WE'RE TAKING **PETKİM** TO THE SUMMIT

A SOCAR COMPANY

2015 ANNUAL REPORT

CONTENTS

A PETROCHEMICAL GIANT

TURKEY'S SOLE INTEGRATED PETROCHEMICAL PLANT, PETKİM, REPRESENTS A GIANT PRODUCTION POWER WITH STRATEGIC IMPORTANCE FOR OUR COUNTRY'S INDUSTRY. WITH AROUND 60 PETROCHEMICAL PRODUCTS IN ITS PRODUCT RANGE, PETKİM IS THE INDISPENSABLE RAW-MATERIAL SUPPLIER OF THE PETROCHEMICAL INDUSTRY, PROVIDING RAW AND INTERMEDIATE MATERIALS TO VARIOUS INDUSTRIES INCLUDING PLASTICS, CHEMISTRY, PACKAGING, PIPE, PAINT, CONSTRUCTION, AGRICULTURE, AUTOMOTIVE, ELECTRICITY, ELECTRONICS, TEXTILES, AS WELL AS PHARMACEUTICALS, DETERGENTS AND COSMETICS SECTORS THROUGH THE HIGH VALUE ADDED PRODUCTS SUCH AS THERMOPLASTICS, FIBERS AND RAW MATERIALS FOR PAINTS.

PETKİM LEAVES BEHIND 50 SUCCESSFUL YEARS, WHERE IT HAS UNWAVERINGLY CONTRIBUTED TO THE ECONOMY. LOCATED IN THE PETKİM PENINSULA, IN IZMIR-ALIAĞA, THE COMPANY HAS 21 PRODUCTION FACILITIES, INCLUDING 14 PRODUCTION PLANTS AND 7 AUXILIARY PROCESSING UNITS.

PETKİM IN BRIEF

Petkim: Turkey's sole integrated petrochemical plant

Presentation

In 2015

Corporate Governance

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A giant production power with strategic importance for our country's industry

The indisspensable raw-material supplier of the petrochemical industry with around 60 petrochemical products

50th year

For 50 years, Petkim has unwaveringly increased its strength and contribution to the economy.

From 1965 to the present...

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

Petkim undertook its initial infrastructure investment with five plants constructed at the Yarımca Complex in 1970. Following investments in the Yarımca Complex, work began to establish Petkim's second complex in the Aliağa region within the framework of the Third Five-Year Plan. The Aliağa Complex, operating at optimum capacity and boasting state-of-the-art technology of its time, entered operation in 1985.

Petkim has continuously invested in the Aliağa Complex since its inception, raising capacity, renovating, modernizing and improving energy efficiency, while also maintaining its international competitive edge by efficiently meeting the needs and expectations of its broad customer base.

In a privatization tender using the block sale method, 51% of Petkim's publicly held shares were sold to SOCAR & Turcas Petrokimya A.Ş. for USD 2,040 million on 30 May 2008.

In 2011, Turcas Petrol A.Ş. sold all of its shares to the State Oil Company of Azerbaijan Republic (SOCAR). Following this sale, the title of SOCAR & Turcas Petrokimya Enerji A.Ş. was registered as SOCAR Turkey Petrokimya A.Ş. In 2012, 10.32% of shares in the capital of Petkim Petrochemical Holding which had been held by the Privatization Administration were sold to SOCAR İzmir Petrokimya A.Ş. and the shares were transferred. Currently, 43.68% of Petkim's shares are traded on the BIST (Borsa Istanbul).

“Value-Site 2023”

investment projection

‘Value-Site 2023’ is focused on ensuring the Refinery-Petrochemical-Energy-Logistics-Distribution-Transmission Integration.

Petkim Peninsula is undergoing a drastic growth process that includes raw material integration towards becoming one of Europe’s largest production bases.

3.6 million tons

Petkim’s annual average gross production capacity is 3.6 million tons.

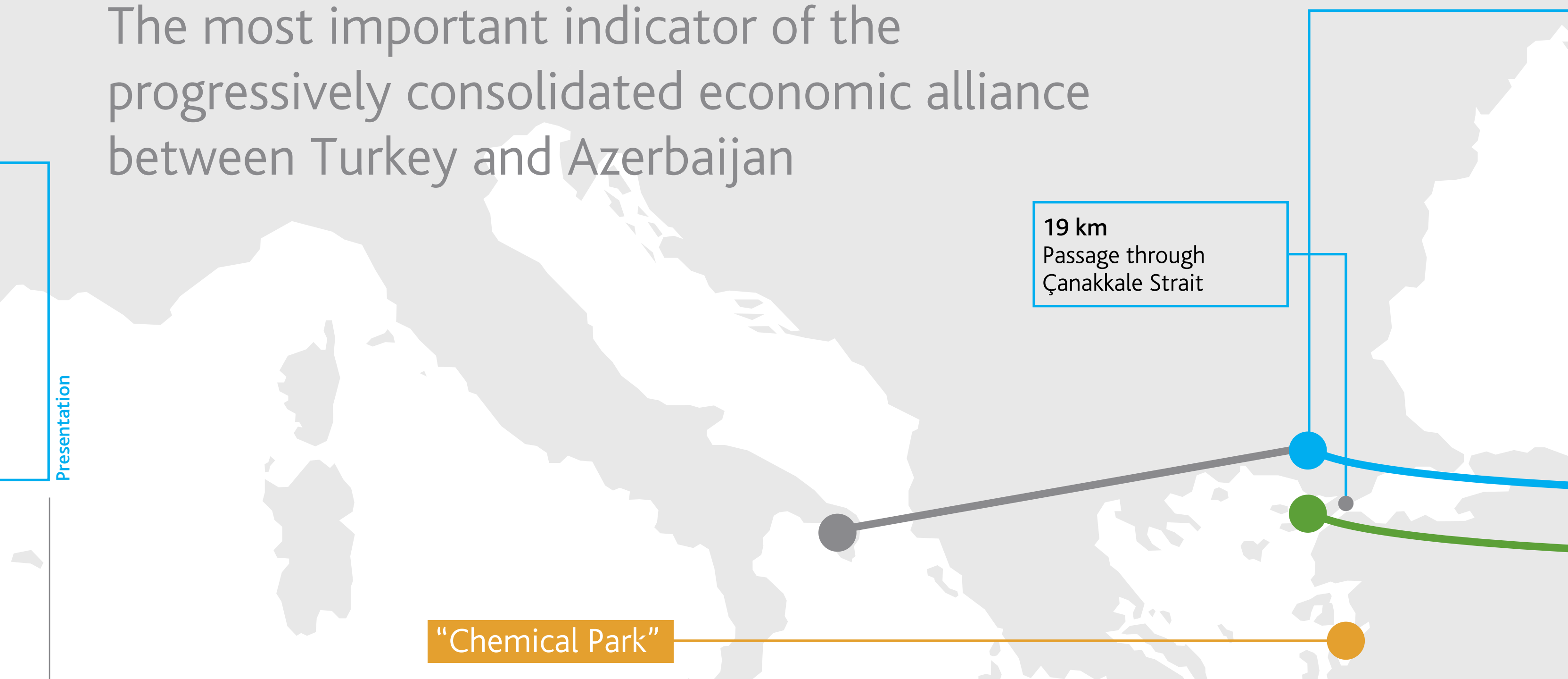
Petkim is progressing rapidly in line with its objective of increasing its capacity by producing value added products. Petkim presses ahead in its investments with great determination in line with its vision being ‘Value-Site 2023’, which is focused on ensuring the Refinery-Petrochemical-Energy-Logistics-Distribution-Transmission Integration which was set by the SOCAR Group.

With the infrastructure appropriate for its production growth plans, set out in line with long-term strategic objectives, Petkim is undergoing a drastic growth process that includes raw material integration towards becoming Europe’s largest petrochemical complex and production base. With an annual average gross production of 3.6 million tons, Petkim is committed to adding value to Turkey’s national economy and being a source of pride by respecting people and using environmentally friendly production technology, contributing to Turkey’s cultural, social and economic life.

Petkim has continuously invested in the Aliağa Complex since its inception, raising capacity, renovating, modernizing and improving energy efficiency.

SOCAR TURKEY

The most important indicator of the progressively consolidated economic alliance between Turkey and Azerbaijan



With the integration of the Refinery, Petrochemical, Energy, Logistics and Distribution operations the Petkim Peninsula will be transformed into Europe's largest production centre by implementing an added value chain starting with crude oil and finishing off with the end products.

USD 20 billion

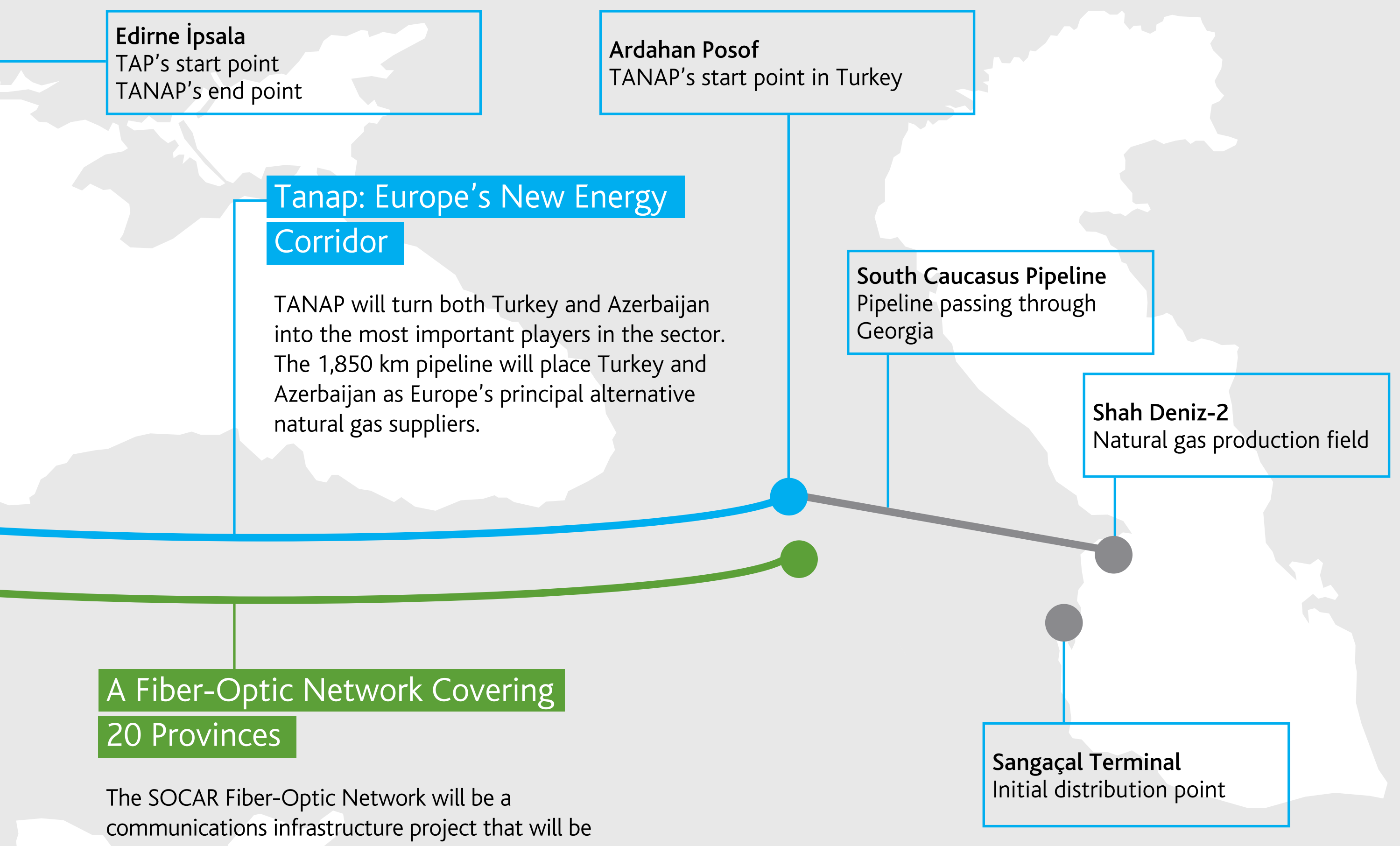
SOCAR Turkey is planning to invest USD 20 billion in Turkey by 2018.

