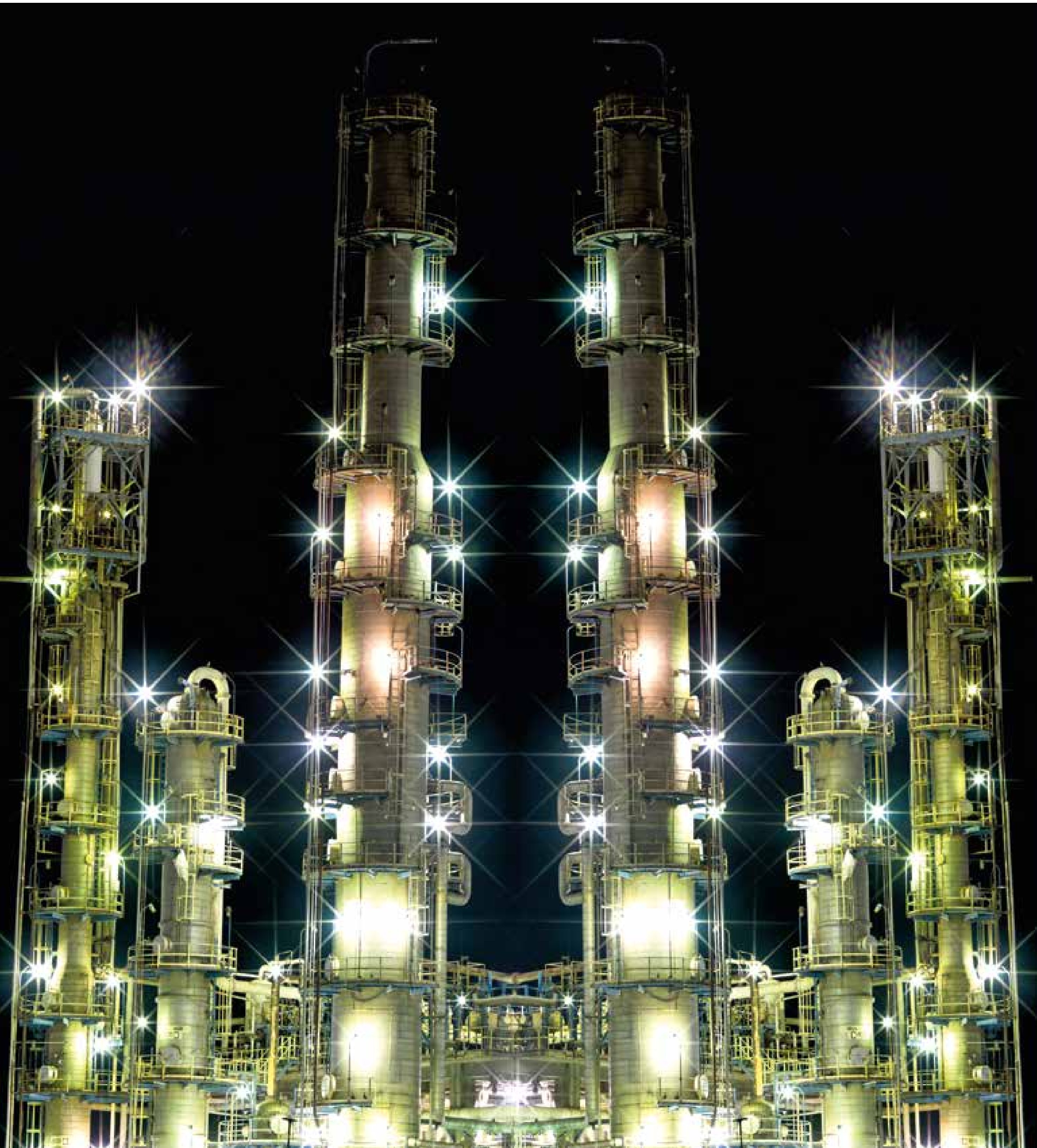
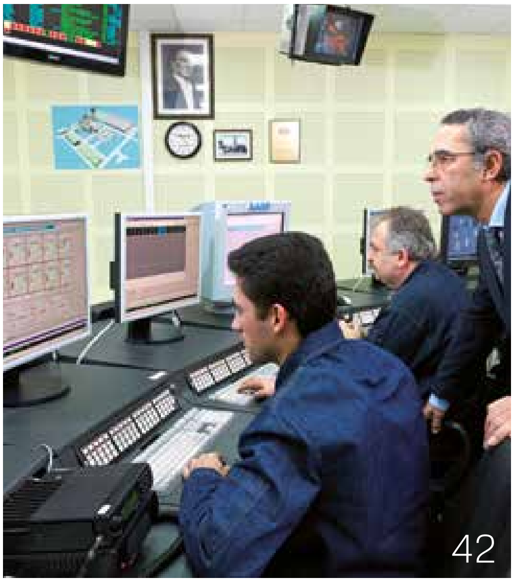
A more dynamic and a stronger Petkim

2013 ANNUAL REPORT





Petkim continued to breakthrough in 2013 without being affected by the global recession and uncertainty.

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Introduction

Petkim, the only integrated petrochemical complex in Turkey, is focused on creating value for Turkey's economy with its wide range of products.

Activities in 2013

With the help of its significant competitive superiorities Petkim performed effective business processes in 2013, as well.

Corporate Governance

Within the framework of its professional management approach, Petkim develops relations with its stakeholders on the basis of mutual trust and confidence.

Financial Information

Performing over the market expectations in 2013, Petkim sustains its strong position in the petrochemical industry thanks to its customer focused sales strategy that closely and continuously follows the expectations in the market.

Market oriented and dynamic planning policy, which aims to establish closer relations with clients, positively results in profit margins of Petkim. Uninterruptedly continuing its efforts to ensure optimization and operational efficiency, the Company produces in accordance with clients' expectations and market dynamics. Marking its name on each and every field of life, Petkim moves forward with a more dynamic structure towards even greater targets.

Petkim puts its name on each and every field of life and goes forward with a more dynamic structure to achieve even greater targets.

Petkim at a Glance

Taking place among the indispensable raw material suppliers of the Turkish industry with its broad product range including more than 50 petrochemical products, Petkim also sustains a pioneering position in terms of its strong financial performance.

Number of Products Launched to Market

50

Petkim Complexity Annual Production Capacity

3

MILLION TONS

Having the only integrated petrochemical complex in Turkey, Petkim provides raw and intermediate materials to various industries including construction, agriculture, automotive, electricity, electronics, packaging and textiles as well as pharmaceutical, paint, detergent and cosmetics through the high value-added products in its portfolio such as thermoplastics, fibers and raw material of paints. Located in the Aliağa Peninsula, the Company's production facilities comprise 14 production plants, seven auxiliary processing units, 21 other plants, administrative and social facility buildings.

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

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

Since its foundation, Petkim has conducted investment activities in Aliağa Complex within the scope of capacity increase, debottlenecking, refurbishment and modernization. Thus, the Company sustains its competitive advantage on international level by effectively meeting its clients' necessities and expectations.

On May 30, 2008, in a privatization tender with the block sale method, 51% of Petkim's public shares were sold to SOCAR&Turcas Petrochemical for US$ 2,040,000,000. In 2011, Turcas Petrol A.Ş. sold all of its shares to the State Oil Company of Azerbaijan Republic (SOCAR); following this sale, title of SOCAR&Turcas Petrochemical Enerji A.Ş. was registered as SOCAR Turkey Petrochemical A.Ş. In 2012, 10.32% of the public shares of the Prime Ministry Privatization Administration in the capital of Petkim Petrochemical Holding A.Ş. were sold to SOCAR Izmir Petrochemical A.Ş. and the shares were transferred.

With over 50 petrochemical products in its product range, Petkim is the most important raw material supplier in the Turkish industry and has a privileged position in the private sector in terms of profitability and production performance. Having the only integrated petrochemical premises in Turkey, Petkim rapidly moves ahead to achieve its target of increasing capacity by means of value added products. The refinery investment at the Petkim Complex, projected by the parent SOCAR Group in line with the purpose of ensuring raw material security, has been steadfastly continued.

Petkim has an adequate production infrastructure for the growth plans set in accordance with its long term strategic targets. Taking advantage of this strength, the Company has been in a dramatic transformation process, including raw material integration, on the way of becoming the largest petrochemical complex in Europe. Petkim, which has an annual average gross production of 3 million tons, is committed to adding value to Turkey's national economy and being a source of pride by respecting people and using environment-friendly production technology contributing to Turkey's cultural, social and economic life.

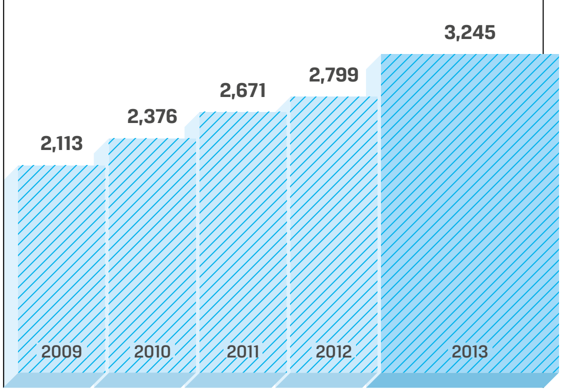
A sustainable profitable and efficient Petkim

Petkim, which is the only producer providing petrochemical raw material to approximately six thousand enterprises operating in the industry, achieves sustainable profitability by focusing on controllable variables. While continuously getting up its strength in the market, the Company enhances its operational efficiency as well through the new investments it initializes.

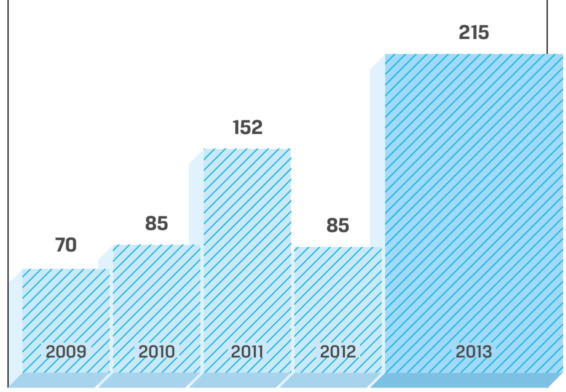
Petkim at a Glance

FIVE-YEAR KEY INDICATORS (TL THOUSANDS)	2009	2010	2011	2012	2013
Total Assets	2,113,203	2,375,893	2,671,127	2,799,356	3,245,630
Net Sales	2,057,459	2,909,392	3,891,322	4,348,910	4,158,730
Net Profit (Loss)	114,035	130,085	102,341	24,605	48,897
Exports (US$ millions)	347	531	834	1,041	816
Issued Capital	204,750	1,000,000	1,000,000	1,000,000	1,000,000
Investments	69,858	84,872	151,897	85,236	215,182
Number of Employees	2,421	2,457	2,585	2,401	2,449

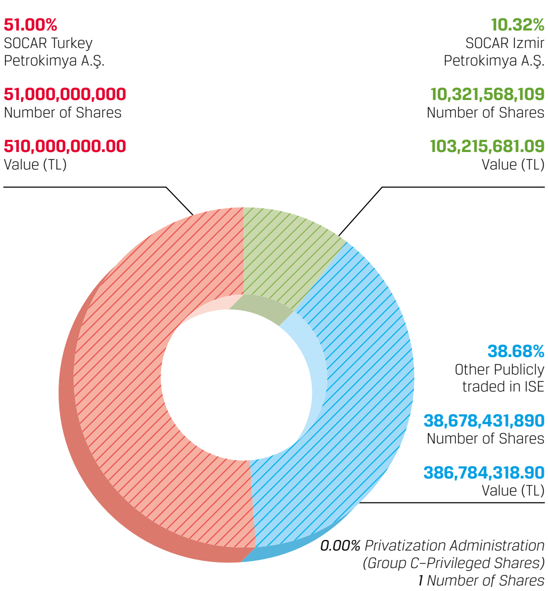
Total Assets
(TL million)



Investments
(TL million)



SHAREHOLDING STRUCTURE



Our Vision

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

Our Mission

Petkim

Petkim produces high quality petrochemical products in its integrated, high technology premises and it imports high quality petrochemical products, compatible with international standards.

Petkim sells its products in the domestic market and in international opportunity markets utilizing a strong customer focus.

Petkim cares about innovation; it takes quality as its philosophy of life and grows with its partners by increasing Petkim's market value and profitability.

Petkim keeps the competence, satisfaction and loyalty of its employees at a maximum level with innovative human resource applications.

Petkim follows universal ethical values that protect the environment, ensures occupational health and safety, as it supports and adds value to society with a sustainability perspective.

Our Values

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

Petkim at a Glance

Having strength from the strong shareholder equity structure, Petkim has maintained its net sales performance and profitability without getting affected from the fluctuations in global markets.

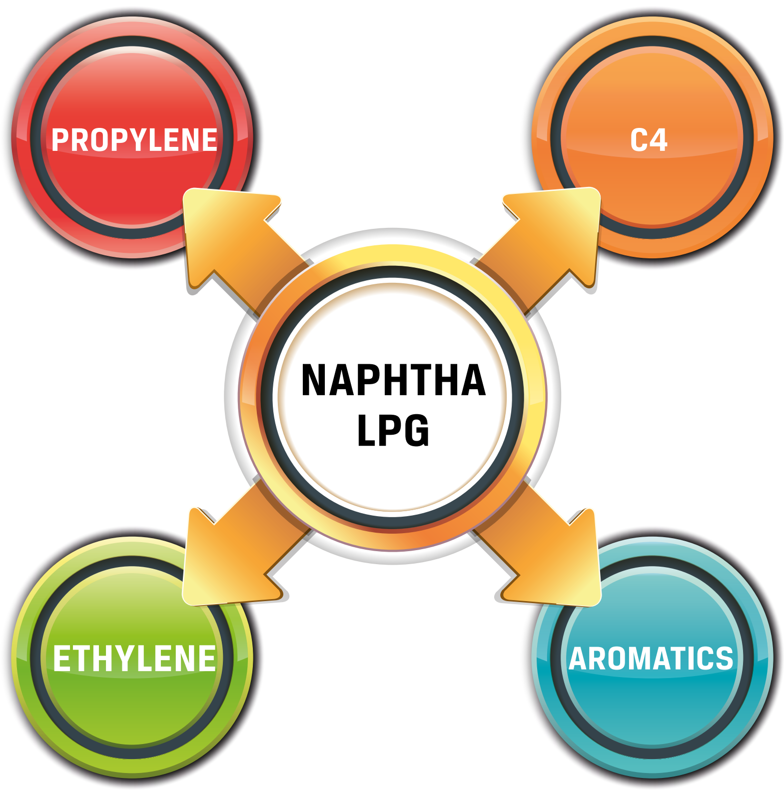
PRODUCTION BY YEARS (TONS)					
PRODUCTS	**2009**	**2010**	**2011**	**2012**	**2013**
ETHYLENE	500,977	512,783	453,519	468,968	462,868
THERMOPLASTICS	**666,350**	**691,846**	**652,775**	**642,336**	**583,199**
PVC	137,978	148,294	145,491	146,042	120,679
LDPE	172,584	189,531	189,330	155,916	147,584
LDPE -T	140,839	138,175	105,527	140,321	121,178
HDPE	86,118	82,106	89,801	86,699	84,821
PP	128,830	133,740	122,626	113,358	108,937
FIBER RAW MATERIALS	**181,439**	**246,365**	**242,536**	**211,803**	**192,527**
ACN	93,552	94,045	98,072	95,084	87,724
PTA	60,207	73,668	60,269	28,645	28,112
MEG	27,680	78,653	84,195	88,074	76,691
OTHER PRODUCTS	**1,608,020**	**1,789,164**	**1,572,283**	**1,705,567**	**1,578,546**
PA	33,238	39,734	31,650	23,785	28,745
BENZENE	146,060	160,154	111,762	146,181	140,759
PROPYLENE (CG)	95,480	101,151	101,066	76,283	52,035
PROPYLENE (PG)	149,457	151,318	141,592	166,847	178,618
P-X	130,706	140,167	106,935	144,684	122,544
C4	85,605	138,244	143,020	155,786	149,933
PY-GAS	348,034	369,313	348,002	377,587	354,296
CHLORINE	82,813	92,191	79,032	82,506	74,007
SODIUM HYDROXIDE (100%)	93,148	105,107	87,672	92,730	83,333
VCM	131,660	141,639	128,790	139,772	118,200
OTHER	311,819	350,146	292,762	299,405	276,078
TOTAL	**2,956,786**	**3,240,159**	**2,921,113**	**3,028,674**	**2,817,140**

Daily Use of Petkim Products

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

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

BUTADIENE
Rubber, automotive tires



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

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

MEG
Polyester yarn, polyester film, antifreeze

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

MASTERBATCH
Plastic bags

BENZENE
White goods, detergent

TOLUENE
Solvents, explosives, pharmaceuticals, cosmetics

PA
Pigments, plasticizers, synthetic chemicals, polyester

PTA
Polyester fiber, polyester resin, polyester film

Petkim at a Glance

To ensure sustainable productivity and efficiency of its business processes, Petkim considers projects for capacity increase and refurbishment in the production plants among its major priorities.

PETKİM FACILITIES

PLANTS

Ethylene Plant
Capacity: **520,000** tons/year
Licensing Firm: Stone&Webster Eng. Ltd. England
Start up Date: 03/21/1985
Expansion Date: 2005

Low Density Polyethylene (LDPE) Plant
Capacity: **190,000** tons/year
Licensing Firm: Imperial Chemical Ind. Ltd. England
Start up Date: 04/19/1985
Expansion Date: 1992, 2001

Tubular Low Density Polyethylene (LDPE-T) Plant
Capacity: **160,000** tons/year
Licensing Firm: Sabtec-Holland
Start up Date: 05/24/2005
Expansion Date: 2011

High Density Polyethylene (HDPE) Plant
Capacity: **96,000** tons/year
Licensing Firm: Mitsui Petrochemical Co. Japan
Start up Date: 07/23/1985
Expansion Date: 1993, 2001

Polypropylene (PP) Plant
Capacity: **144,000** tons/year
Licensing Firm: Mitsui Petrochemical Co. Japan
Start up Date: 08/04/1985
Expansion Date: 1993, 2005

Aromatics Plant
Capacity: **150,000** tons/year benzene
Licensing Firm: Universal Oil Products (UOP)-USA
Start up Date: 03/22/1985
Expansion/Modification Date: 2005

Chlorine Alkali (CA) Plant
Capacity: **100,000** tons/year chlorine
Licensing Firm: Oronzio De Nora Italy
Start up Date: 05/04/1985
Expansion Date: 2000

Vinyl Chloride Monomer (VCM) Plant
Capacity: **152,000** tons/year
Licensing Firm: ICI, Solvay England / Belgium
Start up Date: 03/19/1986
Expansion Date: 1995, 2000, 2003

Polyvinyl Chloride (PVC) Plant
Capacity: **150,000** tons/year
Licensing Firm: ICI, Solvay England / Belgium
Start up Date: 03/19/1986
Expansion Date: 1995, 2001

Acrylonitrile (ACN) Plant
Capacity: **90,000** tons/year
Licensing Firm: Vistron Corp. USA
Start up Date: 08/15/1985
Expansion Date: 1993

Pure Terephthalic Acid (PTA) Plant
Capacity: **70,000** tons/year
Licensing Firm: Standard Oil Co. (Indiana) USA
Start up Date: 04/28/1987

Phthalic Anhydride (PA) Plant
Capacity: **49,000** tons/year
Licensing Firm: Atochem France
Start up Date: 12/19/1985
Expansion Date: 2012

Ethylene Glycol Plant
Capacity: **89,000** tons/year MEG
Licensing Firm: Atochem France
Start up Date: 12/19/1985

Plastic Processing Plant
FFS Roll Film Unit
Capacity: **4,000** tons/year FFS Roll Film
Engineering and Supply Contractor: Windmöller and Hölscher – Germany
Start up Date: 04/24/1986

Masterbatch Unit
Capacity: **10,000** tons/year
Engineering and Supply Contractor: JSW - Japan
Start up Date: 04/14/1993

PETKİM FACILITIES

AUXILIARY PROCESSING UNITS

Güzelhisar Dam
Engineering and Supply Contractor: D.S.I - Turkey
Construction Contractor: Palet-Turkey
Rainfall Area: **450** km^2
Annual Average Rainfall: **500-600** kg/m^2
Water Level: **63** m.(min.), **104** m. (normal), **107** m. (max.)
Active Volume: **137** million m^3
Total Storage Volume: **150** million m^3

Water Purification Unit
Capacity: **8,578** m^3/hour
Engineering and Supply Contractor: LURGI-Germany, ENKA-Turkey / OTV-France
Start up Date: 1983
Expansion Date: 2005
Total Storage Capacity of Raw Water Basins: **80,000** m^3

Demineralized Water Unit
Capacity: **1,700** m^3/h
Licensing Firm: LURGI-Germany, Permutit-England, OTV-France
Start up Date: 1984
Expansion Date: 1998, 2006

Energy Production

Steam Production Unit
Installed Capacity: **1,200** tons/h XHS

Electricity Production-Distribution
Total Power Generated: **226** MW

Wastewater Treatment Plant
Capacity:
550 m^3/h Oily Wastewater
120 m^3/h Domestic Wastewater
1,000 m^3/h Chemical Wastewater

Solid-Liquid Waste Incinerator
Capacity:
0.85 tons/h Solid Waste
1.07 tons/h Treatment Sludge
0.34 tons/h Waste Oil

Port
2013 Ship Count:
505
Handling Amount:
2,765,440 tons

Principal Financial Indicators

In 2013, Petkim increased its operating profit to TL 72 million thanks to its strong product portfolio in addition to a well established sales and marketing network.

Summary Balance Sheet (TL thousand)	2012	2013
Current Assets	1,442,049	1,700,413
Non-Current Assets	1,357,307	1,545,217
Total Assets	**2,799,356**	**3,245,630**
Short-term Liabilities	1,019,246	1,219,582
Long-term Liabilities	115,793	318,542
Equity	1,664,317	1,707,505
Total Equity and Liabilities	**2,799,356**	**3,245,630**

Summary Income Statement (TL thousand)	2012	2013
Net Sales	4,348,910	4,158,730
Gross Profit	81,267	269,836
Operating Profit	5,727	72,073
EBITDA	32,186	234,532
Net Profit for the Year	**24,605**	**48,897**

KEY RATIOS	2012	2013
Current Ratio	1.41x	1.39x
Liquidity Ratio	0.82x	0.84x
Financial Leverage Ratio	0.41x	0.47x
Debt Ratio (Total Debt/Equity)	0.68x	0.90x
Gross Profit Margin (%)	1.87	6.49
Operating Profit Margin (%)	0.13	1.73
EBITDA Margin (%)	0.74	5.64
Net Profit Margin (%)	0.57	1.18

Current Assets (TL billion)

1.7

EBITDA (TL million)

235

A market oriented Petkim

Petkim conducts it business through a market oriented and dynamic planning policy by considering numerous cost variables in production as well as momentary changes in the market conditions with respect to its sales activities. The Company establishes long term strategic cooperation with its clients and shares its strength as a producer within the framework of win-win principle. Through its market oriented projects, Petkim sustains its major breakthroughs that it started in the field of intellectual property and nonmaterial rights.

A Story of Growth

Adopting an innovative management approach and without compromising its corporate principles, Petkim recorded significant successes in 2013.

1965-1975

Petkim Petrochemical Corporation was established with TL 250 million in capital.

Initial investments were made for the first Petkim production facility at Yarımca, Izmit.

Construction of the Ethylene, PE, CA, VCM and PVC plants at the Yarımca Complex was completed and trial operations began.

A decision was made to establish a second petrochemical complex in the Aliağa region.

Production began at the Çanakkale Plastics Processing Plant.

The DDB Plant within the Yarımca Complex was established and began operations.

Petkim's capital was increased to TL 1.5 billion.

Expansions at the Ethylene and LDPE plants within the Yarımca Complex were completed.

The CB, Synthetic Rubbers (SBR-CBR), Styrene and PS plants at the Yarımca Complex began operations.

1976-1985

Expansions of the VCM and PVC plants at the Yarımca Complex were completed. Caprolactam units began production.

Due to the rapid growth of the Turkish automotive industry, Petlas Lastik Sanayi A.Ş. was established to produce tires as of August 19, 1976 under the management of Petkim.

Petkim's capital was increased to TL 8 billion, TL 40 billion and finally TL 100 billion.

Auxiliary plants and shared facilities at the Aliağa Complex were completed.

Plants at the Aliağa Complex began production.

The Aliağa and Yarımca complexes were converted into subsidiary companies; Alpet Corporation and Yarpet Corporation.

1986-1995

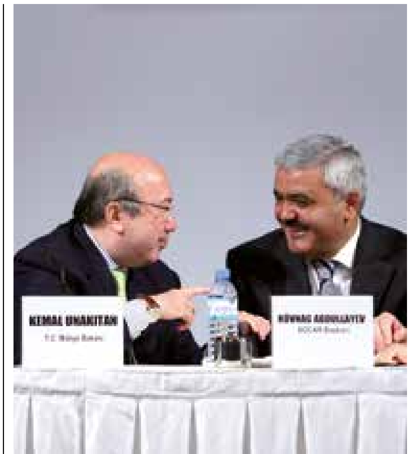
Petkim was brought within the scope of the state privatization program under the provisions of law number 3291 dated May 28, 1986.

Petkim's capital was raised to TL 2 trillion in 1990 and TL 3 trillion in 1991.

Alpet and Yarpet, Petkim subsidiaries, were absorbed into Petkim along with all of their assets and liabilities on the basis of their balance sheets as of August 31, 1990.

Petkim's Headquarters and the Aliağa Complex organizations were merged; the Yarımca Complex was restructured into Yarımca Complex Management.

As a result of expansion and rehabilitation projects at the Aliağa Complex's LDPE, HDPE, PP and ACN plants in 1993 and the Yarımca Complex's PVC, PS, CB, SBR, CBR and BDX plants in 1995, a significant increase was achieved in Petkim's production capacity.



1996-2004

Petkim earned a TS-EN-ISO 9002 Quality Assurance Certificate.

The Company's record keeping was converted from the Paid-up Capital System to the Authorized Capital System. The Company increased its capital to TL 117 trillion, on the basis of TL 114 trillion transferred from the Revaluation of Fixed Assets Fund.

Investments to replace the mercury cells used in chlorine production with membrane cells in order to increase chlorine production capacity to 100,000 tons/year at the Chlorine Alkali Plant were completed and production began.

A second 20 MW condensing-type turbo-generator went into operation at the Electric Power Generation Unit in 2001.

Capital was increased from TL 117,000 billion to TL 204,750 billion.

As per the Privatization High Council's decree, the Yarımca Complex was sold to Tüpraş.

The second expansion of the HDPE Plant, which increased production capacity from 66,000 tons/year to 96,000 tons/year, was completed in 2001.

The addition of a 17th reactor to the PVC Plant was completed, increasing production capacity by 10,000 tons/year, during 2001.

The Çanakkale Plastic Processing Plant was shut down; its equipment was transferred to the Aliağa Complex.

The construction and installation of the Solid-Liquid Waste Incineration Unit was completed in 2002; the unit began operations in 2003.

Petkim's dry cargo jetty was opened for service to third parties.

2005-2007

The capacities of the plants increased from 400,000 tons/year to 520,000 tons/year for ethylene, from 190,000 tons/year to 310,000 tons/year for LDPE and from 80,000 tons/year to 144,000 tons/year for PP. This represents the largest investment program undertaken in the past 18 years.

At the Aromatics Plant, PX capacity was increased from 100,000 tons/year to 136,000 tons/year, while benzene capacity was increased from 123,000 tons/year to 134,000 tons/year.

In a transparency survey conducted in 2006 by Standard & Poors and Sabancı University, Petkim was ranked one of Turkey's Five Most Transparent Organizations.

Following investments totaling US$ 90 million, a 57 MW gas turbine went into operation at the Steam Production and Electric Power Generation units in 2007. In order to attain fuel flexibility, the steam boilers were converted to operate on natural gas as well as fuel oil.

2008-2010

The official sale of the state-owned 51% block of shares in Petkim Petrochemical Holding Inc. to the second highest bidder, the SOCAR & TURCAS Consortium, for US$ 2.04 billion was formally completed. The agreement for the transfer of 51% of Petkim's shares to SOCAR & TURCAS Petrochemical Inc., established by the SOCAR & TURCAS Consortium, was signed on May 30, 2008.

A 1.3 million square meter parcel of land owned by Petkim was allocated to the STAR Rafineri A.Ş. for the establishment of a raw materials refinery.

Major improvements in productivity were realized by upgrading technology to increase raw materials flexibility. Petkim began cracking not only naphtha but also LPG.

Petkim was granted the ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

Petkim voluntarily joined the independent, international Carbon Disclosure Project (CDP); the Company established and announced its carbon emissions policies according to CDP guidelines.

A Story of Growth

Carrying out its activities in line with its clients' necessities and expectations, in 2013, Petkim crowned its efforts in the field of customer relations with TS ISO 10002 Customer Satisfaction Management System Certificate.

2008-2010

On June 23, 2010, STAR Rafineri A.Ş. received the license for a 10 million ton capacity refinery at the Petkim Complex.

As of June 29, 2010, Petkim's capital was increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.

In order to boost the efficiency of port operations, Petlim Limancılık Ticaret A.Ş. was established on November 22, 2010.

Enterprise Resource Planning Project (ERP) was launched on October 1, 2010 and all operational processes began being monitored through this initiative.

2011-2012

Petkim received approval for the construction of a wind power plant on February 01, 2011.

On October 25, 2011, the foundation of a ten million ton capacity refinery, owned by STAR Rafineri A.Ş., at Petkim Complex was laid.

Following investments completed at the LDPE-T Plant, a capacity increase of 20% was achieved.

On September 30, 2011, the Oxygen, Nitrogen and Compressed Air Unit of Petkim was sold to Air Liquide, one of the world's leading industrial gas producers.

The shareholding structure of the Company changed; Turcas sold its shares, 51% of Petkim shares were owned by SOCAR Turkey Enerji A.Ş., a subsidiary of SOCAR.

The rehabilitation project at the Aromatics Plant was successfully completed. As a result, productivity increased due to a significant reduction in energy costs and improvement in environmental emissions were ensured.

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

Following the expansion investment completed in August 2012, the capacity of the PA plant increased from 34,000 tons/year to 49,000 tons/year.

In the National Awards of Quality, one of the most prestigious awards of Turkey, which was held in cooperation with TUSİAD and Kalder, Petkim was awarded National Quality Success Award in the category of Large-scale Institutions.

