthquake.

Also, within the scope of investment activities maintenance and modernization projects have been realized so as to extend the economical life and to increase the efficiency of our plants.

MAJOR INVESTMENT PROJECTS			
INVESTMENT PROJECT	PROJECT COST (MILLION US \$)	CAPACITY INCREASE (TONS/YEAR)	START-COMPLETION DATE
CHLORINE-ALKALI PLANT - CONVERSION TO MEMBRANE CELL TECHNOLOGY	35.1	20,000 Chlorine (80,000 - 100,000) 22,000 Caustic (90,000 - 112,000)	1998-2002
ADDITION OF AN OXY-CHLORINATION LINE TO VCM PLANT	13.8	15,000 EDC (Modernization Of The Whole Unit)	1997-2000
ADDITION OF A SECOND 20 MW CONDENSING TYPE TURBOGENERATOR TO THE POWER PLANT / ADDITION OF A COOLING TOWER	12.1	56 MW (From 95 MW to 151 MW)	1997-2001
ADDITION OF 17th REACTOR TO THE 4th PRODUCTION LINE OF PVC PLANT	0.8	10,000 (From 140,000 to 150,000)	1998-2001
SECOND EXPANSION OF HDPE PLANT	18.5	30,000 (From 66,000 to 96,000)	1998-2001
ADDITION OF A NEW LIQUID-SOLID WASTE TREATMENT UNIT AND MODERNIZATION OF THE EXISTING UNIT	20.2	Incinerate 17,500 T/yr Of Waste 11.5 Tons/hr Steam Production	1999-2002
VCM PLANT REHABILITATION AND HCl PRODUCTION	19.8	10,000 (From 142,000 to 152,000)	1999-2003
EXPANSION OF THE WATER PRE-TREATMENT UNIT	7.9	3,000 m ³ /hr (From 4,500 m ³ /hr to 7,500 m ³ /hr)	1999-2004
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
2nd EXPANSION OF PP PLANT	30.0	64,000 (From 80,000 to 144,000)	1999-2005
REHABILITATION OF COOLING WATER SYSTEM	11.4	Increase in capacity of existing cooling water system	2001-2005
REHABILITATION OF DEMINERALIZED WATER SYSTEM	4.8	Increase in capacity of existing demineralized water system	2001-2005
DEBOTTLENECKING OF STEAM GENERATION UNIT	88.0	Modification of existing boilers for utilization of natural gas in addition to fuel oil, addition of 50 MW gas turbine and heat recovery system	2001-2007
TOTAL	437.3		

Petkim, continues with capacity increases and modernization investments which have been started at the beginning of 2000 within the scope of PETKAM Projects.



TO BE A BRANDNAME WITH SUSTAINABLE QUALITY AND CONTINUAL QUALITY CONTROL

Quality control services at our company are being executed by our fully equipped central laboratory which includes 8 separate laboratory groups serving 14 main plants and 9 auxiliary units within the Complex. Also in the field of technical service, by responding in the minimum time for technical information, document and complaints of the customers, the increase of customer satisfaction is aimed.

With the understanding of support to basic processes, quality control tests with feedstock, process and product analysis of totally 23 main plants and auxiliary units have been made reliably and on time.

To increase customer satisfaction, technical information and document requirement of our business partners who use our products are replied as fast as possible. Customer complaints were resolved according to our procedures and the customer facilities were visited when required. Technical service for processing our products has been provided.

In addition to all above, charged tests have been done at our Laboratory for Petkim customers and other companies in cooperation with Petkim in return of a fee.

By working with our customers and suppliers, product development and improvement activities have been continued and satisfaction of customer expectation has been aimed.

Apprenticeship to University and Profession High School students was accepted to give them the chance to apply the theoretical knowledge that they have gained in the school. These applications have been guided during their apprenticeship period and new knowledge and skills in Petrochemical field have been provided.

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

With the aim of accreditation of the Laboratory, activities such as improving the laboratory environmental conditions have been done, meanwhile all laboratory staff participated in the training program including TSE EN ISO/IEC 17025 Laboratory Accreditation standard, and Measurement Uncertainty.



The continuity of the Petkim's brandname is provided with Quality Control and Technical Service activities.

CONTINUITY OF QUALITY IS PROVIDED WITH R&D



Petrochemical industry is a technology intensive and highly competitive sector with continuously joining new production chains. Hence, strong R&D activities have a vital importance for competition. It is seen that the strong companies spend 5% of their sales for R&D activities. Petkim is acutely conscious of the importance of R&D. Therefore, Petkim has established her own R&D center in 1970's when production units have been started operation to follow and develop new technologies.

In this scope; R&D center perform studies such as solving the production problems, debottlenecking, finding alternatives to the raw materials, chemicals and catalysts, following up new developments on our main business, developing and improving the



properties of products according to the requirements of customers, creating new specific products to add value to our by-product or products, making cooperation with customers, Universities, and other research groups etc. to solve customer problems and realize scientific studies, providing technical services such as analysis, test and identification, technical information and consultancy etc. Several applications have been made to TUBITAK-Technology and Innovation Support Programs for receiving financial support for our R&D projects.

Technical literature and information support has been given to customers and company's own units by Information Centre. Several articles have been published at national and international periodicals. Presentations and poster sessions have also been made at exhibitions and congresses.

Petkim knows the importance of R&D and plans to employ new staff and construct a new main building to strengthen the R&D department. The start of the construction of the R&D main building is planned for the first quarter of 2007.

Petkim that attaches great importance to R&D plans to develop its R&D activities further.

THE NEW TECHNOLOGIES OF THE INFORMATION SYSTEMS

Petkim Information Technologies started in 2005 to use the new systems and this renovation was continued during 2006. The main purpose of Petkim's Information Technologies is to get Petkim among the top ten best performance companies. The projects developed during 2006 can be categorized as completed, continued and planned projects.

Within the scope of completed projects is carrying the forms and documents of critical processes (like material requisitions, internal letters, infirmary visits) to the electronic environment using e-work applications in order to gain speed, increase productivity, trace processes, decrease costs, share information and improve efficiency thus increasing institutionalization and automation.

The e-commerce application DSTS (Online Order and Payment System) has enabled Petkim's customers to place product orders safely on the internet and easily keep track of all financial procedures.

Via the Management Information System, operational data were institutionalized by transferring them to the database environment and converting into business intelligence. In that way the Information Infrastructure of the Strategic Management was established.

The aim of the newly applied Budget System is to form the new budget culture, giving more responsibility to the managers over the budget purposes and problems and using of the budget by each department as a tool for supporting analysis and decision making. Technological infrastructure support was supplied to this system during the installation phase.

Information Technologies Project Management was established according to the standards of AIM (Application

Implementation Methodology) and the performance indicators (KPI) of the projects were determined.

A dynamic and visually enriched web site was developed.

In scope of Petkim's e-Conversion process, using the Institutional Documents Management project, all documents produced by different departments were transferred to the electronic environment to be accumulated in the central and institutional storage pool. A certain type of data stored in that environment was made available for use by all departments. According to the given authorizations, the information stored can be retrieved, queued, archived and scanned.

Among continuing projects, within the scope of the Institutional Performance Management, The Balanced Scorecard application has been started in which the application has been carried down to the manager level.

The Information Technologies Institutional Assets Management project is at the completion stage and best efforts are being spent for getting the ITIL and COBIT projects to life.

The development of an Enterprise Resource Planning (ERP) project is planned for easy integration of Petkim with other institutions and their applications. The main purpose of the project will be to carry the Petkim to its visions for the middle and long term. Also the most important point will be building the Information System Infrastructure and to carry all company resources in the correct measurable form, by considering the maintainability and verifiability criteria of correct planning.

Strategic Administration of the Information Infrastructure is built up over Informational Technologies and E-transformational studies.



dsts
ONLINE ORDER & PAYMENT SYSTEM

TRANSFORMATION PROCESS TOGETHER WITH TOTAL QUALITY

The Total Quality Management applications which have been started within the scope of the project of transformation have been accelerated in 2006. Our vision, mission and organizational strategies defined in 2005 were revised and updated in the beginning of 2006.

Deployment of the organizational strategies continuing within the scope of organizational performance system as used "Hoshin Kanri" and "Balanced Scorecard" methods; has been moved to the level of manager title.

As a part of the transformation journey, within the scope of reorganizing of the organizational culture, The Total Quality Management training programs aimed at the Petkim personnel have been realized, in the first quarter of 2006.