SOCAR Turkey – A clear indicator of the economic extent of the cooperation between Turkey and Azerbaijan

SOCAR Turkey Enerji A.Ş. (STEAŞ) is the most important indicator of the progressively consolidated economic alliance between Turkey and Azerbaijan. The State Oil Company of Azerbaijan – SOCAR, one of the world's oldest oil companies, which started a strong strategic partnership with the acquisition of Petkim in 2008, has been operating in Turkey since 30 December 2011, under the name of SOCAR Turkey Enerji A.Ş. Goldman Sachs acquired a 13% stake in SOCAR Turkey for USD 1.3 billion on 14 August 2015. Goldman Sachs and JP Morgan jointly structured a transaction in which Goldman Sachs International subscribed, purchasing 890.6 million newly issued ordinary shares corresponding to 13% of the total issued share capital (post-money) of SOCAR Turkey Enerji A.Ş., for a total consideration of USD 1.3 billion while simultaneously entering into six-year put option transactions with each of STEAŞ and Sermaye Investments Limited ("SIL"), a subsidiary of SOCAR, to protect GS against a decline in the value of the shares below USD 1.3 billion. When the put option with STEAŞ is exercised, STEAŞ will purchase approximately 685.1 million shares, corresponding to 10% of the total issued share capital of STEAŞ, at an independently determined fair value at the time of purchase. When the put option with SIL is exercised, SIL will purchase approximately 205.5 million shares, corresponding to 3% of the total issued share capital of STEAŞ, for USD 300 million, in addition to an amount in USD equal to any shortfall resulting if the purchase price of the shares under the STEAŞ put option is less than USD 1 billion. Prior to the exercising of the option, SIL will pay a running minimum return amount. SIL will also guarantee the obligations of STEAŞ under the STEAŞ put option. To ensure SIL honours its obligations under the SIL put option and its guarantee of the STEAŞ put option, SOCAR has undertaken to contribute capital to SIL up to a maximum amount of USD 1.3 billion. GS will therefore eliminate the risk of its credit exposure to STEAŞ and SIL under the put options, and to SOCAR in respect of its undertaking. In connection with that elimination of risk, GS and JPM have arranged a credit-linked loan through which GS will secure its rights in respect of the shares, the put options and the SOCAR undertaking in favour of end investors in that loan. GS and JPM will initially hold part of the loan and may, over the course of the transaction, increase or decrease that holding. The upside proceeds from any sales of the shares will be shared pro rata between SIL and the holders of the loan.

Aiming to be one of Turkey's biggest production powers

SOCAR Turkey, which is planning to invest USD 20 billion in Turkey by 2018, is aiming to become one of the three biggest industrial companies in the country, with a consolidated turnover of USD 15 billion by



Tanap: Europe's New Energy Corridor

TANAP will turn both Turkey and Azerbaijan into the most important players in the sector. The 1,850 km pipeline will place Turkey and Azerbaijan as Europe's principal alternative natural gas suppliers.

A Fiber-Optic Network Covering 20 Provinces

The SOCAR Fiber-Optic Network will be a communications infrastructure project that will be rolled out in parallel with the TANAP Natural Gas Pipeline. Encompassing regions between the border with Georgia and the border with Greece, the fiber-optic network will cover over 20 provinces.

2018 when it plans to be one of the biggest production powers in Turkey as it puts its vision of 'Value-Site' into practice, which is focused on ensuring the integration of refinery, petrochemical, energy, logistics, distribution and transmission by 2023.

TANAP: Europe's new energy corridor

SOCAR Turkey is taking one of its most strategic steps so far with TANAP, which is the most important part of the Southern Gas Corridor at a project cost of approximately USD 10 billion, to make Turkey become an energy corridor on a global scale.

The TANAP line, which is scheduled to be put into operation in 2018, will transform Turkey into an energy corridor stretching from the Caucasus to Europe. Developed to carry natural gas extracted from the Shah Deniz-2 gas field in the Azerbaijan Caspian Sea to Europe via Turkey, TANAP will turn both countries into the most important players in the sector. The 1,850 km pipeline, which starts in Ardahan on the eastern border of Turkey and stretches across 20 provinces to Edirne in the west of the country, will place Turkey and Azerbaijan as Europe's principal alternative natural gas suppliers.

A fiber-optic network covering 20 provinces

The SOCAR Fiber-Optic Network is planned to be a communications infrastructure project that will be rolled out in parallel with the TANAP Natural Gas Pipeline. Encompassing regions between the border with Georgia and the border with Greece, the fiber-optic network will cover over 20 provinces. Energy giant SOCAR Turkey will create added value for Turkey through the completion of this project. With the infrastructure and services provided as part of this strategic network, operators with services in the region and in the rest of the world will benefit from the increased capacity and the backup facilities offered by other telecommunications companies.

Shaping the future of the natural gas market: SOCAR Gaz Ticareti A.Ş.

By having facilitated the import and sale of natural gas to Turkey and Europe since 1 January 2013, SOCAR Gaz Ticareti A.Ş. and SOCAR Turkey are providing Azerbaijani gas as an alternative source for the Turkish market at a more attractive price. The aim is to gain a 20% market share in the Turkish natural gas supply market, introducing a new alternative to the sector. Upon completion of TANAP and the increase in the volume of natural gas obtained from SOCAR's own sources, SOCAR Gaz will become the most prominent player in the market.

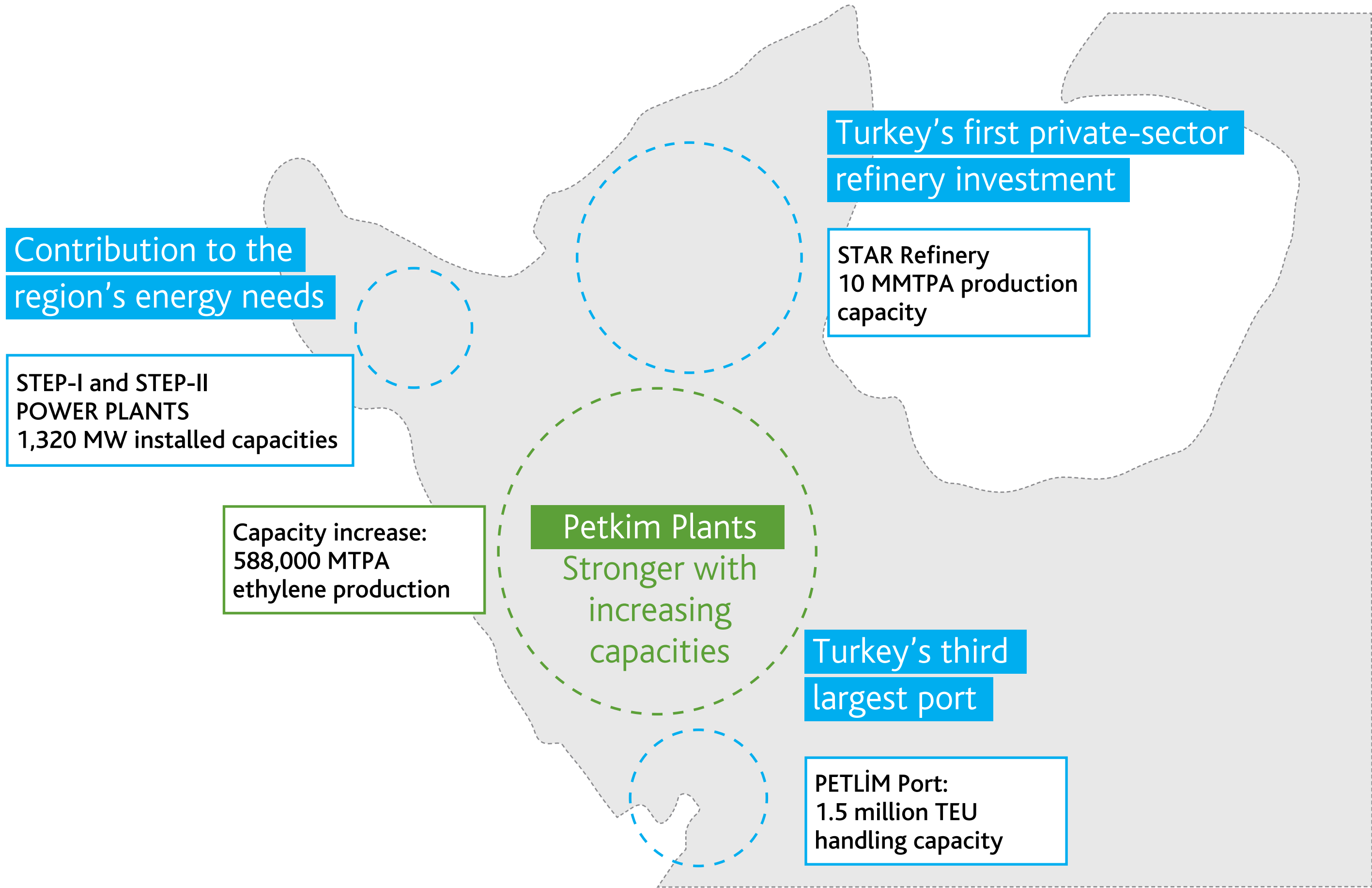
Innovative technology, local production

SOCAR Turkey is devoted to supporting innovative domestic production, with investments in research and development projects and working to a vision of taking part in new strategic areas. Petkim's own R&D Center utilizes its strong infrastructure and advanced equipment for the projects it is carrying out, including product development, energy saving, cost saving and environmental activity. Meanwhile, Petkim Specialities, a 100% subsidiary of Petkim, started operations to produce advanced engineering plastics and high-tech chemicals.

SOCAR Turkey is continuing to pursue its ambitious initiatives in Turkey, and strives to embody the principle of "One Nation, Two States" of the late founder and President of Modern Azerbaijan Heydar Aliyev. Its activities are a concrete example of economic cooperation between Turkey and Azerbaijan, and SOCAR Turkey continues to progress with giant steps.

"VALUE-SITE" 2023 VISION

The largest-scale investments in the history of Turkey



10 million tons

The STAR Refinery, with a refining capacity of 10 million tons, will be Turkey's 2nd largest refinery.

Petkim "Value-Site" 2023 vision, includes the largest-scale investments in the history of Turkey. SOCAR Turkey will transform the Petkim Peninsula into the country's first Chemical Industry Park and massively enhance the competitiveness of the petrochemical industry.