Regarding its investments for increasing capacity and developing new products, Petkim obtained the Strategic Investment Incentive Certificate, which became effective in 2012 within the framework of strategic investments for decreasing current account deficit.

Petkim was awarded with the grand prize in the "Efficiency in Industry" category of The National Energy Prizes contest held in 2013.

2013

Petkim was awarded with the grand prize in the Efficiency in Industry category of The National Energy Prizes contest held in January 2013.

Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrialists consuming energy more than 500,000 TEP.

Petkim crowned its customer oriented efforts with TS ISO 10002 Customer Satisfaction Management System Certificate.

In line with the integration targets, an operation agreement was signed on February 22, 2013 with APMT BV and APM Terminals for the operation of the Container Port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).

Within the framework of the capacity increase projects in Ethylene and PTA plants, which are among the investments to increase market share of Petkim, works for the procurement of equipment and construction continued.

Within the context of Employment Summit held by ISKUR, Petkim was awarded with "The Company Providing the Highest Employment", "The Company Offering the Most Job-guaranteed Programs" and "The Top Company Providing on the Job Training Program" prizes.

Petkim Academy was established to put the Company's extensive knowledge in petrochemicals into the service of Petkim employees as well as industrial institutions and stakeholders within an academic environment.

Ekip Petkojen, representing Petkim in the contest held by İzmir Kalder to promote quality works, was awarded with "Successful Team of the Year" prize with its project of Excellency Model in Team.

Petkim was awarded with four prizes in Successful Industrial Enterprises Ceremony, which is held every year by the Aegean Region Chamber of Industry. Based on the operational results obtained in 2012, Petkim ranked second in the lists of "Largest Exporters" and "Largest Producers" while it ranked third in the list of "Employers Providing Highest Employment". Besides, Petkim was awarded with the first prize in the category of "Employers Making Largest Investment" in the chemical industry.

Message from the Chairman of the Board of Directors

As we leave 2013, another efficient year for Petkim, behind, we work on and on for our investments that will serve for the shared future and prosperity of both Turkey and Azerbaijan.

In 2013, in line with our vision of 'Value-Site', we uninterruptedly continued our refinery, energy and container port investments, which will transform Petkim Peninsula into Turkey's first Chemical Industry Park.

Petkim is on the way of becoming a global manufacturing giant...

Distinguished shareholders and business partners,

In line with our vision of Value-Site, we continued our investments for refinery, energy and the container port that will transform Petkim Peninsula into Turkey's first Chemical Industry Park, without interrupting in 2013.

Within the framework of ensuring the refinery-petrochemical-energy-logistics integration in Petkim Peninsula where Petkim assumed a flagship position, our total investments will reach up to US$ 9 billion including acquisition of Petkim. In line with our ten-year perspective for 2008-2018, we target to carry SOCAR among the three largest conglomerate (holdings) of Turkey and to increase the total amount invested in Turkey by SOCAR up to US$ 17 billion including TANAP, an important infrastructure project for Turkey. We are aware of the fact that these investments, which will transform Petkim Peninsula into a production and energy center of the region, are of vital importance for both Azerbaijan and Turkish economies and will pave the way for new investments in the petrochemicals industry.

We lay the groundwork to take significant steps for Petkim in 2014. Upon completion of Ethylene and PTA projects, which will considerably contribute in reducing our production costs, we will significantly increase our production capacity in the operation period ahead.

Infrastructure work for STAR Refinery is going on

At STAR Refinery, of which the groundbreaking ceremony was held in October 2011, we completed 45% of site grading and infrastructure work as well as 85% of excavation work.

Within the framework of the agreement we signed with EPC consortium on May 20, 2013, it is decided that the basic engineering, construction and equipment procurement processes will be assumed by four international companies under the leadership of Tecnicas Reunidas in Spain.

VAGİF ALİYEV
Chairman of the Board of Petkim

This giant project, which we plan to put into use in the first half of 2017, is the highest amount invested in a single point in Turkey with US$ 5.5 billion, including financing costs.

We completed 28% of Petkim Container Port excavation work, which we began around the middle of 2013. In line with the agreement signed with Dutch-based APM Terminals, one of the world giants in its field, the Container Port will be operated by APM Terminals for 28 years. We plan to complete the first phase of the project in mid 2015 and the second phase in 2016. Upon completion, we expect that the Petkim Port will be the largest integrated port in the region and will significantly add value to our region.

Investment projects for energy production

It is seen that due to the investments we plan and carry out, the electricity and steam demand of Petkim Peninsula will increase four fold during the period ahead. We plan to put into use the STEP energy power plant, which constitutes the energy pillar of our 'Value-Site' integration model with a capacity of 612 MW, concurrently with the opening of STAR Refinery. In the meantime, our works for a wind power plant with a 25 MW capacity within the framework of diversification of energy production as well as a cogeneration facility, which will produce steam for our production plants and decrease production costs down to competitive levels, are ongoing. We plan to lay the foundation of the wind power plant, which will increase the capacity of our electricity production by 10%, in 2014 and to put it into use after 11 months. We take solid steps forward on our way of transforming Petkim Peninsula into one of Europe's largest production centers and hosting the most extensive cluster concept of our country in 2023 when we will also celebrate 100th year of the Turkish Republic. Our ambition to make new investments, our belief in the future of our countries, the moral bliss of providing employment for many new people, all make our work easier.

We execute a series of investments one after another that will carry Turkey and Azerbaijan, "One nation with two states", among the most prestigious countries in the world. I would like to emphasize that we are committed to move forward on this way without taking a rest, since we take this journey as an ideal of humanity.

With my deepest regards...

Board of Directors

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

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

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

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

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

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

Farrukh GASSIMOV

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

From 1985 to 1991, he served as a Lecturer and Associate Professor at the Baku Public Administration and Politics University. Since 2006, he has been Deputy Head of the Legal Department at SOCAR and since 2009, a member on the Board of Petkim. Gassimov speaks English, Russian and Azerbaijani. He is married and has two children.

Kenan YAVUZ

Born in Bayburt in 1959, Kenan Yavuz graduated from the Management Department of the Ankara Academy of Commercial and Economic Sciences in 1981. In 1984, he received an MBA from the Istanbul University, Institute of Management Economics. Yavuz started his professional career at MAKO Electrical Industry and Trade Inc., a joint venture of Koç Holding and Magneti Marelli, where he held various managerial positions in sales, purchasing, planning, finance, accounting, investment management, information systems and marketing. In 2000, Yavuz completed an advanced degree at Yeditepe University, Institute of Social Sciences and from 2003 to 2004, he served as a member of the Audit Committee at the recently privatized Bursa Natural Gas Distribution Inc. (Bursagaz). In March 2004, Yavuz was appointed to the Board of Directors of Petkim and in May 2004, was named General Manager. Following the privatization of Petkim on May 30, 2008, Yavuz continued to serve as General Manager.

On October 23, 2009, he was again appointed to the Board of Petkim. On November 9, 2009, was appointed CEO of SOCAR & TURCAS Energy Group A.Ş. Yavuz has served as President of SOCAR & TURCAS Group companies since September 4, 2010. Following the restructuring of SOCAR & Turcas Enerji A.Ş. on January 1, 2012 when the title of the Company changed to SOCAR Turkey Enerji A.Ş., Yavuz was appointed CEO of the new company. Since 2009, he has served on the Board of Petkim. Yavuz has been a Board member of the Aegean Region Chamber of Industry from 2009-2011. Presently, he is on the Board of the International Competition Research Institute (URAK) and the chairman of the high advisory board of Sustainable development and green growth association. Yavuz has various published interviews and articles in national and international media. Yavuz speaks English, is married and has two children.

Board of Directors

Hulusi KILIÇ*

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

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

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

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

İlhami ÖZŞAHİN*

İlhami Özşahin born in 1950 in Kastamonu. He completed his elementary school education in Araç Town, Köse village, middle and high school education in Istanbul. After he graduated from Istanbul State Academy of Engineering and Architecture, Department of Electrics in 1975. In 1976 Özşahin started his professional career at Turkey Electricity Authority as an engineer in Adapazarı Load Dispatch Center and continued to work as an engineer and engineer in charge until 1984.

Since 1984, Özşahin has been worked in Turkey Electricity Authority Load Dispatch Center as Chief, Vice Manager, Operations Manager and Central Management Directorate respectively. In 1995 he was appointed to TEAŞ Load Dispatching Department Chair and continued this mission until 2000. Özşahin served as a consultant until the middle of 2002 and between 2002-2003 he served as Energy Specialist in Energy Market Regulatory Authority (EMRA). At the beginning of March 2003 he was appointed as TEIAŞ General Manager and Board Chair in Turkey Electricity Transmission Co. Company and retired at with his own request in April 2009.

In the period of Head of Department in addition to the Load Dispatch Center, he worked as Head of Environment and Department of Science and Head of Research and Productivity Presidencies together for a while. Also, he served as a deputy in EUAS General Directorate of Electricity Generation Company during his General Directorate of TEIAS. İlhami Özşahin during his working period served as Board members at Black Diamond Electricity Distribution Company corporated TEDAS Turkey Electricity Distribution Company, ELTEM-TEK, Public Enterprises Association, Public Employers' Association and World Energy Council Turkish National Committee member. During the period of study, took place in Japan on Energy Planning, attended educations on Energy Management issues in the United Kingdom and the United States and also has taken place in a large number of international meetings and conferences. He has an active duty on restructuring of Turkey's electricity market within the scope of new Electric Market Law after 2002, on the formation of liberal electricity market, on the energy collaborations of Turkey Electrical System Electrical System with the European Electrical System and neighboring countries and plannings of and constructions of interconnections. Since 2010 working as a freelance Özşahin is married with three children, is a member of the Board of Directors Petkim since 13/04/2012.

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

Süleyman GASIMOV

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

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

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

Mehmet Hayati ÖZTÜRK

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

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

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

Message from the General Manager

In 2013, Petkim successfully continued to provide lifeline support for more than 6,000 businesses that are mostly comprise of SMEs, backbone of the country's economy.

In 2013, Petkim increased its EBITDA to TL 235 million by implementing customer and market focused policies through dynamic and active decision mechanisms built up in compliance with market conditions.

Distinguished shareholders and Business Partners,

We left behind a year that was dominated by significant developments with strong economic and social impacts both in Turkey and in the world. Petrochemical industry, which is oversensitive against the economic and social developments, has strived to accommodate increasing input and energy prices as well as shrinking demand since the beginning of the global crisis, and in 2013, successfully maintained its restructuring strategy set for this purpose. In this context, a series of restructuring measures were taken such as moving turnaround shut down to an earlier time, decreasing capacity utilization rate down to 70% and entering into mergers.

Petkim maintained its financial profitability

Despite the unfavorable developments in the economy during the year, Petkim left behind a successful activity period and exceeded its financial and operational targets. In spite of the fragilities, our Company once more succeeded to create difference against its competitors by turning the crisis to opportunity thanks to its strong industrial infrastructure. No doubt that, it is the pride of our employees as well as our shareholders, customers and all of our business partners primarily including our suppliers. In 2013, Petkim closed the year with a turnover of more than TL 4.1 billion by implementing customer and market focused policies through dynamic and agile decision mechanisms set in compliance with market conditions. Our successful performance resulted in our financial results; our net profit rose to TL 49 million from TL 25 million in 2012 whereas our EBITDA increased by more than 600% to TL 235 million. The export volume of our Company, which was US$ 816 million as of the end of 2013, constituted a significant part of our total sales, same as the previous activity period. As far as our investments concerned, we focused on rehabilitation and modernization activities in addition to our efforts to increase capacity; the investment amount we made reached TL 215 million, which has been the highest level of investment since 2005.

Customer portfolio including 6,000 enterprises

Petkim, which is in the center of our country's industrialization journey with its history of about half a century, pioneered the foundation and development of petrochemical industry as well as other related industries in Turkey. In 2013, with sense of responsibility of being "local and single producer", Petkim successfully continued to provide raw material and lifeline support for more than 6,000 enterprises, which are mostly comprise of SMEs, backbone of the country's economy.

The investment path focused on 'Value-Site' 2023

We have no doubt that the importance of the mission Petkim assumed for our country will increasingly continue during

Sadettin KORKUT
General Manager

the forthcoming years. In this perspective, for its future operations, our Company determinedly targets to sustain its corporate development by closely following industrial dynamics. Thanks to our main shareholder SOCAR Turkey's strong support, Petkim continues its investments with great determination in line with the vision of 'Value-Site' 2023, which is focused on ensuring the refinery-petrochemical-energy-logistics integration. Hence, our Company takes solid steps forward to move up the value added chain from crude oil to final product and to become one of the Europe's largest manufacturing centers.

In 2013, our main shareholder SOCAR signed the agreement for basic engineering, construction and equipment procurement phases of the STAR Refinery Project, the most important step of the integration process.

Within the context of the Container Port project, which constitutes the logistic integration part of the Petkim Value-Site 2023 vision, an operation agreement has been signed with APM Terminals for 28 years.

Petkim: An agile company operating through common sense culture

In 2013, Petkim thoroughly proved that it has an agile organization quickly and adequately responding to daily developments. Throughout the year, our Company effectively responded to changes in the conditions of demand, currency rates and prices. Hence, in line with its sustainable profitability target, Petkim succeeded to make the management and decision taking structure more flexible through common sense culture. By this means, market focused dynamic planning model was put into practice, which evaluates numerous cost variables on production side as well as ever-changing market conditions on sales side. Meanwhile, within the scope of operational efficiency, our Company focused on controllable cost factors and variables; implemented end to end designs and optimizations in business processes and put added value generation among the management priorities.

New communication channels for customers

Focusing on diversification of information and communication channels in order to establish closer relations with customers, in 2013, Petkim continued to meet its clients from different industries by means of regional meetings with broad participation. Our monthly publication, Petkim E-bulletin provides extensive and regular information to customers about movements in basic economic indicators, news from petrochemical industry, changes in prices as well as new products and technological developments in the sector.

In 2013, as a new practice, we also put into use Customer Communication Line, which will enable easier access of the clients to Petkim. Our Company targets more profitable products and customers through customer segmentation and product profitability analyses. In the meantime, we broke a new ground in the industry by obtaining TS ISO 10002 Customer Satisfaction Management System Certificate. In order to bring new solutions to financial problems of small and medium sized customers, FİNAR system was enhanced and new financial instruments such as sales with credit cards were developed.

Investments to increase market share

Our Company continued investments to increase its market share in 2013 as well. We obtained strategic investment incentive certificate for our investment project, which will ensure capacity increases in Ethylene and PTA plants by 13% and 50%, respectively. Basic engineering and equipment procurement works were largely completed and the project is planned to be put on use in 2014.

Effective solutions to ensure energy efficiency

Same as the previous years, in 2013, target to ensure energy efficiency was among the major priorities of Petkim. Energy Management Department was established in 2013 in order to constitute an effective energy management system in our Company. The fact that Petkim was awarded with the Grand Prize in "Energy Efficiency in Industry" category within the context of National Energy Prizes encouraged us to develop more effective activities in this field.

Message from the General Manager

In 2013, Petkim established Petkim Academy to put its extensive knowledge and expertise in petrochemicals into the service of Petkim employees as well as industrial institutions and stakeholders within an academic environment.

Petkim sustains its innovative approach in energy management, same as it demonstrates in all of its business processes. In 2013, Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrialists consuming energy more than 500,000 TEP. As a result of 19 energy savings projects that we put into practice in 2013, we succeeded to save TL 2.1 million and ensured to reduce CO_2 emission of 5,627 tons, which is equal to 1,358 TEP.

Restructuring in innovation works

Attaching great importance to R&D, P&D and innovation processes, Petkim gathered R&D and technical service units under a single roof in 2013. Through this synergy, after sale services have been provided in a more integrated way. Additionally, the Company took advantage of developing new products, recycling by products, retrieval of chemicals and energy saving.

Systematically and sensitively considering its employees' opinions since 2004, Petkim launched "In My Opinion", a new employee suggestion system in 2013. By courtesy of this platform, our Company aims to effectively evaluate its employees' accumulation of knowledge and thus enhance its business processes.

Petkim Academy was established

In 2013, our Company made breakthroughs in the field of human resources as well. Petkim Academy was established to put the Company's extensive knowledge and expertise in petrochemicals into the service of Petkim employees as well as industrial institutions and stakeholders within an academic environment. All of the trainers taking responsibility in Petkim Academy schools attended "Trainer's Training" programs and obtained trainer certificate on making presentations and preparation of training programs.

Within the framework of Academy activities, training programs are offered by internal trainers or external institutions that are in cooperation with Petkim in this field. The training topics are determined considering management approaches, market strategies and technology-quality-production-maintenance organizations of the industrial enterprises. Meanwhile, industrial training programs aim to meet the training and professional/personal development demands of employees, customers as well as sector institutions for their personnel such as foremen, technicians, engineers, managers and other employees working at technical and managerial positions. In addition to providing a strong support to our Company's management system, Petkim Academy brings employees, customers and sector institutions in numerous training and development products. Furthermore, apprenticeship programs, which are provided to high school and university students within the scope of Petkim's social responsibility approach, began to be managed by Petkim Academy.

Our corporate governance rating rose to 8.91

In 2013, the performance of Petkim shares, which are traded in BIST 30 and Corporate Governance Index, was relatively better than BIST 30 and BIST 100 indexes.

Petkim attaches great importance to transparency and accountability. Our Company's corporate governance rating increased from 8.72 in the previous year to 8.91 in 2013.

Carrying out its production activities in line with the principle of environmental sustainability, in 2013, Petkim successfully continued its efforts towards the targets of decreasing unit consumption of raw material, energy and water as well as increasing recycling ratio and reducing greenhouse gas emissions.

Petkim is a highly valuable brand and production power for our country; our target is to carry its half century of success to the future years. I would like to express my gratitude to all of our stakeholders who contributed to realization of our targets or will continue to contribute in the period ahead.

Kind regards...

Focusing on energy efficiency in every field, Petkim develops solutions at international standards by identifying the fields that are open to improvement.

Executive Management

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

Korkut worked for Ülker Group for 19 years and then assumed the position of General Manager at İmaj Ambalaj A.Ş. from 2007 until 2010. For the next two years, he served as General Manager at Naksan Plastik ve Enerji A.Ş., a subsidiary of Naksan Holding. On December 20, 2012, he was appointed General Manager of Petkim Petrokimya Holding A.Ş.

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

Rıza BOZOKLAR
Assistant General Manager
Riza Bozoklar was born in 1969 in Izmir. He is a graduate of Izmir Saint Joseph College, Izmir Sciences High School and Bosphorus University Industrial Engineering Department; he earned his MBA at Bilgi University. Bozoklar completed Paris Essec University Delphi Management Programme and is currently pursuing his PhD in Financial Economics at Doğuş University. His 21 years of job experience has been in industrial field; he has spent 5.5 years working in Italy and France. His career began at the Italcementi Group, where he has served as CFO in the Group Companies of Fiat and Ata Holding, Delphi Automotive and finally Çimko AŞ, joint venture of Sanko Holding and Barbetti. In October 2013, he was appointed Assistant General Manager responsible for Finance of Petkim Petrokimya Holding A.Ş. Bozoklar is married and has two children; he speaks Italian, French and English fluently and has also CPA degree.

Ali Rıza ESMEN
Assistant General Manager
Born in 1975 in Rize, Ali Rıza Esmen began his professional career working for a family-owned company operating in the construction sector. He graduated from Kırıkkale University, Faculty of Economics and Administrative Sciences, Department of Public Administration in 1997. Esmen continued his education at the State University of New York, Nassau Community College (NCC) where he began working as a teaching assistant in 2001. Between 2001-2005, he worked at the English Language Institute of NCC as an International Student Advisor and in the English as a Second Language Program; from 2005-2006, he as an Assistant Director of Continuing Education (ELI). In 2005, under a full scholarship, Esmen earned his MBA at Dowling College on Long Island, NY at the Townsend School of Business. In 2008, he lectured on Academic Research and Public Speaking as a visiting scholar and attended lectures and training for Aviation Management. Esmen provided training programs on leadership, communication, management sciences, organizational behavior and corporate culture as well as consultancy service for Ülker Holding. He worked as Human Resources Director in myTechnic Aircraft Maintenance Repair and Overhaul A.Ş. between 2008-2009, and Human Resources Manager in THY Teknik between 2009-2012. Since August 2012, he has served as Assistant General Manager responsible for Human Resources of Petkim Petrokimya Holding A.Ş. Speaking English fluently, Ali Rıza Esmen is married and has a child.

Natig DAMIROV

Assistant General Manager

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

Nihat GÜRBÜZ

Assistant General Manager

Born in Evciler Village of İvrindi, Balıkesir in 1952, Nihat Gürbüz graduated from Ankara University, Faculty of Chemical Engineering in 1975. From 1975 until 1983, he worked as Project, Planning and Operations Engineer at Sümerbank's chemistry and textile plants. On August 22, 1983, he began work at Petkim Aliağa Petrochemical Complex as a Production Engineer. Later, he served as Engineer, Chief Engineer, Assistant Manager and Manager of Production at VCM, PP and Ethylene plants. On October 13, 2004, he was appointed Department Head responsible for production in the plants. Between June 4, 2008 and October 1, 2011, he took the position of Production Group Manager responsible for production and maintenance. Since October 2011, he has served as Assistant General Manager responsible for Operations. Gürbüz, with 37 years of professional experience, speaks English. He is married and has two children.

Ali Ekrem ASLAN

Assistant General Manager

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

Mehmet Fatih KARAKAYA

Assistant General Manager

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

SOCAR Turkey

SOCAR Turkey steadily maintains its investments to become a solutions partner to Turkey, and an emerging value of its region, in the energy sector.

The State Oil Company of Azerbaijan (SOCAR), one of the most established oil companies in the world, has been active in Turkey as SOCAR Turkey Energy A.Ş. since May 30, 2008. SOCAR Turkey put its signature on various investment initiatives, resulting in closer economic relations between Turkey and Azerbaijan. The Company aims to further strengthen the ties between these two countries with each passing year following the principle of "One nation, two states" by the late founder, the President of Contemporary Azerbaijan Heydar Aliyev.

The target of becoming one of the three largest conglomerates of Turkey

SOCAR Turkey aims to be one of the three largest conglomerates of Turkey by reaching a turnover of US$ 15 billion by the end of 2017. Thanks to its investments made within the framework of "Petkim Value-Site 2023" project, Azerbaijan has been the largest direct investor in the history of Turkey.

In line with its targets, SOCAR Turkey takes solid steps forward and aims to become one of the Europe's largest manufacturing centers as well as the largest production power of Turkey by completing the refinery-petrochemical-energy-logistics integration as of 2023.

It is anticipated that the project of "Petkim Value-Site 2023" will ensure the realization of the value added chain from crude oil to final product. Upon completion of this project, high value-added products will be produced within the country and external dependence of Turkey's production and exports will be significantly reduced.

Investments for diversification of energy production

Among the investments made in Aliağa Petkim Peninsula, STAR Refinery, Petkim Container Port, STEP Energy Power Plant and RES are the projects carried out within the framework of this vision.

STAR Refinery, of which the groundbreaking ceremony was held on October 25, 2011, will be completed during the first half of 2017 and it will reach annually 10 million tons of crude oil processing capacity. In line with this refinery investment, which continues at full steam, 45% of total infrastructure works as well as 85% of excavation works were completed as of the end of 2013.

On February 20, 2013, a long term operation agreement was signed between Petlim Limancılık A.Ş., 100% subsidiary of Petkim, and APM Terminals, Dutch-based company world leader in operation and management of container terminals, for operation of the container port by APM. The container port will have 17 meters of depth and 700 meters of dock length enabling third generation vessels to land. Significant improvement was recorded in site arrangement work of Petkim Container Port, of which the first phase is planned to be completed in 2015.

The works for power plant, which constitute the energy pillar of the investments have been successfully carried out by SOCAR POWER Enerji Yatırımları A.Ş.

The projects that further strengthen relations between Turkey and Azerbaijan

The other significant project with respect to ever strengthening commercial relations between Turkey and Azerbaijan is the Trans-Anatolian Natural Gas Pipeline (TANAP), of which the agreement was signed between the governments of the two countries in June 2012. The final investment agreements related to TANAP and Trans Adriatic Pipeline (TAP), which were developed to transport the natural gas to be produced in Shah Deniz 2 field in the Caspian Sea to Turkey and Europe, were signed between the governments of Turkey and Azerbaijan on December 17, 2013 in Azerbaijan.

The project is expected to be a critical step for Turkey on the way of being an energy corridor in the world. Within the framework of the first phase of the project, 16 billion m^3 natural gas will be produced from Shah Deniz field, transported through 3,500 km and will reach to millions of consumers in Turkey, Georgia, Greece, Bulgaria and Italy. The first export is planned to be made to Turkey and Georgia in 2018 and then in 2019, natural gas transport to Europe will begin.

"Petkim Value Site 2023"

Located on the Aliağa Peninsula, an advantageous geographic position, Petkim has taken solid steps forward with its transformation process to a global Chemical Industry Park ("Value Site"), in which domestic and foreign investors will operate within the framework of a cluster model in refinery, petrochemicals, energy and logistics.

2013 Activities

Attaching great importance to environmental sustainability, Petkim succeeded to save TL 2.1 million by virtue of 19 energy efficiency projects that were put into practice in 2013.

Production

In 2013, capacity utilization rate in Petkim was 81%; significant improvements were also recorded in terms of enhancing raw material diversification and operational efficiency.

Carrying out its production activities in line with its total quality approach, Petkim reached a capacity utilization rate of 81% in 2013 throughout its production facilities. The improvement and cost reduction efforts in the plants of the Petkim production complex were steadily continued. In Ethylene plant's olefine production, (Ethylene+propylene+C4) capacity utilization rate was 94%.In 2013, the Company finalized its investment for the utilization of vent gas produced in Aromatics plant as a raw material in Ethylene plant and aims to ensure significant amount of savings with this project. By virtue of 19 energy efficiency projects effected in 2013, the Company succeeded to save TL 2.1 million and reduced unit energy consumption by 28% during the last 10 years and 4% within the last three years.

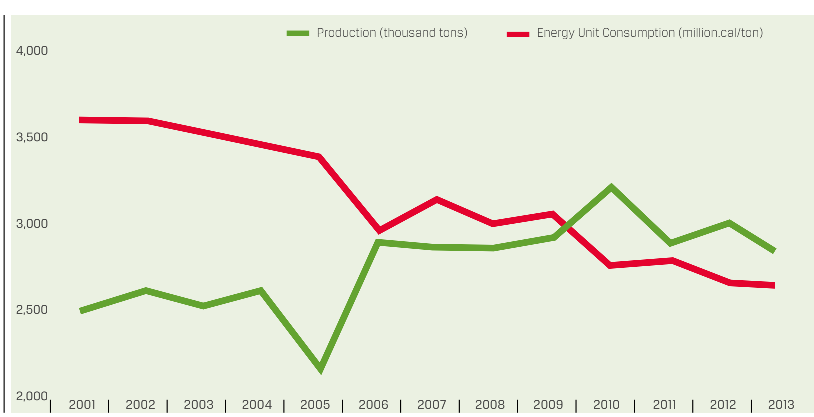
In 2013, Auxiliary Processing Units of Petkim met the utility needs of the plants in an uninterrupted manner during the year. Additionally, production continuity in the plants has been successfully ensured by means of services provided by waste incinerator, shared pipeline, waste disposal and port throughput units.

Energy Efficiency

Being awarded with the Grand Prize in 2012 within the framework of Energy Efficiency in Industry category of National Energy Prizes, Petkim applied for grant support with seven VAP (Efficiency Increase Project) in 2013; six of these projects were provided grant support at a rate between 10% to 30%. Besides, in 2013, Petkim has been the first industrial institution to obtain TS EN ISO 50001 Energy Management System Certificate among the large scale industrialists consuming energy more than 500,000 TEP. Completing 19 energy savings projects as of the end of 2013, the Company succeeded to save TL 2.1 million and ensured to reduce CO_2 emission of 5,627 tons, which is equal to 1,358 TEP.

The Company aims to ensure energy saving and efficiency in every field of its business. Thus, based on the researches and studies to identify the fields open to improvement, focuses on the investments that will cause energy saving. In accordance with the studies carried out for increasing energy efficiency, the Company will maintain its close cooperation with universities in the period ahead.

Petkim Complex Total Production/Unit Energy Consumption by Years



2013 Activities

Focusing on diversification of information and communication channels in order to establish closer relations with customers, in 2013, Petkim made dramatic and market oriented changes in its sales and marketing policies.

Sales and Marketing

Petkim carries out export activities to different regions by courtesy of its high level of brand recognition and production infrastructure at international quality standards.

Recovery signs in developed economies

2013 has been a year that developed countries steering the world economy such as the US, EU and Japan indicated exit signals from the crisis. In parallel to the recovery of the basic macro indicators of the US, the US Central Bank (FED) announced that it would exit from the quantitative easing policy, which was sustained over the past five years. Meanwhile, in Japan, it seems that the recession began following the earthquake came to an end as of 2013. In the Euro Zone, which was most severely effected by the crisis, the possible spread of the sovereign debt crisis was avoided by virtue of the measures taken under the guidance of the European Support Mechanism. The improvement in the performances of these three great powers, which constitute 44.8% of the world economy made positive global impacts. The increase in both prices of and demand for petrochemical products observed in China during the last quarter of 2013 obviously confirms these positive impacts.

Developing countries, which became dynamo of the global economic growth throughout the financial crisis, exhibited a moderate growth performance in the year of 2013. Meanwhile, China left Japan behind in 2013 and became the third largest economy of the world. The emerging countries called BRIC (Brazil, Russia, India and China) took action to establish an FX intervention fund against the "currency wars", which marked 2013.

Restructuring strategy in petrochemical industry

Petrochemical industry maintained its restructuring strategy in 2013 in line with shrink in demand being observed after the global crisis as well as increasing input and energy prices. Within the framework of measures taken against shrink in demand, various strategies were prioritized such as postponing some of the new investment projects, closely monitoring the markets, being conscious and prepared about the regional developments, following a demand-based production program and changing capacity utilization rate.

The energy and input costs have been steadily increasing in the industry and caused significant narrowing in profit margins. Against this situation, the industry prioritized the strategies that will ensure restriction in the supply level and keep the general prices higher. In line with this approach, a series of restructuring measures were put into use including termination of production in inefficient plants, scheduling maintenance stops to earlier times, reduction in capacity utilization rates down to 70% as well as company mergers and acquisitions.

The period of political transformation process in the Middle East and North Africa, so called "Arab Spring", unfavorably effected the Turkish economy, primarily the industries that export final product to these regions. Another important development for Turkey occurred in 2013 is that the economic embargo to Iran was loosened following the nuclear deal signed between the United Nations and Iran. It is expected that this development, which considerably reduced political tension in the Middle East, will cause oil prices to further drop during the coming period.