The activities related to Petkim Suggestion System (PETÖS) which was constituted with the aim of attracting creative and innovative ideas of the workers of Petkim; have been continued with the increasing participation of Petkim's personnel.

To constitute an organizational memory, to eliminate the unproductiveness caused by using paper and to use information technology substructure effectively; the studies of managing documents in the electronic environment and archiving almost have been completed. It is aimed to spread out the company's entire documents.

To determine the level of ripeness of Total Quality Management studies in Petkim and as a necessity of the voluntary participation to the National Quality Action has been continued on the leadership of Turkish Quality Association (Kalder); self assessment activity has been carried out as referred to EFQM Excellence



Model in 2006. The results of self assessment activity have been shared with The Top Management of Petkim on the surveillance of KalDer. In this meeting; it has been agreed under the strong sides and open areas to be improved of our company, between the team of self assessment and The Top Management of Petkim. Improvement project teams related to the open areas to be improved have started the project studies.

In our company, at the end of the surveillance audit performed by Turkish Standards Institution (TSE); at 6-7-8 December 2006; Petkim has gained successfully using the TS EN ISO 9001 Quality Management System Certificate for the next three years.

Petkim has continued to support the benchmarking projects carrying out on the leadership of Kalder; participating to Organizational Performance Management and Sustainable Process Management benchmarking projects.

The studies continuing to create a company culture focused on the result of work in the journey of Total Quality Management have been deepened at the direction of EFQM Excellence Model.

PEOPLE CREATE THE VALUE

PERSONNEL BREAKDOWN					
	2002	2003	2004	2005	2006
STAFF	658	571	469	492	543
UNIONIZED WORKERS	3,218	2,894	2,718	2,549	2,497
SUB-CONTRACTED WORKERS	983	816	780	717	660
TOTAL	4,859	4,281	3,967	3,758	3,700

240 employees have been recruited within 2006 via Turkish Employment Agency in order to meet the necessary human resources required for our company to reach its future goals effectively. Trainings and back up are going to continue in order to prepare the company for the future.

The newly recruited personnel have been given orientation training for:

- Giving information about our company's organizational structure, production-service process, social rights and responsibilities, working conditions and safety at work;
- Providing social inclusion by preventing alienation of the employers to work and to the administration
- Decreasing the work force cycling rate by providing the employers' adaptation to the work
- Preventing the complaints arising from indefiniteness and ignorance

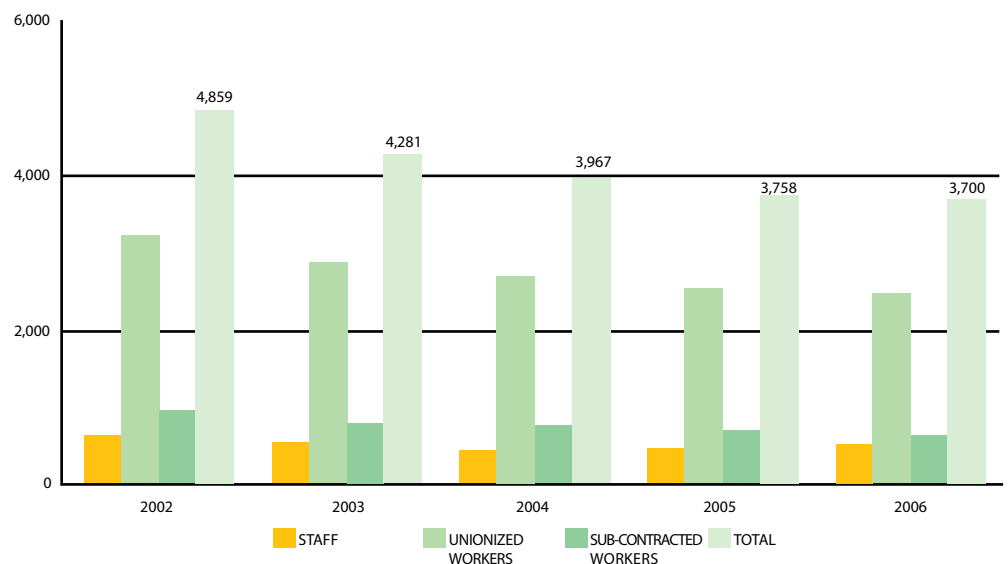
Also, 'Personnel and Task Evaluation System' was implemented for the adaptation of new personnel to work and workplace and planning necessary training and development programs by tracking their improvement. Information received from the system is evaluated and feedback is provided.

The 'Personnel Questionnaire' was applied to all company personnel. Questionnaires filled out and returned by the personnel are evaluated via technical methods.

In accordance with the report proposed by the National Productivity Center as a consequence of their technical studies, new organizational charts have been formed, job definitions have been revised and a new Organizational Manual has been prepared and published.



The way of winning the future is to have human resources willing to use his/her potential exactly, making a correlation between his/her own aims and company targets and open the way to development.



WE RESPECT THE ENVIRONMENT WITH ALL OUR PROCESSES

Petkim works for sustainable environment by its clean production technology and environmental friendly management.

Petkim manages its environmental risks according to the national environmental legislation which is extending in parallel to deep environmental agenda of Turkiye.

Petkim has been modernizing its systems on waste disposal and environmental monitoring issue by making investments since establishment. Wastewaters are treated in Petkim Wastewater Treatment Plant and discharged to the sea as maintaining the limits in "Water Pollution Control Regulation". The other wastes are collected separately as industrial, domestic, recyclable, hazardous and disposed according to related regulations. Registration procedure for Petkim Waste Incinerator, which is the second incinerator of Turkiye, is about to be finalized. In order to audit for requirement of regulations, wastewater analysis, stack gas emissions and air quality measurements, noise measurements were carried out also in 2006. Waste reception facilities from ships in Petkim Harbor were done in the scope of MARPOL and related national regulation.

Petkim has applied to European 2006 Responsible Care Award Scheme arranged by CEFIC. It was commended for the application by its project named "Air Quality Identification for Petkim Site and Surrounding Area".

Beside, Petkim keeps on supporting the studies for national environmental development and in this scope Petkim took part as a data supplier for "Pollution

Release and Transfer Registration (PRTR) Project", which is carried by the cooperation of UN/ENEP-Ministry of Environment and Forest of Turkiye.

A competition among our plants was arranged for the celebration of World Environment Day in this year. ACN, LDPE-T, VCM and Water Treatment Plants were awarded for their environmental performance in 2005 and a special prize was given to Wastewater Treatment and Incineration Plant for the contribution to environmental protection.

Petkim carries out its activities under the principle of "environmental friendly company" by its responsible care program applications, waste treatment plants, pollution monitoring and controlling studies, environmental investments, inside and outside environmental training activities and supporting the national and international works on sustainable developments.



WE MANAGE THE CHANGE THROUGH EDUCATION

Education is a progress lasting business life for our all employees. Therefore, our employees are permanently educated to keep them up informed on current developments regarding their jobs and continue with their high qualifications. For example, the year 2006 is an intensive training period with a 27-hours of course per man.



All our employees have been trained by our voluntary staffs within a program called Awareness Education for becoming well-understood by the employees and a part of Company culture of Total Quality Management. Within the same concept, a series of courses like as The Process Management, Spread of Strategies and Measuring of Performance, Company Suggestion System (PETÖS), The Improvement of Team Spirit and Changing Adventure has been given to our employees as well.

Our employees are regularly trained so that they have the skills required for their responsibilities and are informed about the progresses and changes occurred in the content of their jobs.

Additionally, a functional training program has been carried out for our employees to meet the needs of knowledge and ability required by their jobs both by utilizing the Company's knowledge and outsourcing. English Language based on NLP, Sales and Marketing Techniques, 17025 Laboratory Accreditation, Capital Market and Stock Exchange and Forklift Driving are some of the others courses carried out.

An orientational course on the initial subjects such as adaptation to the culture of the Company, the labor principles, the functions of the units and Company's organizational structure has been given to our new staff who joined the Company at the beginning of

2006. Furthermore, an initial course for our new technical staff to demonstrate all the plant in our complex has been carried out.

As an indication of the importance and sensitivity attributed to the matter of the laborer health and safety, all necessary training and courses like Labor Health and Safety and Fire Fighting and Technical Security together with the other courses aimed to enhance the environmental conscious has been carried out as done in the previous year.

An outsourcing training program aimed to institutionally spread the understanding of the Institutional Project Management have been applied to the staff responsible for the project. Additionally, all of the employees have been trained on effective use of the Information Technology Infrastructure and providing of e-communication and correspondence within Company.