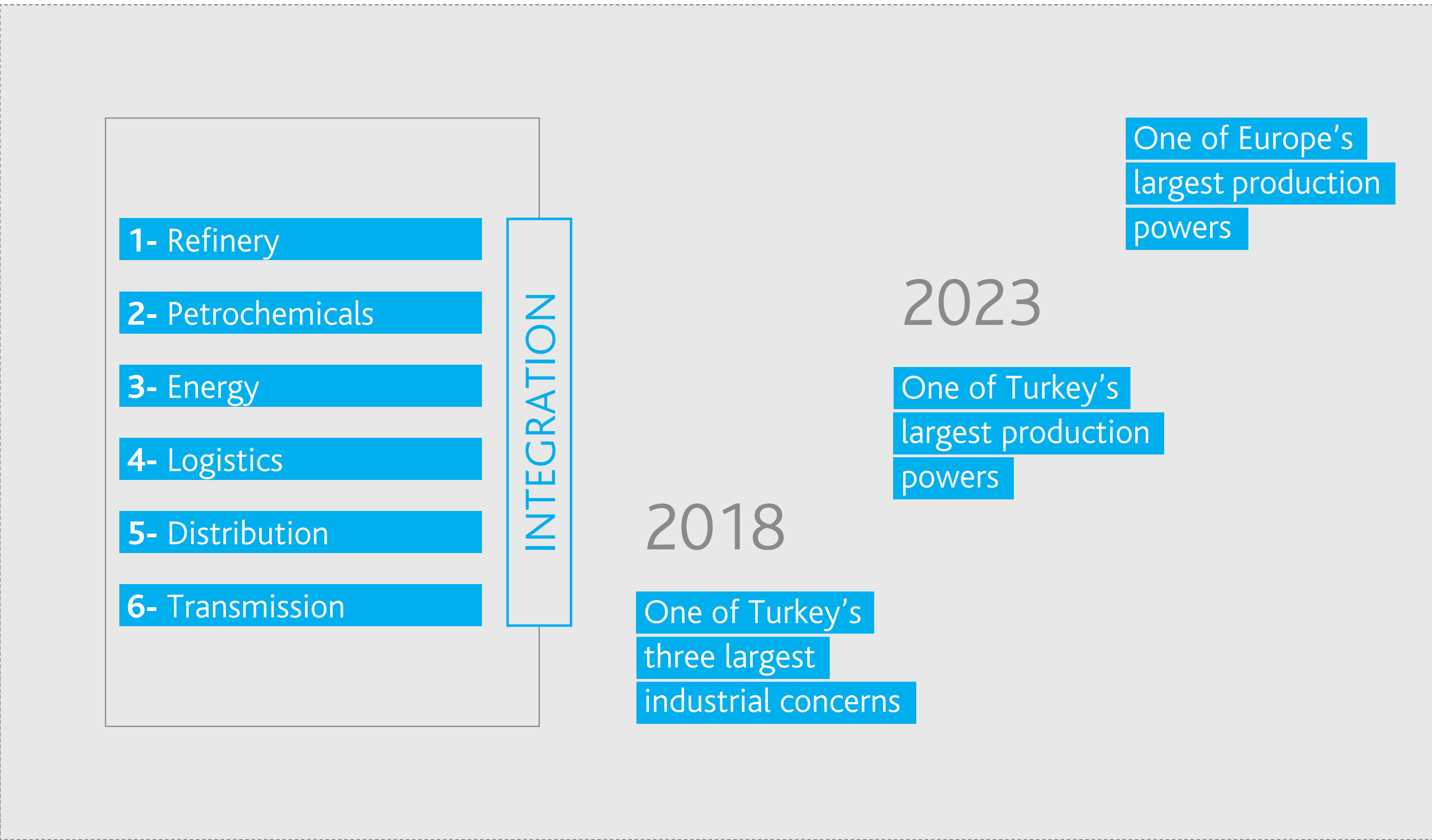
SOCAR Turkey is committed to implementing its strategic plans and new investments in Petkim Peninsula. With its 'Value-Site' 2023 vision, the company realizes an integration of its Refinery, Petrochemical, Energy, Logistics and Distribution operations on the Petkim Peninsula. In addition, within the scope of a clustering model, SOCAR Turkey aims to transform the Petkim Peninsula into Europe's largest production centre by implementing an added value chain starting with crude oil and finishing off with the end products, while reducing dependence on exports.

STAR Refinery: Turkey's first private refinery, and the largest investment in a single location in the history of the country.

STAR Refinery is Turkey's first private refinery which will pave the way for the future projections of SOCAR Turkey in Petkim Peninsula and provides raw material security. It is the first and most important part of the integration chain, with an investment value of USD 5.6 billion, one of the largest energy operations in the region.

The STAR refinery, which will be Turkey's 2nd largest refinery with a refining capacity of 10 million tons, will save billions of dollars in foreign exchange for the country by reducing imports.

Having received Turkey's first strategic investment incentive certificate, the STAR Refinery is the first refinery to enter production in Turkey since 1984 and is expected to enter production in early 2018.



Turkey's 3rd largest port

The first phase of Petlim Container Port, currently under construction in the Petkim Peninsula, will be commissioned in 2016 with the initial capacity of 1.5 million TEU and become Turkey's 3rd largest port. The port investment, which is a strong step in the logistics axis of integration, will stimulate the country's economy and foreign trade.

The port investment is being undertaken by Petlim Limancılık ve Ticaret A.Ş., 70% of which is owned by Petkim and 30% by Goldman Sachs. The total cost of the development and its financing is USD 400 million. The operation and management of the port will be carried out by the Dutch firm APM Terminals, one of the world's biggest port operators in its field, for a 28-year period with a 4-year option.

Resource diversification in energy production

Within the scope of the "Value-Site" 2023 vision, SOCAR Power Enerji Yatırımları A.Ş. is conducting the power plant works which will form the pillar of the energy investments.

The Petkojen Cogeneration Power Plant envisages 295 MW of electricity generation and 1,660 tons of steam production from burning imported coal, which will meet the steam, energy and electricity needs of the Petkim Peninsula and carry Petkim and STAR Refinery to competitive levels of energy production costs.

To meet the Izmir region and the country's growing demand for electricity, SOCAR Power plans to generate further synergy in energy investments in the Aliağa Peninsula by establishing STEP-I and STEP-II power plants ("STEP Projects") with total installed capacity of approximately 1,320 MW. Step projects will use petroleum coke, a refinery waste product ("Petkok"), and imported steam coal as fuel, and will benefit from clean coal boiler technologies.

Petkim acquired 8,910,000 shares of SOCAR Elektrik Yatırımları A.Ş. in SOCAR Power Enerji Yatırımları A.Ş., which was established to carry out the said power generation activities, for a sum of TL 8,910,000 per TL 1 (one Turkish Lira) nominally valued share on 26 January 2015. Thus Petkim holds a share of 9.9% in Socar Power's capital.

1.5 million TEU

With the initial capacity of 1.5 million TEU, the Petlim Container Port will become Turkey's 3rd largest port.

OUR VISION, OUR MISSION, OUR VALUES

OUR VISION

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

OUR MISSION

- Petkim produces high quality petrochemical products in its integrated, high technology premises and 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.
- Petkim 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


PROPILEN

KEY PARAMETERS AND FINANCIAL HIGHLIGHTS

Five-Year Key Indicators (TL thousand)	2011	2012	2013	2014	2015
Total Assets	2,671,127	2,799,356	3,245,630	3,788,257	5,460,665
Net Sales	3,891,322	4,348,910	4,158,730	4,132,846	4,532,636
Net Profit	102,341	24,605	48,897	8,679	639,209
Exports (USD million)	834	1,041	816	564	503
Issued Capital	1,000,000	1,000,000	1,000,000	1,000,000	1,500,000
Petkim's Investments	151,897	85,236	215,182	222,423	223,780
Number of Employees (year-end)	2,585	2,401	2,457	2,425	2,471

Summary Balance Sheet (TL thousand)	2014	2015
Current Assets	1,767,709	2,767,573
Non-Current Assets	2,020,548	2,693,092
Total Assets	**3,788,257**	**5,460,665**
Short-term Liabilities	1,136,769	1,584,388
Long-term Liabilities	468,227	1,070,894
Shareholders' Equity	2,183,261	2,805,383
Total Equity and Liabilities	**3,788,257**	**5,460,665**

Summary Income Statement (TL thousand)	2014	2015
Net Sales	4,132,846	4,532,636
Gross Profit	85,468	716,209
Operating Profit	-57,865	515,933
EBITDA	76,297	662,062
Net Profit for the Year	**8,679**	**639,209**

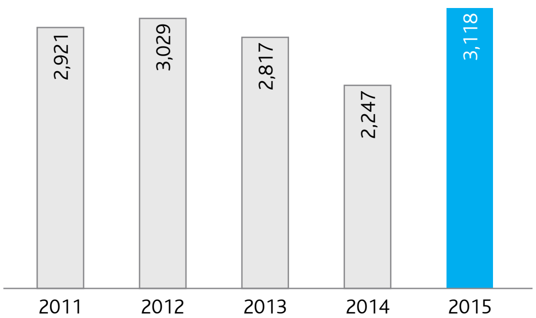
Key Ratios	2014	2015
Current Ratio	1.56x	1.75x
Liquidity Ratio	1.08x	1.30x
Financial Leverage Ratio	0.42x	0.49x
Debt Ratio (Total Debt/Equity)	0.74x	0.95x
Gross Profit Margin (%)	2.07	15.80
Operating Profit Margin (%)	-1.40	11.38
EBITDA Margin (%)	1.85	14.61
Net Profit Margin (%)	0.21	14.10

At year-end 2015, Petkim's gross profit reached TL 716.2 million with a margin of 15.8% and operating profit rose to TL 515.9 million. The year-end net profit climbed to TL 639.2 million with a margin of 14.1%.

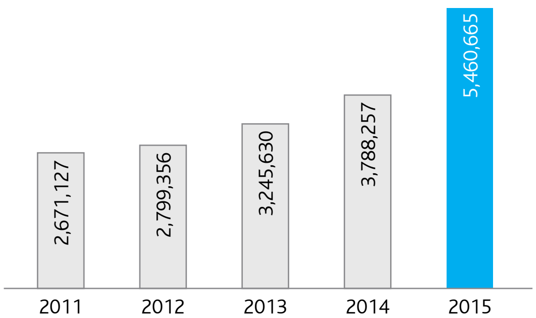
TL
639,209
thousand
Net Profit

44%
Growth of Total Assets

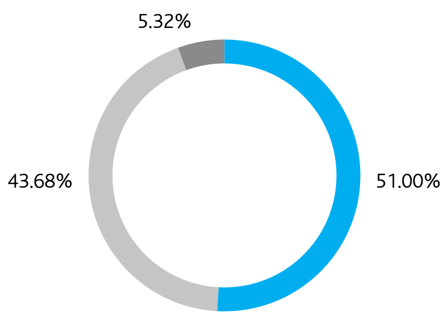
Gross Production (thousand tons)



Total Assets (TL thousand)