Market oriented transformation of Petkim

In 2013, Petkim passed through a deep and market-centered transformation in terms of its sales and marketing policies. In accordance with its new strategy, the Company changed its sales policy and began to produce at optimum capacity and arrange its sales accordingly whereas previously, it was working at maximum production capacity. In line with the segmentation made by the Sales-Marketing Department, the Company focused on more profitable customers taking place in small and medium segment. In order to bring new solutions to financial problems of these small and medium sized customers, new financial instruments were developed including enhancement of FİNAR system and sales with credit cards.

Customer Portfolio Size

6,000

2013 Activities

To bolster its position in the market and establish closer relations with customers, Petkim continued to organize customer visits, trade fairs, regional and industrial meetings in 2013 as well.

Sales and Marketing

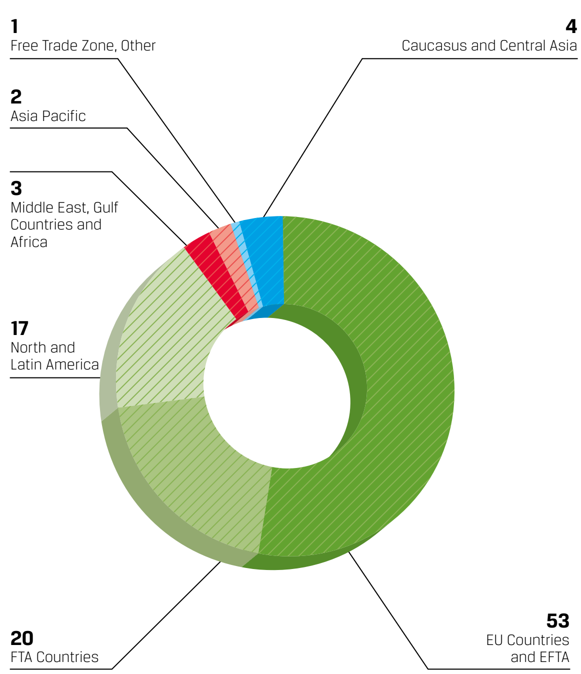
Petkim established TS ISO 10002 Customer Satisfaction Management System in line with its customer focused sales and marketing policy.

New communication channels for clients

In order to establish closer relations with customers, in 2013, Petkim initialized new projects to diversify its information and communication channels. On top of these projects, Petkim Academy was established to put the Company's extensive knowledge and expertise in petrochemicals into the service of its clients. Petkim E-bulletin began to be published as of May 2013 to further strengthen communication of the Company with its customers. By means of Petkim E-bulletin, a monthly publication, customers are provided information about movements of basic economic indicators, news from petrochemical industry, changes in prices as well as new products and technological developments in the sector. Petkim Customer Communication Line is another project realized last year in the field of customer services. In addition to these efforts, the Company established TS ISO 10002 Customer Satisfaction Management System in line with its customer focused sales and marketing policy.

To bolster its position in the market and establish closer relations with customers, Petkim continued to organize customer visits, trade fairs, regional and industrial meetings in 2013 as well. The Company reinforced its logistic infrastructure to keep a finger on the pulse of the market whereas the Sales-Marketing Unit conducted a series of technical customer visits, especially during the second half of the year.

Export Distribution by Region (%)



In 2013, Petkim continued its effective cooperation with both international and domestic stakeholders to ensure a sustainable corporate development.

Global and Domestic Cooperation

Petkim steadily enhances its corporate capacity by means of cooperation with its international business partners who each of them is expert in its field.

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Petkim establishes effective cooperation with both international and domestic stakeholders to ensure a sustainable corporate development. As an indispensable part of its procurement policy, Petkim establishes relations with suppliers based on mutual trust. Accordingly, the Company steadily conducts "localization" efforts in line with the target of reducing external dependence as well as decreasing costs, speeding up procurement process, creating market possibility for domestic producer/vendor suppliers. In addition, to make the procurement and cooperation management activities more effective, the Company organizes visits to supplier companies within the context of Supplier Satisfaction Survey, which is planned and carried out annually. The supplier companies are categorized and assessed according to their performances; every year, 10 of them are awarded during the anniversary ceremony of Petkim's foundation.

The Company attaches importance to inform and control the supplier companies' employees working at Petkim site with respect to work health and safety as well as technical security; hence, it continues to work in cooperation with the Shared Health and Security Unit, which was established for this purpose.

International cooperation in logistics

Petkim also stands out with its port and attractive logistic opportunities providing easy access to domestic market. In Petkim port, the Company plans to construct a bulkhead line, dock and a pier for container and tank terminal.

To conduct port activities, the Company established "Petlim Limancılık Ticaret Anonim Şirketi", 100% subsidiary of Petkim, and signed an operation agreement with APM Terminals. As per the agreement, the Container Port will be operated by APM Terminals for 28 years.

Petkim, which is aware of the fact that the competent human resource is indispensable part of its successful journey, provided employment possibility for 228 employees in 2013.

Human Resources

Petkim is able to measure employee loyalty by means of annual Employee Satisfaction Survey and accordingly identify improvement fields.

Placing emphasis on further improving the quality of its human resources in line with its growth targets, Petkim provided employment possibility for 228 employees in 2013. As part of its corporate social responsibility approach, the Company steadily and determinedly pursues an active employment policy. Within the context of Employment Summit held by ISKUR, Petkim was awarded with "The Company Providing Highest Employment", "The Company Offering the Most Job-guaranteed Programs" and "The Top Company Providing on the Job Training Program" prizes. In addition, since it is one of the companies providing the highest level of employment, Petkim was awarded in Successful Industrial Enterprises Award Ceremony, which is held every year by the Aegean Region Chamber of Industry (EBSO).

Employee Satisfaction Survey

Attaching great importance to employee loyalty, Petkim has conducted an Employee Satisfaction Survey each year since 2006. As in the previous years, in 2013, based on the feedback received from employees, Petkim made the required improvements in business processes.

MBA, Excellence in Business Education

The MBA program, which started in 2011 in cooperation with Istanbul University, Institute for Excellence in Business Education, was completed during the summer period of 2013 and 29 employees of Petkim were graduated. A new MBA program started in the fall semester of 2013 with participation of 25 employees.

Effective internal communications channel

Petkim strives for further strengthening communication among employees who work at different facilities located separately. In line with this approach, the Company continued internal TV broadcasts in 2013 with a richer content. The corporate newspaper, Petkim Ailem was also published with a new design and more dynamic content. Meanwhile, the magazine, also sent to stakeholders outside the Company, has such a strong content that can set strategies in the industry.

Industrial knowledge of Petkim is at the "Academy"

In 2013, Petkim established Petkim Academy in line with its strategy to put its strength, leadership, extensive knowledge and deep expertise in petrochemicals into the service of Petkim employees as well as industrial institutions and stakeholders within an academic environment.

All of the trainers taking responsibility in Petkim Academy schools attended "Trainer's Training" programs and obtained trainer certificate on making presentations and preparation of training programs. Within the framework of Academy activities, training programs are offered by internal trainers or external institutions that are in cooperation with Petkim in this field. The training topics are determined considering management approaches, market strategies and technology-quality-production-maintenance organizations of the industrial enterprises. Meanwhile, industrial training programs aim to meet the training and professional/

personal development demands of employees, customers as well as sector institutions for their personnel such as foremen, technicians, engineers, managers and other employees working at technical and managerial positions.

In addition to providing a strong support to the Company's career management system, Petkim Academy brings employees, customers and sector institutions in numerous training and development products. Furthermore, technical visits to the facilities and apprenticeship programs, which are provided to vocational school and university students within the framework of Petkim's social responsibility approach, began to be managed by Petkim Academy.

Technical training school

Technical Training School, established within the framework of Petkim Academy, provides industrial training especially in the field of production and maintenance. The courses included in the school's program are as follows: Maintenance Management System, Pipework and Valves, Rotating Equipment (Compressor, Pump, etc), Extruders, Safety Valves, Blow Down and Chimneys, Energy Efficiency, Exchangers, Furnaces, Inspection (Corrosion, Erosion), Things to Do for Preventing Undesirable Events in the Facilities, Columns, Compressors, Polymer Dust Dry, Polymer Processing Technology and Additives, Polymerization, Pumps, Centrifuge, Water Technology and Water Preparation.

Besides, in Technical Training School, the following programs are also provided by internal trainers of the production groups as well as R&D and Quality units: Packaging Materials and Sharing Experience and Information on Food Security, Legal Regulations on Materials and Articles which are Intended to Come Into Contact with Foodstuffs, Energy Saving Via Heat Integration, Laboratory Safety, Laboratory Tests, Product Specifications, Plastic Materials and Identifying Plastics Additives, Plastics and Environment, Basic Characteristics of Plastics: Dilution Flow Rate and Intensity, PP, PVC Production Processes and Laboratory Tests, Product Specifications, Disposal of Hazardous Wastes and Applied Analysis of PVC Compound Formulation. Various demands from customers and sector institutions for laboratory support, product promotion or product development are also met by the Technical School; technical safety and fire safety trainings are offered to ensure effective Work Health and Safety practices of the institutions in the industry.

The programs of Petkim First Aid Training Center are open to all citizens without being limited with the institutions in the industry. Registered by the Ministry of Health, the Center provides first aid trainings, which are mandatory for the companies within the framework of the related regulation. The Center meets the training demands of Mandatory Basic First Aid Training, Standard First Aid Training and First Aid Training Update.

Petkim First Aid Training Center, which was designed in accordance with international standards and was given Certificate of Conformity by the Local Health Authority of İzmir, offers training possibility also to all citizens who are literate and older than 18.

Personal development school

Petkim Academy Personal Development School provides training for professional and personal development. The training programs towards individual development and competency are offered to employees as well as industrial institutions and Petkim clients. The seminars on Shipping and Petrochemical Markets and Pricing, which are given by internal trainers working at Petkim Sales-Marketing Group, take place among these training programs.

Provided 43 hours training per employee on the average in 2013, Petkim Academy effectively and efficiently conducts the trainings' needs analyses, program designs, implementations and evaluations as well as presentations to employees, customers and industrial institutions.

Full support of Petkim to education

The construction of Heydar Aliyev Technical and Industrial Vocational High School, of which the groundbreaking ceremony was held on October 25, 2011 together with STAR refinery in Aliağa, Izmir, was completed; the school was given to the Aliağa Directorate of National Education.

2013 Activities

Adopting international principles in Work Health and Safety, Petkim focuses on providing a healthy and safe business environment for employees at the highest standards.

Human Resources

In line with its social responsibility approach, Petkim offered apprenticeship opportunities to a number of students during the summer and winter periods in 2013.

Costed approximately TL 16 million, the school will provide education opportunity to totally 720 students in honor of the name and memory of the great leader Heydar Aliyev, founder of contemporary Azerbaijan. Heydar Aliyev Technical and Industrial Vocational High School was designed as a campus with its education buildings, students' hostel, cafeteria, electricity and chemistry workshops, gymnasium and conference hall on 22 thousand square meters land; it is a unique complex in Turkey in terms of its architecture and construction quality. The students' hostel is comprised of 54 four-person rooms providing accommodation for totally 216 students. With its conference hall for 300 people, 30 classes, communal areas, high ceilings and spacious environment, the school was built and designed with the latest technology and innovation.

In line with the protocol made with the Ministry of National Education, the school plans also to provide education for students from Azerbaijan. For this purpose, the commission constituted from the members of Aliağa Directorate of National Education and SOCAR made selections in Azerbaijan through face to face meetings at the houses of students with their families. Finally, totally 57 students, 34 for 2012 and 23 for 2013, were selected. Among these, 55 students are currently attending the Heydar Aliyev Technical and Industrial Vocational High School. Started with 177 students in 2012-2013 education period, the school increased the number of its students to 420 with acceptance of 243 new students in the period of 2013-2014.

As being the best school of İzmir, Aliağa as well as ofTurkey, Heydar Aliyev Technical and Industrial Vocational High School, which has a comfort of five-star hotels and an air of university campus, is one of the most significant symbols of brotherhood between Turkey and Azerbaijan.

Apprenticeships and Technical Visits

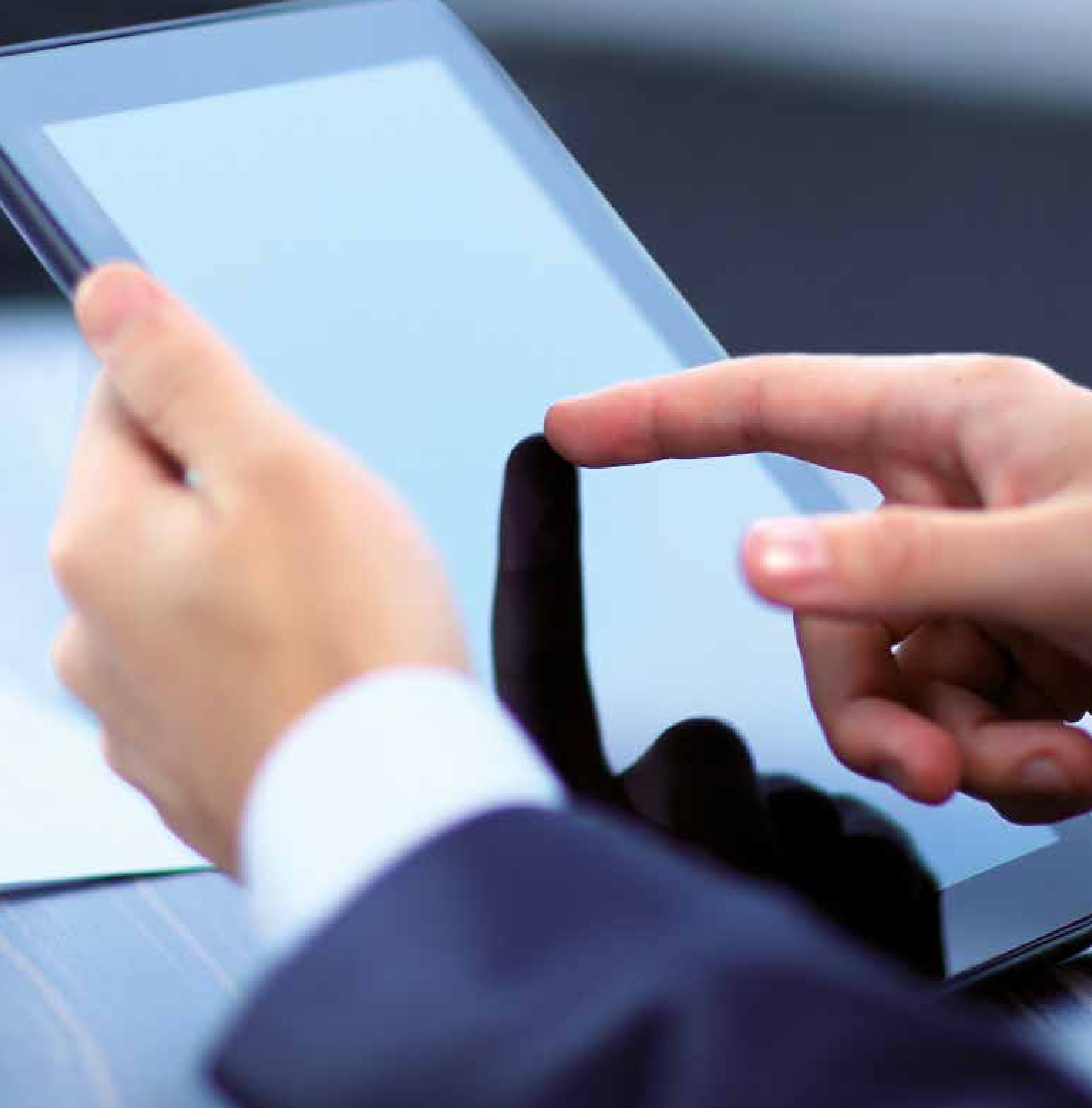
In addition to its social responsibility projects, Petkim offered apprenticeship opportunities to a number of students during the summer and winter periods in 2013 within the framework of the cooperation with universities and vocational schools. In 2013, totally 900 visitors from 27 different institutions made technical visits to Petkim.

Work Health and Safety Practices at International Standards

Petkim adopts work health and safety practices at international standards. Providing a healthy and safe business environment for employees at the highest standards and increasing working efficiency are among the Company's essential priorities. In line with this approach, work health and safety system was established, registered and coordinated with integrated management system and other processes of the Company. Besides, throughout the 2013 activity period, regular controls on technical safety, fire safety and environmental risks of business processes were made; meetings and seminars on work health and safety were organized at units to increase the consciousness of employees.

Petkim, a company sharing its knowledge

Having knowledge of half a century and experienced human sources in petrochemicals, Petkim is proud of the way it shares this know-how with its employees as well as many institutions in the Turkish industry. Through Petkim Academy, the Company provides various training possibilities to its employees and other companies in the sector via.



2013 Activities

In 2013, Petkim decided to provide support for "Technical Assistance Project on Increasing the Implementation Capacity of the SEVESO II Directive" as a pilot project.

The Environment

Petkim ensured 480 thousand tons less CO_2 emissions during the last four years.

In 2013, Petkim continued its production in line with its environmental sustainability approach. The Company regularly monitors environmental performance of its business processes in accordance with environmental indicators such as reducing unit consumption of raw material, water and energy; decreasing waste amount, increasing recycling ratio and reducing green gas emissions.

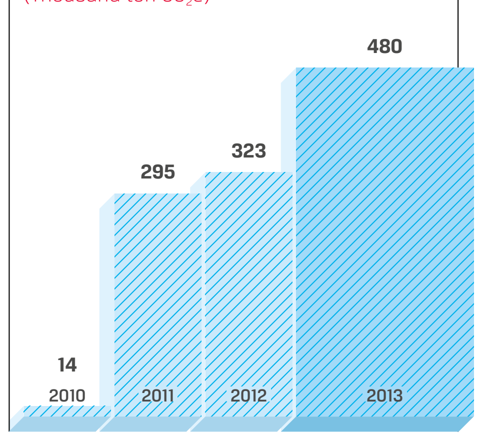
Energy saving based resource utilization strategies

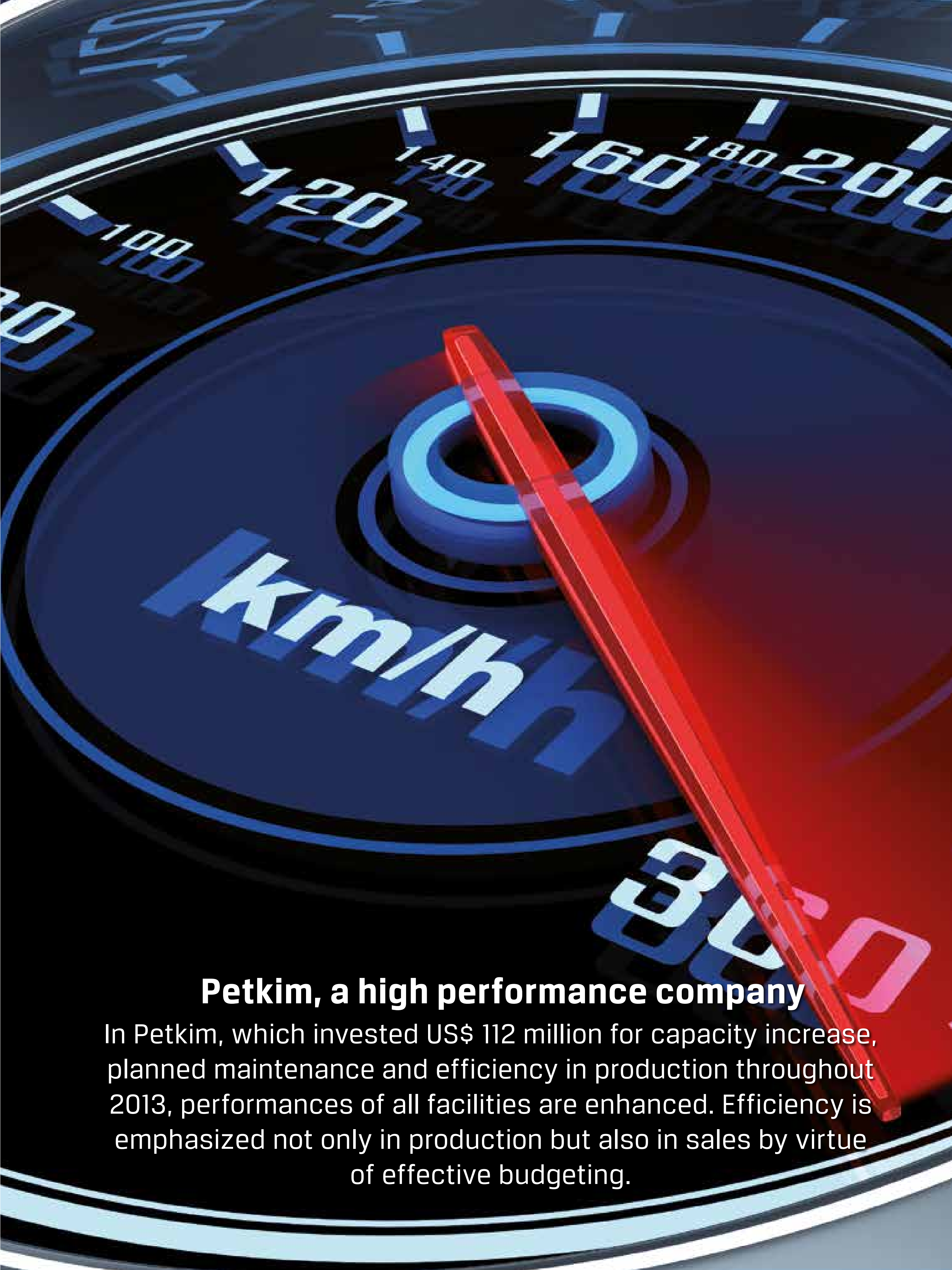
Another significant indicator that increases its environmental performance is the fact that Petkim voluntarily joined the Carbon Disclosure Project (CDP), which has a total fund volume of US$ 71 trillion and is supported by 551 international fund management companies. By means of its systematic works carried out within the context of the project, which strives to disclose information on carbon emissions as well as strategies and policies against climate change, Petkim ensured 480 thousand tons less CO_2 emissions during the last four years.

Effective solutions to environmental risks

Petkim operates in line with its mission, which states that "Petkim follows universal ethical values, saves the environment, ensures occupational health and safety, supports and adds value to the society with a sustainability perspective." Accordingly, in 2013, the Company decided to provide support for "Technical Assistance Project on Increasing the Implementation Capacity of the SEVESO II Directive" as a pilot project. This project targets to prevent major-accident hazards involving dangerous substances; limit the consequences of such accidents for the environment if they occur, and to strengthen corporate infrastructure against these kinds of accidents.

Cumulative CO_2 Reduction
(Thousand ton CO_2e)





Petkim, a high performance company

In Petkim, which invested US$ 112 million for capacity increase, planned maintenance and efficiency in production throughout 2013, performances of all facilities are enhanced. Efficiency is emphasized not only in production but also in sales by virtue of effective budgeting.

In 2013, Petkim maintained its investments in increasing market share and efficiency.

Technology Management

When Star Refinery starts up production, petrochemical industry will get rid of external dependence.

Through the investments planned and implemented in Petkim Peninsula, SOCAR Turkey aims to produce high value-added products within the country and hence significantly reduce the external dependence of production and exports of Turkey. SOCAR Turkey, the main shareholder of Petkim, takes solid steps forward to move up the value added chain from crude oil to final product by completing the refinery-petrochemical-energy-logistics integration through the vision of Value-Site 2023. Thus, Petkim Peninsula will become one of the Europe's largest manufacturing centers and competitive advantage of our country will significantly increase. Within this approach, on October 25, 2011, the Company held the groundbreaking ceremony of Star Refinery, Turkey's largest localization project and the largest private investment ever made on a single point in the history of our country.

Star Refinery will be put into service in 2017

Star Refinery, of which the investment will be made by STAR Rafineri A.Ş., will pave the way for future projections of SOCAR Turkey in relation to Petkim Peninsula and will ensure the security of raw material with its 10 million tons of crude oil processing capacity. By using environmentally friendly, state-of-the-art technology, Star Refinery, planned to start operation in 2017, will significantly reduce external dependence of petrochemical industry. The refinery will produce annually 1.6 million tons of naphtha as well as diesel, one of the primary components of current account deficit in Turkey, jet fuel and LPG, raw material of petrochemical products. The project, of which excavation works were largely completed, obtained the first strategic investment incentive certificate in Turkey.

The construction of the refinery was undertaken by a consortium, which comprises of Tecnicas Reunidas, Spain, Saipem, Italy, GS Engineering, South Korea and Itochu, Japan. Star Refinery also will significantly contribute to the Turkish economy by means of the employment potential it will create upon completion. In the meantime, this will be the first refinery to start production in Turkey since 1972.

Short, medium and long-term investment plans of Petkim

Petkim summarized its short, medium and long-term investment plans as follows:

- Growth with upstream investments to ensure raw material security,
- Growth with downstream investments to broaden product range, produce high value added products and implement a cluster model,
- Growth with energy investments,
- Growth with logistic and commercial investments

In February 2011, Petkim obtained auto-producer license from the Energy Market Regulatory Authority (EMRA) for the construction of a wind power plant of 25 MW at its facilities. Based on the wind energy, one of the renewable energy sources, this project was put out to tender as a turn-key project; its proposal evaluation stage is going on. The Company once more displayed its environment-friendly approach with this project.

Investments for capacity increase

Within the scope of "13% capacity increase in Ethylene plant" project, developed to increase the market share of Petkim, the basic engineering work was completed in 2010. The engineering, procurement and construction contract (EPC model) for the investment was signed in October 2011 and afterwards its detailed engineering work was completed. In line with this project, currently, equipment procurement and construction works are ongoing. The engineering and procurement contract (EP model) was signed for capacity increase in PTA plant and its detailed engineering work was completed. Within the scope of this project, equipment procurement work is ongoing.

Meanwhile, preliminary assessment continues for the projects of butadiene/rubbers, carbon black, pure ethylene oxid/ethoxylate, purification of acetonitrile, a byproduct of ACN plant, all are potential investment projects of Petkim. The negotiations with potential investors are still going on regarding the project that will significantly broaden the product portfolio of Petkim.

Investment expenditures reached TL 215 million with an increase of 153% compared to 2012.

2013 Activities

In line with the efforts of increasing technology based efficiency in Petkim plants, set up and upgrading of Programme Logic Control (PLC) and Distributed Control Systems (DCS) continued in 2013.

Technology Management

APC project in Aromatics plant was completed in 2013 and its performance test was made.

In 2013, Petkim maintained efficiency in production by successfully completing the investments in energy efficiency, HSE (health, security and environment) technology, modernization and maintenance in its plants and units. Among Petkim's HSE investments, there is also procurement process of replacement of R22, which is used in cooling systems of PVC, VCM, CA and HDPE plants, with chemicals without ozone-depleting substances. Construction-assembly and start-up work was completed in PVC, CA and HDPE plants in 2013 and will be completed in 2014 in VCM plant.

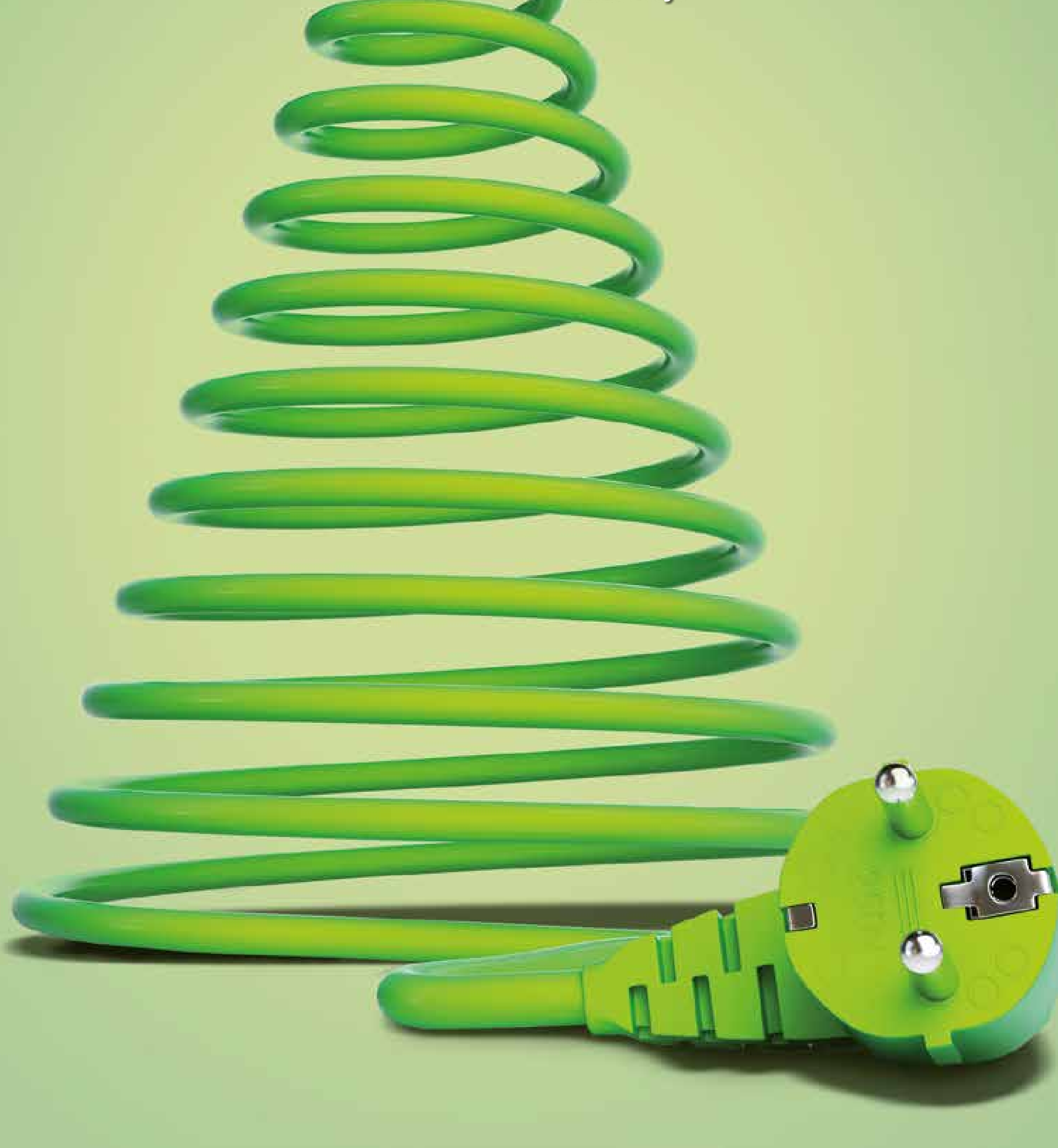
The projects focused on energy efficiency

Regarding the projects realized to increase energy efficiency, the investments of utilization of off gas produced in Aromatics plant as a raw material in Ethylene plant, and natural gas supply to Aromatics plant were completed in 2013 and put into service. Another project in this field is electrolyzer system rehabilitation in Chlorine Alkali plant. Through this investment, the replacement of anodes and cathodes together with membranes in 20 of totally 44 membrane-covered electrochemical cells was completed. Additionally, the investment is planned to place Vent Gas Booster in Direct Chlorination Unit of VCM plant. The contract of this investment was signed and it will be completed in 2015. Proposals were received for an economizer that will ensure annual saving of 87,000 tons of HS by benefitting from furnace exit gases in VCM plant. Besides, the Company purchased stretch hood machines for LDPE-1,2, LDPE-T, PP, HDPE and PVC plants and thus succeeded to reduce packaging costs.