Meanwhile, the content, ambiance and materials of each training and capability of the trainers are objectively evaluated via questionnaires realized upon the completion of each course. So, the benefits from these courses, in other words the improvements observed in employees' skills and attitudes have been measured and all the results have been reported to the executives.

In 2006, 479 students completed summer internships and also 116 students completed high school occupational trainings. Also more than 500 visitors took an opportunity of getting technical information about our Company.

HEALTH FIRST

Our company, being aware of the fact that productivity can be primarily achieved by the human factor, has adopted principles of employee health and work safety to protect against threats for human health which may originate from the production processes.

In Petkim's infirmary 8 practising doctors, 1 audiologist, 3 biologists and 11 health employees are on duty. There are three fully equipped ambulances.

In 2006, first stage health services on day hours, emergency and first-aid services on 24 hours basis, check-ups with periods of three, six or twelve months according to risk categories are being performed as well as additional examinations and check-ups as may be necessary.

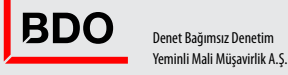
Our Health Department, performing services well beyond the capabilities of a regular company infirmary has been operating like a small scale specialized hospital and thus has become the major health guarantee for our employees belonging to the petrochemical industry which contains processes with toxic and fire hazards.





Financial Section





Avni Dilligil Sokak No: 6
Mecidiyeköy 34394 İstanbul / TURKEY
Tel: +90 (212) 275 96 90
Fax: +90 (212) 272 33 23 / 272 62 16
e-mail: bdo.denet@bdodenet.com.tr
web site: www.bdodenet.com.tr

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

We have audited the accompanying financial statements of Petkim Petrokimya Holding A.Ş. (the Company) which comprise the balance sheet as at December 31, 2006, and the income statement, and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Petkim Petrokimya Holding A.Ş. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul,
2 February 2007

**Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.**

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PETKİM PETROKİMYA HOLDİNG A.Ş.
BALANCE SHEETS
as of 31 December 2006 and 2005
(TRY)

31 December 2006 31 December 2005

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	106,036,229	74,160,541
Trade Receivables (net)	230,094,743	142,695,743
Inventories (net)	203,935,446	294,975,848
Other Receivables (net)	5,207,073	2,819,168
Prepaid Expenses and Other Assets	12,823,989	12,101,855
Total Current Assets	558,097,480	526,753,155
LONG TERM ASSETS		
Investments	2,995	2,995
Other Fixed Assets	4,041	1,040
Intangible Assets		
Less: Accumulated amortisation	1,652,847	411,460
Property, Plant and Equipment		
Less: Accumulated depreciation	1,306,181,955	1,304,047,975
Deferred Tax Assets	-	-
Total Long Term Assets	1,307,841,838	1,304,463,470
TOTAL ASSETS	1,865,939,318	1,831,216,625

31 December 2006 31 December 2005

LIABILITIES AND SHAREHOLDERS' EQUITY		
SHORT TERM LIABILITIES		
Bank Loans	17,381,250	92,151,566
Trade Payables (net)	177,033,961	129,972,818
Due to shareholders	80,801	82,104
Advances Received	39,038,768	30,556,517
Taxes and Duties Payable	11,382,705	10,244,624
Other Payables and Accrued Expenses	8,322,121	7,891,582
Total Short Term Liabilities	253,239,606	270,899,211
LONG TERM LIABILITIES		
Provision for Termination Indemnity	99,086,156	95,405,443
Other Long Term Payables and Accrued Expenses	320,224	320,224
Deferred Tax Liabilities	33,630,536	43,384,880
Total Long Term Liabilities	133,036,916	139,110,547
CONTINGENT LIABILITIES		
	-	-
SHAREHOLDER'S EQUITY		
Paid-in Capital	204,750,000	204,750,000
Capital Adjustment	2,177,630,786	2,177,630,786
Share Premium	381,713	381,713
Legal Reserves	318,360,466	318,360,466
Accumulated Loss	(1,221,460,169)	(1,279,916,098)
Total Shareholder's Equity	1,479,662,796	1,421,206,867
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	1,865,939,318	1,831,216,625

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF INCOME
for the years ended 31 December 2006 and 2005
 (TRY)

	31 December 2006	31 December 2005
Net Sales	2,222,333,063	1,354,498,822
Cost of Sales	(2,018,842,009)	(1,302,965,816)
Gross Profit/(Loss)	203,491,054	51,533,006
Operating Expenses	(87,361,417)	(89,558,169)
Operating Profit/(Loss)	116,129,637	(38,025,163)
Financial Expenses	(33,361,440)	(15,681,977)
Other Income / Expenses (net)	(36,575,133)	(33,164,099)
Profit / (Loss) Before Income Tax and Monetary Gain / (Loss)	46,193,064	(86,871,239)
Taxes Payable	-	-
Deferred Tax Income	9,754,344	(28,082,607)
Profit/(Loss) Before Monetary Position	55,947,408	(114,953,846)
Monetary Profit/(Loss)	2,508,521	(19,451,451)
Profit/(Loss) for the period	58,455,929	(134,405,297)
Earnings/(Loss) per share (TRY)	285	(656)

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended 31 December 2006 and 2005
 (TRY)

	Paid-in Capital	Capital Adjustment	Share Premium	Legal Reserves	Accumulated Losses
Balance as of 31 December 2004	204,750,000	2,177,630,786	381,713	318,360,466	(1,175,291,912)
Deferred Tax Effect of Investment Allowance					29,781,111
Loss for the period	-	-	-	-	(134,405,297)
Balance as of 31 December 2005	204,750,000	2,177,630,786	381,713	318,360,466	(1,279,916,098)
Profit for the period	-	-	-	-	58,455,929
Balance as of 31 December 2006	204,750,000	2,177,630,786	381,713	318,360,466	(1,221,460,169)

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF CASH FLOWS
for the years ended 31 December 2006 and 2005
 (TRY)

31 December 2006 31 December 2005

CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit/(Loss) For The Period	58,455,929	(134,405,297)
Adjustments To Reconcile Net Income with Net Cash Provided by Operating Activities		
Depreciation and Amortisation	93,804,216	72,477,325
Provision For Termination Indemnity	3,680,713	(7,169,425)
Net Effect of Adjustment in Equity	-	-
Decrease in Marketable Securities	-	-
Decrease / (Increase) in Trade Receivables	(87,399,000)	31,615,903
(Increase) in Inventories	91,040,402	(9,245,861)
Decrease in Other Receivables and Prepaid Expenses	(3,110,038)	(4,560,907)
(Increase)/decrease in Long Term Receivables and Other Long Term Assets	(3,001)	6,925
(Decrease) in Short Term Payables	47,061,143	39,441,502
(Decrease) in Advances Received	8,482,251	(2,096,909)
(Decrease) in Tax Provisions	-	-
(Decrease) / Increase in Other Payables and Accrued Expenses	1,567,317	(6,460,218)
Increase / (Decrease) In Other Long Term Payables And Accrued Expenses	(1)	(330,143)
Increase / (Decrease) in Deferred Tax Liabilities	(9,754,344)	28,082,607
Net Cash Provided By/(Used in) Operating Activities	203,825,587	7,355,502
Decrease / (Increase) in Property, Plant and Equipment	(95,859,182)	(188,431,771)
Decrease / (Increase) in Intangible Assets	(1,320,401)	-
Net Cash Used in Investing Activities	(97,179,583)	(188,431,771)
(Decrease) in Short Term Bank Loans	(74,770,316)	80,767,291
Net Cash Used in Financing Activities	(74,770,316)	80,767,291
Net (Decrease) / Increase in Cash and Cash Equivalents	31,875,688	(100,308,978)
Cash and Cash Equivalents at the Beginning of The Period	74,160,54	174,469,519
Cash and Cash Equivalents at the End of the Period	106,036,229	74.160.541



Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

Avni Dilligil Sokak No: 6
Mecidiyeköy 34394 İstanbul / TURKEY
Tel: +90 (212) 275 96 90
Fax: +90 (212) 272 33 23 / 272 62 16
e-mail: bdo.denet@bdodenet.com.tr
web site: www.bdodenet.com.tr

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

We have audited the accompanying financial statements of Petkim Petrokimya Holding A.Ş. (the Company) which comprise the balance sheet as at December 31, 2006, and the income statement, statements of changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with independent auditing standards issued by the Capital Markets Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Our independent audit involves the application of independent auditing techniques to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the independent auditing techniques including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, is made by our professional judgment. In making those risk assessments; the internal control system of the entity is taken into consideration. However, this is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control but for displaying the relationship between the financial statements and the internal control system prepared by the entity in order to design audit procedures that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Petkim Petrokimya Holding A.Ş. as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards issued by the Capital Markets Board.