Capital and Shareholder Structure

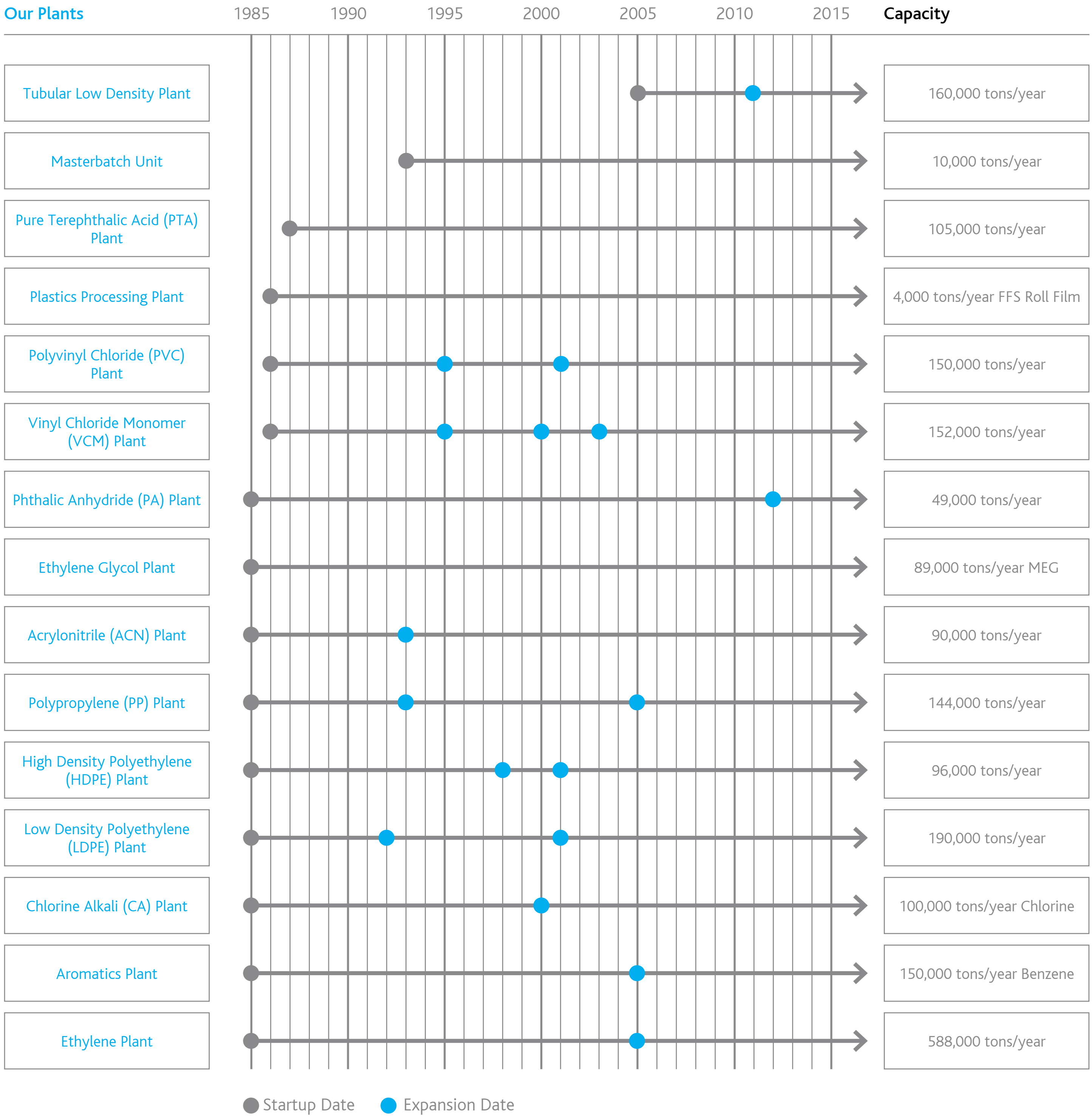


Shareholder Structure (as traded on BIST)

SHAREHOLDER	SHARE AMOUNT (TL)
SOCAR Turkey Petrokimya A.Ş.	765,000,000.00
PUBLICLY TRADED ON BIST (*)	655,176,478.35
SOCAR Turkey Enerji A.Ş.	79,823,521.64
Privatization Administration (**)	0.01
	1,500,000,000.00 (***)

(*) Of the publicly-traded shares, 2,75% share worth TL 41.278.401,47 in value is held by SOCAR Turkey Enerji A.Ş.
(**) Privatization Administration (Group C–Privileged Shares) 1 share with a value of TL 0.01
(***) The company's issued capital of TL 1,500,000,000 was registered on 25 January 2016.

PETKİM PLANTS



Auxiliary Processing Units

Güzelhisar Dam	**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/h **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 **Start up Date:** 1984 **Expansion Date:** 1998, 2006
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	**Installed Capacity** 0.85 tons/h Solid Waste 1.07 tons/h Treatment Sludge 0.34 tons/h Waste Oil
Port	**2015 Ship Count:** 432 **Handling Amount:** 2,496,000 tons
Energy Production	**Electricity Production-Distribution** **Total Power Generated:** 226 MW **Steam Production Unit** **Installed Capacity:** 1,200 tons/h XHS

A SOLID TRACK RECORD OF 50 YEARS

In its half a century of history, Petkim further leveraged its position as the petrochemical raw material producer of Turkey.

1965-1970
- Petkim Petrochemical Corporation was established with TL 250 million in capital.
- Construction of the Ethylene, Polyethylene, CA, VCM and PVC plants at the Yarimca Complex was completed and trial operations began.
- A decision was made to establish a second petrochemical complex in the Aliağa region.

1971-1975
- Production began at the Canakkale Plastics Processing Plant.
- The DDB Plant within the Yarıimca 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 Yarimca Complex were completed.
- The Carbon Black, Synthetic Rubbers (SBR-CBR), Styrene and Polystyrene plants at the Yarimca Complex began operations.

1976-1983
- Expansions of the VCM and PVC plants at the Yarimca 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 19 August 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.

1984-1989
- Plants at the Aliağa Complex began production.
- The Aliağa and Yarimca complexes were converted into subsidiary companies; Alpet Corporation and Yarpet Corporation.
- Petkim was brought within the scope of the state privatization program under the provisions of law number 3291 dated 28 May 1986.

1990-1995
- Petkim's capital was raised to TL 2 trillion in 1990 and TL 3 trillion in 1991.
- As a result of expansion and rehabilitation projects at the Aliağa Complex's LDPE, HDPE, PP and ACN plants in 1993 and the Yarimca Complex's PVC, PS, CB, SBR, CBR and BDX plants in 1995, a significant increase was achieved in Petkim's production capacity.

1996-1999
- Petkim obtained a TS-EN-ISO 9002 Quality Assurance Certificate.
- The Company's record keeping was converted from the Paid-up Capital System to the Authorized Capital System. The Company increased its capital to TL 117 trillion, on the basis of TL 114 trillion transferred from the Revaluation of Fixed Assets Fund.

2000-2004
- Investments to replace the mercury cells used in chlorine production with membrane cells in order to increase chlorine production capacity to 100,000 tons/year at the Chlorine Alkali Plant were completed and production began.
- Capital was increased from TL 117,000 billion to TL 204,750 billion.
- As per the Privatization High Council's decree, the Yarimca 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.
- 10,000 tons were added to the PVC plant capacity.
- The Canakkale 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 began operations in 2003.
- Petkim's dry cargo jetty was opened for service to third parties.

In 2008, 51% of Petkim's shares were acquired by Socar Turkey Enerji A.Ş. from the Privatization Administration.

2005-2007

- The expansion of the Ethylene, LDPE and PP plants was completed in 2005. The capacities of the plants increased from 400,000 tons/year to 520,000 tons/year for ethylene, from 190,000 tons/year to 310,000 tons/year for LDPE and from 80,000 tons/year to 144,000 tons/year for PP. This represents the largest investment programme 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. As a result of a USD 90 million investment, the 57 MW gas turbine went into operation at the Steam Production and Electric Power Generation units in 2007.
- Elsewhere, the use of an FFS Roll Filmproducing co-extruder unit was started for Bag Production operations in 2007. With a view to replacing valve bags, FFS bag packaging was introduced gradually for all solid products.
- In addition, a privatization tender using the block sale method for the state-owned shares of Petkim, equivalent to a 51% stake in the Company, was announced. The tender, which was open to the public, took place on 5 July 2007. The sale of these shares to the second highest bidder, the SOCAR & Turcas Consortium, was approved by decision number 2007/63 of the Privatization High Council on 22 November 2007.

2008-2009

- On 30 May 2008, in a privatization tender again using the block sale method, 51% of Petkim's public shares were handed over to SOCAR & Turcas Petrochemical Company for USD 2,040,000,000.
- A 1.3 million m^2 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.
- Within the scope of the Company's expansion plans, feasibility studies and detailed terminal plans were conducted for the Petkim Port.
- As a result of the Integrated Management System Certification Audit carried out by Turkish Standards Institute (TSI), the ISO 9001 Quality Management System was renewed. Petkim was granted the ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

2010

- On 23 June 2010, STAR Rafineri A.Ş. received the license for a 10 million ton capacity refinery at the Petkim Complex.
- In order to boost the efficiency of port operations, Petlim Limancılık Ticaret A.Ş. was established in November 2010.
- The enterprise Resource Planning Project (ERP) was launched on 1 October 2010 and all operational processes began being monitored through this initiative.
- Petkim's capital was increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.
- Petkim also received approval for its license application to the Energy Market Regulatory Authority (EMRA) for the construction of a wind power plant on 15 December 2010, as part of the EMRA decision numbered 2922-16.

A SOLID TRACK RECORD OF 50 YEARS

Since 2011, the Petkim Peninsula has been host to refinery, port and WPP projects.

2011
- In this year, the Company held the groundbreaking ceremony for the STAR Refinery located on the Petkim Peninsula.
- The Company also made further investments to expand the capacity of the LDPE-T Plant, increasing its capacity by 20%.
- In addition, the groundbreaking ceremony for the Heydar Aliyev Technical and Industrial Vocational High School took place.
- The Company's Atmospheric Nitrogen and Oxygen plant was handed over to French Air Liquide.
- Petkim's land in Yarimca was sold in a tender.
- An agreement to increase the capacity of Ethylene plant was also signed.
- Following the withdrawal of Turcas from the shareholding structure, 51% of Petkim shares were handed over to SOCAR Turkey Enerji A.Ş.

2012
- 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.
- A project to modify and increase the capacity of the Ethylene and PTA plants received the "Strategic Investment Incentive Certificate."
- Petkim received first prize in the large manufacturers category of the "Energy Efficiency Increase in Industry Project" competition. This initiative is organized by the Ministry of Energy and Natural Resources, and comprises seven projects that provide TL 58 million/year profit and a reduction of 140,000 tons/year in CO_2 emissions.
- Also, by means of Petkim's contributions, the construction of the Heydar Aliyev Technical and Industrial Vocational High School was completed. Following completion, the school was handed over to the Aliağa Directorate of National Education.

2013
- Petkim was awarded with the grand prize in the Efficiency in Industry category of The National Energy Prizes contest.
- 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 22 February 2013 with APMT BV and APM Terminals for the operation of the Container Port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).
- Petkim Academy was established.
- Petkim was awarded with four prizes in Successful Industrial Enterprises Ceremony, which is held every year by the Aegean Region Chamber of Industry.
- Excavation works for the Petlim Container Port were begun.
- With exports worth USD 765,751,000, Petkim became the export leader of both the Aegean Region and the overall chemical industry in the region.

Petkim Petrokimya Holding A.Ş. established Petkim Specialities, which will produce advanced engineering plastics and high-tech chemicals.

2014

- As part of the Petkim Wind Power Project, a final agreement was signed with Alstom.
- Following the purchase of 30% of shares worth USD 250 million, Goldman Sachs became a shareholder of Petlim Limancılık A.Ş., a 100% subsidiary of Petkim.
- Capacity at the Ethylene plant was increased by 13% to 588,000 tons/year, while the capacity at the PTA plant reached 105,000 tons/year having risen from 70,000 tons/year. As a consequence, Petkim's gross production capacity increased by 13%. The plant underwent a comprehensive maintenance program as part of the broader structure of the Company.
- The Company's Corporate Governance Rating rose to 9.01, following a study carried out by Kobirate.
- The Plastic Processing Plant came online at its new location.
- Petkim received the ISO 27001 Information Security Management System Certificate developed by TSI.
- Furthermore, Petkim became one of the 15 companies listed on the BIST Sustainability Index.