Within the framework of technology based efficiency works in Petkim plants, set up and upgrading of Program Logic Control (PLC) and Distributed Control Systems (DCS) continued in 2013. DCS was put into practice at ACN Plant as planned in the investment program whereas at PTA plant, set up work of DCS continued. APC project in Aromatics plant was completed in 2013 and its performance test was made.

An efficient Petkim sensitive to environment

Being awarded with its energy efficiency works, Petkim prepares itself for the future by diversifying its energy sources used in production. Its investments in environment uninterruptedly continue by carrying the Company towards a sustainable identity.



Petkim develops its systems and processes by focusing on controllable variables through end-to-end design and optimization in business processes and market oriented dynamic planning.

System and Process Development

Obtaining TS EN ISO 50001 Energy Management System Certificate, Petkim positioned itself among the pioneering companies of Turkey in this field.

Petkim continues to develop its system and processes

By implementing market and customer oriented dynamic planning and focusing on controllable variables through end-to-end design and optimization of processes, Petkim accomplished its strategic priorities at tactical and operational levels. While a common sense culture is being created through strategic planning on one hand, ideas of employees are handled with the philosophy of "there is a lot to learn from each other" On the other hand in the meantime, the Company contributes more to all of its stakeholders by virtue of the new systems added to its integrated management approach.

Common sense created with strategic planning

As in previous years, in 2013, Petkim carried out the studies Current Situation Analyses (CSA), which became the input of its Strategic Plan. Afterwards, the Company's Strategic Plan was established. Based on the Current Situation Analyses, which comprises feedback from stakeholders; current and future market analysis; competitor and competition analyses; social, economic, political and technological analysis (SEPT); assessment of supply chain and collaborations; analysis of information from benchmarking studies and other investigation tools; analysis of creative ideas, KPI analysis; and analyses of internal and external audit results, relative improvement measures were identified. Current Situational Analyses are used as an input for the Strategic Plan.

To accomplish its vision and mission, Petkim identified its main business targets, primary performance indicators and process performance indicators as well as determined the objectives of these indicators in conformity with its Strategic Plan and processes. The Company developed a KPI Monitoring System to track its performance and achievement level. This system allows the Company to monitor its performance monthly and to identify the processes to be improved by using gap analyses and improvement plans.

Employee Suggestion System: Fikrimce

Since 2004, in order to benefit from creative and innovative ideas of its employees and to increase their contributions to corporate development, Petkim has implemented an Employee Suggestion System within the Company. In 2013, Petkim Suggestion System and Creative Idea Platform were renewed and combined under one roof. Through this new system, established under the name of Fikrimce (In My Opinion) with its strengthened information technologies infrastructure, either white-collar or blue-collar, all employees are offered the possibility to share their new

and innovative ideas in an electronic environment. In the meantime, Idea Evaluation Board and E-Committee play an effective role in successfully applying the ideas into business processes.

The scope of integrated management system was enhanced

For Petkim, obtaining management system certificates is not the final stage; on the contrary, it is the minimum step through its journey to total quality. Following the National Quality Success Awards, the Company sustained its journey to excellence by adding new certificates to its Integrated Management System in 2013.

Petkim obtained TS EN ISO 50001 Energy Management System Certificate

Petkim is one of the pioneering companies of Turkey not only with its total production volume but also in terms of the level of its energy utilization. For many years, the Company has carried out its works in this field separately under the heading of Energy Management System. Being conscious about its responsibility to the environment, Petkim runs a number of projects to achieve the most efficient way of energy utilization as a company using energy in a wide range of field varying from natural gas, electricity, hydrogen to steam and other hydrocarbon fuels. The efforts, which have been made since 2012 to obtain the certificate of Energy Management System, determinedly implemented and developed in the Company, brought their results in 2013. Being qualified to obtain TS EN ISO 50001 Energy Management System Certificate, the Company took place among the pioneering companies of Turkey in this field. Within the scope of certification works, energy utilization data of related plants and units were analyzed and the reference values at different working conditions were identified. Measuring, monitoring and improvement steps were reviewed and reorganized as many improvement projects were put into practice.

As a result of the audit by Turkish Standards Institute held (TSI) between March 5-8, 2013, Petkim was qualified to obtain TS EN ISO 50001 Energy Management System Certificate.

Petkim obtained Customer Satisfaction Management System Certificate

As a result of the TS ISO 10002 Customer Satisfaction Management System Certificate audit by Turkish Standards Institute held between October 7-9, 2013, it was decided to certify the customer satisfaction management system of Petkim. Petkim is the first company in petrochemical industry of Turkey to obtain TS ISO 10002 Customer Satisfaction Management System Certificate. Petkim successfully assessed by Turkish Standards Institute with respect to various standards including transparency, accessibility, objectivity, accountability and continuous improvement. The certification ceremony of TS ISO 10002 Customer Satisfaction Management System was held on November 1, 2013 with participation of İsmail Kaya, Deputy Governor, and Hulusi Şentürk, Chairman of TSI.

2013 Activities

As a result of the Integrated Management System certification audit carried out by Turkish Standards Institute between November 18-22, 2013, the management system certificates of Petkim were renewed.

System and Process Development

The internal audits related to Integrated Management System were carried out by the Company's auditors from October 21 to November 3 in 2013.

Certificate renewals were successfully accomplished

Through its Integrated Management System created within the context of its vision, mission, corporate principles and values, Petkim adopts, as a principle, of gaining the trust of its stakeholders as well as contributing to sustainable development while always being in compliance with legal and regulatory requirements as principle.

For this purpose, the Company is committed to:

- Devising systems to ensure occupational health and safety, and to avoid workplace accidents in its operations,
- Respecting humankind and its environs by focusing on the protection of the environment,
- Reducing waste, increasing recycling, and reducing use of natural resources Using energy efficiently, increasing the share of renewable energy resources in use of energy,
- Increasing collaboration with neighboring facilities, relevant authorities and the local government on the issues of Health-Safety-Environment,
- Becoming customer-focused, continuously meeting customer expectations and effectively monitoring customer complaints,
- Closely following technological advances and undertaking design and development efforts for products and processes,
- Creating necessary structures to intervene in emergencies,
- Being transparent towards its stakeholders in its operations, raising awareness among its employees and implementing and continuously enhancing ISO 9001, ISO 14001, TS 18001, ISO 50001 and ISO 10002 standards with full participation of its employees.

The internal control related to Integrated Management System (IMS) was conducted from October 21 to November 3 in 2013. At the Management Review meeting held on November 14, 2013, the internal control results as well as efficiency of IMS were evaluated and the IMS policy was reviewed.

The Integrated Management System audit was conducted by Turkish Standards Institute between November 18-22, 2013. Since there was no discrepancy identified, ISO 9001 Quality Management System, ISO 14001 Environment Management System, TS 18001 Work Health and Safety Management System and ISO 50001 Energy Management System certificates of the Company were renewed.

As in previous years, in 2013, Petkim applied for "The Year's Successful Team Award" organized by Izmir KalDer and evaluated based on the Team Excellence Model with the project of "Saving fuel gas in F-401/B incinerator" by Ekip Aktif (Team Active) and the project of "Saving low-pressure steam" by Ekip Petkojen (Team Petcogen). On June 6, 2013, Ekip Petkojen was granted The Year's Successful Team Award.

An agile and flexible Petkim with higher targets

By virtue of a common sense culture, Petkim makes its management and decision making mechanisms more flexible and establishes an agile organization quickly and adequately responding to changing conditions. The end-to-end design of business processes and generating added value for all stakeholders are among the management priorities of the Company.

2013 Activities

In 2013, Petkim maintained its progress in the field of intellectual property rights and increased the number of utility model certificates and patents it obtained to five.

R&D and Quality Assurance

In 2011, Petkim laboratories were given "The Certified Environmental Laboratory" status in the scope of its environmental analyses by the Ministry of Environment and Urbanization.

Within the scope of "Triethylene GlycolProduction" project carried out between 2007-2009 and funded by TÜBİTAK TEYDEB, Petkim has applied for three patents. The purpose of the project is Triethylene Glycol (TEG) from heavy glycol mixture produced as a by-product in Ethylene Oxide/ Ethylene Glycol Plant. In this project, two patents, "The Method for Generating TEG" and "A Liquid Separator" were granted by Turkish Patent Institute (TPE) in 2013.

New patent application for a cleaner environment

A SANTEZ (funded the Ministry of Science, Industry and Technology) project titled as "Generating Microorganisms for Degradation of Xenobiotic Hydrocarbons to be Used in Wastewater Treatment" collaborated with Ege University within the scope of Petkim R&D activities was completed in 2013. Therefore, an environmentally important patent application has been made based on the project's outcomes. An effective bacterium to treat waste water and waste e.g. terephthalate and biodegradation activities were identified throughout the studies undertaken in this project. In addition, microorganisms used for biologic treatment of waste water including phthalates were produced in lab and pilot scale studies. Thereby, effects of the hepatotoxic, teratogenic, and carcinogenic of the related wastes on living creatures were managed to reduce.

Patent application of XLPE

A new patent application for the cross-linked polyethylene (XLPE) as a new product from the studies carried out in the project, "Research on the Producibility of Cross-linked Polyethylene Used in Cable Industry", between 2007 and 2010 was completed in 2013. In Petkim, there have been 10 patent applications including XLPE in last five years. Five of these applications totally were granted in 2013. In 2013 two certificates were granted, with these certificates the company has three patent and two utility model certificates totally.

Accredited analysis services

In 2011, Petkim laboratories were accredited as "Certified Environmental Laboratory" by the Ministry of Environment and Urbanization within the context of environmental analyses and obtained Certificate of Environmental Compliance for four years. Turkish Accreditation Institute (TÜRKAK) accredited the laboratories of the Company within the framework of TS EN ISO/IEC 17025 Standard in 2010. Petkim successfully completed the audits performed by the auditors of both the Ministry of Environment and Urbanization and TÜRKAK. Being certified and accredited on environmental analyses, Petkim laboratories are committed to continue its activities in accordance with the Company's high brand reputation.

Analysis services for customer satisfaction

Petkim maintained its support to both public and private companies in regards of the Company's expertise in 2013. By means of the analyses provided to these institutions, Petkim supported the sector to maintain the use of higher quality materials in the market via product deformulation or problem solving, thus, contributed to improving the reputation of the sector.

Efficient and extensive quality management

By virtue of its qualified human sources, Petkim Quality Laboratories provide analysis services of raw materials, processes and final products to all plants and auxiliary units under the roof of the Company. In addition, samples with barcodes are effectively monitored and managed by means of Laboratory Information Management System (LIMS), In this framework, approximately 2,700 test results are delivered in a daily basis in a rapid and effective manner to the plants and units. The integration of LIMS with SAP ensures a more reliable environment to control raw materials and final products.

2013 Activities

In 2013, within the context of "University-Industry Cooperation", Petkim continued to provide support to universities and scientific institutes with materials, supplies and technical equipment.

Corporate Social Responsibility

Through the schools it constructed up until today and donated to the Ministry of National Education, Petkim invests in Turkey's future.

Petkim sees investment in the environment not as a cost item but as an indispensable component of its competitive structure. As its understanding is to be a petrochemical company that respects humanity and the environment, Petkim prioritizes occupational safety and the protection of the environment. Petkim's chimneys, which have high level of thermal power, are open for 7/24 to the audit by the Ministry of Environment and Urbanization and results are monitored online. By virtue of these reference practices, which are appreciated by its stakeholders, Petkim has a pioneering position in the industry.

Tree Planting Projects

Petkim's environmental sensitivity reflects in its tree planting activities. The 580 olive trees, which remained at the STAR Refinery's excavation area and feedback field of Petkim Port, were stubbed with meticulous efforts in cooperation with Menemen Forest Sub-district Directorate, and carried to Yenişakran, Petkim Atatürk Olive Grove, which comprises 6,000 olive trees. Additionally, the 540 olive trees remained at the STEP Power Plant were carried to 60 thousand square meters land belongs to Bahçede Village near Aliağa Penal Institution Campus. The trees will be treated and harvested by the prisoners and their revenue will be used in financing of "Smiling Lids, Smiling Faces Project" organized by Aliağa City Council to help handicapped citizens acquire profession. The 220 olive trees, which were at Petkim Container Port's excavation area, were carried to the Campus. In Güzelhisar Village, licensed dumping area of STAR Refinery in Aliağa, 14,150 saplings were planted on a 228,000 square meter land. The third of Heydar Aliyev Friendship and Remembrance Forests, of which previous phases were established in 2010 and 2011 in Yenifoça, was established near Örlemiş Village, Yenişakran. Five years after the signing date of the protocols, all of these planted lands will be passed on to Regional Directorate of Forestry.

Close Cooperation with Stakeholders

Within the context of "University-Industry Cooperation", Petkim continued in 2013 to provide support to universities and scientific institutes with materials, supplies and technical equipment. In addition, in accordance with the law numbered 3308, students from vocational high schools and universities were given the opportunity to undertake apprenticeships at Petkim. The Company also hosted numerous technical visits, which were participated by various universities of Turkey. Supporting educational and health institutions in Aliağa Zone with donations, Petkim lastly donated a doppler ultrasonography and an endovision system for Ear Nose Throat Unit of Aliağa State Hospital.

Long Lasting Works in Education

Petkim believes that through the schools it donated to the Ministry of National Education, it invests in Turkey's future. Lastly, in the Aliağa district center, the Company completed the construction of Heydar Aliyev Technical and Industrial Vocational High School in a record period of 270 days in 2012. The school began to accept students for the 2012-2013 academic period. The school, which was constructed as a campus with the latest technology for 720 students, costed totally TL 16 million.

Aliağa Petkim Basketball Team

The Aliağa Petkim basketball team continues to be an important part of the social fabric of the Aliağa community with its successful performance in the Beko Primary Basketball League. Aliağa Petkim serves especially as a positive role model for young people by keeping them away from bad habits; instead, helping engage them in sports activities.

INVESTOR RELATIONS

In accordance with social responsibilities of Petkim, Internal Control and Investor Relations Executive Directorate works devotedly for increasing both customer satisfaction and shareholders' value.

Being aware of the fact that it represents one of the deep-rooted industrial companies in Turkey, Petkim Internal Control and Investor Relations Executive Directorate conducts its business through corporate governance and investor relations implementations at international standards. In accordance with social responsibilities of Petkim, Internal Control and Investor Relations Executive Directorate works devotedly for increasing both customer satisfaction and shareholders' value.

As per Capital Market Board's provisions, as of May 31, 2013, the title of the Corporate Governance and Investor Relations Executive Directorate, which is directly responsible to the General Manager, was changed to the Internal Control and Investor Relations Executive Directorate. Meeting obligations stemming from Capital Board legislation, carrying out internal control activities, ensuring coordination in corporate governance practices and pursuing relations with shareholders were gathered under the roof of this Executive Directorate.

Duties and responsibilities of Internal Control and Investor Relations Executive Directorate are as follows:

- To comply with the relevant legislation, the Articles of Association and other internal arrangements regarding the exercise of shareholder rights and take required measures to ensure the exercise of these rights,
- To report to the Board of Directors regarding its own area of responsibility,
- To strengthen Petkim's capacity of compliance to CMB legislation while carrying out relations with investors, analysts and regulatory institutions in capital markets,
- To plan related activities and ensure coordination

In 2013, the monthly average of information requests via e-mail or telephone numbered 65 and the Internal Control and Investor Relations Executive Directorate answered all queries. The Internal Control and Investor Relations Executive Directorate participated in five analysts meeting and one investor information conference at Petkim General Directorate, meeting approximately 40 investors. Additionally, three tele-conference meetings were organized with the analysts of brokerage houses and investment banks during the year and information was provided on the Company's financial situation, strategies and activities.

Since 2009, the Company has been rated in terms of corporate governance. Petkim increased its initial 7.71 rating in 2009 to 8.72 in 2012 and 8.91 in 2013.

Contact information of the Internal Control and Investor Relations Executive Directorate is as follows:

Internal Control and Investor Relations Coordinator

Tel : +90 232 616 12 40 /3444 - 4460 - 3917- 4438 - 2501
E-Mail : yatirimci.iliskileri@petkim.com.tr
investor.relations@petkim.com.tr

Share Performance of Petkim in 2013

Petkim Petrokimya Holding A.Ş. shares started trading at BIST National Market on July 9, 1990, under the stock symbol of PETKM.

As of 2013 end, the Company is listed in BIST 30 and Corporate Governance indexes.

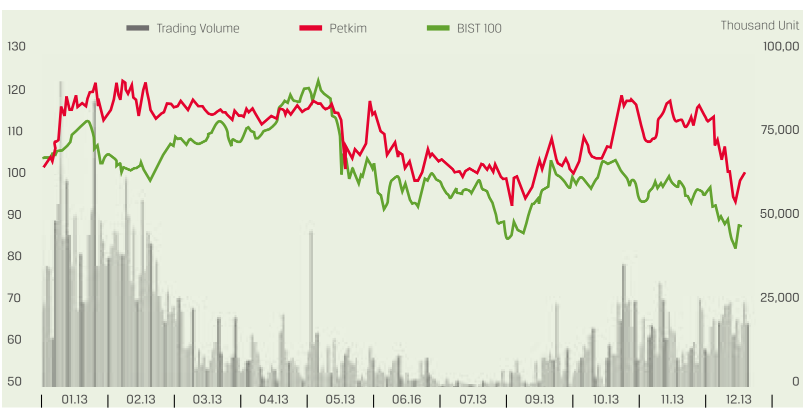
In 2013, Petkim share price saw the lowest 2.53 and the highest 3.31, concluding the year at TL 2.73. During this period, BIST 100, BIST 30 indexes and the value of Petkim shares decreased by 13%, 16%, 2%, respectively. However, during this period, Petkim shares performed relatively higher than BIST 100 and BIST 30 indexes. Throughout the year, the daily average trade volume of Petkim shares was US$ 25 million.

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

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

In 2013, Petkim share price saw the lowest 2.53 and the highest 3.31, concluding the year at TL 2.73.

Share Performance in 2013



Share Price Movements (As of closing values)

TL		US$		YEAR - END CLOSING	
Lowest	Highest	Lowest	Highest	TL	US$
2.53	3.31	1.22	1.88	2.73	1.28

Agenda

Petkim PETROKİMYA HOLDİNG A.Ş.
AGENDA OF THE 2013 ORDINARY GENERAL ASSEMBLY

1. Opening and composition of the Meeting Presidency,
2. Reading, discussion and approval of the Activity Report of the Board of Directors for the operating year 2013,
3. Reading the report of the Auditor pertaining to the operating year 2013,
4. Reading, discussion and approval of the financial tables pertaining to the operating year 2013,
5. Release of the Chairman and members of the Board of Directors on account of their activities and account for the year 2013,
6. Submitting "Profit Distribution Policy" to the approval of the General Assembly revised in accordance with Communiqué of the Capital Markets Board with number (II-19.1) "Profit Distribution"
7. Discussion of the proposal of the Board of Directors on the usage of the profit pertaining to the year 2013, determination of the declared profit and dividend share ratio and taking a resolution thereon,
8. Negotiation and taking a resolution of the remunerations to be paid to the members of the Board of Directors,
9. Election of the Auditor pursuant to the Turkish Commercial Code with number 6102,
10. In accordance with "Independent Auditing Standards in Capital Market" issued by Capital Market Board, approving the Independent Auditing Firm selected by the Board upon proposal of the Committee responsible for Audit as to be charged for the audit of the activities and accounts of 2014,
11. Informing the General Assembly on the "Information Policy" revised in accordance with the Communiqué of the Capital Markets Board with number (II-15.1) on the "Public Disclosure of Material Events",
12. Informing the Shareholders on the aid and donations granted by our Company within the year 2013,
13. Taking a resolution on the limit of aid and donation of our Company for year 2014 pursuant to the article 19 clause 5 of the Capital Markets Law (CML),
14. Informing the General Assembly regarding respective transactions of the persons mentioned in the clause (1.3.6) of "Corporate Governance Principles" which is annex to Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1),
15. Granting the Members of the Board of Directors authorization to perform the transactions provided for in Articles 395 and 396 of Turkish Commercial Code,
16. Pursuant to the clause of 12/4 of Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1), informing the General Assembly as regards the guarantees, pledges and mortgages given by the Company in favor of third parties and income or benefits attained by the same,
17. Wishes and closing speech.

Declaration of Independence

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

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

a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity, with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.

b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.

c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.

d) The rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.

e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.

f) I abide by the provision of the Article 5, paragraph 9 of Capital Market Board's Communiqué Serial IV, No: 56 on "Determination and Implementation of Corporate Governance Principles".

g) I am considered a resident of Turkey in accordance with the Income Tax Law.

h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.

i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to fully perform the tasks that I have undertaken,

j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

Respectfully yours,
22/02/2013

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

Declaration of Independence

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

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

a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity, with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.

b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.

c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.

d) The rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.

e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.

f) I am not working fulltime in a public body and organization.

g) I am considered a resident of Turkey in accordance with the Income Tax Law.

h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.

i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to perform the tasks that I have undertaken precisely,

j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

Respectfully yours,
22/02/2013

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

Declaration of Independence

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

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

a) There has been no direct or indirect employment, capital or significant commercial relationship between Petkim Petrokimya Holding A.Ş., any of its related parties or any legal entity with which shareholders who directly or indirectly hold 5% or more of Petkim Petrokimya Holding A.Ş.'s share capital are associated in terms of management or capital and myself, my spouse and my blood relatives or my relatives by marriage up to the third degree in the last five years.

b) I have not been employed in a company that performs auditing, rating or advisory services for Petkim Petrokimya Holding A.Ş. or that fully or partially administers Petkim Petrokimya Holding A.Ş.'s business or organization under a contract, neither have I served as a Member of the Board of Directors of Petkim Petrokimya Holding A.Ş., in the last five years.

c) I have not been a shareholder, employee or a Member of the Board of Directors of any company from which Petkim Petrokimya Holding A.Ş. procures a significant amount of products and services in the last five years.

d) Reserving the privileges of Privatization Administration's C group share, which I represent as a legal entity, the rate of the shares in the capital of Petkim Petrokimya Holding A.Ş I owe due to my membership at the Board of Directors will not be more than 1% and these shares will not be privileged.

e) I possess the necessary professional training, knowledge and experience that will allow me to duly perform the duties that I will be undertaking as an Independent Member of the Board of Directors.

f) I abide by the provision of the Article 5, paragraph 9 of CMB's Communiqué Serial IV, No 56 on Determination and Implementation of Corporate Governance Principles.

g) I am considered a resident of Turkey in accordance with the Income Tax Law.

h) I possess strong ethical standards, professional reputation and experience that will allow me to make a positive contribution to Petkim Petrokimya Holding A.Ş.'s business, to maintain my impartiality in the cases of conflicts of interest that may arise between shareholders, and to make independent decisions in consideration of the rights of stakeholders.

i) I am able to spare enough time so as to follow Petkim Petrokimya Holding A.Ş.'s activities and to perform the tasks that I have undertaken precisely,

j) I hereby assume all responsibility in case it is ascertained that the abovementioned information does not reflect the truth.

Respectfully yours,
22/02/2013

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

Corporate Governance Principles Compliance Report

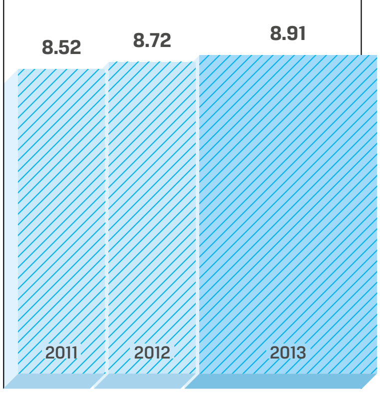
1. Corporate Governance Principles Compliance Report

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

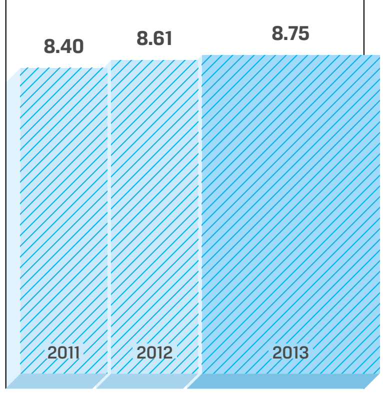
The Company began to be rated in 2009 with regard to corporate governance practices related to the Principles. Kobirate International Credit Rating and Corporate Governance Services Inc. rated the Company in 2011, 2012 and 2013. The Company increased its credit rating to 8.91 in 2013, up from 8.72 the previous year. Petkim's 2013 rating shows that the Company complies with the Principles of CMB to a large extent and deserves to be traded on the BIST's Corporate Governance Index.

In line with the relevant CMB directive on the matter, Petkim's corporate governance rating was calculated via an assessment carried out under four weighted categories (shareholders, public disclosure and transparency, stakeholders, Board of Directors). The detailed report can be accessed via the corporate web site (www.petkim.com.tr). The comparative breakdown of the rating in different categories is shown in the chart.

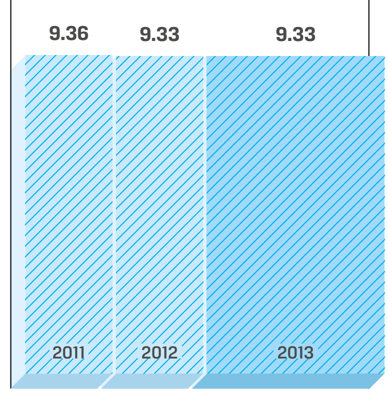
Corporate Governance Compliance Rating



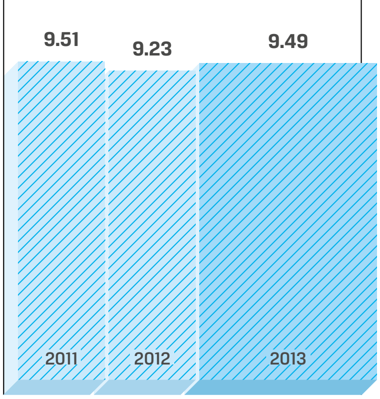
Shareholders



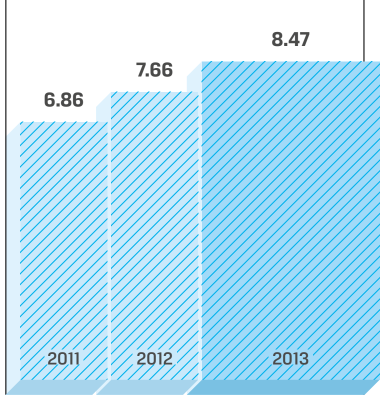
Public Disclosure and Transparency



Stakeholders



Board of Directors



During the year 2013, 48 special circumstance announcements were made to the ISE in accordance with the CMB's Communiqué on Public Disclosure of Special Circumstances. No additional information was requested by the Capital Markets Board and BIST for the announcements made for special circumstances. The Capital Markets Board has not imposed any sanctions on the Company caused by any noncompliance to special circumstance announcements. The special circumstance announcements are regularly sent via e-mail to domestic and foreign investors by the Investor Relations Unit. All of the Company's special announcements were made in a timely fashion. The Company's shares are not listed on a foreign stock exchange.

Reasons for as yet Unapplied Corporate Governance Principles

- The absence of cumulative voting method: A cumulative voting system has not been adopted by Petkim as it is not deemed to be a convenient practice.
- The absence in the Articles of Association of the shareholders' right to appoint an independent auditor and lack of additional stipulations concerning minority rights: The Articles of Association feature no stipulation concerning the shareholders' right to appoint an independent auditor at the General Assembly. However, the shareholders' right to information and inspection are protected by Article 438 of the Turkish Commercial Code.
- Privileges concerning voting rights: The Group C share belonging to the Privatization Administration corresponds to a legal regulation and the Company does not have the capacity to make related amendments.
- Absence of female members in the Board of Directors: The issue is being evaluated by the Company
- As per the Articles of Association, General Assembly meeting is held at the headquarters of the Company in Aliağa, Izmir.

Activities in the Period for Compliance with the Principles

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

The following relevant principles were implemented during the organization of the General Assembly: Provision of information as concerns the candidates to Board membership, the announcement of the agenda and relevant information documents at least three weeks prior to the Assembly, provision of information on privileged shares, participation of managers at the meeting, invitation of the media and stakeholders to the meeting, open voting via raising hands and the announcement of this procedure to partners, and the publication of examples of power of attorney documents.

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

"Aid and Donation Policy" of our Company was determined in conformity with the legislation and principles of the Turkish Code of Commerce and approved in the General Assembly. Besides, within the scope of the principles, "Employee Compensation Policy" was determined and published on the website page of our Company.

Within the scope of the conformity to the legislation of the Turkish Code of Commerce "Internal Directive About the Working Principles and Procedures of the General Assembly" was constituted. This "Internal Directive" was approved in the General Assembly.

SECTION I: SHAREHOLDERS

2. Shareholder Relations Unit

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

Within the context of shareholder relations, the Company is committed to carrying out the following activities in accordance with Corporate Governance Principles:

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

Corporate Governance Principles Compliance Report

The contact information for the Internal Audit and Investor Relations Executive Directorate follows below:

The contact information of PetkimInvestor Relations is as follows: 0 232 – 616 12 40 / 3444

Mustafa ÇAĞATAY (Internal Audit and Investor Relations Coordinator)
Phone : +90 232- 616 12 40/2501
E-mail : mcagatay@petkim.com.tr

İlkay ÇETİN (Manager)
Phone : +90 232 - 616 12 40/4438
E-mail : icetin@petkim.com.tr

Ahmet GÜRSESLİ (Specialist)
Phone : +90 232 - 616 12 40/3917
E-mail : agursesli@petkim.com.tr

Emre Can YÜCEOĞLU (Specialist)
Phone : +90 232 - 616 12 40/4460
E-mail : eyuceoglu@petkim.com.tr

In 2013, our investors were informed through teleconferences, investor conferences and our web page. Apart from these, during the year, with the analyst meetings organized, the analysts were informed by the top management regarding the Company's financial situation, strategies and activities.