İstanbul,
2 February 2007

Denet Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.


DENET
Bağımsız Denetim
Yeminli Mali Müşavirlik A.Ş.

Ömür Günel
Partner in charge

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PETKİM PETROKİMYA HOLDİNG A.Ş.
BALANCE SHEETS
as of 31 December 2006 and 2005
 (TRY)

	31 December 2006	31 December 2005
ASSETS		
CURRENT ASSETS	558,007,700	527,014,873
Liquid Assets	106,077,806	74,201,330
Marketable Securities (net)	-	-
Trade Receivables (net)	230,094,743	142,695,744
Receivables from Financial Leasings (net)	-	-
Due from Related Parties (net)	-	-
Other Receivables (net)	5,205,955	2,809,867
Biological Assets (net)	-	-
Inventories (net)	203,845,666	295,237,564
Receivables from Deferred Project Contracts (net)	-	-
Deferred Tax Assets	-	-
Other Current Assets	12,783,530	12,070,368
LONG TERM ASSETS	1,280,945,060	1,274,831,262
Trade Receivables (net)	4,041	1,040
Receivables from Financial Leasings (net)	-	-
Due from Related Parties (net)	-	-
Other Receivables (net)	-	-
Financial Assets (net)	2,865	2,865
Investment Properties (net)	-	-
Tangible Assets (net)	1,279,300,805	1,274,433,784
Intangible Assets (net)	1,637,349	393,573
Deferred Tax Assets	-	-
Other Long Term Assets	-	-
TOTAL ASSETS	1,838,952,760	1,801,846,135

PETKİM PETROKİMYA HOLDİNG A.Ş.
BALANCE SHEETS
as of 31 December 2006 and 2005
 (TRY)

	31 December 2006	31 December 2005
LIABILITIES AND SHAREHOLDERS' EQUITY		
SHORT TERM LIABILITIES	253,239,604	270,899,210
Financial Liabilities (net)	17,381,250	92,151,566
Current Portion of Long Term Liabilities (net)	-	-
Liabilities from Financial Leasings (net)	-	-
Other Financial Liabilities (net)	-	-
Trade Payables (net)	177,033,961	129,972,818
Due to Related Parties (net)	80,801	82,104
Advances Received	39,038,768	30,556,517
Project Accrued Contract Income (net)	-	-
Provision for Liabilities and Expenses	-	-
Deferred Tax Liabilities	-	-
Other Liabilities (net)	19,704,824	18,136,205
LONG TERM LIABILITIES	127,657,586	130,877,184
Financial Liabilities (net)	-	-
Liabilities from Financial Leasings (net)	-	-
Other Financial Liabilities (net)	-	-
Trade Payables (net)	-	-
Due to Related Parties (net)	-	-
Advances Received	-	-
Provision for Liabilities and Expenses	99,088,176	95,407,464
Deferred Tax Liabilities	28,251,207	35,151,517
Other Liabilities (net)	318,203	318,203
SHAREHOLDERS' EQUITY	1,458,055,570	1,400,069,741
Share Capital	204,750,000	204,750,000
Capital Reserves	1,282,102,283	1,282,102,283
Share Premium	-	-
Share Premium of Cancelled Shares	-	-
Revaluation Fund	-	-
Revaluation Fund of Financial Assets	-	-
Differences Arising from Inflation Adjustment in Shareholders' Equity	1,282,102,283	1,282,102,283
Profit Reserves	-	-
Legal Reserves	-	-
Statutory Reserves	-	-
Extraordinary Reserves	-	-
Special Reserves	-	-
Profit on Disposal of Tangible Assets and Investments To Be Added to Share Capital	-	-
Translation Differences	-	-
Net Profit/(Loss) For The Period	57,985,829	(98,546,779)
Retained Earnings / Accumulated Losses	(86,782,542)	11,764,237
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,838,952,760	1,801,846,135

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF INCOME
for the years ended 31 December 2006 and 2005
 (TRY)

	31 December 2006	31 December 2005
INCOME FROM OPERATIONS		
Income From Sales (net)	2,222,333,063	1,344,249,050
Cost of Sales (-)	(2,017,233,175)	(1,290,817,630)
Service Income (net)	-	-
Other Income From Principle Activities/interest+dividend+rent (net)	-	-
GROSS PROFIT/(LOSS) FROM OPERATIONS	205,099,888	53,431,420
Operating Expenses (-)	(87,555,569)	(88,342,721)
NET PROFIT/(LOSS) FROM OPERATIONS	117,544,319	(34,911,301)
Other Income and Profits	86,719,720	47,129,783
Other Expense and Losses (-)	(119,817,080)	(78,391,234)
Financial Expenses (-)	(33,361,440)	(15,576,150)
OPERATING PROFIT / (LOSS)	51,085,519	(81,748,902)
Net Monetary Profit/(Loss)	-	-
NET PROFIT/(LOSS) BEFORE TAX	51,085,519	(81,748,902)
Taxes	6,900,310	(16,797,877)
NET PROFIT/(LOSS) FOR THE PERIOD	57,985,829	(98,546,779)
EARNINGS /(LOSS) PER SHARE	0.28	(0.48)

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended 31 December 2006 and 2005
 (TRY)

	Share Capital	Share Premium	Difference Arising From Inflation Adjustment	Legal Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) For The Period	Retained Earnings/(Losses)	Total
Balance as at 1 January 2005	204,750,000	198,313	2,656,163,546	12,272,021	37,753,397	-	(1,412,520,757)	1,498,616,520
Retained losses net-off	-	(198,313)	(1,374,061,263)	(12,272,021)	(37,753,397)	-	1,424,284,994	-
Loss for the period	-	-	-	-	-	(98,546,779)	-	(98,546,779)
Balance as at 31 December 2005	204,750,000	-	1,282,102,283	-	-	(98,546,779)	11,764,237	1,400,069,741
Transfer of 2005 loss	-	-	-	-	-	98,546,779	(98,546,779)	-
Net Profit for the period	-	-	-	-	-	57,985,829	-	57,985,829
Balance as at 31 December 2006	204,750,000	-	1,282,102,283	-	-	57,985,829	(86,782,542)	1,458,055,570

PETKİM PETROKİMYA HOLDİNG A.Ş.
STATEMENTS OF CASH FLOWS
for the years ended 31 December 2006 and 2005
 (TRY)

	31 December 2006	31 December 2005
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit/(loss) before tax (+)	51,085,519	(81,748,902)
Adjustments:		
Amortisation (+)	91,068,753	69,587,301
Termination indemnity	3,680,712	11,637,421
Provision for debts	-	-
Foreign exchange gains (-)	-	-
Profit from marketable securities or long term investment (-)	-	-
Profit on disposal of tangible assets	(256,500)	(150,963)
Interest expense (+)	-	-
Deferred tax income	-	-
Net Income Before Working Capital Changes (+)	145,578,484	(675,143)
(Increase)/decrease in trade operations and other receivables (+)	(87,402,000)	24,044,682
Decrease in balances due from related parties and shareholders (+)	-	-
Decrease/increase in inventories (+)	91,391,898	(21,929,037)
Increase in other receivables (-)	(3,109,250)	(4,970,501)
Increase in deferred tax assets (-)	-	-
Increase in financial liabilities (+)	-	-
Increase in trade payables (-)	47,061,143	43,377,146
Decrease in amounts due to related parties and shareholders (-)	(1,303)	(3,116)
(Decrease)/increase in advances received (-)	8,482,251	(677,377)
Increase in provisions for debts and expenses (+)	-	-
Increase/(decrease) in other liabilities (+)	1,568,619	(5,686,131)
Cash flows in operating activities (+)	-	-
Interest payments (-)	-	-
Tax payments (-)	-	-
Net cash flows from operating activities	203,569,842	33,480,523
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Financial asset acquisition, net of acquisition cost (-)	-	-
Marketable security acquisition (-)	-	-
Tangible asset acquisition (-)	(97,179,550)	(207,577,208)
Cash inflows from sales of tangible assets (+)	256,500	150,963
Interests received (+)	-	-
Dividends received (+)	-	-
Net cash flows from investing activities	(96,923,050)	(207,426,245)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from share premium (+)	-	-
Cash inflows/(outflows) related to short and long term liabilities (+)	(74,770,316)	81,262,197
Payments related to leasing liabilities (-)	-	-
Dividends paid (-)	-	-
Net cash flows from financing activities	(74,770,316)	81,262,197
Increase/(decrease) in Liquid Assets	31,876,476	(92,683,525)
Liquid Assets at the Beginning of the Period	74,201,330	166,884,855
Liquid Assets at the End of the Period	106,077,806	74,201,330

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

-The Company has changed capital structure from the paid-up capital system to the authorized capital system with the limit of 300,000,000 TRY by the approval of the Privatization Administration dated November 07, 1998, and of Capital Market Board, dated December 07, 1998.