2015

- Petkim's new R&D Center was opened. In 1970, Petkim had assumed the leadership of an important process by setting up the 'Research Center' in the Yarımca Complex. After moving to Aliağa, Izmir, the R&D unit, which continued to operate in different buildings, was moved to the new center with 1,200 m^2 of usable area consisting of 350 m^2 pilot plants, an 850 m^2 laboratory and offices. The R&D Center began to operate with the approval of the Ministry of Science, Industry and Technology.
- Petkim celebrated its 50th year of operation with its employees, senior officials from Petkim and SOCAR, the business and media world and distinguished guests from Turkey and Azerbaijan in a series of events.
- The capacity of the PTA plant, which supplies raw materials to textiles and PET packaging production, was increased from 70,000 tons/year to 105,000 tons/year.
- Petkim Port received the 'Greenport Certificate' following an audit carried out by the Directorate General of Merchant Marine and TSI (Turkish Statistics Institute).
- Petkim was selected as one of Turkey's most digital companies. Accenture Turkey, which is evaluating the performance of digitalization in private sector companies at all stages from production to the customer, has implemented Digitalization Index. As a result of the work performed under a systematic approach and a scientific methodology, Petkim became the leader of the 'Manufacture of Chemicals and Chemical Products' sector.
- Petkim received the first prize in the Industrial Energy Efficiency Project competition organized by the General Directorate of the Renewable Energy of Ministry of Energy (YEGM). In the contest where the projects of industrial enterprises on increasing energy efficiency of their current systems evaluated, Petkim won the first place in the SEVAP-3 (50,001 TEP and higher) category, participating with total of 8 energy projects selected from the LDPE, Ethylene, Aromatics, ACN and LDPE-T plants.
- Petkim Petrokimya Holding A.Ş. established Petkim Specialities, which will produce advanced engineering plastics and high-tech chemicals. Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş., a 100% owned subsidiary of Petkim, with a capacity of 24 tons/year, will specialize in high quality products (masterbatch, compound) for sectors such as packaging, plastics, automotive, defence, medical, information technology in Turkey. Most of these products are currently imported.

CAPACITIES OF PETKİM'S PLANTS

Acrylonitrile
90.000 tons/year

Used in production of acrylic fibers, knitting wool (Orlon), fabrics, carpets, blankets, ABS resins, acrylic resins, nitrile rubber etc.

Pure Terephthalic Acid
105.000 tons/year

Polyester fibers (Dacron, teril, perylene, in the manufacture of yarns, such as Trevira), polyester resin and polyester film productions, used in manufacturing polyethylene terephthalate and so on.

Low Density Polyethylene
190.000 tons/year

Heavy duty bags, greenhouse film, packaging film, cable coating, household goods, toys, pipes, hoses, tubes, bottles, fabric and metal coatings, rotations, molding materials etc.

Monoethyleneglycol
89.000 tons/year

Used in production of antifreeze, polyester fiber, textile products, plastic bottles.

Ethylene
587.000 tons/year

Used in the production of Low and High Density Polyethylene, Vinyl Chloride Monomer and Ethylene Oxide.

Aromatics
150.000 tons/year

Benzene: It is the starting point of many chemicals for the pharmaceutical and chemical industries. Styrene and phenol which are used as starting materials in the industry for plastics manufacturing, the plastic components are used in the manufacture of synthetic detergents.
Aniline is used as starting material for making gasoline and paint.
Toluene: Used as solvent, to thin the paints and lacquers.
Plastic (rubber) manufacturing and construction of explosive TNT (trinitro toluene) production, octane increaser in fuel and used in making the disinfectant adhesives and inks.
Paraxylene: In the production of PTA, PET resin production and used in the production of DMT (dimetil tereftalat) as a raw material in the textile industry.
Orthoxylene: Used in the production of Phthalic anhydride, pharmaceutical and diethyl phthalate.
C5 Hydrocarbons: Used in gasoline production.

Diethylene Glycol
8.000 tons/year

Used in the production of Antifreeze, polyester fiber, textile products, PET bottles and so on.

Polypropylene
144.000 tons/year

Uses in the prodcution of knitting, sacks, carpet yarn, rope, table cloths, mats, filter cloth, felt, cord fabric, pipe, cable sheath, fishing nets, brushes, basins, tables, chairs, toys, picnic items and so on.

PP

Low Density Polyethylene Tubular
160.000 tons/year

Heavy duty bags, greenhouse film, packaging film, cable jacketing, household goods, toys, pipes, hoses, tubes, bottles, fabric and metal coatings, rotations, molding materials, etc.

LDPE-T

Polyvinyl Chloride
150.000 tons/year

Agriculture and construction sector (irrigation pipes, sewage pipes, fittings manufacture) packaging films, wire coatings, transparent cosmetic and oil bottles, various tubes and other bottles production, shoe soles, floor tiles, various building materials, (doors, window frames, shutters flooring, artificial leather and etc.

PVC

HDPE

High Density Polyethylene
96.000 tons/year

Household items, toys, packaging film, pressurized water and gas pipes, detergent and cosmetics bottles (non-transparent) water, gas, etc. bins, fabric and metal coating, rotational molding material etc.

VCM

Vinylchloride Monomer
152.000 tons/year

Used in the production of Polyvinil Chloride (PVC).

PA

Phthalic Anhydride
49.000 tons/year

In the paint industry, in the manufacture of alkyd resins, polyester production results in the condensation polymerization with various glycol, DOP. as it used in the production of plasticizers.

Chlorine Alkali
100.000 tons/year

Chlorine: Vinyl chloride monomer which is in the main raw material polyvinyl chloride, chlorine sold on the market which is used for disinfect the water, production of organic dyes and decolorizing chlorides and it used in the preparation of a medicament for use against insects.
Caustic soda: Used in paper, pulp, aluminum, soap and detergent industry, textile, oil and petrochemical industry, food industry, rayon and film industry, vegetable oil industry.

At a time where it strives to maximizing profitability and creates more added value from end to end in the macro and micro perspectives, Petkim concentrates on Value Chain Management.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Vagif ALİYEV
Chairman of the Board of Directors

a year of success

2015 has been a successful year for Petkim in terms of sales volume and profitability.

Distinguished shareholders and business partners,

We completed the year 2015, in which we celebrated Petkim's 50th year of operation, in a background of very important investment projects, historically high levels of profitability and a busy work schedule. Thanks to the maintenance work and capacity increases undertaken in previous years, we have achieved a high production performance. Thus, the year 2015 was a successful year for our company with respect to sales and profitability.

After many years of expansion, the year 2015 was also marked by a sharp contraction in the global commodity trade. The IMF and the World Bank project that the global commodity trade will continue to shrink by between 1.5% and 2% in 2016 as well. This suggests that the decline in global commodity prices will continue, with a contraction of around 5-10% in 2016.

In fact, the fall in raw material prices paved the way for 2015 to be a buoyant year for the petrochemical industry. At Petkim, we took the maximum advantage from the wide ethylene/naphtha spread. We increased our profitability by redoubling our efforts to improve our operating efficiency and effective positioning in accordance with market needs. The year 2015 was a challenging one for the BRICS countries, apart from India. According to OECD growth projections the US economy is expected to grow by 2.5%, China's economy by 6.5% and Turkey's economy by 3.4% in 2016.

The Petlim Container Port investment, which was initiated in 2013, was completed in 2015 and delivered to APM Terminals. With a starting capacity of 1.5 million TEU, the port is now the country's third biggest port and the largest integrated port in the Aegean Region, symbolizing the brotherhood between Turkey and Azerbaijan. Global and regional tensions continued to grow in 2015 due to heightened political tensions and the global refugee crisis, bringing chronic geopolitical risks to our region. This was most clearly reflected to the economies of the countries in the region in a number of ways.

We completed the year 2015, in which we celebrated Petkim's 50th year of operation, in a background of very important investment projects, historically high levels of profitability and a busy work schedule.

In spite of the economic uncertainty and consequential volatility in exchange rates, Petkim managed to attract major foreign investors to Turkey in 2015. Thanks to our container port, we brought the Netherlands-based APM Terminals, one of the world's most important container port operators, as an investor in our country. Again in such a period, we were also proud to be a reason for the world's largest investment bank, Goldman Sachs, to invest in Turkey.

In 2015, crucial steps were taken in the construction of a refinery in the Petkim Peninsula by the STAR Rafineri A.Ş., a subsidiary of SOCAR Turkey, our main partner. Half of the construction work on the STAR Refinery has been completed, with work on the USD 5.6 billion investment set to finish in 2018. The refinery is expected to enter operation in 2018, with a capacity of 10 million tons, contributing to the raw material security for Petkim.

With the lifting of the sanctions against Iran in 2016, we will now be following Iran more closely as the petrochemical sector. The return of Iran, which managed to develop its petrochemical industry even during the sanctions, to the international petrochemical sector, along with the investments and the capacity increases that will be undertaken in the country, is something that needs to be monitored carefully in Turkey. The country is currently undertaking investments in its petrochemicals industry. On the raw materials side, Iran is likely to step up its investments in the downstream segment in the coming period. In this respect, Turkey may need to take measures to tackle the threat of losing market share.

Petkim will continue to create value for our stakeholders and our country in the future, as it has in the past. With the power we draw from our ambition to carry out additional investments, our belief in the future of our countries and the enjoyment we take from providing employment opportunities for more people, we are confident that we will maintain our operational and financial success in 2016.

I would like to extend my gratitude to all of our employees, all of our suppliers and our business partners, as well as stakeholders, who have contributed to the success of Petkim, the embodiment of the principle of "One Nation, Two States", for their trust and commitment to Petkim.

With my deepest regards...

Vagif ALİYEV
Chairman of the Board of Directors

ambition

Our ambition to carry out additional investments is the driving force for our future successes.

BOARD OF DIRECTORS

Vagif ALİYEV
Chairman of the Board of Directors

Born in 1959, Vagif Aliyev graduated from Azerbaijan Civil Engineering Institute's Hydraulic Engineering program in 1981.

Since 1981 Mr. 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, Mr. Aliyev was named Chairman of the Board of Directors at Petkim.

David MAMMADOV
Vice Chairman of the Board of Directors

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; since 2005, he has served as Vice President in charge of refineries at the State Oil Company of Azerbaijan Republic (SOCAR). Since 2008, Mr. Mammadov has been a member of the Board of Directors at Petkim.

Muammer TÜRKER
Board Member

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 as 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.

Mr. 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 as Deputy Undersecretary in the Ministry of Transportation and Communications. At this time, Mr. 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. Mr. 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, Mr. Türker was appointed Secretary General of the National Security Council on 27 April 2012. He was appointed as Governor of Antalya Province with a Governor's Decree published in the Official Gazette of the Republic of Turkey dated 16 September 2014. He was appointed as Governor of Antalya Province with the Governor's Decree published in the Official Gazette on 16 September 2014. Since 8 May 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.

Farrukh GASİMOV
Board Member

Born in 1959 in Baku, Farrukh Gasimov 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. Mr. Gasimov speaks English, Russian and Azerbaijani. He is married and has two children.

Kenan YAVUZ
Board Member

Born in Bayburt in 1959, Kenan Yavuz graduated from the Management Department of the Ankara Academy of Commercial and Economic Sciences in 1981. He received his master's degree from the Institute of Business Economics of İstanbul University School of Business.

He started his professional life in 1985 in Koç Holding, where he held various managerial positions across different disciplines. Having completed a second MBA program at Yeditepe University between 1998 and 2000, Mr. Yavuz was appointed as a member of the Board of Directors of Petkim Petrokimya Holding in March 2004, and as General Manager of Petkim in May 2004. In 2008, he brought to completion the privatization process of Petkim Petrokimya Holding, one of the top strategic enterprises in Turkey. At the request of SOCAR, the State Oil Company of Azerbaijan Republic that acquired Petkim, he continued to serve as Petkim's General Manager after the privatization.

In 2009, he was named President/CEO of SOCAR Turkey Enerji A.Ş., which was decided to be established as per SOCAR's decision to expand its operations in Turkey. From 2009, he set up the STAR Refinery, Petlim Container Terminal, SOCAR Power Energy Investments and distribution companies under the roof of SOCAR Turkey Enerji A.Ş. Kenan Yavuz continues to serve as the CEO of SOCAR Turkey Enerji A.Ş., which has evolved to the biggest investor in "Refinery-Petrochemicals-Energy-Logistics-Distribution-Tranmission Integration" in the economic history of Turkey.