During the year 2013, approximately 65 written and oral information requests from shareholders (except for confidential information and commercial secrets) were received and answered each month on a range of subjects including Company activities, general assembly meetings and stock certificate procedures. Significant changes in legislation that may affect the Company's activities have not been occurred during the period and no legal actions were filed against Petkim.

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3. Exercise of Shareholders' Right to Obtain Information

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

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

4. General Assembly Meetings

The 2012 Ordinary General Assembly Meeting was held at the headquarters of the Company in Aliağa, Izmir on the 29th of March 2013 at 13.30. The meeting was registered in April 1, 2013 and announced in the Trade Registry Gazette n. 8294 on the 5th of April 2013. Convening with physical participation, General Assembly Meeting was synchronously held in the Electronic General Assembly System in compliance with the "Regulation about the General Assembly Meetings to be held by the Incorporations in the electronic platform" – which was announced in the Trade Registry Gazette n. 28395 dated August 28, 2012 – and in compliance with the "Communiqués About the Electronic General Assembly Meeting System that will be implemented in the General Assembly Meetings of the Incorporations" – which was announced in the Trade Registry Gazette n.28396 dated August 29, 2012.

All shareholders/stakeholders and the media organs were invited to the 2012 Ordinary General Assembly meeting in accordance with the "transparency" principle of the Company.

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

The shareholders and their representatives, in the shareholders' list received from the Central Registry Agency (CRA), who applied to the Company; Members of the Board of Directors; Auditors; General Manager; Assistant General Managers; and the Directorate of the Board of Directors carrying out the preparations for the General Assembly of the Company attended the General Assembly Meeting.

The meeting quorum was 65.648.287.125 (65,65%) shares and 44 stakeholders attended the meeting by proxy while 3 stakeholders attended the meeting in person. The media did not attend the meeting. No time limit was specified regarding the issue of registry to the book of shares which ensures the participation of the shareholders with the registered shares to the General Assembly meeting. With the 2012 Ordinary General Assembly meeting held on the 29th of March 2013, the issues related to the Privileged Shareholders of group (B) and (C) were published in the Turkish Trade Registry Gazette, N. 8294, dated April 5, 2013.

Since the decision quorum could not be constituted, the General Assembly of the Privileged Shareholders of group (A) was postponed to April 26, 2013.

At the General Assembly meeting of the Privileged Shareholders of group (A) held on the 26th of April 2013, the Articles of Association amendment clauses were resolved and announced in the Turkish Trade Registry Gazette, N. 8313, dated May 6, 2013. The minutes of the General Assembly meeting can be accessed via the corporate website (www.petkim.com.tr).

In the General Assembly, the shareholders exercised their right to ask questions and the questions were answered by the Board of Directors during the meeting. No one took the floor in the petitions and requests session of the meeting.

The minutes drawn up according to the agenda items of the General Assembly are sent to BİST as a "Special Circumstances Announcement" on the same day and announced to the public. The minutes of the General Assembly are registered and announced in the Turkish Trade Registry Gazette.

On Petkim's website, the minutes to the General Assembly, list of attendees, agendas, information documents and ads are published for all investors.

The invitation for the General Assembly meeting; the information regarding the meeting date and place and the agenda items are duly announced three weeks prior to the meeting in the BİST via "special circumstances announcement", and in the Turkish Trade Registry Gazette and in the national newspapers via advertisements.

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

Decisions made by the Board with respect to changes in the Company's capital and management structure, the division or change of shares, significant sales or purchases of material or immaterial assets, warrants, rents, guarantees, notes or assurances such as mortgages or other securities given to third parties are presented to the General Assembly. While making such decisions in the General Assembly would, it is believed, prolong the workflow and reduce the Company's ability to act quickly in accordance with changing market conditions, shareholders are able to make their views known with respect to these types of decisions during the General Assembly. No issues were raised by the shareholders to add to the agenda during the 2012 General Assembly.

A separate agenda item is included in the General Assembly meeting concerning the amounts of the donations and aids made within the period while the shareholders are informed about the issue. The minutes to the meeting are available on the Company's website, in the web address (URL) of "Investor Relations/General Assembly/".

The paid-in capital of Petkim Limancılık Ticaret A.Ş., the Company's affiliate, was increased from TL 8,000,000.00 to TL 83,000,000.00 within the framework of the decision taken in the Extraordinary General Assembly held. With the decision taken by the Board of Directors on the 30th of September 2013 the Company participated in the capital increase.

5. Voting Rights and Minority Rights

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

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

Since the implementation of the cumulative voting method is left to the free will of publicly traded joint-stock companies by the relevant communiqué of CMB, the Company did not make use of this method in 2013. There is no provision in the Articles of Association concerning the shareholders' right to demand the appointment of a special auditor at the General Assembly; however, the shareholders' right to information and inspection is guaranteed by the Article 438 of Turkish Commercial Code.

6. Profit Distribution Right

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

With regard to the Company's profits, no privileges are granted by the Articles of Association. The Company established its profit distribution policy and submitted it to the general assembly. Information pertaining to Petkim's Profit Distribution Policy is published on the page 73 of the annual report and on the corporate web site (www.petkim.com.tr) under the link: Investor Relations/ Corporate Governance /Profit Distribution Policy.

7. Transfer of Shares

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

Article 9:

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

Group C share certificates can be transferred to another Turkish Public Institution having, in principle, the authorities assigned to the Prime Ministry Privatization Administration of the Republic of Turkey with Law Act n. 4046. In such a case, the transfer shall immediately be registered in the book of shares without necessitating the Board of Directors' decision.

SECTION II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Information Policy

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

Corporate Governance Principles Compliance Report

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

The Board of Directors is responsible for the implementation, monitoring and development of the public disclosures and the information policy. Disclosures are performed by the Internal Audit and Investor Relations Directorate (Coordinator Mustafa Çağatay), Accounting Department (Manager Özer Aksoy), Human Resources Department (Manager Rakif Farajov) under the supervision of the Audit Committee and the Board of Directors.

Detailed information on the information policy is available online at the Company's web site, www.petkim.com.tr.

9. Company Web Site and Contents

The Company actively uses its corporate web site to ensure the fastest and most efficient communications with shareholders in line with CMB Corporate Governance Principles. Within the framework of CMB Corporate Governance Principles, information is given via the internet on: trade register information, latest partnerships and management structure, detailed information on privileged shares, trade registers in which changes are published, the Articles of Association in their latest form along with date and number, announcements of special circumstances, annual reports, periodic financial statements and tables, prospectuses, circulars relating to public offerings, the agendas of General Assembly meetings, lists of attendees, forms for vote by proxy, rating reports, analyst reports and frequently asked questions. The web site's contents and structure have been developed in line with CMB principles both in English and Turkish. The Internal Audit and Investor Relations Executive Directorate is responsible for the preparation of the Investor Relations section, for updating and correcting information and adding new information.

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

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

10. Annual Report

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

SECTION III STAKEHOLDERS

11. Provision of Information to Stakeholders

Special circumstance disclosures on the issues regarding the stakeholders are made via Company's website and via printed or visual media.

In 2013, in order to be closer to its customers, Petkim carried out projects enriching information and communication channels. In this aspect, within the scope of our primary project, Petkim Academy was launched with the aim of providing its customers with Petkim's sectoral know-how and experience. Another important development strengthening the ties between us and our customers was the "Petkim e-bulletin" which began to be published in May 2013. In the "Petkim e-bulletin" published on a monthly basis, we share a variety of issues with our customers such as the developments in macro-economic indicators, news from petrochemical products market, changing prices, new products and technological improvements in the sector. Another innovation launched in 2013 was the "Petkim Customer Communication Line" to ensure that our customers can reach Petkim more easily. As a result of our efforts within the scope of our customer oriented sales and marketing policy, Petkim was the first company to internalize the Customer Satisfaction Management System TSE-ISO 10002.

In order to reinforce its position in the market and to strengthen its relations with its customers, in 2013, Petkim progressively continued to organize sectoral meetings, fairs, and regional meetings besides paying visits to its customers. In order to keep a closer watch on the market, more emphasis was given to technical customer visits particularly in the second half of the year. In order to be closer to its customers and to meet their needs and expectations, Petkim boosted up its logistics services.

On the issue of the suppliers that provide the Company with the goods and services it requires in the production process, the Company's target is to work with them in a long term corporation based on mutual trust, transparency and openness.

Moreover, collaboration is made with the suppliers, non-governmental organizations and educational institutions in order to create mutual benefit, to support each other on the mutual goals, to create value together and to improve capacity and skills.

Petkim monitors and evaluates the improvement of its suppliers and collaborations.

In this aspect; enhancement is made with regard to the outcomes of the meetings, visits and "Supplier Satisfaction Surveys" Petkim has been organizing in order to get feedback regarding the needs and expectations of its suppliers.

Within the scope of the survey made for 2013, among the suppliers in the goods/services group A-B, 410 domestic suppliers – from whom we requested proposals within the year – were invited to evaluate the survey as 141 suppliers answered the survey while the overall participation percentage was 34%. In 2013, the ratio of domestic suppliers' satisfactions meeting their needs was 89.36%.

146 foreign suppliers were invited to evaluate the survey as 41 of them answered the survey while the overall participation percentage was 28%. In 2013, the ratio of foreign suppliers' satisfactions meeting their needs was 91.09%.

In 2013, the average figure of domestic/foreign suppliers' satisfaction was 90.23% exceeding the target which was 80%.

In consequence of the feedback obtained from our suppliers, measures were instigated upon identifying the areas open to enhancement.

Furthermore, as a result of the analyses made with the consultants plus the result of the "procurement process benchmarking" made on the basis of relevant data of the different companies; some of the processes were renewed and their function-relation charts were created and published,
for the processes not having function-relation charts, a methodology for "the management of suppliers and collaborations" was created and published, Supplier Company Performance Assessment Procedures were revised, and requesting suppliers were included in the assessment process within the electronic documentation.

Every year at the anniversary celebrations of the Company, at least 10 suppliers in their categories are awarded in accordance with their performances.

In consequence of our mutual efforts with the Mutual Health and Safety Unit that was established in order to inform and inspect the suppliers which have their employers work at our site;

- among the suppliers which have been working at the site for at least 6 months or for a longer period, a rewarding system was initiated for the ones that have been more successful in the area of HSE
- a penalizing system was initiated stipulating fines for the non-complying issues discovered during the inspections.

As summarized briefly above, for the issues regarding "the effectiveness of the management of suppliers and collaborations" we set our targets and continue our intensive efforts to reach these targets.

In 2013, Internal Audit and Investor Relations Directorate organized 9 meetings – 1 informative investor meeting at the Company's Head Office, 5 analyst meetings and 3 conference-calls – and monthly average of 65 information requests were answered via e-mail and phone.

The disclosure of information inside the Company is realized through the corporate portal, "Petkim Yaşam" magazine, corporate TV, "Petkim Ailem" newspaper and via the electronic communications-documentation system and by holding communications meetings during the year.

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

12. Stakeholders' Participation in Management

The participation of stakeholders in Management by representing the 38.68% publicly held portion of our Company is made possible by Articles 11 and 22 of the Articles of Association.
One of the most important communication channels of our Company with our customers is the Customer Information System. On this system, our customers can make requests, confirmations, orders, loading requests, and complaints while they can track shipments, invoices, loadings, analysis repots and Petkim's notifications.

Results of the activities such as Customer Satisfaction Surveys, fairs we attend, our visits to our customers and regional meetings are reflected in Petkim's operational processes.

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

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

13. Human Resources Policy

Our Human Resources is our most precious asset.

The main framework of Human Resources policy is to create the intellectual capital of the future through constantly improving our human resources with the power of our knowhow and experience.

Within this scope, Petkim boosts the high performance of its employees and offers them opportunities for their career progress as it wishes to be the center of attraction in the sector for young people while it aims to carry out training programs that will provide the necessary knowhow, experience and skills for its employees to be more successful in the working environment.

On the other hand, the basis for our policy is to provide a flexible and efficient working environment – that will make the Company reach its strategic targets – where there are highly motivated, skilled employees who have confident view of future.

Our main principle is to act with an "occupational safety oriented professional discipline" that involves social and environmental responsibility as well as respect for our values.

14. Ethical Rules and Social Responsibility

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

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

Petkim sees investment in the environment not as a cost item but as an indispensable component of its competitive structure. As its understanding is to be a petrochemical company that respects humanity and the environment, Petkim prioritizes occupational safety and the protection of the environment.

Transferring resources of more than USD 210 million to the environment investments in the last 11 years Petkim has high level thermal power chimneys which are ready for the inspections of the Ministry of Environment and Urbanization 24 hours a day 7 days a week. Petkim's environmental awareness has had its outcomes in the afforestation projects, as well. 580 olive trees located at the STAR Refinery excavation site and Petkim Port back feeding area were removed, with meticulous efforts in cooperation with Menemen Forest Sub-district Directorate, and carried to Yenişakran Petkim Atatürk Olive Grove composed of 6,000 olive trees while 540 olive trees located at the STEP Power Plant site were carried to a Bahçede Village property of 60 thousand square meters of land near Aliağa Correctional Institution Campus. Maintenance and harvesting of these trees will be performed by the inmates of the Correctional Institution while the revenue obtained will be used in the financing of the "Smiling (Bottle) Caps, Smiling Faces" project – organized by the Aliağa City Council – which will provide jobs for our handicapped citizens. Finally, Institution Campus became the new habitat for the 220 trees located at Petkim Container Port excavation site. Moreover, 14 thousand 500 new (nursery) trees were planted on the two fields in total 228 thousand square meters of land in Güzelhisar Village of Aliağa District, where STAR Refinery's licensed excavation debris disposal site is located. In 2010 and 2011 two "Heydar Aliyev Friendship and Memorial Forests" were established in Yenifoça while the third memorial forest was established near Örlemiş Village of Yenişakran. All afforestation areas will be handed over to the Regional Directorate of Forestry 5 years after the date of signing of the protocols.

Petkim and Environment;

Petkim has achieved to integrate "sustainability" into its rooted production culture that lasts for almost 50 years. There are issues playing significant role in this success;

- optimum utilization of resources like water-energy-raw material,
- minimization of the environmental impacts with an integrated and preventive environment strategy,
- increasing the number of environmental R&D projects and investments.

Moreover, for all its investments Petkim assesses the environmental impacts at the planning stage and issues EIA reports. EIA files are being prepared for the projects planned within the year;

- Etholxylate Plant,
- LDPE Cable production,
- Deployment of the EO Purification Unit of the EO/EG Plant

(projects cited in the Petrochemical Integrated Project/Segment II Project file), as the process is still in progress.

SECTION IV: BOARD OF DIRECTORS

15. The Structure and Composition of the Board of Directors

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

Information on the Board Members and the General Manager

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

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

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

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

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

Hulusi KILIÇ : 22.02.2013
Muammer TÜRKER : 22.02.2013
İlhami ÖZŞAHİN : 22.02.2013

Independence declarations are submitted to the Board of Directors via Corporate Governance Committee 10 days before the meeting date. The independence declarations of independent members of the Board are available on pages 57 of the Annual Report. Within the activity period, there have not been situations that jeopardize the independence.

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

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

In the General Assembly meeting held within 2013, an announcement was made that the shareholders who have control over the management of the Company, the members of the Board of Directors, senior executives and their spouses, and their next of kins and their relatives in kinship by marriage up to the second degree;

- did not make any transactions which could cause a conflict of interest with the Company or its affiliates and/or,
- on their behalf or someone else's behalf, did not make any commercial transactions intruding the business field of the Company or its affiliates, or,
- did not join another company, dealing with the same type of commercial businesses, as a partner with unlimited liability.

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

According to the 12th clause of the Company's "Articles of Association", members of the Board of Directors shall be elected from the persons who are fully competent, preferably university graduates, who have technical and/or general financial and legal knowledge and managerial experience in the fields of activity of the Company, who have not been sentenced due to disgraceful offenses and who will be available and determined to participate in all meetings of the Board of Directors.Independent members of the Board of Directors shall be elected from the persons who have the qualifications required as per the regulations of the Capital Markets Board regarding corporate governance.

Corporate Governance Principles Compliance Report

In cases allowed by the Capital Markets Legislation, the persons who do not qualify with a part of these prerequisites can be elected as a member of the Board of Directors in compliance with the principles and the procedures stipulated in this legislation.

In case a legal entity is elected as a member of the Board of Directors, together with this legal entity, only one real person chosen by the legal entity who will act on behalf of the legal entity, shall be registered and announced as well; Moreover, a prompt message, regarding the completion of the registry and announcement, is given on the website of the Company. Only this registered person can participate in the meetings and can vote on behalf of the legal entity. It is obligatory that the person who will be registered on behalf of the legal entity is fully competent.

While entering into any business or competition with the Company, the members of the Board of Directors, the shareholders who have control over the management of the Company, senior executives and their spouses, their next of kins and their relatives in kinship by marriage up to the second degree will be subject to the Turkish Commercial Code and the regulations of the Capital Markets Board regarding the corporate governance.

Members of the Board of Directors cannot attend the discussions on the issues regarding the conflict between the Company's interests and the personal interests/interests outside the Company of the members of the Board of Directors or their spouses and their next of kins and their relatives in kinship by marriage up to the third degree. If such an issue is to be discussed, they are to inform the Board of Directors about this relation and to state this issue in the meeting minutes.

16. Activity Principles of the Board of Directors

Meetings of the Board of Directors can be held completely in an electronic platform or can be held with the attendance of some of the members in the electronic platform while some members are present physically. Meetings of the Board of Directors in which there is physical participation are held at the company headquarters or at another suitable location. Board of Directors convene – with the attendance of at least 5 (five) members – in such a schedule that the members can perform their duties effectively. Board of Directors resolves with the affirmative vote of five members. The Board of Directors of the Company convened 10 times in 2013. The agenda of the Board of Directors' meeting is determined by the Chairman of the Board of Directors taking the suggestions made by the Company into consideration, and consequently members of the Board of Directors are informed. The meetings of the Board of Directors are coordinated by the Directorate of the Board of Directors. The members of the Board of Directors participated in all meetings.

Unless any of the members requests to make a meeting, the decisions of the Board of Directors can also be taken with the written consent of at least 5 (five) members upon the proposal made by any member in a written resolution form.

Every year, following the General Assembly meeting, the Board of Directors takes necessary decisions for the establishment of the committees.

The validity of the decisions of the Board of Directors depends on the fact that they are written and signed. Not reaching a decision quorum on a certain issue means that the proposal is rejected.

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

The different opinions and grounds for opposing votes explained in the Board meetings are recorded in the decision minutes. However, recently, there has been no public announcement, due to the nonexistence of any opposing opinions or differences of opinion.

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

Group C share certificates can be transferred to another Turkish Public Institution having, in principle, the authorities assigned to the Prime Ministry Privatization Administration of the Republic of Turkey with Law Act n. 4046. In such case, the transfer shall immediately be registered in the book of shares without necessitating the Board of Directors' decision.

Moreover, as per the 15th clause of the Articles of Association;

The validity of the decisions that will be taken by the Board of Directors on the following issues depends on the affirmative vote of the member of the Board of Directors elected from the Group C;

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

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

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

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

The committees of the Board of Directors performed their duties regularly and effectively and submitted the necessary reportings to the Board of Directors.

The chairman of each committee of the Board of Directors' is an independent member of the Board of Directors while all committee members are non-executive members of the Board of Directors. In conformity with their working principles, the committees of the Board of Directors convened at least three times a year. On the other hand, the committee responsible of auditing (Audit Committee) convened 4 times, at least once in 3 months. Committee members participated in all meetings.

Muammer Türker, independent member of the Board of Directors, is the member of both Audit Committee and Risk Detection Committee. There are three independent members in the Board of Directors. Since it is a requisite that chairman of each committee as well as the chairman and all members of the Audit Committee should be constituted by the independent Board members, each of these members take responsibility in two committees. At the General Assembly to be held in 2014, distribution of tasks at the committees will be rearranged.

AUDIT COMMITTEE

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

The Audit Committee acts with the consent of the Board and within the framework of the Board's working principles. The Audit Committee consists of two independent Board members.

The Audit Committee is responsible from ensuring the overall soundness of financial and operational activities; specifically, transparency of internal and independent auditing activities, efficiency of internal control system, analysis and election of independent auditing firm, compliance of financial statements of the Company to international accounting standards and prevailing legislation.

CORPORATE GOVERNANCE COMMITTEE

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

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

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

EARLY DETECTION OF RISK COMMITTEE

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

Made up of three members of the Board, the Chairman of the Risk Detection Committee is an independent Board member. The working principles of the committee were revised with the decision of the Board of Directors dated June 29, 2012 and numbered 111-199. At the meeting of the Company's Board of Directors dated March 21, 2012 and numbered 103/184, the name of the existing Risk Management Committee was changed to Early Detection of Risk Committee.

18. Risk Management and Internal Control

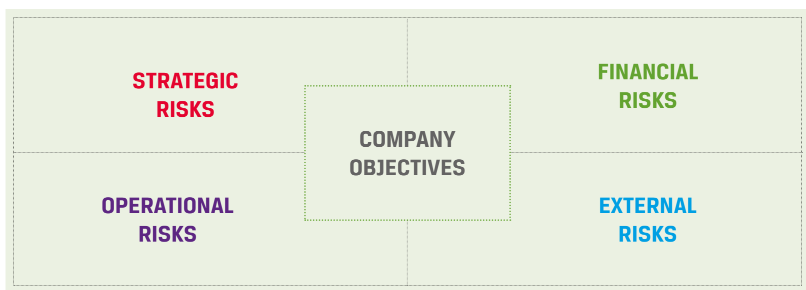
Corporate Risk Management Implementations

The Company established an efficient risk management and internal control system. The system is monitored by the activities and reports of Internal Audit and Investor Relations Directorate.

The Company follows a risk management policy in conformity with international standards and applications regarding the risks that it encounters or may encounter. The Internal Audit and Investor Relations Directorate carries out its activities with a holistic, systematic and proactive approach to ensure that the operations of the Company are conducted in accordance with related regulations and legislation while also considering its short, medium and long-term targets. The Directorate targets to establish a shared language throughout the Company, to integrate risk concept into the corporate culture, to restructure the organization in accordance with risk management and to set processes and systems required by corporate risk management.

Corporate Governance Principles Compliance Report

Regarding corporate risk management, the employees of the other departments also assume duties and responsibilities at various levels of the process. The risks are identified together with the processes owners, analyzed and assessed through techniques in the standards and developed by the Directorate. As a result of analyses and assessments made in risk evaluation process, the decision are taken among four different risk attitudes: Accept, mitigate, transfer and avoid. Finally, at the risk monitoring and reviewing level of the process, risk matrices and analyses are updated if required. The risk matrices are recorded in order to transfer these studies to corporate memory.



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

Strategic Risks

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

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

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

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

In its domestic and international activities, the Company is subject to a series of laws and legislation. Within the framework of compliance risk, these laws and legislation are closely monitored; employees are informed through training activities and seminars and relative tables are periodically updated. The Company gets consultancy service when required in order to mitigate the risks that it may encounter.

Financial Risks

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

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

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

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

Operational Risks

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

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

The risks in the field of human resources are monitored to ensure the realization of the Company's targets and strategies, to maximize employee satisfaction and to enhance corporate loyalty. The works in this field are conducted with the Company's employee focused approach, which also takes place among the corporate values of Petkim. Professional knowledge and motivation of employees are increased by various training programs and social activities.

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

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

External Risks

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

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

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

Internal Audit Systems

In addition to its activities in the corporate risk management, Internal Audit and Investor Relations Directorate runs internal audit activities. Carrying out its business with a risk-focused and proactive approach, the unit particularly focuses on the most risky fields; shares the results with related departments, ensures that required action plans are made and follows up the improvements.

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

Our Board of Directors and the committees under the Board of Directors carry out risk management, supervision and audit activities in line with the relevant regulations and legislation. In our report prepared as per the Article 199 of the Turkish Commercial Code, regarding our activities in 2013, it was concluded as follows: "For us and according to the evident circumstances and conditions, in 2012, in each transaction of Petkim Petrokimya Holding A.Ş. with controlling companies and affiliates, which were specified in Article 199 of Turkish Commercial Code, an appropriate counter action has been carried out, there were not any steps being taken or avoided or any damages to the Company caused by the steps taken or avoided."

19. Strategic Targets of the Company

The Company established its Strategic Plan through the studies of Current Situational Analyses (CSAs) and updated the Strategic Plan by revising CSAs in 2013.

In order to ensure the realization of its mission and vision, Petkim reviewed and redefined main and upper procedures and process owners in line with its Process Management System

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

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

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

The Guiding Board consisting of executive management and managers overviewed variances in performance indicators during monthly Performance Indicator Evaluation and Revision meetings, evaluated improvement plans and identified the processes to be improved.

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

Current Situational Analysis (CSA) was completed in also 2012 to provide input to Strategic Plan studies. Current Situational Analysis comprises feedback from stakeholders; current and future market analysis; competitor and competition analysis; social, economic, political and technological analysis; assessment of supply chain and collaborations; analysis of comparative and educational information; analysis of creative ideas, performance criteria analysis; and internal and external audit analyses. The CSAs and improvement suggestions prepared by the departments and committees were consolidated at the Executive CSA Consolidation meeting in line with the principle of balancing stakeholder expectations. By assessing improvement plans in CSAs, Strategic Plan for 2014 was prepared. Realization of the strategies is monitored through holistic review of process performance indicators.

The Company's vision and mission statement are published on the official website, www.petkim.com.tr, company portal and in its annual report.

20. Remuneration and Financial Benefits

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

Remuneration and other benefits to which Board Members shall be entitled are determined at the General Assembly. Relative information is announced, together with the benefits entitled to other executive managers, under the title of "Benefits Provided to the Executive Managers" on the 30th article of independent auditor's report, which is also included into the Company's annual report. There is no further remuneration to reflect the performance of the Company.

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

Profit Distribution Policy

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

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

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

The following issues will be voted by the General Assembly upon the proposal of the Board of Directors;

- the utilization method of the profit pertaining to the operating year 2013,
- the amount of profit that will be distributed,
- dividends per share.

Statement of Responsibility

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

DECISION DATE : 27/02/2014
DECISION NUMBER : 2014 – 4/13
27/02/2014

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ OF SERIES II-14.1, 2nd SECTION ARTICLE 9

a) Having examined the independently audited Balance Sheet, Income Statement, Cash Flow Statement and Statement of Changes in Equity and relevant Notes to the financial statements, as well as the Annual Report of the Company for the period of 12/31/2012,

b) We do declare that we have concluded, within the framework of the information obtained in the scope of our duty and responsibility in our Company, that the above mentioned report does not contain any misrepresentation of the facts on major issues, or any omissions that may be construed as misleading as of the date of the disclosure, and that

c) the financial statements – issued in accordance with the financial reporting standards in force as of the period concerning the statement – do reflect the facts about the assets, liabilities, financial situation and profit and loss of the Company together with the consolidated figures, and that the interim report does reflect objectively the facts about the progress and performance of the business, and financial situation of the Company together with the consolidated figures, and the significant risks and uncertainties the Company is facing.

Best Regards.

İlhami Özşahin
Chairman

Muammer Türker
Member

Auditors' Report

INDEPENDENT AUDITORS' REPORT REGARDING THE ANNUAL REPORT

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

1. We have assessed, within the scope of our independent audit, whether the financial data and Board of Directors' evaluations and explanations stated in the Petkim Petrokimya Holding A.Ş. Annual Report issued on the date of 31st of December 2013, are consistent or not with the independently audited financial statements issued on the same date.

2. It is Petkim Petrokimya Holding A.Ş management's responsibility to issue the Annual Report, assessed in our report, in conformity with the Regulation Related to the Determination of the Minimum Content of the Companies' Annual Reports.

3. Our responsibility as an independent audit company is to state our opinions on the consistency of the financial data in the Annual Report in comparison to the financial statements assessed in the independent audit report issued on the date of 27th of February 2014.

Our assessment was made in conformity with the procedures and principles promulgated as per the Turkish Commercial Code n.6102 regarding the preparation and issuing of the annual report. These regulations stipulate that the audit shall be planned and carried out for the purpose of providing a reasonable assurance on the issue of whether or not there is a significant mistake concerning the consistency of the financial data in the Annual Report in comparison to the financial statements assessed in the independent audit report and to the data the auditor obtained during the independent audit.

We believe that our assessments form a reasonable and sufficient basis for our opinions.

4. In our opinion, financial data and assessments and explanations of the Board of Directors stated in the annual report present in the attachment are consistent with the independently audited financial statements dated 31st of December 2013.

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

Metin Canoğulları
Lead Auditor, IAFC

Istanbul, February 27, 2014

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

PETKİM PETROKİMYA HOLDİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN JANUARY 1 - DECEMBER 31, 2013 TOGETHER WITH REPORT OF INDEPENDENT AUDITORS

Petkim Petrokimya Holding A.Ş.

Contents

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(Convenience translation into English of independent auditors' report originally issued in Turkish)

Independent auditors' report

To the Shareholders of Petkim Petrokimya Holding Anonim Şirketi:

We have audited the accompanying consolidated balance sheet of Petkim Petrokimya Holding Anonim Şirketi ("Petkim" or the Company) and its Subsidiary (together referred as "the Group") as at December 31, 2013 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

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

The Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Independent Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Petkim Petrokimya Holding A.Ş. and its Subsidiaries as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period 1 January – 31 December 2013 are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.

Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly listed companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditors' report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Group in order to manage these risks. As of the date of our auditors' report, POA has not announced the principles of this report yet accordingly no separate report has been drawn up relating to it. On the other hand, the Group formed the mentioned committee on January 22, 2010 and it is comprised of 3 members. The committee has met 9 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

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

Metin Canoğulları, SMMM
Engagement partner

27 February, 2014
Istanbul, Turkey

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

PETKİM PETROKİMYA HOLDİNG A.Ş.