-The Company has increased its capital from 117,000,000 TRY to 204,750,000 TRY as of the Board decision dated 19.04.2001, and by the approval of Capital Market Board dated 30.10.2001.

-As of 31 December 2006, the share capital of the Company is as follows (TRY) :

SHAREHOLDERS	SHAREHOLDING,%	NOMINAL VALUE
PRIME MINISTRY PRIVATIZATION ADMINISTRATION	54.32%	111,223,358
STATE PENSION FUND	7.00%	14,332,500
OTHERS	38.68%	79,194,142
TOTAL	100.00%	204,750,000

A – IN GENERAL:

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

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

B – BALANCE SHEET (TRY)

	31 December 2006	31 December 2005
ASSETS		
Current Assets	558,007,700	527,014,873
Liquid Assets	106,077,806	74,201,330
Marketable Securities	-	-
Receivables (net)	235,300,698	145,505,611
Inventories (net)	203,845,666	295,237,564
Other Current Assets	12,783,530	12,070,368
Long Term Assets	1,280,945,060	1,274,831,262
Receivables (net)	4,041	1,040
Financial Assets	2,865	2,865
Tangible Assets (net)	1,279,300,805	1,274,433,784
Intangible Assets (net)	1,637,349	393,573
Deferred Tax Assets	-	-
Other Long Term Assets	-	-
TOTAL ASSETS	1,838,952,760	1,801,846,135

Receivables are as follows (TRY):	
Customers	234,661,507
Deposits and Guarantees Given	21,334
Other Receivables	5,795,692
Rediscount on Receivables	(4,588,098)
Provision for Doubtful Receivables	(589,737)
Total	235,300,698

Inventories are as follows (TRY):	
Raw Material and Supplies	122,559,442
Semi Finished Goods	47,172,836
Finished Goods	31,503,504
Merchandise	-
Other Inventories	653,555
Order Advances Given	1,956,329
Total	203,845,666

Tangible assets are as follows (TRY):	
Buildings, Land and Land Improvements	245,820,996
Machinery and Equipment	5,758,084,091
Motor Vehicles	11,386,335
Furniture and Fixtures	51,368,786
Other	996,152
Accumulated Depreciation	(4,900,703,786)
Construction in Progress	30,296,458
Order Advances Given	82,051,773
Total	1,279,300,805

31 December 2006 31 December 2005

LIABILITIES & SHAREHOLDERS' EQUITY		
Short Term Liabilities	253,239,604	270,899,210
Financial Liabilities(net)	17,381,250	92,151,566
Trade Payables (net)	177,033,961	129,972,818
Due to Related Parties	80,801	82,104
Advances Received	39,038,768	30,556,517
Provision for Liabilities and Expenses	-	-
Other Liabilities	19,704,824	18,136,205
Long Term Liabilities	127,657,586	130,877,184
Provision for Liabilities and Expenses	99,088,176	95,407,464
Deferred Tax Liabilities	28,251,207	35,151,517
Other Liabilities (net)	318,203	318,203
SHAREHOLDERS' EQUITY	1,458,055,570	1,400,069,741
Share Capital	204,750,000	204,750,000
Capital Reserves	1,282,102,283	1,282,102,283
Profit Reserves	-	-
Net Profit/(Loss) For the Period	57,985,829	(98,546,779)
Retained Earnings/Accumulated Losses	(86,782,542)	11,764,237
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	1,838,952,760	1,801,846,135

Debts are as follows (TRY):	
Debts of Forward Purchase of Naptha from Tüpraş	123,905,375
Other Suppliers	54,362,294
Deposits and Guarantees Received	457,715
Rediscount on Payables	(1,691,423)
Total	177,033,961

Provision for debts are as follows (TRY):	
Provision for Termination Indemnity	99,086,155
Provisions for Other Debts and Expenses	2,021
Total	99,088,176

C – STATEMENT OF INCOME (TRY):

01.01.2006 - 31.12.2006 01.01.2005 - 31.12.2005

NET SALES	2,222,333,063	1,344,249,050
Cost of Sales	(2,017,233,175)	(1,290,817,630)
GROSS PROFIT/(LOSS) FROM SALES	205,099,888	(53,431,420)
Operating Expenses	(87,555,569)	(88,342,721)
NET PROFIT/(LOSS) FROM OPERATIONS	117,544,319	(34,911,301)
Other Income and Profits	86,719,720	47,129,783
Other Expense and Losses	(119,817,080)	(78,391,234)
Financial Expenses	(33,361,440)	(15,576,150)
OPERATING PROFIT/(LOSS)	51,085,519	(81,748,902)
Net Monetary Profit/(Loss)	-	-
PROFIT/(LOSS) BEFORE TAX	51,085,519	(81,748,902)
Taxes	6,900,310	(16,797,877)
NET PROFIT/(LOSS) FOR THE PERIOD	57,985,829	(98,546,779)

The Company's current year depreciation expense of TRY 91,068,753 belonging to the accounting period of 01.01.2006-31.12.2006 as shown in the income statement;

To Sold Good Costs	68,220,299
To Marketing, Sales and Distribution Expenses	107,243
To General Administrative Expenses	4,904,514
To Costs Due to Idle Capacity	15,382,580

Totals TRY 88,614,636. The remaining TRY 1,470,992 is recorded in "semi finished goods" inventories, and TRY 983,125 is recorded in "finished goods" inventories.

Operating expenses are as follows (TRY):

Research and Development Expenses	(1,194,412)
Marketing, Sales and Distribution Expenses	(10,182,074)
General Administrative Expenses	(76,179,083)
Total	(87,555,569)

The Company calculated Provision for Termination Benefits of TRY 3,680,712 and termination benefits payment to retiring employees of TRY 11,196,159 in "General Administrative Expenses" account.

Income and profits from other operations are as follows (TRY):	
Interest Income	7,676,613
Foreign Exchange Gains	66,419,780
Other Ordinary Income and Profits	5,635,042
Provisions No Longer Required	5,431,448
Other Extraordinary Income and Profits	695,323
Prior Period Income and Profits	605,014
Fixed Assets Sales Income	256,500
Total	86,719,720

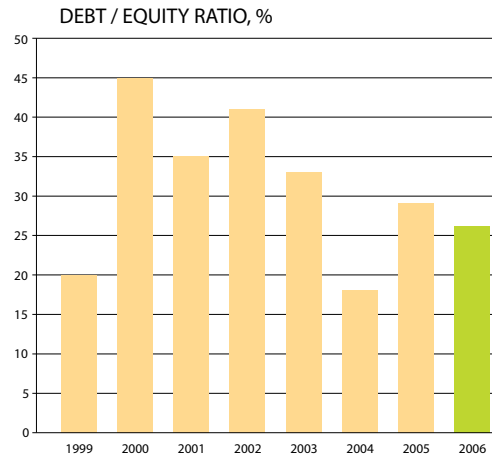
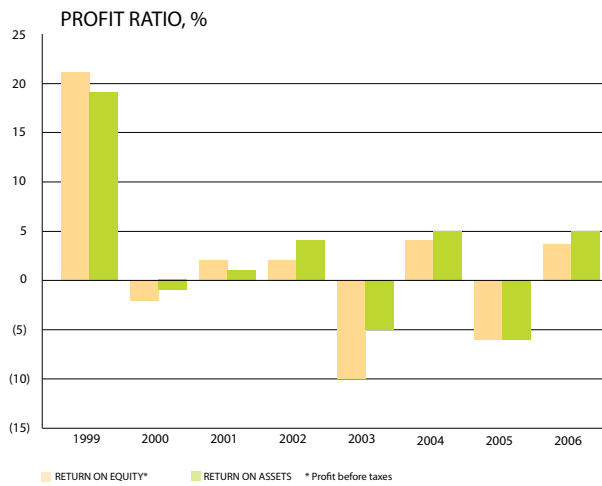
Expenses and losses from other operations are as follows (TRY):	
Costs Due to Under Capacity Production	(58,078,426)
Foreign Exchange Losses	(59,979,323)
Other Ordinary Expenses and Losses	(1,372,278)
Prior Period Expenses and Losses	(280,695)
Other Extraordinary Expenses and Losses	(106,358)
Total	(119,817,080)

Financial expenses are as follows (TRY):	
Exchange Difference	(15,499,070)
Interest of Forward Raw Materials Purchase	(13,895,688)
Interest of Credit	(3,966,682)
Total	(33,361,440)

Taxes stated in the income statement are as follows (TRY):	
Provision for Corporation Tax	-
Deferred Tax Income	6,900,310
Total	6,900,310

D – DONATIONS AND AIDS

As of 2006 December, there aren't any donations or aids expenses in the accounts.