A member of TÜSİAD (Turkish Industry and Business Association) and MÜSİAD (Independent Industrialists' and Businessmen's Association) as well as a number of civil society organizations, Kenan Yavuz is board member of URAK (International Competitiveness Research Agency), Green Growth and Business Council for Sustainable Development Turkey, and a patron and Board of Trustees member of the Baksı Museum.

In August 2015, he was honored with "Taraggi (Progress) Medal" by İlham Aliyev, President of the Republic of Azerbaijan.

Having numerous published interviews and articles in various newspapers and magazines, Kenan Yavuz speaks English, is married and has two children.

BOARD OF DIRECTORS

Hulusi KILIÇ
Board Member

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 a master's degree from the same department. He is also a graduate of the Strasbourg 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 Director 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
Board Member
Born in Kastamonu in 1950, İlhami Özşahin graduated with a degree in Electric Engineering from İstanbul State Architecture Engineering Faculty. In 1976, Mr. Özşahin started his professional career at TEK as a System Operating Engineer, and in 1995 he was appointed as the TEAŞ Load Dispatching Department Chair. At the end of 2000 he was appointed as Counselor in the General Management of TEAŞ. From 1995 to 2000, he also served as Chair of the TEAŞ Environmental Department and Scientific Inspection and Efficiency Department. From 2002 to 2003, he served as Energy Specialist at the Energy Market Regulatory Authority, and in March 2003 he was appointed as General Manager and Board Chair in Türkiye Elektrik İletim A.Ş., retiring in 2009. Over the course of his career, he attended various domestic and overseas short-term education activities and received long-term educational training related to energy planning and coordination in Japan, and completed Energy Management studies in England. Mr. Özşahin still works as an independent consultant and is married with three children.

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

Prof. Mehmet Emin BİRPINAR
Board Member

Born in Konya in 1966, Prof. Mehmet Emin Birpınar graduated from the Department of Civil Engineering of Yıldız Technical University in İstanbul. He completed a master's degree and PhD in the Department of Civil Engineering at Yıldız Technical University. He also completed a master's degree in Civil Engineering in Italy in 1991, and at Delft University of Technology in the Netherlands in 1994. Becoming a Professor in 2009, he is also a faculty member at Yıldız Technical University.

Prof. Birpınar was appointed as Deputy Undersecretary to the Ministry of Environment and Urbanization in 2013. Prior to this post, he held the position of the Provincial Director of İstanbul at the Ministry of Environment and Urbanization from 2011 to 2012, and served in the former Ministry of Environment and Forestry from 2003 to 2011.

Prof. Birpınar was elected as President of the Bureau of the Barcelona Convention for the 2014-2015 term at the 18th Meeting of the Contracting Parties held in İstanbul in December 2013. In addition to being a member of the Water Engineering Research and Development Center (WERDEC), the International Association for Hydro-Environment Engineering and Research (IAHR), and the American Society of Civil Engineers (ASCE), Prof. Birpınar is also a member of the board of directors in several other institutions and foundations. He has published more than a hundred articles and scientific papers in national and international congresses and scientific magazines. He also contributes articles to newspapers.

Prof. Birpınar 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 GASİMOV
Board Member

Süleyman Gasimov was born in the village of Fakhraly in the Bolnisi district of Georgia on 26 December 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 in 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 the Khazardenizneftgas (Caspian Sea Oil and Gas) Production Unit of Azerineft (Azeri Oil) Oil and Gas Production Department, Offshore Oil and Gas Production Unit. In 2004-2006, he was Chief of Division of Economics and Accounting Department of SOCAR, Deputy Chief of the Department and Chief of the Department. In 2006, Mr. 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 is married and has two children.

MESSAGE FROM THE GENERAL MANAGER

In spite of the economic uncertainty and consequential volatility in exchange rates, 2015 was a successful year for us thanks to our strong structure and high capacity utilization.

Sadettin KORKUT
General Manager

net profit

In 2015, Petkim recorded TL 639.2 million in net profit, one of the highest figures in its history.

Distinguished Shareholders and Business Partners,

The most significant development which affected the economy in 2015 was the rise in volatility in commodity and oil prices. In the current economic climate, our country is greatly affected by international markets as well as domestic developments. The volatile exchange rate has moved up costs, rendering decision making more difficult than ever for producers.

Celebrating its 50th year of operation in 2015, Petkim has achieved a higher production performance following the increased capacity and general maintenance shutdowns carried out during the previous period, in what was a successful year in terms of sales volume and profitability. Increased measures aimed at boosting operational efficiency, better positioning to take account of the market's needs and the improvements achieved after reviewing our processes were reflected to our profitability in 2015. Petkim took full advantage of competitive prices and the agility brought by dynamic planning, together with a wide ethylene/naphtha spread. The petrochemical sector enjoyed a good year in 2015 thanks to the fall in raw material prices.

Changes in the economy and, consequently, fluctuations in exchange rates required players in the sector to move fast and with agility. As a local manufacturer, our company was well prepared for this uncertain environment and has achieved high sales and profitability thanks to its operational efficiencies, strong cash position and swift decision-making processes, together with both its major customers that have been able to adapt to this environment, as well as the small and medium-sized business customers which have found opportunities in the sector. Effective and dynamic decisions that involve the integration of sales, trading, manufacturing, procurement and maintenance plans, and which are appropriate to market needs and customer demands are taken and implemented.

In 2015, we announced one of the best financial results in the history of Petkim. Our company wrote a net profit of TL 44.4 million in the first quarter, TL 187.9 million in the second quarter, TL 270.9 million in the third quarter, and TL 136 million in the final quarter, while our net profit reached TL 639.2 million for the full year with a net profit margin of 14.1%. With a turnover of TL 4.5 billion, the company's gross profit reached TL 716.2 million with a 15.8% margin; its operating profit stood at TL 515.9 million in the 12-month period. Petkim's total assets also rose to TL 5,460.7 million, marking an increase of 44% compared to the previous year. We raised our success a notch in our operational results in the period, and while our production increased, we recorded a capacity utilization rate of 87%.

Our investments in the Petkim Peninsula continue steadily in line with the vision of our main shareholder, SOCAR and the Republic of Turkey, a vision we refer to as ‘Value-Site 2023’, which is focused on ensuring the integration between Refinery, Petrochemical, Energy, Logistics, Distribution and Transmission. When the investments are complete, the Petkim Peninsula will host one of Europe’s largest Chemical Industry Parks.

Construction continues on the refinery, one of the structures that form the basis of the integration and which is undertaken in the Petkim Peninsula by a subsidiary of our main shareholder, SOCAR Turkey, STAR Refinery Co. Half of the investment process has been completed, and has come to the stage of montage of many surface equipment. With an investment worth USD 5.6 billion in total, the refinery is expected to enter operation in 2018 with a capacity of 10 million tons. The refinery will meet the market’s demand for diesel and jet fuel, as well as meeting almost all of Petkim’s raw material needs.

Work on the Container Port project in Nemrut Bay, which is a natural harbour, is now complete after 2 ½ years and was delivered to the operator, APM Terminals. The Petlim Container Port, which will be commissioned in 2016, will become the 3rd largest port in Turkey and largest port in the Aegean Region with a USD 400 million investment. The port will have an initial capacity of 1.5 million TEU. The port, in which Goldman Sachs has a 30% partnership, will continue to add value to Petkim.

Petkim established Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş. (Petkim Specialities), a 100% subsidiary, in order to diversify its product range and to specialize in high value added advanced engineering plastics and high-tech chemicals (masterbatch, compound). This company will begin to market their new products towards the end of the year depending on the domestic and international customer demand.

Our employee suggestion system, Fikrimce (In My Opinion) was developed and its continuity was ensured. Many qualified suggestions from our employees have been evaluated for our business processes.

In product shipments, returnable plastic pallets started to be used instead of consumable wooden pallets and with this application, Petkim’s image of environmental sensitivity was strengthened and significant savings have been achieved. Nowadays, the rapid communication, the complete transfer of information to all relevant stakeholders, and the jump-start of the decisions taken without delay have a direct and positive effect on the profitability of the company. The level of volatility, uncertainty, complexity and ambiguity in the business world is high and one must be in a movement of change and development in order to survive profitably. At a time where we strive to maximizing profitability and create more added value from end to end in the macro and micro perspectives, we concentrate on Value Chain Management. We have redesigned the entire structure so decisions can be taken quickly, so that we are able to think analytically, that we can speak with the data, so that we can work transparently and be capable of effective cooperation, so that we can move in coordination and work with scenarios, so we can act quickly and turn plans into action. In 2015, which was Petkim’s 50th year of operation, we had the pleasure of achieving sound work results and demonstrating a high performance.

As Petkim, we aim at sustainable profitability by using a high capacity for the next period... I extend my deepest thanks to all of our stakeholders and to my colleagues, from who we received such valuable support to achieve this.

Kind regards,

Sadettin KORKUT
General Manager

TL
5,461
million

In 2015, Petkim’s total assets increased by 44% compared to the previous year.

target

As Petkim, we aim at sustainable profitability by using a high capacity for the next period.

EXECUTIVE MANAGEMENT

Sadettin KORKUT
General Manager

Born in 1960 in İzmir, Sadettin Korkut graduated from İzmir 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 such as 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.

Mr. 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 20 December 2012, he was appointed General Manager of Petkim Petrokimya Holding A.Ş.

Over the course of his professional career, Mr. Korkut has assumed several positions and duties in sectoral non-governmental organizations. He is currently the Chairman of the Board of the Packaging Manufacturers Association (ASD), the Union of Chambers and Commodity Exchanges of Turkey (TOBB) Packaging Assembly Vice President, Member of the Assembly at the Chamber of Industry of the Aegean Region (EBSO), the 24th Chairman of the Committee of the Chemical Products Industry, Board Member of the İstanbul Chemicals and Chemical Products Exporters Association (İKMİB), Board Member of the Union of Chemical Petroleum Rubber and Plastic Industry Employers of Turkey (KİPLAS), Member of the Development Committee at İzmir Development Agency (İZKA), Board Member of the Turkish Chemical Manufacturers Association (TKSD), Member of the İzmir Economic Development Coordination Committee, and President of a Founder Institution of the Foreign Economic Relations Board (DEİK).

Mr. Korkut speaks English. He is married and has a daughter.

Nihat GÜRBÜZ
Assistant General Manager (Operations)

Born in the Evciler village of İvrindi, Balıkesir, Nihat Gürbüz graduated from the Ankara University Faculty of Chemical Engineering in 1975.

Between 1975 and 1983, he worked as Project, Planning, and Operations Engineer at Sümerbank's chemical and textile plants. On 22 August 1983, he began to work at Petkim Aliağa Petrochemical Complex as a Production Engineer. He later served as Engineer, Chief Engineer, Assistant Manager, and Manager of Production at the VCM, PP, and Ethylene plants. On 13 October 2004, he was appointed Department Head responsible for production in the plants. Between 4 June 2008 and 1 October 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.

Mr. Gürbüz, who has 36 years of professional experience, speaks English. He is married and has two children.

Ali Ekrem ASLAN
Assistant General Manager (Asset Management)

Born in 1967 in Kilis, Ali Ekrem Aslan graduated from the Department of Chemical Engineering at the Hacettepe University Faculty of Engineering in 1990.

He began his professional life as an Operations Engineer in Nuh Çimento in 1992. Mr. Aslan began working at Petkim Petrokimya Holding A.Ş. in February 1993, and served as an Engineer and Expert Engineer at the PIF and LDPE plants from 1993 to 2003; as Chief Engineer/Manager at the LDPE-T Plant from 2003 to 2006; and as Production Planning and Control Manager between 2006 and 2008. In 2009, he became Business Transformation Manager, directly responsible to the General Manager. From November 2009 to 1 October 2011, he worked as Business Transformation & ERP/MES Group Manager at Petkim Petrokimya Holding A.Ş.