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31, 2013

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

		Current year	Previous year
		Audited	Audited
	Notes	**December 31, 2013**	Restated (Note 2.3) December 31, 2012
Assets			
Current assets		**1.700.413.095**	1.442.049.360
Cash and cash equivalents	4	**279.042.424**	291.960.681
Trade receivables			
- Other trade receivables	6	**750.162.183**	544.542.888
Other receivables			
- Other receivables from related parties	30	**114.661.629**	87.164.459
- Other receivables	7	**935.271**	1.163.439
Inventories	8	**464.199.471**	462.483.548
Prepaid expenses	17	**17.375.744**	29.670.551
Other current assets	19	**74.036.373**	25.063.794
Non-current assets		**1.545.216.810**	1.357.306.883
Investment property	9	**1.020.532**	1.020.532
Property, plant and equipment	10	**1.485.382.941**	1.322.089.594
Intangible assets	11	**14.162.499**	14.533.560
Prepaid expenses	17	**15.996.313**	3.534.456
Deferred income tax assets	28	**9.604.273**	1.461.437
Other non-current assets	19	**19.050.252**	14.667.304
Total assets		**3.245.629.905**	2.799.356.243

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

PETKİM PETROKİMYA HOLDİNG A.Ş.
CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2013
(AMOUNTS EXPRESSED IN TURKISH LIRA ["TL"], UNLESS OTHERWISE INDICATED.)

	Notes	Current year Audited December 31, 2013	Previous year Audited Restated (Not 2.3) December 31, 2012
Liabilities			
Current liabilities		**1.219.582.487**	1.019.245.732
Short term financial liabilities	5	**165.364.570**	250.226.128
Current portion of long-term financial liabilities	5	**24.029.261**	13.629.250
Trade payables			
- Trade payables to related parties	30	**42.579.237**	473.416.977
- Other trade payables to third parties	6	**915.775.992**	217.410.660
Short term liabilities for employee benefits	18	**12.133.355**	9.861.661
Other payables			
- Other payables due to related parties	30	**95.087**	118.767
- Other payables to third parties	7	**792.419**	767.697
Deferred income			
- Deferred income from related parties	30	**7.375.478**	7.018.534
- Deferred income from third parties	16	**34.897.859**	27.252.423
Provisions			
- Provision for employee benefits	15	**8.720.220**	11.324.703
- Other provisions	13	**2.707.075**	3.930.028
Other current liabilities	19	**5.111.934**	4.288.904
Non-current liabilities		**318.542.440**	115.793.117
Long term financial liabilities	5	**165.903.991**	25.282.361
Deferred income			
- Deferred income from related parties	30	**4.992.107**	5.103.043
- Deferred income from third parties	16	**48.043.940**	571.478
Provisions			
- Provision for employee benefits	15	**88.274.899**	84.836.235
Deferred tax liability	28	**11.327.503**	-
Total liabilities		**1.538.124.927**	1.135.038.849
Equity		**1.707.504.978**	1.664.317.394
Share capital	20	**1.000.000.000**	1.000.000.000
Adjustment to share capital	20	**486.852.283**	486.852.283
Other comprehensive income / (expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		**(12.885.403)**	(7.176.307)
Restricted reserves		**3.653.928**	3.551.784
Retained earnings		**180.987.490**	156.484.709
Net profit for the year		**48.896.680**	24.604.925
Total equity and liabilities		**3.245.629.905**	2.799.356.243

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

PETKİM PETROKİMYA HOLDİNG A.Ş.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

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

		Current year	Previous year
		Audited	Audited
			Restated (Note 2.3)
		January 1	January 1
	Notes	**December 31, 2013**	December 31, 2012
Sales	21	**4.158.730.152**	4.348.910.031
Cost of sales	21	**(3.888.893.750)**	(4.267.643.193)
Gross profit		**269.836.402**	81.266.838
General administrative expenses	22	**(82.911.008)**	(94.443.476)
Marketing, selling and distribution expenses	22	**(25.903.990)**	(28.555.067)
Research and development expenses	22	**(8.602.243)**	(7.388.646)
Other operating income	24	**104.725.443**	135.785.940
Other operating expense	24	**(185.071.779)**	(80.939.029)
Operating (loss) / profit		**72.072.825**	5.726.560
Income from investment activities	25	**107.114**	22.156.967
Operating profit / (loss) before financial income / (expense)		**72.179.939**	27.883.527
Finance income	26	**65.961.208**	57.709.026
Finance costs	27	**(84.632.527)**	(55.466.098)
Profit / (loss) before taxation		**53.508.620**	30.126.455
Current year tax income / (expense)		**-**	-
Deferred tax income	28	**(4.611.940)**	(5.521.530)
Profit before taxation		**48.896.680**	24.604.925
Other comprehensive income			
Not to be reclassified to profit or loss			
- Actuarial gain / (loss) arising from defined benefit plan		**(7.136.370)**	(8.970.384)
- Deferred tax effect of actuarial gain / (loss) arising from defined benefit plan		**1.427.274**	1.794.077
Other comprehensive income / (loss) (after tax)		**(5.709.096)**	(7.176.307)
Total comprehensive income		**43.187.584**	17.428.618
Distribution of income for the period			
Minority interest		**-**	**-**
Equity holders of the parent		**43.187.584**	**17.428.618**
Earnings per share (kuruş) - Minority interest	29	**-**	-
Earnings per share (kuruş) - Equity holders of the parent	29	**0,05**	0,02

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

PETKİM PETROKİMYA HOLDİNG A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

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

			Other comprehensive income / (expense) not to be reclassified to profit or loss				
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	Restricted reserves	Net profit for the period / year	Retained earnings	Total equity
January 1, 2012	**1.000.000.000**	**486.852.283**	**-**	**-**	**102.341.325**	**113.495.168**	**1.702.688.776**
Transfers	-	-	-	4.868.316	(102.341.325)	97.473.009	-
Dividend payment	-	-	-	-	-	(55.800.000)	(55.800.000)
Other comprehensive income / (loss)	-	-	(2.750.676)	-	-	-	(2.750.676)
Net profit / (loss) for the period	-	-	-	-	17.428.618	-	17.428.618
Total comprehensive income	-	-	(2.750.676)	-	17.428.618	-	14.677.942
December 31, 2012	**1.000.000.000**	**486.852.283**	**(2.750.676)**	**4.868.316**	**17.428.618**	**155.168.177**	**1.661.566.718**
January 1 2013 – previously reported	**1.000.000.000**	**486.852.283**	**-**	**4.868.316**	**17.428.618**	**155.168.177**	**1.664.317.394**
Transfer of restricted reserves to retained earnings (Note 2.3)	-	-	-	(1.316.532)	-	1.316.532	-
Change in accounting policy:							
TAS 19 (Note 2.3)	-	-	(7.176.307)	-	7.176.307	-	-
January 1 2013 – previously reported	**1.000.000.000**	**486.852.283**	**(7.176.307)**	**3.551.784**	**24.604.925**	**156.484.709**	**1.664.317.394**
Transfers	-	-	-	102.144	(24.604.925)	24.502.781	-
Other comprehensive income / (loss)	-	-	(5.709.096)	-	-	-	(5.709.096)
Net profit / (loss) for the period	-	-	-	-	48.896.680	-	48.896.680
Total comprehensive income	-	-	(5.709.096)	-	48.896.680	-	43.187.584
December 31, 2013	**1.000.000.000**	**486.852.283**	**(12.885.403)**	**3.653.928**	**48.896.680**	**180.987.490**	**1.707.504.978**

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

PETKİM PETROKİMYA HOLDİNG A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

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

	Notes	Current year January 1 December 31, 2013	Previous year Restated (Note 2.3) January 1 December 31, 2012
Cash flows from operating activities:			
Profit / (Loss) before taxation		**53.508.620**	30.126.454
Adjustments to reconcile profit before tax to net cash generated from operating activities:			
Depreciation and amortization	10-11	**79.046.402**	71.672.474
Interest income	26	**(7.347.217)**	(7.733.177)
Interest expense	27	**21.905.490**	9.774.361
Provision for legal cases, net	13	**876.822**	(2.018.579)
Provision for employment termination benefits	15	**6.437.054**	11.089.957
Gain on sale of property, plant and equipment	25	**(107.114)**	(21.276.275)
Provision for doubtful receivables	6-7	**734.375**	6.271.414
Provision for notice pay, net	13	**-**	2.146.743
Provision for seniority incentive bonus, net	15	**3.597.871**	4.620.546
Provision for unused vacation rights, net	15	**(351.170)**	523.443
Change in Impairment on inventories, net	8	**39.065**	(2.780.427)
EMRA allowance	13	**46.968**	76.317
Unrealized foreign currency (gains) / losses on borrowings		**54.904.828**	(16.154.983)
Generated by / (used in) before changes in operating assets and liabilities		**213.291.994**	86.338.268
Changes in the operating assets and liabilities:			
Trade receivables		**(206.209.670)**	33.305.732
Inventories		**(1.754.988)**	2.846.801
Other receivables		**(27.413.002)**	(79.843.974)
Other current assets and prepaid expenses		**(36.551.356)**	77.756.471
Other non-current assets and prepaid expenses		**(16.844.805)**	3.166.275
Trade payables		**698.365.332**	56.781.111
Trade payables to related parties		**(430.837.740)**	118.324.208
Other payables		**1.042**	454.323
Other liabilities		**58.458.630**	(5.052.638)
Seniority incentive bonus paid	15	**(6.332.631)**	(3.779.044)
Employment termination benefit paid	15	**(9.653.313)**	(15.055.490)
Notice pay liability paid	13	**(2.146.743)**	-
Net cash generated by / (used in) operating activities		**232.372.750**	275.242.043
Investing activities:			
Interest received		**7.220.797**	7.689.126
Purchase of property, plant and equipment and intangible assets	10-11	**(244.841.930)**	(99.500.773)
Proceeds from sales of property, plant and equipment and intangible assets		**2.980.357**	22.156.967
Increase in investments held to maturity, net		**-**	1.035.785
Research and development expenses recognized as expense		**-**	1.702.460
Net cash (used in) / generated by investing activities		**(234.640.776)**	(66.916.435)
Financing activities:			
Proceeds from borrowings		**153.803.440**	92.491.443
Redemption of borrowings		**(143.416.479)**	(87.169.622)
Interest paid		**(21.037.192)**	(11.172.680)
Dividend paid		**-**	(55.800.000)
Net cash (used in) / generated by financing activities		**(10.650.231)**	(61.650.859)
Net (decrease) / increase in cash and cash equivalents		**(12.918.257)**	146.674.749
Cash and cash equivalents at the beginning of the period		**291.960.681**	145.285.932
Cash and cash equivalents at the end of the period	4	**279.042.424**	291.960.681

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PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

1. Group's organization and nature of operations

Petkim Petrokimya Holding A.Ş. ("Petkim" or "the Company") was established on April 3, 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex. During the course of the Company, construction of other plants continued. In 1985, Aliağa Petrochemical Complex was established. The Company has 14 main plants, 1 bag production unit and 1 solid waste incineration facility. The Company operates its facilities in the petrochemical sector in Turkey.

The Company is mainly engaged in the following fields:

- To establish and to operate factories, plants either at home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,

- To process and to treat the raw materials and supplementary/auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from home or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,

- To pack any products, which may be obtained and derived at any stage of the production activities, and to establish packing and packaging industrial plants for such purpose, to recycle and/or to sell any wastes, byproducts and the materials of various qualities, and to establish and to operate plants and facilities for the disposal of the waste materials and hazardous wastes which cannot be recycled, and to offer disposal services to any third persons, and to sell any and all kinds of scraps,

- To establish and to operate new enterprises, which provide the manufacturing and the production of all of the materials and substances listed above, and to establish and to operate the marine and road organizations in relation thereto, to expand the already established enterprises, and to purchase and to operate the already established enterprises in part or in whole,

- To commit undertakings for the establishment and operation of the plants and facilities at home and abroad in relation to its scope of activity, and to enter into and to execute cooperation and partnership agreements with domestic and international legal and real persons in relation its own scope of activity, to participate in the already established companies, or to incorporate new companies,

- To establish warehouses and sales points and regional organizations either at home or abroad, and to open up branches and liaison offices, and to be engaged in procuring activities, and to participate in the companies which will be engaged in such activities, and to carry out and to perform the wholesale or retail sales and the exportation of its own finished products and products as well as the finished products and products which it imports or purchases,

- To be engaged with the activities which are fundamental to the manufacturing and production of the equipment to be used for the maintenance and repair, and the investments for sustainment, perfection, refurbishment of the enterprises, and for new business investments, and to establish any necessary enterprises for such purposes, and to increase the capacity of the machinery, and to recover any surplus capacity thereof, and to generate the energy needed by the enterprises, when required,

- To enter into and to execute any agreements for patents, brands, licenses, know-how, procurement and supply, engineering, building & construction and assembly, and such other similar agreements with the domestic and the international firms,

- To carry out and to perform training, research and development activities and operations within the fields falling into its scope of activity, and to have such activities and operations be carried out and performed, and to offer laboratory analysis services for any third persons and organizations,

- To have shipping and transportation services be carried out and performed, and to carry and to perform shipping and transportation services at particular cases and when required,

- In order to meet its need in relation to its scope of activity, to acquire movable and immovable properties, to establish and to revoke real rights on its own or on the immovable properties of the others, when required, to dispose, to lease, to lease out any movable properties or real estate, and to establish any usufruct rights and servitudes, encumbrances on real estate, and such other rights either for its favor or against its own, and to sell any immovable and movable properties when required,

1. Group's organization and nature of operations (continued)

- Provided that the requisite explanations and statements to be sought by the Capital Markets Board within the scope of any extraordinary circumstances are submitted, to give bails, to warrant guarantees, mortgages and pledge for the favor of the liabilities/ debts of its own or of the companies to which it subscribes, and to receive any bails, guarantees, mortgages and pledges, and to release and to amend the same in order to obtain its receivables,

- In relation to the trading, which is carried out and performed by way of importation and exportation, at the relevant branch of industry, to maintain and handle relations with any and all sectors concerning such industry, to participate in the branches of industry, engineering and consulting, and to participate in the bids and tenders, and to commit any undertaking thereto,

- To carry out and to offer engineering services either at home or abroad in relation to the businesses which are within its scope of activity,

- In order to accomplish its purpose, to borrow from any resources either domestic or international,

- In relation to its scope, provided that the final provision of the Article 15 of the Capital Market Law is reserved, to enter into partnerships, and to acquire any already established partnerships, and/or to merge with such partnerships, and to participate to the ones to be established,

- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,

- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,

- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by 3rd parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,

- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

The "Share Sales Agreement", with respect to the sales of 51% of shares of Petkim Petrokimya Holding A.Ş. (which has been in the privatization process for several years) to SOCAR & Turcas Petrokimya A.Ş. ("STPAŞ"), 44% of which previously owned by the Republic of Turkey Ministry Privatization Administration ("Administration") and 7% State Pension Fund ("Emekli Sandığı Genel Müdürlüğü") transferred to Republic of Turkey Social Security Institution, was signed on May 30, 2008.

On June 22, 2012, the public shares amounting to 10,32% of the Company capital which belonged to Prime Ministry Privatization Administration was sold to SOCAR İzmir Petrokimya A.Ş ("SİPAŞ") which is the subsidiary of the Company's major shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ").

As of December 31, 2013 and December 31, 2012, the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Company is registered at the Capital Markets Board ("CMB") and its shares have been quoted in Istanbul Stock Exchange ("ISE") since July 9, 1990.

Consolidated financial statements were approved to be issued by the Board of Directors March 6, 2013 and signed by Mr. Saadettin Korkut, General Manager and Mr. Bülent Aksu, Vice President of Finance, on behalf of the Board of Directors. General Assembly and relevant regulators has the right to modify legal financial statements and the consolidated financial statements.

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

PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

1. Group's organization and nature of operations (continued)

Subsidiaries

The Company has participated to Petlim Limancılık Ticaret A.Ş. ("Petlim") with the capital of TL 100.000 and the share of 99,99%, according to the decision of Board of Director dated April 28, 2010 and numbered 64/132, to implement port activities. With the general assembly resolution dated, November 13, 2012, the share capital of Petkim has been increased to TL 8.000.000. With the general assembly resolution dated, September 30, 2013, the share capital of Petkim has been increased from TL 8.000.000 to TL 83.000.000 and the share of 100% transferred to Petkim. Petkim and its subsidiary are referred together as "the Group".

The number of personnel in the Group is 2.457 as of December 31, 2013 (December 31, 2012 - 2.405).

	December 31, 2013	December 31, 2012
Union (*)	1.959	1.895
Non-union (**)	498	510
	2.457	**2.405**

(*) Indicates the personnel who are members of Petrol İş Union.
(**) Indicates the personnel who are not members of Petrol İş Union

The registered address of the Group as of the date of these consolidated financial statements is as follows:

PK. 12, 35800
Aliağa, İzmir

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

Accounting standards

The consolidated financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on June 13, 2013 which is published on Official Gazette numbered 28676. Companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's financial statements have been prepared in accordance with this decision.

2.2 Changes in IFRS

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

2. Basis of presentation of consolidated financial statements (continued)

The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (e.g., collateral agreements).
New disclosures would provide users of financial statements with information that is useful in;

i) evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
ii) analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the balance sheet that have been offset in accordance with TAS 32. Such disclosures also apply to recognized financial instruments that are subject to enforceable master netting arrangement or similar agreement ,irrespective of whether they are set off in accordance with TAS 32. The amendment affects disclosures only and did not have any impact on the consolidated financial statements of the Group.

TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Group.

TAS 19 Employee Benefits (Amended)

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, and recognizing actuarial gain/(loss) under other comprehensive income for defined benefit plans and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement.

The Group used to recognize the actuarial gain and loss in profit and loss statement before this amendment. The retrospective effects of the amendment to recognize actuarial gain and loss in the comprehensive income statement are disclosed in Note 2.3.

TAS 27 Separate Financial Statements (Amended)

As a consequential amendment to TFRS 10 and TFRS 12, the TASB also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have an impact on the financial position or performance of the Group.

TAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to TFRS 11 and TFRS 12, the TASB also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have an impact on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

TFRS 10 Consolidated Financial Statements

TFRS10, TAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. *This standard did not have an impact on the financial position or performance of* the Group.

TFRS 11 Joint Arrangements

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. *This standard did not have an impact on the financial position or performance of* the Group.

TFRS 12 Disclosure of Interests in Other Entities

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. *The standard affects presentation only and did not have an impact on the disclosures given by* the Group.

TFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. *The new disclosures are only required for periods beginning after TFRS 13 is adopted. The standard did not have an impact on the financial statements given by* the Group.

TFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Entities are required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. *The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of* the Group.

Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which TFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons TFRS 11 and TFRS 12 has also been amended to provide transition relief. *These amendments did not have an impact on the consolidated financial statements of* the Group.

Improvements to TFRSs

Annual Improvements to TFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after 1 January 2013. *This project did not have an impact on the financial position or performance of* the Group.

TAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

2. Basis of presentation of consolidated financial statements (continued)

TAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory

TAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

TAS 34 Financial Reporting:
Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Group does not expect that these amendments will have significant impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRIC Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after 1 January 2014, with early application permitted. Retrospective application of this interpretation is required. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

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PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

2. Basis of presentation of consolidated financial statements (continued)

Amendments to TAS 36 - (Recoverable Amount Disclosures for Non-Financial assets)

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. Earlier application is permitted for periods when the entity has already applied TFRS 13. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

Amendments to TAS 39 - Novation of Derivatives and Continuation of Hedge Accounting

Amendments to TAS 39 Financial Instruments: Recognition and Measurement, provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be notated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014. The Group does not expect that this amendment will have any impact on the financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment will not have any impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted.

2. Basis of presentation of consolidated financial statements (continued)

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows:) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

IAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements to IFRSs – 2011–2013 Cycle

IFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

2. Basis of presentation of consolidated financial statements (continued)

IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments did not have an impact on the financial position or performance of the Group.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. Group has made the related classifications stated in Note 2.3 in order to comply with the requirements of this regulation.

2013-1 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-1 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the consolidated financial statements of the Group.

2013-1 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

i) the subsidiary holding the equity based financial instruments of the parent,
ii) the associates or joint ventures holding the equity based financial instruments of the parent,
iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have any impact on the consolidated financial statements of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

2. Basis of presentation of consolidated financial statements (continued)

2.2 Comparative information and restatement of previous year financial statements

In order to allow for the determination of financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous year.

Pursuant to the decree taken in the CMB's meeting dated June 7, 2013, and numbered 20/670, for capital market board institutions within the scope of Communiqué on Principles Regarding Financial Reporting in Capital Market, financial statement templates and a user guide have been published, effective as of the interim periods ended after March 31, 2013. Various reclassifications were made in the Group's balance sheet statement pursuant to these formats which have taken effect

The reclassifications made to the balance sheet of the Group dated December 31, 2012 are as follows:

- Current prepaid expenses amounting to TL 29.670.551 shown in other current assets were classified as a separate account in the consolidated balance sheet.
- Non-current prepaid expenses amounting to TL 3.534.456 shown in other non-current assets were classified as a separate account in the consolidated balance sheet.
- Expense accruals amounting to TL 20.599 shown in short term debt provisions were shown in the trade payables to third parties.
- Current portion of long term financial liabilities amounting to TL 13.629.250 shown in current financial liabilities were classified as a separate account in the consolidated balance sheet.
- Liabilities for employee benefit amounting to TL 6.299.279 shown in other payables to third parties and TL 3.562.382 shown in other short-term liabilities were classified as separate account in the consolidated balance sheet.
- Deferred income from related parties amounting to TL 7.018.534 and deferred income from third parties amounting to TL 27.252.423 shown in other short term liabilities were classified as separate account in the consolidated balance sheet
- Deferred income from related parties amounting to TL 5.103.043 and deferred income from third parties amounting to TL 571.478 shown in other short long liabilities were classified as separate account in the consolidated balance sheet
- TL 2.021 shown in other long-term liabilities was classified in other short term liabilities
- According to the amendments on IAS 19 "Employee Benefits", the actuarial gain / (loss) of employee benefits are recognized under other comprehensive income. The amendment is effective for the periods after January 1, 2013 and the Group applied the changes retrospectively. The Group classified the actuarial loss amounting to TL 7.176.307 from net income for the period to actuarial gain / (loss) fund under equity within the balance sheet dated January 1, 2013 relating to the year ended December 31, 2012. The actuarial gain / (loss) before January 1, 2012 was not classified into fund account since it was not possible to determine the actuarial gain / (loss) amounts.
- General reserves amounting to TL 1.316.532 shown in restricted reserves in previous year balance sheet were classified in retained earnings

The reclassifications made to the consolidated income statement and dated December 31, 2012 are as follows:

- Trade receivable, trade payable foreign exchange gain, and trade payable rediscount income amounting to TL 82.959.948 shown in financial income were classified in other operating income
- Due date expense, foreign exchange loss and rediscount expense arising from customer receivables amounting to TL 53.733.082 shown in financial expenses were classified in other operating expense
- Income from investment activities amounting to TL 22.156.967 shown in other operating income were classified in separated account in condensed consolidated income statement
- Pension against incapacity to work amounting to TL 559.844 shown in other operating expense were shown as net-off by general and administrative expense
- Quality control department expenses amounting to TL 5.024.917 shown in costs of goods sold were classified in research and development expenses.
- The actuarial gain / (loss) arising from the calculation of employee benefits amounting to TL 8.970.384 and deferred tax effect amounting to TL 1.794.077, which both shown in general and administrative expenses were shown within statement of other comprehensive income. Similarly, the actuarial gain / (loss) arising from the calculation of employee benefits amounting to TL 7.136.370 and deferred tax effect amounting to TL 1.427.274, which both shown in general and administrative expenses within the income statement for the six month period ended December 31, 2013, were shown within the statement of other comprehensive income.

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2. Basis of presentation of consolidated financial statements (continued)

2.4 Summary of important accounting policies

The significant accounting policies applied in the preparation of the consolidated financial statements are summarized below:

Basis of consolidation

The consolidated financial statements comprise the financial statements of Petkim and Petlim in which Petkim has a shareholding interest of 100%. Subsidiary is consolidated from the date on which control is transferred to Petkim until the date on which the control is transferred out of Petkim.

As stated above, the consolidated financial statements consist of the financial statements of Petkim and its subsidiary which it controls. This control is normally evidenced when Petkim owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

Subsidiary is consolidated by using full consolidation method, accordingly the registered subsidiary values are netted off with the related equity items. The equity and net income attributable to minority shareholders' are shown as minority interest in consolidated balance sheet and consolidated statement of comprehensive income.

Balances and transactions between Petkim and its subsidiary, including intercompany profits and unrealized profits and losses (if any) are eliminated. Consolidated financial statements are prepared using uniform accounting policies for transactions and other events in similar circumstances.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventory consists of purchase materials, cost of conversion and other costs that are necessary to bring the inventories to their present location and condition. The costs of inventories are determined on a weighted average basis by the Group.

Net realizable value is the estimated selling price in the ordinary course of business, less cost of completion and selling expenses (Note 8).

Spare parts and material stocks are valued at the lower of cost and net recoverable value. The cost of spare parts and material stocks consist of purchase materials and other costs that are necessary to bring them to their present location and condition. The costs of spare parts and material stocks are determined on a weighted average basis by the Group (Notes 8).

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses if any. Historical costs include the costs directly related to the acquisition of property plant and equipment. Costs incurred after the acquisition can be capitalized to the net book value of the assets or can be booked as another asset if and only if it is probable that the future economic benefits will flow to the Group and cost of the asset can be measured reliably. Repair and maintenance expenses are charged to the consolidated statement of comprehensive income as they incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset. Depreciation is provided using the straight-line method based on the estimated useful lives of the net assets (Note 10).

2. Basis of presentation of consolidated financial statements (continued)

Spare parts and material stocks qualify as property, plant and equipment when they are expected to be used more than one period and only in connection with an item of property, plant and equipment. Spare parts and material stocks are carried at cost less the accumulated depreciation which is calculated over the remaining useful life of the related item of property, plant and equipment.

Buildings, machinery and equipment are capitalized and depreciated when they are in the condition necessary for operations in the manner intended by the management. Residual values of property, plant and equipment are deemed as insignificant.

The useful lives of property, plant and equipment are as follows:

	Useful life
Land improvements	4-50 years
Buildings	18-50 years
Machinery and equipment	8-68 years
Motor vehicles	5 years
Furniture and fixtures	3-20 years
Other fixed assets	5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted on a prospective basis.

Land is not depreciated as it is deemed to have an indefinite useful life.

Gains or losses on disposals of property, plant and equipment are included in the other operating income and expense accounts, in the consolidated statement of comprehensive income as appropriate.

Intangible assets

Intangible assets comprise acquired rights, information systems and software and capitalized development costs. Intangible assets are amortized on a straight-line basis over their estimated useful lives from the date of acquisition. In case of impairment, the carrying values of the intangible assets are written-down to their recoverable amounts (Note 11).

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years
Development Projects	5 years

Investment properties

Land and buildings held for rental yields or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business are classified as "investment property and accounted for at their acquisition cost in the consolidated balance sheet.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on disposals of investment properties are included in the other operating income and expense accounts, as appropriate (Note 9).

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2. Basis of presentation of consolidated financial statements (continued)

Research and development expenses

Research expenditures are recognized in the consolidated statement of comprehensive income when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- existence of the intention to complete the intangible asset and use or sell it,
- existence of the ability to use or sell the intangible asset,
- reliability of how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenses are amortized in 5 years by straight-line method effective from the start of the production.

Impairment of assets

At each reporting date, the Group assesses whether there is an impairment indication for the assets, except for the deferred income tax asset and financial assets stated at fair values.

The Group assesses whether there is any indication that the book value of tangible and intangible assets, calculated by the acquisition cost less accumulated amortization, may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. When the individual recoverable value of assets cannot be measured, the recoverable value of the cash-generating unit of that asset is measured.

Provision for doubtful receivables is booked in the consolidated financial statements when there is an indication that the related receivable can not be collected. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period

Impairment exists if the carrying value of an asset or a cash-generating unit is greater than its recoverable amount, which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

When the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying value, the asset's (or cash-generating unit's) carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.

An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized in the consolidated statement of comprehensive income.

2. Basis of presentation of consolidated financial statements (continued)

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

Operating leases

The Group as the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the lessor

Rent income from lessees is recognized equally during the rent period in the consolidated statement of comprehensive income. Rent income collected as advance is considered as unearned (deferred) revenue and recognized in the consolidated statement of comprehensive income systematically on a monthly basis using the straight-line method during the rent period.

Financial assets

Financial assets of the Group consist of cash and cash equivalents, trade receivables, due from related parties and other receivables. Financial liabilities consist of trade payables, due to related parties, other payables and financial liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits at banks and highly liquid investments with insignificant risk of change in fair value and with maturity periods of three months or less (Note 4).

Trade receivables and provision for impairment

Trade receivables that are realized by the Group by way of providing goods or services directly to a debtor are carried at amortized cost using the effective interest rate method.(Note 6).

Investments held to maturity

Investments held to maturity are recognized initially at fair value including the costs directly related to the acquisition and subsequently measured at amortized cost using the effective interest method. Financial income related to investments held to maturity is recognized in the consolidated statement of income.

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 6).

2. Basis of presentation of consolidated financial statements (continued)

Bank borrowings

Bank borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings

If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more than 12 months, they are classified under non-current liabilities (Note 5).

Recognition and de-recognition of financial instruments

The Group recognizes a financial asset or financial liability in its consolidated balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Group derecognizes a financial liability when liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expired.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.

All other borrowing costs are expensed in the consolidated statement of comprehensive income in the period they incurred.

Related parties

Parties are considered related to the Company if

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity, or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- (vi) The entity is controlled or jointly controlled by a person identified in (a),
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

2. Basis of presentation of consolidated financial statements (continued)

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

Key management personnel are identified as Board of Directors, general manager and vice general managers (Note 30).

Government grants

All government grants, including non-monetary government grants followed up at fair values, are taken into account in the financial statements when there is reasonable assurance that the Company will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Company. Government grants shall be recognized in profit or loss on a systematic and pro rata basis over periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate (Note 12).

Current and deferred income tax

Taxes include current period income taxes and deferred taxes. Current year tax liability consists of tax liability on the taxable income calculated according to currently enacted tax rates and to the effective tax legislation as of balance sheet date (Note 28).

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values.

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in equity. Taxes arisen on items recognized in equity are recognized directly in equity.

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements (Note 28).

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2. Basis of presentation of consolidated financial statements (continued)

Employee benefits

a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Furthermore, the Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority (Note 15).

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds. All actuarial gains and losses are recognized in the consolidated statement of comprehensive income.

(b) Defined contribution plans:

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions, as of the balance sheet date, are recorded with the best estimate of management in order to provide for the estimated obligation and are discounted, if they are material for the consolidated financial statement.

Contingent assets and liabilities

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 13).

Contingent liabilities are not recognized in the consolidated financial statements, and disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is mostly probable.

Revenue recognition

Revenue is based on the invoiced amount of products sold and services given. Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realized. Net sales represent the invoiced value of goods sold less sales returns and commission and exclude related taxes.

Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

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2. Basis of presentation of consolidated financial statements (continued)

Transactions in foreign currency

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet date. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated statement of comprehensive income

Accounting policies, changes in accounting estimates and errors

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods.