FINANCIAL RATIOS, %	1999	2000	2001	2002	2003	2004	2005	2006
CURRENT RATIO	489	224	277	216	244	405	195	220
LIQUIDITY RATIO	297	133	177	134	148	219	80	133
DEBT / EQUITY RATIO	20	45	35	41	33	18	29	26
GROSS SALES/PROFIT RATIO	20	8	14	5	(2)	11	4	9
NET PROFIT/(LOSS) RATIO	13	(2)	-	-	(8)	4	(7)	3
RETURN ON EQUITY*	21	(2)	2	2	(10)	4	(6)	4
RETURN ON ASSETS	19	(1)	1	4	(5)	5	(6)	5

(*) Profit before taxes

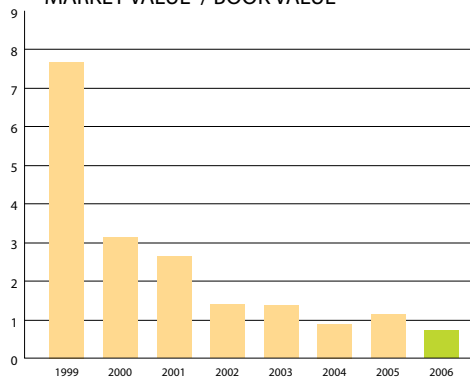
DIVIDEND AND SHARE STATISTICS	1999	2000	2001	2002	2003	2004	2005#	2006#
DIVIDEND (Billions TL)	14,625	-	-	-	-	-	-	(**)
DIVIDEND RATIO PER SHARE (%)	13	-	-	-	-	-	-	(**)
EARNINGS RATIO PER SHARE (%)	32	(9)	1	1	(42)	30	(48)	28
SHARE PRICE IN STOCK MARKET (TL)*	22,000	11,250	8,500	5,800	5,900	6,550	7.85	5.10
SHARE PRICE IN STOCK MARKET (US \$)*	0.04	0.02	0.01	0.004	0.004	0.005	5.85	3.63
MARKET VALUE/BOOK VALUE	7.67	3.12	2.64	1.40	1.38	0.90	1.15	0.72
PRICE/EARNINGS RATIO	69.28	(125.63)	602.78	448.59	(14.15)	21.65	(16.31)	18.01
1 \$ at the end of the year (TL/ \$)	540,098.00	671,765.00	1,439,567.00	1,634,501.00	1,395,835.00	1,342,100.00	1.3418	1.4056

(*) Year end of price

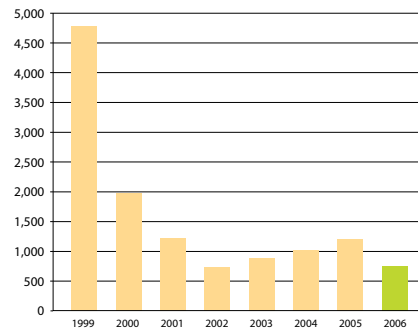
(**) To be decided in General Meeting of Shareholders

Values pertaining to year of 2005 and 2006 are in TRY

MARKET VALUE / BOOK VALUE



MARKET VALUE (ISTANBUL STOCK EXCHANGE PRICES) Million US \$





Chronological Development of Petkim



CHRONOLOGICAL DEVELOPMENT OF PETKİM



1965-1970

- Petkim Petrochemical Co. was established with a capital of 250 million TL.
- Petkim's initial investment activities were started in Yarımcı, 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 Yarımcı Complex was completed and they started trial operations.
- The decision was made to establish second petrochemical complex at Aliğa.



1971-1975

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



1976-1977

- Expansions of VCM and PVC plants were completed and Caprolactam plant was started up in the Yarımcı 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. 08. 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 Aliğa Complex were completed.

1984-1989

- Plants at Aliğa Complex were started up.
- In 1985, by government decree Petkim was turned into a State Economic Enterprise with Aliğa and Yarımcı complexes becoming entities belonging to the enterprise.
- Aliğa and Yarımcı 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 bases of their balance sheets as of 31.08.1990.

- Petkim and Aliğa Complex organizations were merged and Yarımcı Complex Management was established.
- As a result of expansion and rehabilitation projects, capacity increases were achieved, at the Aliğa Complex in 1993 in the LDPE, HDPE, PP and ACN plants and PVC, PS, CB, SBR, CBR and BDX plants at the Yarımcı Complex in 1995.



1996-1999

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



2000-2004

- 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 Electricity Generation Unit, a second 20 MW condensing type turbo-generator was started up in 2001.
- The Company has increased its capital from 117,000 billion TL to 204,750 billion TL as of 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, Yanmca Complex, excluding lodgings and social buildings, was sold to Tüpraş at a price of 60 million USD. The take over was completed on November 1, 2001.
- The second expansion of the HDPE Plant aiming to increase the production capacity from 66,000 tons/year to 96,000 tons/year have been completed in 2001.
- In 2001, the project for the addition of the 17th reactor to the PVC plant to increase the production capacity by 10,000 tons/year was completed.
- Çanakkale Plastic Processing Plant was closed down on 01.11.2003 and its equipments were transferred to Aliağa Complex with the Board of Directors' decision dated 01.09.2003 and numbered 1085/11.
- Solid-Liquid Waste Incineration Unit whose construction and erection had been completed in 2002 was started up in 2003.
- Petkim general cargo jetty was opened to usage of third parties by the Board of Directors' decision dated 31.03.2004, nr:1097/12.

2005

- Ethylene, LDPE and PP Plant expansions started within PETKAM investments were completed. Plant capacities were increased from 400,000 tons/year to 520,000 tons/year for Ethylene; from 190,000 tons/year to 310,000 tons/year for LDPE; from 80,000 tons/year to 144,000 tons/year for PP.

- The highest investment amount of the last 18 years was realized.
- Petkim Reorganization Project, started under the coordination of National Productivity Center's specialist, was completed in November 2005.

2006

- After the completion of the new investments in 2005, maximum production and sales figures have been reached in Petkim Aliağa Complex in its history.
- Maximum export of the past 15 years was realized.
- In Steam Generation Plant, in the scope of the fuel conversion project from fuel oil to natural gas, the erection of the pressured components and DCSes for 2 boilers have been completed and the tests were started. The erection of the gas turbine has been continuing.
- According to a survey conducted by International Credit Rating Organization Standard and Poor's and Sabancı University Corporate Governance Forum of Turkey, Petkim was selected one of the top five transparent companies of Turkey.
- In the Responsible Care Awards Contest 2006 organized by European Chemical Industry Council (CEFIC), Petkim received an award for its environmental studies relating to air quality.



Petkim will continue to grow with its production, environmental respect and transparency.



Corporate Governance Principles Compliance Report



1. Statement Of Compliance To Corporate Governance Principles

Petkim has made the required effort to comply with the Corporate Governance Principles, published by Capital Markets Board (CMB) of Turkey during 2006.

Within this scope, in 2006;

- Internal Audit Department has been established,
- Shareholder's Service unit has been expanded and arranged to serve as Investor Relations Department.
- Petkim web page www.petkim.com.tr was reorganized to give more information to the public and to improve Investor Relations.