On 1 October 2011, he was appointed Assistant General Manager responsible for Asset Management. Mr. Aslan speaks English. He is married and has three children.

Natig DAMIROV
Assistant General Manager (Purchasing)

Natig Damirov was born in 1980, in Şirvan (Ali Bayramlı), Azerbaijan. He graduated from the Department of Industrial Engineering at Yıldız Teknik University, Faculty of Mechanical Engineering.

In 2003, he began his professional career at TEKFEN-AZFEN Alyans in Baku as a Coordinator/ Quality Control Engineer. Then, in 2005, he began working as Project Manager at Baku-Yevlakh DAN Ltd. In 2009, he joined Petkim Petrokimya Holding A.Ş. as a Purchasing Executive, and became Purchasing Manager in 2010.

Since 2011, he has served as Assistant General Manager of Procurement. Mr. Damirov speaks Turkish, English, and Russian, and is married with three children.

Riza BOZOKLAR
Assistant General Manager

Riza Bozoklar was born in 1969 in İzmir. He is a graduate of İzmir Saint Joseph College, İzmir Sciences High School and Bosphorus University Industrial Engineering Department; he earned his MBA at Bilgi University. Mr. 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 A.Ş., a joint venture of Sanko Holding and Barbetti.

Riza Bozoklar is married and has two children. He speaks Italian, French, and English fluently; he also holds CPA degree.

Altay ÖZGÜR
Assistant General Manager

Altay Özgür was born in 1972. He graduated from the Guidance and Psychological Counseling Department of Middle East Technical University in 1995 and completed the Human Resources Certificate Program of Manitoba University in Canada in 2008.

Mr. Özgür started his professional career as Assistant Human Resources Specialist within the Ülker Group, followed by positions as Personnel Unit Head, Human Resources Manager, and Foreign Investments Human Resources Manager in the same group of companies between 1997 and 2008. His career path continued with the positions of Human Resources Department Manager and Department Head for Ziraat Bank from 2009 to 2011, and as the Human Resources and Administrative Department Manager for OMP Petrol Ofisi between 2012 and 2013.

Mr. Özgür also held the position of Human Resources Coordinator for SOCAR Türkiye A.Ş. in 2014, and he was appointed Assistant General Manager of the Human Resources Department for Petkim Petrokimya Holding in 2015.

He has 18 years of experience in the areas of Recruitment Processes Management, Performance Appraisal and Career Planning Management, Management of Organizational Development Projects of Human Resources, Establishment and Management of Compensation Systems, and Procedures, Regulations, and Preparation for Process Flows, Payroll, and Personnel Implementation Management.

Mr. Özgür is married and has one child. He speaks English.

ACTIVITIES IN 2015

Celebrating its 50th year of operation in 2015, Petkim has achieved a higher production performance following the increased capacity and general maintenance shutdowns carried out during the previous period, in what was a successful year in terms of sales volume and profitability.

PRODUCTION

We reached record levels in terms of capacity utilization, production and productivity

87%

The complex-wide capacity utilization rate stood at 87% in 2015.

2015 has been a period where Petkim reached record levels in terms of capacity utilization, production and productivity.

Manufacturing activity continued throughout 2015 in accordance with the objectives of the program, with a 100% realization rate achieved in the production program. The Ethylene, LDPE-T, LDPE and PA plants reached record levels of capacity utilization and production, with the highest efficiency level in the last 30 years.

Capacity usage rates were 95% for Ethylene, 85% for thermoplastic products, 69% for fiber raw materials and 83% for other products. The overall capacity utilization of the complex stood at 87%.

Factories are continuing to step up productivity improvement activities.
Investment efforts to improve productivity in the factories continued in 2015. Energy efficiency projects played a prominent role among those activities, with significant gains obtained in particular with projects in the VCM, Ethylene, ACN, Aromatics and LDPE plants.

The Vent Gas Booster (VGB) System investment was completed in the VCM plant (DC) Direct Chlorination facility, paving the way for a decline in energy and raw material consumption.

In 2015 Petkim reached the highest efficiency level in the last 30 years.

The turbo-expander activated in the cold field in the Ethylene plant provided energy savings and ease of operation.

Energy savings were achieved in the ACN plant by heating the demi water and waste water, while projects to reduce electricity consumption were completed by preheating the naphtha in Aromatics, and by providing the reactor jacket outlet of hot air in front of the electric heaters in LDPE plants.

As part of the Company's ongoing energy efficiency program, 14 projects were finalized, achieving savings of 3,900 TEP. Work continues on 29 projects.

To ensure the smooth continuity of the production cycle...
Utilities for the plants were provided by Auxiliary Processing Units without interruption.

Continuity of the production in the Complex was provided by the Waste Reduction, Joint Pipe and Port Loading and Unloading activities.

Work on the start-up of naphtha tanks (Caspian, Mediterranean, Black Sea) which belong to the ongoing investment in the STAR Refinery was completed and began to run by Petkim.

The Chemical Grade Propylene (CGP) filling station was established in the Land Filling Plant and the products started to be sold.

The main principles in Petkim's production process are to protect the natural environment, keep safety at the forefront and to use resources efficiently to ensure the continuity of high-volume production.

4,087 tons

A total of 4,087 tons of hazardous waste were disposed of in the Solid Waste Disposal Facility under the scope of existing license.

A maritime pollution exercise was held in June and in October, organized jointly by some port facilities operating in Nemrut Bay, in order to raise preparation for emergencies that may arise due to port activities in the Nemrut Bay area such as marine pollution and spills.

The cathodic protection process of the section after the tunnel exit of the dam transmission line has been initiated. Studies at Petkim were completed, and work continues in other regions.

In the Waste Treatment Facility, procedures for the disposal of waste from outside Petkim continued. A total of 4,087 tons of hazardous waste were disposed of in the Solid Waste Disposal Facility under the scope of existing license.

In addition, support was extended to work undertaken by other SOCAR Turkey organizations being built in the Petkim Peninsula.

The main principles in Petkim's production process are to protect the natural environment, keep safety at the forefront and to use resources efficiently to ensure the continuity of high-volume production.

Work continues to increase product diversity. In this context, new injection types production (I 457 (UV)) in the LDPE plant was initiated, while developmental work of four new product types (I 860 (O), I 860 (UV), I757, I 457 (O)) was completed and the products made ready for production.

14 projects

As part of Petkim's ongoing energy efficiency program, 14 projects were finalized, achieving savings of 3,900 TEP.

INVESTMENTS

Petlim Container Terminal completes the 'Logistics' step, one of the most important links in the 'Value-Site 2023'.

the largest in the Aegean

Aegean Region's largest container terminal and Turkey's 3rd largest container terminal

1st phase

With the signing of the provisional Acceptance Certificate the first phase is completed on 14 December 2015.

Petlim Container Terminal Investment
Petlim Limancılık Ticaret A.Ş. was established on 22 November 2010, with the aim of developing the port and rendering the Petkim Port more economical to operate and to make the port the 'Largest Integrated Port in the Aegean Region'.

Established as a 100% subsidiary of Petkim, 30% of the shares in Petlim were bought by the world's leading investment bank, Goldman Sachs, in the fourth quarter of 2014. Once Petlim completes the Petlim Container Terminal, it will complete the "Logistics" step, one of the most important links in the "Value-Site 2023" project that is based on the integration of "Refinery, Petrochemical, Energy, Logistics and Distribution".

Petlim is carrying out the necessary investments to meet the current and future logistics needs of the Petkim Peninsula and increasing the handling capacity of the port. This investment by Petlim Limancılık Ticaret A.Ş. will be completed in two phases. In this context, with the signing of the provisional Acceptance Certificate the first phase is completed on 14 December 2015, and is scheduled to start operating in 2016.

The project employed a maximum 2,000 people during its construction, but in the operation period it is initially envisaged to provide continuous employment to 350 people, although this planned to increase later. Work to examine the seabed is carried out on the waterfront where giant container ships can dock and in the manoeuvre area. When the examination process is completed, the docks and the manoeuvre area of the port will be dredged to depths of 16 m. Once the project is complete, the Petlim Container Terminal, with a container handling capacity of approximately 1.5 million TEU, will be the largest container port in the Aegean Region.

The Petlim Container Terminal Project Features
- Construction specifications are between 30-50% higher than other ports built in Turkey.
- The port will be operated by APM, the world's 2nd largest container terminal operator.
- It is the Aegean Region's largest container terminal and Turkey's 3rd largest container terminal.
- The port will be operated through the automation network in a manner that has not yet been rolled out in existing container terminals in Turkey.
- The port has the highest lighting posts (50 m) in Turkey and will be the most luminous container terminal (50-100 lux lighting level).
- The port was designed to withstand an earthquake of magnitude D1 and D2 defined in the Turkish Earthquake Specification.
- A 700 m quay and the shipyard was designed and built so that it can service ships of up to 367 m in length (Maersk G-Class container ships).
- A new 310 m long breakwater was built to protect the terminal and to ensure the safety of its operation.
- There will be 42 hectares of container storage area behind the quay and back area, while a train terminal is planned to be completed in front of the railway in the future.
- Strengthening the existing general cargo berths to carry 10 tons/m² is carried out, adding value to the Project.

700 m

A 700 m quay and the shipyard was designed and built so that it can service ships of up to 367 m in length.

Petkim holds the Strategic Incentive Certificate.
Within the scope of Decree number 2012/3305 reached in a decision by the Council of Ministers about the 'State Assistance for Investment', Petkim holds the 'Regional Incentive Certificate' for modernization and replacement investments, the 'Strategic Incentive Certificate' for capacity increases and new investments to tackle the current account deficit; and recognition of the greatest scope of the relevant legislation utilized to the maximum level in investments.

Wind energy to be provided
With a total of 51 MW, the wind farm project is planned to start producing electricity by the end of the year. The wind farm will have 17 new turbines each able to generate 3 MW of electricity, paving the way for a 22% increase in Petkim's electricity generating capacity. The wind farm will reduce carbon emissions by 120,000 tons.

51 MW

With a total of 51 MW, the wind farm project is planned to start producing electricity by the end of the year.

Petkim Specialities

Capacity
14K tons
Petkim Specialities (Plastics Processing Plant)

+

Capacity
10K tons
New machinery/equipment investment of USD 5 million

=

Capacity
24K tons
Advanced engineering plastics and advanced technology chemicals - production capability of high added value products (masterbatch, compound)

→ Packaging industry
→ Plastics industry
→ Automotive industry
→ Defence industry
→ Medicine industry
→ IT industry

LOGISTICS

We increase our logistics capabilities

Petkim Port was awarded the 'GreenPort' certificate in 2015.

749.5

thousand tons

In 2015 Petkim carried out 749,542 tons of solid product installation.

Petkim Port holds the Greenport certificate.
With total area of 47,401 m², the Petkim Port serves Petkim and third parties.

The harbour can handle shipment/discharge of general cargo and bulk cargo ships, petroleum product tankers, chemical tankers and liquefied gas tankers. The harbour also offers pilots and tug services, while waste collection services are offered.

In addition, customs clearance procedures of raw materials and products imported and exported by Petkim are carried out within the scope of port activities.

Petkim Port was awarded the 'GreenPort' certificate in 2015.

The harbour pilotage and tug services are provided by the Petkim Pilotage and Tug Organization. Between March and September 2015, the Petkim Pilotage and Tug Organization was commissioned to provide service to other ports in Nemrut Bay, in addition to Petkim Port.