Critical accounting estimates and judgments

Preparation of consolidated financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the management's best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions. Significant estimates of the Group management are as follows:

a) There are numerous transactions and calculations in the ordinary course of business, whose impact on income taxes requires significant judgment in determining the provision for income taxes. The Group recognizes deferred income tax liabilities for anticipated taxable events and recognizes deferred income tax assets on loss carry forwards, tax credits and deductible temporary differences to the extent that the realization of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred tax expense in the period of realization of the final tax outcome. As a result of the projections made by the Group management by using its best estimates deferred income tax asset regarding to the unused investment incentives was recognized in the consolidated financial statements (Note 28).

b) Tangible and intangible assets have been depreciated and amortized by using estimated useful lives. Estimated useful lives determined by management have been disclosed in Note 10 and Note 11.

c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 15).

d) Provision for doubtful receivables is an estimated amount that management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, other than related parties, are assessed with their prior year performances, their credit risk in the current market, their individual performances after the balance sheet date up to the issuing date of the consolidated financial statements and furthermore, the renegotiation conditions with these debtors are considered (Note 6 and 7).

e) The management of the Group reserves provision for inventories which it thinks will not be used based on the evaluation of past experience and general economic conditions and for inventory amounts the net realizable value of which it believes has fallen below the costs (Note 8).

Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on ordinary shares are recognized as an appropriation of the profit in the period they are declared.

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2. Basis of presentation of consolidated financial statements (continued)

Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue.

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements (Note 30).

Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.

The companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

3. Segment reporting

As the primary operation of the Group is to produce and sell petrochemical products and as these operations have similar economical features, production processes, customer classes and distribution methods, the Group operations are considered to be as single operating segment. Accordingly, the Group management considers single operating segment, rather than multiple operating segments, when making decisions on the resources management and in the assessment of performance measurement of the operations.

4. Cash and cash equivalents

	December 31, 2013	December 31, 2012
Cash	6.786	-
Banks	279.035.638	291.960.681
- Foreign currency demand deposits	2.086.182	11.431.005
- Foreign currency time deposits	160.992.073	123.510.037
- TL demand deposits	1.974.855	12.987.511
- TL time deposits	113.982.528	144.032.128
	279.042.424	291.960.681

As of December 31, 2013, foreign currency time deposits consist of overnight and monthly deposits. The effective weighted average interest rates for USD and Euro 3,32% and 3,08%, respectively. The monthly effective weighted average interest for the USD time deposit is 3,50% (December 31, 2012 - USD 3,60%, Euro 2,60%).

As of December 31, 2013, TL time deposits consist of overnight and monthly deposits and bear the effective interest rate of 9,35% and 9,65%. (December 31, 2012 – 8,14%).

The Group has no blocked bank deposits as of December 31, 2013 (December 31, 2012 - None).

Based on the independent data with respect to the credit risk assessment of the banks at which the Group has deposits, are sufficient in terms of credit quality of the banks. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

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5. Financial liabilities

a) Short term liabilities

	December 31, 2013	December 31, 2012
Short-term bank borrowings	164.517.684	248.382.750
Short-term installment of long term borrowings	24.029.261	13.629.250
Interest accruals	846.886	1.843.378
	189.393.831	263.855.378

USD denominated of bank borrowings received from various banks for financing needs by the Group is TL 160.072.500 (December 31, 2012 – USD and TL, TL 237.531.450). Mature of bank borrowings respectively for USD is 120 days (December 31, 2012 – USD 95 days).

Bank borrowings amounting to TL 4.445.184 as of December 31, 2013 (December 31, 2012- TL 10.851.300) are overnight loans without bearing any interest and used for the month-end Social Security Institution ("SSI") payments and Custom transactions

The amounts and interest rates of short term bank borrowings as of December 31, 2013 and 2012 are as follows:

			December 31, 2013
	Nominal interest rate (%)	Original currency	Amount
Short-term bank borrowings			
USD borrowings	Libor+ %0,75(*)	75.000.000	160.072.500
TL borrowings	-	4.445.184	4.445.184
Interest accruals			846.886
			165.364.570

			December 31, 2012
	Nominal interest rate (%)	Original currency	Amount
Short-term bank borrowings			
USD borrowings	Libor + %0,75-%2,60(*)	133.250.000	237.531.450
TL borrowings	-	10.851.300	10.851.300
Interest accruals			1.843.378
			250.226.128

(*) Interest rate of borrowings with variable rates amounting to TL 160.072.500 is Libor+0,75 . (December 31, 2012 Interest rates of borrowings with variable rates amounting to TL 237.531.450 is between Libor+0,75% and Libor+2,60%

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5. Financial liabilities (continued)

			December 31, 2013
	Nominal interest rate (%)	Original currency	Amount
Short-term instalment of long-term bank borrowings			
USD borrowings	Libor+ %1,70 -%3,75	11.258.615	24.029.261
			24.029.261

			December 31, 2012
	Nominal interest rate (%)	Original currency	Amount
Short-term instalment of long-term bank borrowings			
USD borrowings	Libor+ %3,75	7.645.714	13.629.250
			13.629.250

The fair values of bank borrowings are disclosed in Note 32.

As of December 31, 2013, the Group has given guarantee letter amounting to USD 76.125.000 to financial institutions. (December 31, 2012 – USD 91.350.000).

b) Long-term bank borrowings

				December 31, 2013
	Maturities	Interest rate (%)	Original currency	TL
Long-term bank borrowings				
USD borrowings	December 22, 2022	%4,26	32.516.104	69.399.120
	June 22, 2017	%Libor+1,70	18.064.503	38.555.068
	June 14, 2016	%Libor+3,75	4.071.429	8.689.651
	June 30, 2015	%Libor+3,75	2.465.714	5.262.573
EUR borrowings	March 22, 2022	%Libor+3	14.983.000	43.997.579
				165.903.991

				December 31, 2012
	Maturities	Interest rate (%)	Original currency	TL
Long-term bank borrowings				
USD borrowings	June14 ,2016	Libor + %3,75	6.785.714	12.096.214
	June 30, 2015	Libor + %3,75	7.397.143	13.186.147
				25.282.361

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5. Financial liabilities (continued)

As of December 31, 2013 and 2012 the principal repayment schedule of the borrowing is as follows:

	December 31, 2013 Original currency (USD)	December 31, 2012 Original currency (USD)
2013	-	7.645.714
2014	11.258.615	7.645.714
2015	12.405.801	5.180.000
2016	8.582.944	1.357.143
2017	6.568.910	-
2018	5.912.019	-
2019	5.912.019	-
2020	5.912.019	-
2021	5.912.019	-
2022	5.912.019	-
Total	68.376.365	21.828.571

	December 31, 2013 Original currency (EUR)	December 31, 2012 Original currency (EUR)
2015	1.997.733	-
2016	1.997.733	-
2017	1.997.733	-
2018	1.997.733	-
2019	1.997.733	-
2020	1.997.733	-
2021	1.997.733	-
2022	998.869	-
Total	14.983.000	-

6. Trade receivables and payables

a) Short-term trade receivables

	December 31, 2013	December 31, 2012
Trade receivables	759.611.132	553.430.274
	759.611.132	553.430.274
Provision for doubtful receivables	(9.448.949)	(8.887.386)
	750.162.183	544.542.888

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6. Trade receivables and payables (continued)

As of December 31, 2013, weighted average yearly effective interest rates for the calculated not accrued income arising from short term trade receivables in TL, USD and EUR are 10,70%, 3,04%, and 4,43%, respectively (December 31, 2012- TL, USD and EUR – 6,14%, 0,41% and 0,05%).

The aging analysis of trade receivables including doubtful receivables as of December 31, 2013 and 2012 is as follows:

	December 31, 2013	December 31, 2012
Overdue receivables	23.417.164	37.471.378
0 - 30 days	303.879.259	218.155.260
31 - 60 days	185.264.789	132.289.325
61 - 90 days	131.156.377	75.599.346
91 days and over	115.893.543	89.914.965
	759.611.132	553.430.274

As of December 31, 2013, trade receivables amounting to TL 23.417.164 (December 31, 2012 – TL 37.471.378) of total overdue receivables amounting to TL 5.291.672 (December 31, 2012 – TL 14.943.278) were past due, however, the Group holds guarantee letters amounting to TL 6.735.375 (December 31, 2012 - TL 12.771.952) for such receivables (Note 31). Furthermore, trade receivables from foreign customers amounting to TL 8.676.543 (December 31, 2012 - TL 13.640.714) are guaranteed with letter of credits. Furthermore, the Group accounted for provision for doubtful receivables for the TL 9.448.949 portion of its past due receivables (December 31, 2012 - TL 8.887.386).

Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains 100% of total outstanding TL trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided for.

The average maturity dates of trade receivables are 57 days (December 31, 2012 – 49).

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials.

As of December 31, 2013, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TL 1.046.467.686 (December 31, 2012 - TL 815.871.402) (Note 13).

The aging of overdue receivables as of December 31, 2013 and 2012 (including doubtful receivables) is as follows:

Overdue period	December 31, 2013	December 31, 2012
0 - 1 month	1.219.048	16.583.474
1 - 3 months	8.184.239	7.755.967
Over 3 months	14.013.877	13.131.937
	23.417.164	37.471.378

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6. Trade receivables and payables (continued)

The movement of the provision for doubtful receivables during the year is as follows:

	2013	2012
January 1	**(8.887.386)**	(2.615.972)
Additions during the year (Note 24)	**(590.375)**	(6.271.414)
Provisions no longer required	**26.748**	-
Write-offs	**2.064**	-
December 31	**(9.448.949)**	(8.887.386)

b) Other short-term trade payables

	December 31, 2013	December 31, 2012
Trade payables-net	**915.775.992**	217.410.660
	915.775.992	217.410.660

Average maturity for short-term trade payables is 79 days as of December 31, 2013 (December 31, 2012 – 54 days). The effective weighted average interest rates used in the calculation of unincurred finance costs of short-term trade payables are 9,38%, 3,67% and 3,67% for TL, USD and EUR denominated trade payables, respectively (December 31, 2012- The effective weighted average interest rates of short-term trade payables for TL and USD denominated trade payables are 6,08% and 0,33% respectively).

7. Other trade receivables and payables

	December 31, 2013	December 31, 2012
a) Other short-term receivables		
Loan interest incentive accrual	**333.295**	-
Receivables from scrap sales	**117.647**	331.916
Receivables from personnel	**55.840**	85.334
Other	**992.694**	1.166.394
	1.499.476	1.583.644
Provision for other doubtful receivables	**(564.205)**	(420.205)
	935.271	1.163.439

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7. Other trade receivables and payables (continued)

The movement of the provision for other doubtful receivables during the year is as follows::

	2013	2012
January 1	**(420.205)**	(420.205)
Additions in the year (Note 24)	**(144.000)**	-
December 31	**(564.205)**	(420.205)

b) Other short-term payables

Deposits and guarantees received	**792.419**	767.697
	792.419	767.697

8. Inventories

	December 31, 2013	December 31, 2012
Raw materials	**75.757.004**	102.594.312
Work-in-progress	**132.644.876**	112.607.550
Finished goods	**149.201.124**	129.485.014
Trade goods	**15.702.828**	13.046.782
Goods-in-transit	**76.935.888**	91.136.235
Other inventories	**14.798.479**	14.415.318
	465.040.199	463.285.211
Less: Provision for impairment on inventories	**(840.728)**	(801.663)
	464.199.471	462.483.548

Movements of provision for impairment on inventories for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
January 1	**(801.663)**	(3.582.090)
Charge during the year for impairment of inventory	**(39.065)**	-
Released during the year	**-**	2.780.427
December 31	**(840.728)**	(801.663)

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8. Inventories (continued)

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2013	December 31, 2012
Finished goods	-	-
Other inventories	840.728	801.663
Merchandise	-	-
December 31	840.728	801.663

9. Investment property

	December 31, 2013	December 31, 2012
Investment property (*)	1.020.532	1.020.532
	1.020.532	1.020.532

(*) In 2010, a land owned by the Company, situated at the location of Arapçiftliği of the county of Aliağa, with in the area 1.375.000 m2 and acquisition cost of TL 1.020.532 has been leased to STAR Rafineri A.Ş. (STAR) which is the 81,50% subsidiary of Socar Turkey Enerji A.Ş. (STEAŞ) – which is the indirect major shareholder with 61,32% shareholding for a period of 49 years. The rental amount is 3.000.000 USD + VAT per annum and rent for the following years will be increased at the end of each year with the related year libor +1%, by means of considering the amounts determined in the valuation reports prepared by Artı Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Elit Gayrimenkul Değerleme A.Ş. that are licenced by the Capital Market Board. Market value of the land according to the valuation reports mentioned above was estimated as TL 177.500.000 and TL 126.000.000 as of December 31, 2010.

According to the Elit Gayrimenkul Değerleme A.Ş. to Socar Turkey Enerji A.Ş.- major valuation report which was prepared by shareholder of the Group, for the mentioned land in January 2013, the market value of the land has been determined as TL 378.125.000. The increase of the market value of the mentioned land resulted from the approval of the change of construction plan and the investments made by Star Rafineri A.Ş. to the land for making the land possible to invest.

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10. Property, plant and equipment

The movements of tangible assets and related accumulated depreciation for the years ended December 31, 2013 and 2012 were as follows:

	December 31, 2012	Additions	Transfer (Note 11)	Disposals	December 31, 2013
Cost:					
Land	9.367.988	-	-	-	9.367.988
Land improvements	98.908.908	-	2.305.249	(26.457)	101.187.700
Buildings	165.424.042	-	676.206	(34.620)	166.065.628
Machinery and equipment	5.949.386.345	-	115.656.661	(2.468.348)	6.062.574.658
Motor vehicles	9.215.348	-	936.526	-	10.151.874
Furniture and fixtures	57.654.831	-	5.187.003	(602.542)	62.239.292
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	-	-	581.831	-	581.831
Construction in progress (*)	291.608.266	244.841.930	(127.363.092)	-	409.087.104
	6.582.561.880	244.841.930	(2.019.616)	(3.131.967)	6.822.252.227
Accumulated depreciation					
Land improvements	(78.417.112)	(2.066.544)	-	26.457	(80.457.199)
Buildings	(88.516.538)	(3.462.756)	-	21.984	(91.957.310)
Machinery and equipment	(5.032.257.001)	(69.469.173)	-	183.855	(5.101.542.319)
Motor vehicles	(8.419.415)	(401.903)	-	-	(8.821.318)
Furniture and fixtures	(51.866.068)	(1.789.029)	-	577.018	(53.078.079)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	-	(16.909)	-	-	(16.909)
	(5.260.472.286)	(77.206.314)	-	809.314	(5.336.869.286)
Net book value	1.322.089.594				1.485.382.941

(*) Since the construction in progress contains incomplete projects, as of balance sheet date they have not been capitalized yet.

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10. Property, plant and equipment (continued)

	December 31, 2011	Additions	Transfer (Note 11)	Disposals	December 31, 2012
Cost:					
Land	9.409.277	-	-	(41.289)	9.367.988
Land improvements	84.470.950	-	14.437.958	-	98.908.908
Buildings	152.051.968	-	13.372.074	-	165.424.042
Machinery and equipment	5.930.045.391	55.688	34.437.428	(15.152.162)	5.949.386.345
Motor vehicles	10.276.650	-	191.593	(1.252.895)	9.215.348
Furniture and fixtures	55.846.841	-	1.807.990	-	57.654.831
Other fixed assets	996.152	-	-	-	996.152
Construction in progress	259.752.886	100.032.860	(68.177.480)	-	291.608.266
	6.502.850.115	100.088.548	(3.930.437)	(16.446.346)	6.582.561.880
Accumulated depreciation					
Land improvements	(76.979.771)	(1.437.341)	-	-	(78.417.112)
Buildings	(85.273.398)	(3.243.140)	-	-	(88.516.538)
Machinery and equipment	(4.983.198.311)	(63.371.449)	-	14.312.759	(5.032.257.001)
Motor vehicles	(9.396.696)	(275.614)	-	1.252.895	(8.419.415)
Furniture and fixtures	(50.115.885)	(1.750.183)	-	-	(51.866.068)
Other fixed assets	(996.152)	-	-	-	(996.152)
	(5.205.960.213)	(70.077.727)	-	15.565.654	(5.260.472.286)
Net book value	1.296.889.902				1.322.089.594

There is no mortgage on property, plant and equipment as of December 31, 2013 (December 31, 2012 - None).

The Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 5.167.113 (December 31 2012 – TL 4.393.570) (Note 27). The rate that group has used to determine the capitalized finance cost is 12,59% (December 31, 2012 – 13%) which is weighted average effective interest rate of the investment loans.

Depreciation charges amounting to TL 77.206.314 for the year ended December 31, 2013 (December 31, 2012 – TL 70.077.727) were allocated to cost of sales by TL 58.359.572 (December 31, 2012 – TL 55.948.315), to idle capacity expenses by TL 8.980.027 (December 31, 2012 – TL 4.944.033), to inventories by TL 4.340.859 (December 31, 2012 – TL 3.977.607), to general administrative expenses by TL 4.939.723 (December 31, 2012 – TL 4.814.679), to marketing, selling and distribution expenses by TL 310.379 (December 31, 2012 – TL 192.596), and to research and development expenses by TL 275.754 (December 31, 2012 – TL 200.497).

The major part of the additions to machinery and equipment as of December 31, 2013 related to the modernization of production facilities and machineries which are classified under construction in progress as of December 31, 2012 and completed in year 2013. The Group's management plans to increase the efficiency and environmental compliance with these investments. Construction in progress as of December 31, 2013 has similar characteristics with previous year's construction in progress.

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11. Intangible assets

The movements of intangible assets and related accumulated amortization for the years ended December 31, 2013 and 2012 were as follows:

	December 31, 2012	Additions	Transfers (Note 10)	Disposals (*)	December 31, 2013
Cost:					
Rights and software	19.637.268	-	2.019.617	-	21.656.885
Other	550.590	-	-	(550.590)	-
	20.187.858	-	2.019.617	(550.590)	21.656.885
Accumulated amortization:					
Rights and software	(5.654.298)	(1.840.088)	-	-	(7.494.386)
	(5.654.298)	(1.840.088)	-	-	(7.494.386)
Net book value	14.533.560				14.162.499

(*) Recognized as expense in 2013 (Note 24).

	December 31, 2011	Additions	Transfers (Note 10)	Disposals	December 31, 2012
Cost:					
Rights and software	15.695.634	11.197	3.930.437	-	19.637.268
Other	1.102.070	1.150.980	-	(1.702.460)	550.590
	16.797.704	1.162.177	3.930.437	(1.702.460)	20.187.858
Accumulated amortization:					
Rights and software	(4.059.551)	(1.594.747)	-	-	(5.654.298)
	(4.059.551)	(1.594.747)	-	-	(5.654.298)
Net book value	12.738.153				14.533.560

There is no mortgage on intangible assets as of December 31, 2013 (December 31, 2012 - None).

Amortization charges amounting to TL 1.840.088 (December 31, 2012 – TL 1.594.747) for the year ended December 31, 2013 were allocated to cost of sales by TL 383.398 (December 31, 2012 – TL 344.120), to research and development expenses by TL 217.218 (December 31, 2012 – TL 164.884) and to general administrative expenses by TL 1.239.472 (December 31, 2012 – TL 1.085.743).

12. Government grants

As of December 31, 2013, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 1.366.618 (As of December 31, 2012, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 1.239.335 and TL 71.802 of this amount is related to the research and development projects and reclassified 'Deferred income' under 'Other short term liabilities', and the remaining TL 1.167.533 has been presented in income statement) and has been presented in income statement.

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13. Provisions, contingent assets and liabilities

	December 31, 2013	December 31, 2012
a) Short-term provisions		
Provision for EMRA (*) contribution share	1.452.120	1.405.152
Provision for legal cases	1.254.955	378.133
Provision for notice pay	-	2.146.743
	2.707.075	3.930.028

(*) Energy Market Regulatory Authority

Movements of the provision for notice pay is as follows

	2013	2012
January 1	2.146.743	-
Change in the Period, net	(2.146.743)	2.146.743
December 31	-	2.146.743

Movements of the provision for EMRA contribution share is as follows

	2013	2012
January 1	1.405.152	1.328.835
Change in the Period, net	46.968	76.317
December 31	1.452.120	1.405.152

Movement of the provision for legal cases is as follows

	2013	2012
January 1	378.133	2.396.712
Change in the Period, net	876.822	(2.018.579)
December 31	1.254.955	378.133

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13. Provisions, contingent assets and liabilities (continued)

The tax penalties detailed below have been communicated against the Company:

- Upon the tax inspection performed by the tax inspectors of the Ministry of Finance, Tax liability of TL 324.197 and tax loss of TL 1.324.197 on November 26, 2012 for the year 2010 regarding Corporate Withholding and Value Added Tax,
- Pursuant to article 53/c of the Customs Regulation, on the grounds that the contractual stamp duty paid upon import was not included in VAT, the VAT of the stamp duty on November 26, 2012 which is TL 160,930 and a fine of 3 times the VAT which is TL 482,760, by Aliağa Customs Directorate in 2009,
- Pursuant to article 53/c of the Customs Regulation, on the grounds that the contractual stamp duty paid upon import was not included in VAT, the VAT of the stamp duty on December 18, 2012 which is TL and a fine of 3 times the VAT which is TL 823,877, by Aliağa Customs Directorate in 2010,
- Within the scope of article 53/c of the Customs Regulation, stamp duty by Aliağa Tax Office upon the request of Aliağa Customs Directorate amounting to a total of TL 9,6 million for the years 2008-2009-2010-2011 and 2012 on December 24, 2013 and tax loss of TL 9,6 million regarding the imports performed.

The management of the Group believes that its practices regarding the mentioned communiqués are in compliance with legal regulations and it is currently using all of its legal rights including objection, reconciliation and initiating a legal process and does not expect to make any payments at this stage. Accordingly, no provision has been reserved in the financial statements regarding these notifications.

	December 31, 2013	December 31, 2012
b) Guarantees received:		
Bank guarantees within the context of DOCS	**653.554.741**	479.750.512
Letters of guarantee received	**390.912.945**	334.120.890
Mortgages	**2.000.000**	2.000.000
	1.046.467.686	815.871.402

The letters of guarantee received amounting to TL 1.046.467.686 (December 31, 2012 - TL 815.871.402) of the total letters of guarantee received amounting to TL 653.554.741 (December 31, 2012 - TL 479.750.512) are bank guarantees within the context of DOCS and the remaining TL 392.912.945 (December 31, 2012 – TL 336.120.890) includes bank letter of guarantees obtained from customers amounting to TL 281.821.634 (December 31, 2012 – TL 268.092.439), letter of credits amounting to (December 31, 2012 – TL 8.636.981), checks received amounting to TL 4.321.964, (December 31, 2012 – TL 5.669.161) guarantee letters obtained from suppliers due to goods and service procurements amounting to TL 85.217.553 (December 31, 2012 – TL 51.722.309) and mortgages received amounting to TL 2.000.000 (December 31, 2012 – TL 2.000.000),

	December 31, 2013	December 31, 2012
c) Guarantees given:		
Letters of guarantee given	**327.828.660**	212.026.115
	327.828.660	212.026.115

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13. Provisions, contingent assets and liabilities (continued)

Collaterals, Pledges and Mortgages ("CPM") provided by the Company:

	December 31, 2013	December 31, 2012
A. Total amount of CPMs given for the Company's own legal personality	327.828.660	212.026.115
B. Total amount of CPMs given on behalf of fully consolidated companies	-	-
C.Total amount of CPMs given for continuation ofits economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder		
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C.	-	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
	327.828.660	212.026.115

Collaterals, pledges and mortgages amounting to TL 327.828.600 consist of USD 101.190.000 equivalent to TL 215.969.818, Euro 10.500.000 equivalent to TL 30.833.250 and TL 81.025.592 (December 31, 2012- USD 65.000 equivalent to TL 115.869, Euro 10.500.000 equivalent to TL 24.692.850 and TL 24.376.886).

As of December 31, 2013, the total letters of guarantee given amount to TL 327.828.660 (December 31, 2012-TL 49.185.605) consists of letter of guarantee given amounting to TL 94.933.250 (December 31, 2012) allocated to customs administrations and Republic of Turkey Prime Ministry Undersecretariat of Customs Letter of guarantee given amounting to TL 7.013.957 (December 31, 2012 – TL 2.599.544) to Türkiye Elektrik Ticaret ve Taahhüt A.Ş. related to electricity purchases, to letters of guarantee given amounting TL 2.875.000 (December 31, 2012 – TL 2.875.000) to EMRA, to letters of guarantee given amounting to TL 162.473.588 (December 31, 2012 – 162.840.510) to EXIM Bank and remaining balance of TL 60.532.865 (December 31, 2012 – TL 5.105.211) given for other transactions to other parties.

As of December 31, 2013, the ratio of the other CPM's given by the Group to the equity is 0% (December 31, 2012 - 0%).

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of December 31, 2013 as follows:

Operational leases	2013	2012
0-1 year	7.025.825	5.869.401
1-5 year(s)	29.233.304	24.753.507
5 years and more	434.002.335	435.608.438
Total	470.261.464	466.231.346

14. Commitments

The group does not have any commitments as of December 31, 2013 (December 31, 2012 - None).

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15. Employee benefits

	December 31, 2013	December 31, 2012
i) Short-term employee benefits		
Provision for unused vacation rights	**6.192.081**	6.543.251
Provision for seniority incentive bonus	**2.528.139**	4.781.452
	8.720.220	11.324.703
i) Long-term employee benefits:		
Provision for unused vacation rights	**85.484.667**	81.698.462
Provision for seniority incentive bonus	**2.790.232**	3.137.773
	88.274.899	84.836.235

Unused vacation rights

Movements of the provision for unused vacation rights are as follows:

	2013	2012
January 1	**6.543.251**	6.019.808
Changes in the Period, net	**(351.170)**	523.443
December 31	**6.192.081**	6.543.251

Provision for employment termination benefits

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 for each year of service as of December 31, 2013 (December 31, 2011 - TL 3.033,98).

The liability is not funded, as there is no funding requirement.

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2013	December 31, 2012
Discount rate (%)	**4,09**	3,84
Probability of retirement (%)	**100,00**	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.438,22, which is effective from January 1, 2014, has been taken into consideration in the calculation of employment termination benefits of the Group (January 1, 2013 – TL 3.129,25).

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15. Provision for employment termination benefits (continued)

The movements of the provision for seniority incentive bonus are as follows:

	2013	2012
January 1	**81.698.462**	77.224.780
Interest cost	**3.341.467**	2.965.432
Actuarial loss	**7.002.464**	8.439.215
service cost	**3.095.587**	8.124.525
Payments during the year	**(9.653.313)**	(15.055.490)
December 31	**85.484.667**	81.698.462

Provision for seniority incentive bonus:

The Group has an employee benefit plan, namely "Seniority Incentive Bonus", which is paid to employees with a certain level of seniority

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace. The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than 6 month are not considered. Periods which are more than 6 month are considered as 1 year.

For the non-union personnel working at the Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than 6 month are not considered. Periods which are more than 6 month are considered as 1 year.

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

IAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	December 31, 2013	December 31, 2012
Discount rate (%)	**4,09**	4,22
Probability of retirement (%)	**100,00**	100,00

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15. Employee benefits (continued)

The movements of the provision for seniority incentive bonus are as follows:

	2013	2012
January 1	**7.919.225**	6.546.554
Interest cost	**323.896**	276.265
Actuarial loss	**133.906**	531.169
service cost	**3.273.975**	4.344.281
Payments during the year	**(6.332.631)**	(3.779.044)
December 31	**5.318.371**	7.919.225

16. Deferred Income

a) Short-term deferred income:

	December 31, 2013	December 31, 2012
Order advances received	**34.110.761**	26.226.606
Deferred income (*)	**787.098**	1.025.817
	34.897.859	27.252.423

(*) As of December 31, 2013, short-term deferred income consists promotion income from banks amounting to TL 555.932 and other comprehensive income amounting to TL 231.166.

b) Long-term deferred income:

	December 31, 2013	December 31, 2012
Long-term deferred income (*)	**48.043.940**	571.478
	48.043.940	571.478

(*) For a container port to be established inside Petkim facilities to be operated by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminalleri), an operation agreement was signed between the Group and APMT BV. and APM Terminalleri on February 22, 2013. According to this agreement, the amounts paid to the Group by APM Terminalleri will be recognized under the account group of future period income until the date when the port starts operating. The transition to operation will take place after the year 2014.

17. Prepaid expenses

a) Short-term prepaid expenses

	December 31, 2013	December 31, 2012
Advances given for inventories	**10.657.554**	16.934.935
Prepaid rent, insurance and other expenses	**5.290.575**	5.765.343
Advances given for customs affairs	**1.427.615**	6.970.273
	17.375.744	29.670.551

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17. Prepaid expenses (continued)

b) Long-term prepaid expenses

	December 31, 2013	December 31, 2012
Advances given for fixed assets	15.996.313	3.534.456
	15.996.313	3.534.456

18. Liabilities for employee benefits

	December 31, 2013	December 31, 2012
Due to personnel	8.219.344	6.299.279
Social security contribution	3.914.011	3.562.382
	12.133.355	9.861.661

19. Other assets and liabilities

i) Other assets

	December 31, 2013	December 31, 2012
a) Other current assets:		
Value added tax ("VAT") receivable	70.626.284	22.582.788
Other	3.410.089	2.481.006
	74.036.373	25.063.794

	December 31, 2013	December 31, 2012
b) Other non-current assets:		
Spare parts	12.402.033	14.647.990
Value added tax ("VAT") receivable	6.525.705	-
Other	122.514	19.314
	19.050.252	14.667.304

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19. Other assets and liabilities (continued)

ii) Other liabilities

	December 31, 2013	December 31, 2012
a) Other short-term liabilities:		
Taxes and funds payable and other deductions	4.815.805	3.867.515
Other	296.129	421.389
	5.111.934	4.288.904

20. Equity

The shareholders of the Company and their shareholdings as of December 31, 2013 and 2012 were as follows:

		December 31, 2013		December 31, 2012	
Group:	**Shareholder:**	**Amount**	**Share (%)**	Amount	Share (%)
A-B	Socar Turkey Petrokimya A.Ş.	510.000.000	51	510.000.000	51
A	Publicly owned	386.784.319	38,68	386.784.319	38,68
A	Socar İzmir Petrokimya A.Ş.	103.215.681	10,32	103.215.681	10,32
C	Privatization Administration	0,01	-	0,01	-
	Total paid share capital	1.000.000.000	100	1.000.000.000	100
	Adjustment to share capital	486.852.283		486.852.283	
	Total share capital	1.486.852.283		1.486.852.283	

Adjustment to share capital" represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

As the ordinary general meeting decision taken at the March 29, 2013, companies registered capital is increased to TL 4.000.000.000 from TL 300.000.000, it is divided to 400.000.000.000 shares with a face value of Kuruş 1 ("Kr") each. The Company's authorized share capital comprises, with a face value of Kr 1 each, 59.999.999.999 shares of type A, 40.000.000.000 shares of type B and 1 share of type C type preferred share belonging to the Administration (December 31, 2012: shares with a face value of Kr1 each, 59.999.999.999 shares of type A, 40.000.000.000 shares of type B and 1 share of type C type preferred share belonging to the Administration).