SECTION 1: SHAREHOLDERS

2. Shareholders Relations Unit

Investor Relations Department was set up in 2006. The communication information of this group is given below;

Manager

Selahattin YÜZÜGÜLDÜ

Tel : 0 232- 616 14 52

e-mail : syuzuguldu@petkim.com.tr

Assistant Manager

Macit KARABORAN

Tel : 0 232 - 616 61 27

e-mail : mkaraboran@petkim.com.tr

Officer

Şengül TUNASOY

Tel : 0 232 - 616 61 27

0 232 - 616 12 40 / 22 56

e-mail: stunasoy@petkim.com.tr

Officer

Serkan ULLU

Tel : 0 232- 616 61 27

0 232- 616 12 40 / 22 56

e-mail : sulu@petkim.com.tr

The main functions of this department;

- To handle issues related with capital market activities (CMB-Capital Markets Board, ISE-Istanbul Stock Exchange, Takasbank-Settlement and Custody Bank, CRA-Central Registry Agency)
- To perform Corporate Governance issues
- to disclose formal information to CMB
- to perform printed stock related transactions.
- to ensure safe and up-to-date investor records;
- To provide information to investors and analysts, except undisclosed information and trade secrets
- To update Investors Relations web page
- To organize Shareholders' Meeting

3. The Use of Shareholders' Right to Obtain Information.

Requested information has been answered by means of telephone calls (approx.1,200), e-mails (65), and letters (15) during 2006.

Improvements which can effect exercising rights of shareholders were

announced by means of Petkim web page and Reuters, and sent to CMB and Istanbul Stock Exchange(ISE) promptly to comply with Corporate Governance principles.

4. Shareholders' Meeting Information

Shareholders' Meeting took place on 23 th. March 2006 in company headquarters.

Representing shares quantity was 146,888,274 (71.75 %).
37 shareholders attend to meeting by proxy and one by personally.

Shareholders' meeting invitation had been announced officially by means of the most popular Newspapers. ('Milliyet and Yeni Asır') and Petkim Web page.

Questions of shareholders have been answered by board members.

There wasn't any proposal or request.

5. Voting Rights and Minority Rights

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

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

- a) Revisions of Company's Articles of Association
- b) Capital increase/decrease
- c) Recording of bearer shares to share ledger.
- d) Revision on employee regulations
- e) Independent audit company assignment
- f) Management's payments
- g) Dividend policy.
- h) Authorization assignment stated on the Article 31 of Company's Articles of Association.
- i) Any decision on capacity increase/decrease over 10%
- j) Any acquisition or joint-venture decision.

6. Profit Distribution Policies and Profit Distribution Time

Dividend distribution policy and dividend distribution time are stated in Articles of Association, article 37, 38 and 39.

Net profit is the amount remained from gross revenue less all of the legislative approved expenses. Reserve funds * and taxes are deducted from this Net Profit. A portion from the remaining which is settled by Capital Market Board (CMB) is distributed to shareholders, by the proportion of their shares, as first dividend.

From the remaining amount, some portion determined by Shareholders' Meeting is distributed to board members as share of profit. This amount should not exceed 0.1% of the total distributable profit.

Unless otherwise specified by the Shareholders' Meeting, the remaining profit is distributed as second dividend to shareholders as their portion of capital shares.

It is not allowed to transfer profit to next year, to allocate reserve fund except legally obligated, and to distribute of profit to Board members, officers, jobholders and workers unless allocate obligatory reserve fund and the first dividend determined in Articles of Association.

Shareholders' Meeting determines the time and type of profit disbursement by considering capital Market Board's announcements. Shareholders' Meeting may transfer authority to Board of Directors to determine the time and type of profit payment.

* **Reserve Fund:** Allocation of 5% of the annual net profit, continues until total reserve fund reaches to 20% of firm's paid in capital (Turkish Commercial Code, provisions of Articles of 466 are reserved.). If the total reserve fund falls below the 20% of paid capital for any reason whatsoever, reserve fund allocation continues until reaching to that amount.

7. Transfer of Shares

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

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

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

SECTION II INFORMING THE PUBLIC AND TRANSPARENCY

8. Information Policy of the Company

Four officers are responsible and have the authority to make public announcements.

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

Annual and quarterly financial statements are disclosed in Petkim web page under Investor Relations link.

According to the Stock Exchange Regulations, "any progress which could affect Petkim's stock values should be announced to public within limited time".

9. Special Case Disclosure

19 Special cases were disclosed in accordance with the Stock Exchange Regulations, during 2006. No additional information was requested from Capital Market Board (SPK) and Istanbul Stock Exchange (IMKB). Special Occasion Explanations are also published on our website.

10. Company Internet Site and its Content

Petkim web page has been renewed in 2006 in accordance with Corporate Governance conception .It's address is www.petkim.com.tr and information

is submitted both in Turkish and English.

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

There is no beneficial ownership.

12. Disclosure of Insiders

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

Kenan YAVUZ	- General Manager
Lütfi DOĞAN	- Asst. General Manager
Abdulkadir TUNCER	- Asst. General Manager
M. Hayati ÖZTÜRK	- Asst. General Manager
Hatice KAYGIN	- Asst. General Manager
Selahattin YÜZÜGÜLDÜ	- Finance Manager
Şeref HEKİMOĞLU	- Accounting Manager
Macit KARABORAN	- Asst. Finance Manager

SECTION III STAKEHOLDERS

13. Informing the Stakeholders

Company stakeholders have been informed as soon as possible by public announcements, web page and printed media about issues interesting themselves.

14. Stakeholders Taking Part in the Management

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

15. Human Resources Policy

Our fundamental policy is to use human resources in a highly effective manner that would support us for being a customer oriented company, keeping its leading position in the Turkish industry by capacity additions, meeting its shareholders expectations, understanding the value of its employees, using its sources effectively and intellectually as a regional leader and global company, giving utmost importance to labor force productivity, being environmentally-conscious, having the responsibility for occupational safety and health, following quality standards and developments constantly, and believing in the creativity of its employees.

The goal of our policy is to achieve human resources activities such as human resources planning, recruitment and personnel affairs, job analysis, salary and wage administration, training and development, performance management and career management efficiently.

The main principles of our human resource policy consists of the following:

- Defining and improving the system which provides appropriate personnel as qualitative and quantitative for achieving the targets.
- Determining and applying the training programs that would provide necessary knowledge, skills, talent and behavior to the personnel, and assessing the results on behalf of the Company.
- Analyzing the jobs and combining data for the scope of the jobs, human resources requirements, and working conditions to evaluate these data to prepare job definitions.
- Developing the performance management system to provide personnel promotions and increasing the productivity of the personnel and providing fair and equal chances in applications of the system.
- Forming and practicing a career management system that determines the career paths and shows essential opportunities to the personnel in the organization.
- Developing systems that encourage success and creativity and maximizing job satisfaction by providing appropriate work conditions.
- Forming Company Culture and Conception to encourage the personnel about their jobs and organization loyalty and providing social and cultural needs of personnel by aiming to increase the productivity of the Company.
- Providing training opportunities at home and abroad to develop personnel's professional knowledge and skills.

16. Information on the Relations with Customers and Suppliers

Petkim has reorganized her marketing and sales strategy to aim maximum customer satisfaction.

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

In İstanbul, Ankara, İzmir, Bursa and Gaziantep where most of our customers are located, customer meetings are organized to receive the partners demands, requirements and expectations and find solutions due to their difficulties.

As a future aspect On-line Sales Payment System studies which will work without guarantee letter have been started and will be carried out in 2007.

To define Petkim's future and interrogate Sales Systems, meetings are held between the selected sector delegates and Petkim directors.

The quality standart is performed in the products and services and it is protected with great attention. For this purpose specific guarantee is supplied for the quality. Compensation and restitution of non standart product and services are put under garentee.

Commercial informations about the customer and suppliers are hold under

secrecy. Sufficient precautions are taken between the customer and suppliers preventing unfair advantages to gain accordance between the parts.

In 2006, by customer visits, and fair participations, many activities are executed with Petkim's partners to evaluate their difficulties, expectations and perceptions.

As a result of the visits and discussions between our partners:

- Sales allocation are increased by giving priority to manufacturers Price stability is obtained by market observations
- With new product developments and quality improvements together with capacity increases performed in 2005, positive reflections towards our partners are achieved.

Intensive efforts has been spending on improvement of Customer Relation Management System.

After Sales Services Management has begun proofread and preventing activities by gathering all complaint and demands coming from our partners in different ways like fax, telephone, e-mail, visit, fair and coordinating with the concerned units about the short, mid and long term solutions of them. Studies about this scope are given below.

17. Social Responsibility

Our company is sensible for environment consumer and public health. Petkim always obeys ethical rules.

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

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

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

Environmental Activities

Petkim 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. Petkim was applied for to European 2006.