The shares belonging to Administration are composed of type C as of December 31, 2013 (December 31, 2012 - A and C type shares).

The Company's capital is composed of all registered (December 31, 2012 - all registered) shares.

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20. Equity (continued)

The following matters are subject to the approval of the member of the Board of Directors representing the C type share

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- In line with the determination of Profit Distribution Policy in 2013 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, the Profit Distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than %50 of the distributable profit within the frame of the provisions of Capital Market Legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

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20. Equity (continued)

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

As of December 31, 2013, the Group has such restricted reserves amounting to TL 3.653,928 (December 31, 2012: TL 3.551.784)

The Group's accumulated earnings amounting to TL 180.987,490 has been classified in retained earnings under "Equity" in the consolidated balance sheet (December 31, 2012 – TL 156.484,709 under retained earnings).

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

Composition of the equity items subject to the profit distribution as per statutory financial statements of the Company is as follows:

	December 31, 2013	December 31, 2012
Legal reserves and special funds	-	6.107.651
Accumulated deficit	-	-
Net profit for the year	88.855.447	2.042.887
	97.133.268	8.150.538

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21. Sales and cost of sales

	January 1- December 31, 2013	January 1 - December 31, 2012
Domestic sales	**2.603.969.216**	2.534.716.656
Export sales	**1.554.265.064**	1.863.754.413
Other sales	**45.782.829**	16.854.581
	4.204.017.109	4.415.325.650
Less: Other discounts	**(34.168.139)**	(51.797.786)
Less: Sales discounts	**(8.887.400)**	(9.976.514)
Less: Sales returns	**(2.231.418)**	(4.641.319)
Sales	**4.158.730.152**	4.348.910.031
Raw material usage	**(3.074.458.518)**	(3.324.479.604)
Cost of sold trade goods	**(284.510.373)**	(386.717.611)
Energy	**(338.865.471)**	(305.634.122)
Labour	**(130.622.146)**	(130.808.888)
Depreciation	**(58.742.970)**	(56.292.435)
Change in finished goods	**20.838.459**	(55.850.143)
Packaging costs	**(12.471.196)**	(13.876.311)
Change in work-in-process	**20.037.325**	36.689.724
Other	**(30.098.860)**	(30.673.803)
Cost of sales	**(3.888.893.750)**	(4.267.643.193)
Gross profit	**269.836.402**	81.266.838

Other sales and other discounts classified under sales are composed of sales price differences between the sales order and sales transaction date. The sales prices differences for and against the benefit of the Group have been classified in other sales and other discounts, respectively.

22. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1- December 31, 2013	January 1 - December 31, 2012
a) General administrative expenses:		
Staff costs	**27.028.351**	35.969.745
Outsourced services	**21.403.834**	19.210.615
Energy expenses	**13.701.926**	12.350.122
Depreciation and amortization	**6.179.195**	5.900.422
Employment termination benefits	**3.095.586**	7.593.357
Taxes, funds and fees	**2.908.596**	3.364.844
EMRA contribution share	**1.480.680**	1.425.751
Other	**7.112.840**	8.628.620
	82.911.008	94.443.476

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22. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses (continued)

	January 1- December 31, 2013	January 1 - December 31, 2012
b) Marketing, selling and distribution expenses:		
Outsourced services	14.831.549	17.222.154
Staff costs	6.093.382	6.322.862
Sponsorship expenses	1.806.607	1.056.801
Depreciation and amortization	310.379	192.596
Other	2.862.073	3.760.654
	25.903.990	28.555.067
c) Research and development expenses:		
Staff costs	6.661.895	6.154.230
Outsourced services	642.144	567.846
Depreciation and amortization	492.972	365.381
Other	805.232	301.189
	8.602.243	7.388.646
Total operating expenses	117.417.241	130.947.033

23. Expenses by nature

	January 1- December 31, 2013	January 1 - December 31, 2012
Raw materials usage and changes in work-in-process and finished goods	3.033.582.734	3.343.640.023
Energy	352.567.397	317.984.244
Cost of commercial goods sold	284.510.373	386.717.611
Labor and staff cost	170.405.774	180.260.568
Depreciation and amortization	65.725.516	62.750.834
Outsourced services	36.877.526	36.432.769
Employment termination benefits – net	3.095.586	7.593.357
Other	59.546.085	63.210.820
	4.006.310.991	4.398.590.226

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24. Other operating income and expense

	January 1- December 31, 2013	January 1 - December 31, 2012
Other operating income:		
Interest income on trade receivables	**31.641.718**	31.801.885
Foreign exchange gains on trade receivables	**31.174.300**	7.598.863
Foreign exchange gains on trade payables	**19.987.279**	43.277.351
Rent income	**10.687.009**	20.939.750
Rediscount income on trade payables	**6.080.500**	281.850
TUBITAK research and development support income (Note 12)	**1.366.618**	1.167.533
Energy maintenance income	**1.051.613**	864.758
Infrastructure income	**915.457**	871.520
Income from insurance recoveries	**206.490**	41.635
Expense charge income (*)	**-**	27.000.000
Compensation from customers	**-**	393.278
Other	**1.614.459**	1.547.517
	104.725.443	135.785.940

(*) Expenses charged to Star Rafineri A.Ş. which are made on their behalf in 2012.

	January 1- December 31, 2013	January 1 - December 31, 2012
Other operating expense:		
Foreign exchange losses on trade payable	**(118.533.108)**	(3.227.589)
Idle capacity expenses	**(38.530.613)**	(18.849.562)
Interest expense on trade payables	**(10.630.815)**	(26.065.906)
Rediscount expense on trade receivables	**(4.970.524)**	(1.811.696)
Foreign exchange losses on trade receivables	**(1.916.821)**	(22.627.891)
Compensation and penalty charges	**(1.353.774)**	(96.491)
Litigation allowance	**(876.822)**	-
Provision for doubtful receivables (Note 6 and 7)	**(734.375)**	(6.271.414)
Research and Development expense (Note 11)	**-**	(1.702.460)
Other	**(7.524.927)**	(286.020)
	(185.071.779)	(80.939.029)

25. Investment activities income and expense

	January 1- December 31, 2013	January 1 - December 31, 2012
Income from investment activities:		
Proceeds from sales of property, plant and equipment and intangible assets	**107.114**	22.156.967
	107.114	22.156.967

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26. Finance income

	January 1- December 31, 2013	January 1 - December 31, 2012
Foreign exchange gain (*)	58.613.991	49.975.849
Interest income	7.347.217	7.733.177
	65.961.208	57.709.026

(*) Foreign exchange gain related to cash and cash equivalents, financial liabilities and other liabilities

27. Finance costs

	January 1- December 31, 2013	January 1 - December 31, 2012
Foreign exchange loss (*)	(62.444.942)	(44.815.281)
Interest expense	(21.905.490)	(9.774.361)
Bank commission expense	(282.095)	(876.456)
	(84.632.527)	(55.466.098)

(*) Foreign exchange gain related to cash and cash equivalents, financial liabilities and other liabilities

Company compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 5.167.113 in property, plant and equipment (December 31, 2011 – TL 4.393.570) (Note 10).

28. Tax assets and liabilities

i) Corporation tax:

	January 1- December 31, 2013	January 1 - December 31, 2012
Current income tax expense	-	-
Deferred tax expense	(4.611.940)	(5.521.530)
Total tax expense	(4.611.940)	(5.521.530)

The corporation tax rate of the fiscal year 2013 is 20% (December 31, 2012 - 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution (except for the 19,8% withholding taxes paid in the event of the utilization of investment incentive allowance within the scope of Income Tax Law temporary clause 61).

With the article 5 of the law 6009 adopted by Turkish National Assembly on July 23, 2010 and published on the official gazette on August 1, 2010, phrase in the temporary article numbered 69 of Income Tax Law numbered 193 stating that" might be offset from the fiscal gain within the context of the laws and regulations(including tax rate) applicable at this date", was substituted as " might be offset from fiscal gain within the context of the laws and regulations(including tax rate specified in paragraph 2 article 61 of this law) applicable at this date". In addition, a phrase coming after the substituted phrase stating that "investment incentives which will be deducted from fiscal gain during determination of tax base cannot be greater than 25% of the gain and tax is calculated from remaining gain according to applicable tax rate" was also added.

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28. Tax assets and liabilities (continued)

With the above mentioned amendments,

a. Unused and carried investment incentive amounts might be used without any period limitation but the amount of investment incentive that can be deducted, was restricted up to the limit of 25% of fiscal gain.

b. The practice of applying income tax rate (20%- 40%) applicable as of December 31, 2005 for income tax payers and 30% for corporate tax payers on remaining tax base, if any, after deducting investment incentive was abandoned and principle of using applicable tax rate (15%-35% for income tax payers and 20% for corporation tax payers) of the period investment incentive used is adopted.

c. With the phrase added to paragraph 1 of article 69 ("including tax rate specified in paragraph 2 article 61 of this law") 19,8% of income tax cut is applied to fiscal gains for which investment incentive (applied before April 24, 2003) is applied but ceded to following period due to inadequate fiscal gain, parallel to former application. Hence, 19,8% stoppage application, formerly called "withholding investment incentive" remained unchanged.

As of December 31, 2013, total deferred asset calculated over its unused investment incentive is TL 53.533.387 (2012- TL 64.954.766)

Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

Transfer pricing

The Law No: 5520 Article 13, which made new arrangements to transfer pricing was effective from January 1 2007. With the aforementioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. In this respect, corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction, has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

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28. Tax assets and liabilities (continued)

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

The reconciliations of the taxation on income for the years ended December 31, 2013 and 2012 were as follows:

	January 1- December 31, 2013	January 1 - December 31, 2012
Profit before taxation on income	**53.508.620**	**30.126.455**
Tax calculated at enacted tax rates	**(10.701.724)**	(6.025.291)
Reclassification effects of consolidation	**9.426.828**	-
Unused investment incentives on which deferred income tax assets recognized	**-**	322.452
Deductible income effect	**-**	46.621
Disallowable expenses	**(2.713.672)**	(491.718)
Other	**(623.372)**	626.406
	(4.611.940)	**(5.521.530)**

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28. Tax assets and liabilities (continued)

ii) Deferred taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the CMB Financial Reporting Standards and the statutory tax financial statements.

For the companies operating in Turkey, deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (December 31, 2012 - 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2013 and 2012 were as follows:

	Taxable temporary differences		Deferred income tax assets/(liabilities)	
	December 31, 2013	December 31, 2012	**December 31, 2013**	December 31, 2012
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	**(377.088.477)**	(426.455.162)	**(75.417.695)**	(85.291.032)
Gain from sale of land	**-**	(19.661.911)	**-**	(3.932.382)
Unincurred finance cost	**(6.445.265)**	(364.765)	**(1.289.053)**	(72.953)
Foreign currency valuation differences	**(3.815.389)**	-	**(763.078)**	-
Income accruals	**(1.010.698)**	-	**(202.140)**	-
Deferred income tax liabilities	**(388.359.829)**	(446.481.838)	**(77.671.966)**	(89.296.367)
Carry forward tax losses	**-**	15.393.538	**-**	3.078.708
Unused investment incentives	**267.666.933**	324.773.832	**53.533.387**	64.954.766
Employment termination benefits and seniority incentive bonus provision	**90.803.036**	89.617.686	**18.160.607**	17.923.537
Provision for unused vacation rights	**6.192.081**	6.543.251	**1.238.416**	1.308.650
Provision for notice pay	**-**	2.146.743	**-**	429.348
Rent allowance fee	**5.960.766**	5.213.979	**1.192.153**	1.042.796
Unearned credit finance income	**7.315.349**	2.529.177	**1.463.070**	505.835
Recognizing research & development expenses, net	**433.990**	534.926	**86.798**	106.985
Inventory impairment	**-**	-	**-**	-
Provision for legal cases	**1.254.955**	378.133	**250.991**	75.627
Provision for doubtful receivables	**-**	5.907.998	**-**	1.181.600
Other	**116.568**	749.760	**23.314**	149.952
Deferred income tax assets	**379.743.678**	453.789.023	**75.948.736**	90.757.804
Deferred tax assets - net			**(1.723.230)**	1.461.437

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28. Tax assets and liabilities (continued)

The movement of deferred income tax is as follows:

Deferred tax asset / (liabilities) – net

	2013	2012
January 1	**1.461.437**	5.188.890
Tax expense recognized in income statement	**(4.611.940)**	(5.521.530)
Tax recognized directly in the shareholders' equity	**1.427.274**	1.794.077
December 31	**(1.723.229)**	1.461.437

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Financial losses can not be deducted from retained earnings. As of December 31, 2013, the Group has not any financial loss (December 31, 2012 – TL 15.393.538)

As of December 31, 2013, the Group has unused investment incentive amounting to TL 267.666.933 (December 31, 2012 - TL 324.773.832). As of December 31, 2013, the Group management recognized deferred income tax asset on the portion of unused investment incentive for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections

29. Earnings per share

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

Earnings per share is calculated by dividing net profit for the period to weighted average number of shares in issue during that period.

	January 1 - December 31, 2013	January 1 - December 31, 2012
Net profit for the year	**48.896.680**	24.604.924
Weighted average number of shares with nominal value of Kr 1 each (thousand)	**100.000.000**	100.000.000
Earnings per share (Kuruş)	**0,05**	0,02

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30. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2013 and 2012 and significant intercompany transactions were as follows:

i) Balances with related parties:

	December 31, 2013	December 31, 2012
a) Other receivables from related parties:		
Star Rafineri A.Ş. ("STAR") (2) (***)	46.951.223	46.796.759
SOCAR Power Enerji Yatırımları A.Ş. (2) (**)	42.060.103	33.887.286
SOCAR Turkey Enerji A.Ş.("STEAŞ") (1) (*)	25.650.303	6.480.414
	114.661.629	87.164.459

(*) The portion amounting to 4.075.538 of the receivable amounting to TL 25.650.303 from STEAŞ, consists of the expense charges to related party regarding to the protocol made for the school construction with Group and STEAŞ. Remaining amount consists of the advance given to STEAŞ.
(**) Consists from sale of the land amounting to TL 23.477.300 and other receivables to Socar Power Enerji Yatırımları A.Ş.
(***) Consists from expense charges and rent incomes.

b) Short term trade payables to related parties:

SOCAR Gaz Ticareti A.Ş. (2)	36.580.755	-
Petrokim Trading Ltd. ("Petrokim") (2)	5.735.720	8.155.496
Azoil Petrolcülük A.Ş. (2)	339.743	-
SOCAR Trading Holding Ltd. (2)	80.636	-
SOCAR Trading S.A. (2) (*)	-	288.068.835
SOCAR Trading Overseas DMCC(2)	-	177.208.216
SOCAR Bosphorus Enerji ve Ticaret A.Ş. (2)	-	92.855
SOCAR Bosphorus Plaza Bina Yönetimi (2)	-	24.210
STEAŞ (1)	-	-
	42.736.854	473.549.612
Less: Unearned credit finance income	(157.617)	(132.635)
	42.579.237	473.416.977

Short term trade payables to related parties mainly resulted from naphtha and LPG purchases. Average maturity for short-term trade payables to related parties is 15 days.

c) Other payables to related parties:

Due to shareholders (1)	95.087	118.767
	95.087	118.767

(1) Shareholders of the Company
(2) Shareholders of the Company or Socar's subsidiaries

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30. Transactions with related parties (continued)

d) Short term deferred income from related parties

	December 31, 2013	December 31, 2012
STAR [2]	7.356.269	5.950.391
SOCAR Power Enerji Yatırımları A.Ş. [2]	19.209	1.068.143
	7.375.478	7.018.534

	December 31, 2013	December 31, 2012
e) Long term deferred income from related parties		
STAR[2]	4.992.107	5.103.043
	4.992.107	5.103.043

ii) Transactions with related parties:

	January 1 - December 31, 2013	January 1 - December 31, 2012
a) Finance costs/(income) from related party transactions - net:		
SOCAR Trading Overseas DMCC [2]	29.250.372	226.707
SOCAR Trading S.A. [2]	14.811.464	15.641.503
Petrokim [2]	974.832	469.263
SOCAR Azerikimya Production Union [2]	-	(33.962)
STEAŞ [1]	(2.750.442)	-
STAR [2]	(4.414.405)	-
SOCAR Power Enerji Yatırımları A.Ş. [2]	(6.978.994)	(2.124)
	30.892.827	16.301.387

Finance costs from transactions with SOCAR Trading S.A. consist of foreign exchange gains/losses from naphtha purchases during the year.

Group has generated interest income at rate of TRLIBOR+1 regarding TL receivables from STAR, and at rate of TRLIBOR+1 regarding TL receivables from SOCAR Power Enerji A.Ş and SOCAR Turkey Enerji A.Ş, generated interest income at rate of LIBOR+3,75 for the USD receivables

b) Service and rent purchases from related parties::

STEAŞ [1]	4.645.785	7.309.519
Socar Bosphorus Bina Yönetimi [2]	108.945	126.040
SOCAR Trading Holding Ltd. [2]	80.636	-
Socar Bosphorus Enerji ve Tic. Ltd. Şti [2]	37.725	236.441
	4.873.091	7.672.000

Service purchases from STEAŞ consist of consultancy and advisory charges.

[1] Shareholders of the Company
[2] Shareholders of the Company or Socar's subsidiaries

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30. Transactions with related parties (continued)

c) Product purchases from related parties:

SOCAR Trading Overseas DMCC (2)	918.252.977	356.141.859
SOCAR Gaz Ticareti A.Ş. (2)	307.982.621	-
Petrokim (2)	146.583.235	127.559.131
SOCAR Trading S.A. (2)	115.156.610	2.025.973.127
Azoil Petrolcülük A.Ş.	306.749	-
	1.488.282.192	2.509.674.117

Product purchases from SOCAR Trading S.A., SOCAR Trading Overseas DMCC and Petrokim in the period ended December 31, 2013 consist of naphtha and LPG which are used as raw materials in the production of the Group

d) Product and service sales to related parties:

	January 1 - December 31, 2013	January 1 - December 31, 2012
SOCAR Trading S.A. (2)	-	6.377.561
SOCAR Azeri Kimya (2)	1.459.500	691.659
STAR (2)	879.695	-
STEAŞ (1)	144.052	-
	2.483.247	7.069.220

e) Rent income from related parties:

STAR (2)	5.899.948	6.114.140
Socar Power Enerji Yatırımları A.Ş. (2)	1.078.979	-
	6.978.927	6.114.140

f) Property plant and equipment sale:

Socar Power Enerji Yatırımları A.Ş. (2)	-	30.400.600
	-	30.400.600

(1) Shareholders of the Company
(2) Shareholders of the Company or Socar's subsidiaries

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30. Transactions with related parties (continued)

g) Key management emoluments:

i. Key management emoluments - short term:		
Payments for salary and seniority incentives	**4.998.444**	4.085.835
Provision for unused vacation	**318.467**	186.767
Provision for seniority incentive	**-**	100.185
	5.316.911	4.372.787
ii. Key management emoluments - long term:		
Provision for employment termination benefits	**40.923**	40.506
Provision for seniority incentives	**9.674**	-
	50.597	40.506
	5.367.508	4.413.293

The Group classifies the general manager, assistant general managers, board of directors and audit committee members as executive management

Key management emoluments consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

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31. Financial instruments and financial risk management

a) Credit risk:

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompanies) in every agreement. As part of its sales policy, the Group obtains collateral at on amount of 100% of total outstanding TL trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits. The credit risk exposure in terms of financial instruments as of December 31, 2013 and 2012 were as follows:

December 31, 2013

	Receivables						
	Trade receivables [1]		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Financial assets	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	-	750.162.183	114.661.629	935.271	279.035.638	-	1.144.794.721
- The part of maximum credit risk covered with guarantees etc.	-	641.284.620	-	-	-	-	641.284.620
A. Net book value of financial assets neither past due nor impaired [3]	-	736.193.967	114.661.629	935.271	279.035.638	-	1.130.826.505
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired [3]	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	13.968.216	-	-	-	-	13.968.216
- The part covered by guarantees etc.	-	6.735.375	-	-	-	-	6.735.375
D. Net book value of assets impaired	-	-	-	-	-	-	-
- Past due (gross book value)	-	9.448.949	-	564.205	-	-	10.013.154
- Impairment amount (-)	-	(9.448.949)	-	(564.205)	-	-	(10.013.154)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-	-

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31. Financial instruments and financial risk management (continued)

December 31, 2012

	Receivables						
	Trade receivables (1)		Other receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Financial assets	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	544.542.888	87.164.459	1.163.439	291.960.681	-	924.831.467
- The part of maximum credit risk covered with guarantees etc.	-	402.228.982	-	-	-	-	402.228.982
A. Net book value of financial assets neither past due nor impaired (3)	-	515.958.896	87.164.459	1.163.439	291.960.681	-	896.247.475
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	28.583.992	-	-	-	-	28.583.992
- The part covered by guarantees etc.	-	12.771.952	-	-	-	-	12.771.952
D. Net book value of assets impaired	-	-	-	-	-	-	-
- Past due (gross book value)	-	8.887.386	-	420.205	-	-	9.307.591
- Impairment amount (-)	-	(8.887.386)	-	(420.205)	-	-	(9.307.591)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

(4) Group management, predict that there will not be any problems with the collection of overdue financial assets based on its past experiences. The aging of related amounts is as follows:

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31. Financial instruments and financial risk management (continued)

December 31, 2013

		Trade receivables	
	Related parties	Third parties	Total
1-30 days overdue	-	1.219.048	1.219.048
1-3 months overdue	-	8.184.239	8.184.239
Over 3 months overdue	-	4.564.928	4.564.928
Total overdue receivables	-	13.968.215	13.968.215
The part covered by the guarantees		6.735.375	6.735.375
			7.232.840

December 31, 2012

		Trade receivables	
	Related parties	Third parties	Total
1-30 days overdue	-	16.583.474	16.583.474
1-3 months overdue	-	7.755.967	7.755.967
Over 3 months overdue	-	4.244.551	4.244.551
Total overdue receivables	-	28.583.992	28.583.992
The part covered by the guarantees		12.771.952	12.771.952
			15.812.040

b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of December 31, 2013 and 2012 are as follows:

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31. Financial instruments and financial risk management (continued)

December 31, 2013:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Non-derivative financials liabilities					
Bank borrowings-short term	**165.364.570**	**165.364.570**	**165.364.570**	**-**	**-**
Bank borrowings-current maturity of long term loans	**24.029.261**	**24.551.006**	**-**	**24.551.006**	**-**
Bank borrowings-long term	**165.903.991**	**186.273.747**	**-**	**-**	**186.273.747**
Trade payables	**915.775.992**	**922.063.639**	**681.021.983**	**241.041.656**	**-**
Trade payables to related parties	**42.579.237**	**42.736.855**	**42.736.855**	**-**	**-**
Other payables to related parties	**95.087**	**95.087**	**95.087**	**-**	**-**
Other payables	**792.419**	**792.419**	**792.419**	**-**	**-**
Short term liabilities for employee benefits	**12.133.355**	**12.133.355**	**12.133.355**	**-**	**-**

December 31, 2012:

Agreement terms	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Non-derivative financials liabilities					
Bank borrowings-short term	250.226.128	250.226.128	250.226.128	-	-
Bank borrowings-long term	13.629.250	15.186.821	-	15.186.821	-
Trade payables	25.282.361	27.703.199	-	1.069.315	26.633.884
Trade payables to related parties	217.410.660	217.642.790	217.642.790	-	-
Other payables to related parties	473.416.977	473.549.612	473.549.612	-	-
Other payables	767.697	767.697	767.697	-	-
İlişkili taraflara diğer borçlar	118.767	118.767	118.767	-	-
Short term liabilities for employee Benefits	9.861.661	9.861.661	9.861.661	-	-

c) Market risk:

i) Foreign exchange risk

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange-denominated cost items, the determination of sales prices by the Group in foreign exchange terms is a factor that decreases the foreign exchange risk in the cash flows.

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

PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

31. Financial instruments and financial risk management (continued)

Foreign currency position

	December 31, 2013				December 31, 2012			
	TL equivalent	USD	EUR	Other	TL equivalent	USD	EUR	Other
1. Trade receivables	533.487.190	166.510.975	60.651.394	-	304.108.701	152.736.918	13.539.087	-
2a. Monetary financial assets (Cash, bank accounts included	223.420.527	89.587.450	10.968.940	1.365	134.937.844	69.603.969	4.618.705	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	756.907.717	256.098.425	71.620.334	1.365	439.046.545	222.340.887	18.157.792	-
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	756.907.717	256.098.425	71.620.334	1.365	439.046.545	222.340.887	18.157.792	-
9. Trade payables	797.931.258	365.757.413	5.876.466	11.144	528.640.090	295.183.206	998.747	33.915
10. Financial liabilities	184.832.080	86.447.601	111.345	-	253.004.078	141.929.809	-	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	982.763.338	452.205.014	5.987.811	11.144	781.644.168	437.113.015	998.747	33.915
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	165.903.991	57.117.750	14.983.000	-	25.282.361	14.182.857	-	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15)	165.903.991	57.117.750	14.983.000	-	25.282.361	14.182.857	-	-
17. Total liabilities (12+16)	1.148.667.329	509.322.764	20.970.811	11.144	806.926.529	451.295.872	998.747	33.915
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	-	-	-	-	-	-	-	-
18a. Amount of asset nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
18b. Amount of liability nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability) / asset position (8-17+18)	(391.759.612)	(253.224.339)	50.649.523	(9.779)	(367.879.984)	(228.954.985)	17.159.045	(33.915)
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a) (=1+2a+4+5a-9-10-11a-13-14-15a)	(391.759.612)	(253.224.339)	50.649.523	(9.779)	(367.879.984)	(228.954.985)	17.159.045	(33.915)
21. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
22.Hedged amount for current assets	-	-	-	-	-	-	-	-
23.Hedged amount for current liabilities	797.931.258	365.757.413	5.876.466	11.144	-	-	-	-

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PETKİM PETROKİMYA HOLDİNG A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (CONTINUED)

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

31. Financial instruments and financial risk management (continued)

Table of sensitivity analysis for foreign currency risk:

December 31, 2013		**Profit/Loss**		**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	(54.045.671)	54.045.671	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	(54.045.671)	54.045.671	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	14.873.232	(14.873.232)	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	14.873.232	(14.873.232)	-	-
Change of other currencies by 10% against TL:				
7- Assets/liabilities denominated in other foreign currencies - net	(3.523)	3.523	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	(3.523)	3.523	-	-
Total (3+6+9)	(39.175.962)	39.175.962	-	-

December 31, 2012		Profit/Loss		Equity
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	(40.813.516)	40.813.516	-	-
2- The part hedged for USD risk (-)	-	-		
3- USD effect - net (1+2)	(40.813.516)	40.813.516		
			-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	4.035.293	(4.035.293)		
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	4.035.293	(4.035.293)		
			-	-
Change of other currencies by 10% against TL:				
7- Assets/liabilities denominated in other foreign currencies - net	(9.775)	9.775		
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	(9.775)	9.775		
			-	-
Total (3+6+9)	(36.787.998)	36.787.998		

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

31. Financial instruments and financial risk management (continued)

The total export and import amounts from Turkey for the years ended December 31 are as follows:

		2013		2012
	Original amount	TL	Original amount	TL
USD	580.530.955	1.105.174.120	753.928.108	1.349.291.250
EURO	171.767.061	438.785.014	222.168.803	510.940.924
TL	9.013.067	9.013.067	3.522.239	3.522.239
Total export		**1.552.972.201**		1.863.754.413
USD	1.408.465.856	2.668.806.466	1.683.552.998	3.020.113.924
Japanese Yen	321.292.174	6.030.060	274.672.890	6.017.532
EUR	57.463.852	147.541.200	11.427.971	26.442.831
British Sterling	646.566	1.841.425	692.691	1.969.600
Swiss Frank	782.457	1.612.314	642.472	1.239.816
Total import		**2.825.831.465**		3.055.783.703

ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by balancing interest rate sensitive assets and liabilities.

The Group's interest rate position as of December 31, 2013 and 2012 is presented below:

	2013	2012
Financial instruments with fixed interest rate		
Financial liabilities		
- USD financial liabilities	69.799.717	246.189.452
- TL financial liabilities	4.445.184	10.851.300
Financial instruments with variable interest rate		
- USD financial liabilities	236.728.377	32.096.987
- EUR financial liabilities	44.324.544	-

In case of +/(-) 1% change in variable rate loans interest expense will change by +/(-) TL 2.810.529 (December 31, 2012- TL 320.097).

iii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphtha prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

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

31. Financial instruments and financial risk management (continued)

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Turkey. While the Group determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sector publications and Group's production levels, stock levels and order amounts received.

d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including short term financial liabilities, current portion of long term financial liabilities, long term financial liabilities, trade payables, other payables, deferred income, other current liabilities and short term liabilities for employee benefits, as shown in the balance sheet) less cash and cash equivalents:

	December 31, 2013	December 31, 2012
Total debt	**1.427.095.230**	1.034.927.284
Less: Cash and cash equivalents (Note 4)	**(279.042.424)**	(291.960.681)
Net debt	**1.148.052.806**	742.966.603
Total equity	**1.707.504.978**	1.664.317.394
Debt/equity ratio	**67%**	45%

32. Financial instruments (fair value and financial risk management disclosures)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

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

32. Financial instruments (fair value and financial risk management disclosures) (continued)

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

The carrying amounts and the fair values of the borrowings as of December 31, 2013 and 2012 were as follows:

	December 31, 2013		December 31, 2012	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Short-term liabilities				
USD loans	184.101.761	184.101.761	237.531.450	237.581.061
TL loans	4.445.184	4.445.184	10.851.300	10.851.300
Long-term liabilities				
USD loans	165.903.991	166.091.686	25.282.361	25.537.824

33. Subsequent events

As of February 27, 2014 at 15.30, USD and EUR rates determined by Central Bank of Turkish Republic as 2,2342 and 3,0508. As of December 31, 2013, USD and EUR rates determined as 2,1343 and 2,9365 respectively.

34. Disclosure of other matters

None.

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