Responsible Care Award Scheme by the project named "Air Quality Identification for Petkim Site and Surrounding Area" and commended by CEFIC.

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

PETKİM dispose off its waste almost completely by self waste treatment units and in accordance with environmental regulations. Registration procedure for Petkim Waste Incinerator continued in 2006.

Voluntary Initiatives: Petkim had took part as a pilot plant in 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 and the second part of this project was started in this year. The other project was also started in 2006, "Pollution Release and Transfer Registration (PRTR) Pilot Project", which is carried by UN/UNEP- Ministry of Environment and Forest of Turkey cooperation. The aim of PRTR Project that Petkim took part as a data supplier is to set up a system for monitoring the pollution derives from the chemical usage by industry.

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

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

Board of Directors is formed 7 members elected by Shareholders' Meeting. 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. The Qualification of Board Members

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

The qualifications of all Petkim Board Members comply with the principles defined in articles 3.1.1, 3.1.2 and 3.1.5 of Section 4 of the CMB (Corporate Governance Principles)

Comprehensive information about members is available on our web site.

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

VISION 2015

To be a World-Class company in the petrochemical sector

STRATEGIC OBJECTIVE

40% Domestic Market Share in 2015

MISSION

Our mission is to be a petrochemical producer who

- Respectful towards people and environment
- Open to change
- Always able to keep its technology updated
- Aiming at exceeding the expectations of its stakeholders.
- Able to provide proper platforms to motivate and empower its Employees for participation and creative thinking
- Believes in management approach based upon sustainable excellence

Values And Principles*

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

* Our management understanding is an upside down, low pyramid

2006 Corporate Strategy

- | | | | |
|-----|---|-------|---|
| F.1 | To increase profitability | S.1 | To improve productivity |
| F.2 | To decrease costs | S.2 | To make growth plan |
| M.1 | To increase customer satisfaction and loyalty | S.3 | To struggle unfair competition |
| M.2 | To follow competitive price policy | Ö/G.1 | To make stronger corporate structure |
| | | Ö/G.2 | To improve environment and job security |

21. Risk Management and Internal Control Mechanism

Internal Audit Department has been founded in 2006 in compliance with corporate governance principles and reports to the General Manager directly.

Main activities of this department as follows;

- To form and develop an active and efficient internal control system in the company
- To audit process
- Following, auditing, giving opinions and reporting of company's actions whether they conform with procedures, regulations and legislations of government, company or public arrangements (CMB, Treasury, Foreign Trade, Tax Legislations etc.)
- To make investigations and giving proposals to utilize company resources effectively, efficient and economically,
- Auditing, evaluating, giving opinions and proposals for company expenses, financial operations and savings to fit company's goal, strategy and performance programs,
- To audit and give proposals for finance administration and control process.
- To audit expenses for legal conformity
- Determine commercial, financial, fiscal and legal risks which the company could subject to. , giving proposals to eliminate these risks.
- To audit company actions whether they are fit with the existing organizational structure, process and procedures and give opinions and proposals,
- To investigate and take actions for the personnel whose action causes economic loss of company or derive benefit for their owns or third parties, give proposal and opinions to prevents these actions,
- Notify the General Manager and make detailed investigation if a statement occurs.

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

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

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

23. The Activity Principles of the Board of Directors

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

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

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

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

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

25. Ethic Rules

The procedures of "Act of Ethical Rules for the Public Workers" has been implying in Company.

In conformity with this Act, Ethical committee with 3 members, monitors the working actions and reports to the Government regularly.

Beyond this, Members of Board, Administrative person and officer should give a "declaration of property" when entering to company as a worker and leaving the company. This declaration should be updated each 5 years.

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

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

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

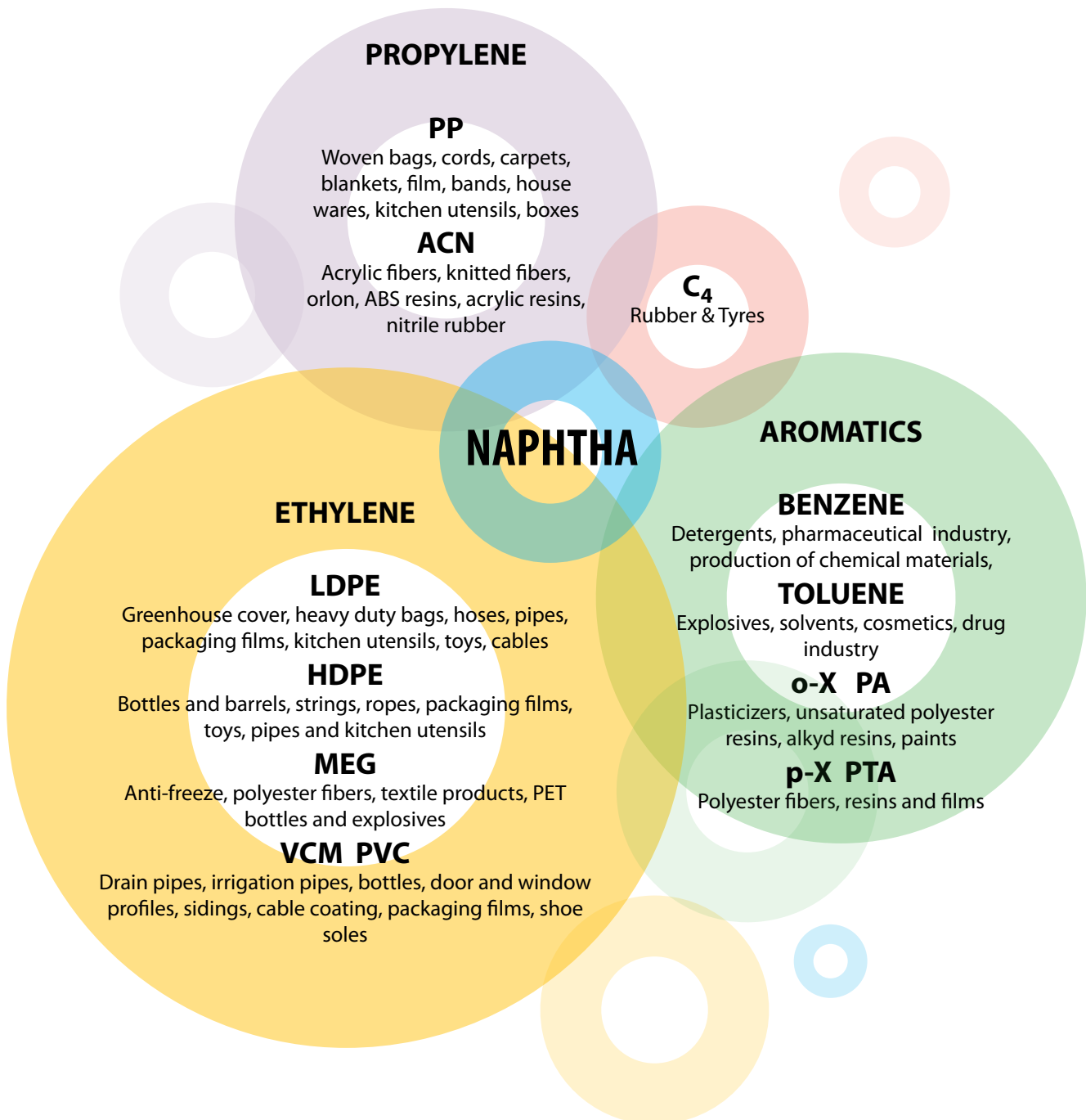
Committee is assembled at least four times annually.

27. Financial Rights Provided To the Board of Directors

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

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

END USES OF PRODUCTS





Petkim Petrokimya Holding A.Ş.

BOARD of DIRECTORATE

P.O.Box 12 35801 Aliağa – İZMİR / TURKEY
Phone: 90.232. 616 3640
Fax: 90.232. 616 2736

GENERAL MANAGEMENT

P.O.Box 12 35801 Aliağa – İZMİR / TURKEY
Phone: 90.232. 616 1240 (20 Lines)
90.232. 616 3240 (20 Lines)
Fax: 90.232. 616 1248 – 616 1439 – 616 2490

SALES & MARKETING MANAGEMENT

Phone: 90.232. 616 4095
90.232. 616 8520
90.232. 616 3856
Fax: 90.232. 616 8518

EXPORT MANAGEMENT

Phone: 90.232. 616 3656
90.232. 616 2365
Fax: 90.232. 616 2365

www.petkim.com.tr
petkim@petkim.com.tr