With the imminent opening of the Petlim Container Port, and with ports of other group companies set to open at a later date, the number of vessels and the staff in the Pilotage and Tug Organization was increased.

The part of the port used as the salt pier was arranged and opened for dry cargo ship activities. The duration of permit to operate the Temporary Coastal Facility was extended by one year.

A total of 432 vessels were serviced at the Petkim Port in 2015, while 781,000 tons of loading and 1,715,000 tons of evacuation was carried out, with a total handling volume of 2,496,000 tons.

In parallel with the increase in production, it also was a busy year in terms of shipments.
Petkim carried out 726,305 tons of solid product packaging, 749,542.51 tons of solid product installation and a monthly average of 33,000 tons of solid product storage operations in 2015.

726,305 tons packaging was used in the context of logistics activities in 2015. During the solid product packaging activity, 2,486 tons of bagging packaging material (FFS Roll Bag, Shrink/Stretch hood Film) with 162,794 units (liner bag and big bags) of bulk filling packaging material was used.

650,836.62 tons of domestic shipments and 98,705.79 tons of international shipments with a total of 749,542.41 tons of solid product shipment was carried out in 2015.

Improvements achieved in logistics services reflected to process efficiency and productivity.

- To ensure an increase in the number of vehicles entering the vehicle loading area and to provide a transparent Entrance Sequence, the Online Vehicle Entrance Sequence was commissioned.

- The announcement system in vehicle entrances was eliminated. Accordingly, with the operation of a continuous automatic system, loading speed was improved by 30% by ensuring the constant presence of 8 vehicles in the warehouse area.

- As a result of the development of alternative transport and supplier modes, and by obtaining competitive freight service from the market, value was added to our customers.

- In product shipments lighter, hygienic, easy to use, recyclable and environment friendly plastic pallets started to be used as shipment packaging in PVC, LDPE and PA products instead of wooden pallets. In addition, as a result of 2% weight reduction in vehicle tonnage, carbon emissions were cut.

- In the solid product shipments, delivery of the old lots was achieved by switching to the FIFO application. We delivered 99% of these lots in 2015.

- Six stretch hood film machines entered operation to replace the shrinking machines used in the PVC, LDPE, HDPE, PP, and LDPE-T packaging plants. Thanks to the stretch hood film machines, use of film per pallet and quantity and unit energy consumption were reduced, and a 75% decrease in maintenance costs was also achieved; thus, productivity-enhancing and cost-cutting improvements were carried out.

- Indoor warehouse capacity was increased from 47,851 m^2 to 56,383 m^2 with an additional 8,532 m^2 of space, thus enabling an 18% increase in available capacity.

- Energy consumption was reduced and a higher luminance value was achieved by changing lighting fixtures used in packaging and sales warehouse spaces with new LED lighting.

- By creating a separate storage area for third grade products instead of using standard storage areas, it was possible to combine 3rd grade products, which have separate customers, in a single storage area and delivery in one place.

- Efficiency was achieved with renovation made to the big-bag machines, reducing air and energy consumption.

- By establishing a vehicle tracking system on vehicles that belong to the contracted supplier in the Marmara and the Aegean region, customers could obtain instant vehicle location information and thus, faster and more reliable delivery.

Effective inventory management

An inventory strategy was created for groups of various materials in order to carry out more effective material stock. Demands of maintenance groups have been met more rapidly with minimum stock levels by conducting material purchases in accordance with these strategies. A measurement methodology was developed to measure the satisfaction of internal customers. As a result, a service coverage ratio of 95% is targeted.

18% increase

Indoor warehouse capacity was increased by 18%.

SALES AND MARKETING

We regard the industrialists as our raison d'être and we grow with them

In 2015, Petkim stepped up its commanding presence in the market thanks to its competitive pricing policy and by analysing developments in the sector and market dynamics, minimum inventory/maximum production as well as its sales strategy.

6,000 customers

As a producer of petrochemical raw materials for around 6,000 industrial organizations, Petkim is growing with its customers.

The best performance for 20 years
The petrochemical industry recorded its highest margins for 20 years in 2015. The weakening of growth in the global economy, the contraction in global trade due to low demand and increasing exchange rate risk, higher margins in the commodity markets were favorable developments especially for naphtha-based petrochemicals producers.

The stable trend and low levels of prices of raw materials, due to a plunge of up to 60% in crude oil prices in the second half of 2014 had a strong impact on naphtha-based manufacturers in the petrochemical industry, paving the way for higher margins. During the year, particularly in Europe, many petrochemical plants paused production, the result being that prices of final products declined by less than the input prices. A narrowing of the margins between the naphtha-based producers and ethane-based producers prevented a sharper decline in prices. In the face of a severe contraction in demand and increased competition on a global scale, the sector set itself apart from many other sectors as a result of its strategy of working with low capacity with limited available inventory.

As a producer of petrochemical raw materials for around 6,000 thousand industrial organizations, Petkim is growing with its customers.
In parallel with the fall in raw material prices, Petkim's product prices also declined in 2015 when compared to the previous year.

In 2015, Petkim stepped up its commanding presence in the market thanks to its competitive pricing policy and by analysing developments in the sector and market dynamics, minimum inventory/maximum production as well as its sales strategy. On the other hand, Petkim achieved record high performance

With a new strategy, starting from customer demand, effective planning of stock, production and sales processes was achieved.

results due to the impact of its high performance from production to sales, brought about by economies of scale that has accompanied the increase in production capacity, the improvements effected following the review of all processes and the efficiency projects. Petkim attained a sales volume of 1,760,000 tons in 2015.

Our market-oriented, customer centered approach is growing stronger.
Petkim's customer centered, market-oriented approach brought success in sales.

Thanks to the first of the main elements of the marketing strategy developed under the quality program, the Customer's Quality System, the Near Prime and the new product/ type development work that was carried out, significant increases in customer satisfaction with respect to quality were recorded in 2015 when compared to 2014. With a new strategy, starting from customer demand, effective planning of stock, production and sales processes was achieved, and by keeping a finger on the pulse of the market, demand trends were reflected to processes and practices.

Important innovations were successfully implemented in the pricing policy, another major component of the customer-oriented sales strategy. In this context, flexible pricing methods were implemented to develop customer loyalty and partnerships. For the small to mid-sized companies that make up a significant portion of customers and who face exchange rate risk and cash flow problems in the global economy, Petkim developed innovations within the framework of the facilities financing program, which is another component of the sales strategy. The FINAR system, launched in 2014, was made more efficient in 2015 with new applications, such as taking credit card sales and an exports insurance system.

Another innovation introduced in 2015 was to present the products to customers in plastic pallet packaging instead of wooden pallets. Plastic pallets, which are lighter than wood pallets, hygienic, reusable and eco-friendly and which comply with international trade regulations attracted a great deal of acclaim in the eyes of customers and the industry.

Petkim, always close to its customers
In the context of promotion and communication activities, which is another element of the sales and marketing, the implementation of new projects to enhance the information and communication channels with customer and partner organizations continued by increasing effectiveness and diversity.

The Petkim Academy, one of the most important projects in this area, continues to provide customers with the knowledge and experience in the sector. The 'e-bulletin', which significantly strengthened Petkim's ties with its customers, addresses an important need which includes key economic indicators, the petrochemical industry news, comment and analysis, new products and technological developments in the sector.

In order to further strengthen the existing relationship with its customers, Petkim continued to organise sectoral meetings, trade shows and customer visits in 2015. In this context, customer visits were improved considerably to enable closer monitoring of technical as well as business issues and to take suggestions from relevant personnel at all levels. In particular, the technical visits which are also organised, where technical units communicate with each other and where domestic production capacity and technical know-how can be shared with customers, represent the most important advantage Petkim offers over its competitors and makes a significant difference in sector. The 'Customer Communication Line (Call Center)' commissioned last year was positioned as a new communication channel that enables customers to reach Petkim more easily.

market-oriented

Petkim's customer centered, market-oriented approach brought success in sales.

R&D and TECHNOLOGY

Our capabilies in R&D and technology bring upon new horizons

With the reactor system project that reduces pollution and, increases efficiency in the Ethylene Dichloride production systems, Petkim's first European patent was added to the intellectual properties in 2015.

6 laboratories

Petkim's R&D Center, which is built on an area of 1,200 m^2 at the Petkim campus, accommodates six laboratories, offices and a 400 m^2 pilot plant.

Petkim R&D Center completes its first year.
The Petkim R&D Directorate was awarded the R&D Center certificate by the Ministry of Science, Industry and Technology on 13 January 2015. Petkim's R&D Center, which is built on an area of 1,200 m^2 at the Petkim campus, accommodates six laboratories, offices and a 400 m^2 pilot plant. Carrying 44 years of R&D culture to the present day, the Petkim R&D Center will concentrate on the petrochemicals, materials, metallurgy and chemicals, plastic and packaging sectors.

The Petkim R&D Center contains Rheology, Catalysts, Polymer Characterization, Environment and Biotechnology, Chemical Analysis and Chromatography laboratories. The R&D Center Pilot Plant has strong equipment infrastructure that has the technology to execute polymer processing, polymerization, and chemical processes.

A total of 42 experienced researchers work at the Petkim R&D Center, including chemical engineers, chemists, biologists, a materials science engineer and an oil and gas engineer. Five of the researchers, who all work full-time, hold a PhD while 9 have a masters degree.

Petkim has gathered coordination of R&D projects and activities under the umbrella of the R&D Coordination Council.

Work on a total of 25 R&D projects continued during 2015, with a focus on process improvement, energy efficiency, product development, polymer additives and environmental issues.

Projects to raise the bar
R&D activities, which are carried out on the basis of a robust infrastructure to move a more efficient Petkim producing higher value-added products forward, focuses on areas of product development, process development, the environment and biotechnology.

With the reactor system project that reduces pollution and increases efficiency in the Ethylene Dichloride production systems, Petkim's first European patent was added to the intellectual properties in 2015.

With support from TÜBİTAK-TEYDEB for two new energy efficiency projects in 2015, work continues on a total of three TEYDEB projects and one SANTEZ Project.

In addition, two new project applications were submitted in the category of energy of the Newton-Katip Celebi Fund EUREKA-UK – call. The evaluation process related to these applications continues. Also under the filed H2020- SPIRE, the call application of one EU project consortium was made and the project received above the threshold award. The European Commission's decision making process on whether or not to support the project continues.

Work on a total of 25 R&D projects continued during 2015, with a focus on process improvement, energy efficiency, product development, polymer additives and environmental issues.

An application was made to the EU Environment Awards with the project of the use of starch-based flocculants for purification of drinking water. The assessment process for the award is continuing.

Petkim applied to the 12th Technology Awards hosted by TÜBİTAK, TTGV and TÜSİAD with two projects, one of which was the SANTEZ Project in the product category, the other being in the process category. The SANTEZ Project was conducted on the production and storage of bacterial cultures used in biological treatment. The second project was the Reactor System Project that prevents pollution in Ethylene Dichloride production system. The evaluation of these projects continues.

Petkim is the sector leader in the Digitization Index.
In 2015, where intensive work in the field of information technology carried out, there was an important development that demonstrated the technological face of Petkim clearly; Petkim has achieved a leading position in the sector, in the Digitalization Index.

Petkim was awarded first place in the Chemicals and Chemical Products manufacturing industry in the Digitalization Index 2015, the international consulting firm Accenture established with the support of Boğaziçi University, the Middle East Technical University, the Turkey Informatics Foundation and Vodafone in 2015.

Carried out under a scientific approach and a systematic methodology, the study covering 17 sectors also analyses the impact of digitalization on our company's profitability. The Accenture Digitalization Index is an indexing study that measures companies' digital competence and their place in the digital transformation journey in areas such as production, internal operations and service channels that reach customers.

Network and Hardware operations in 2015
Within the scope of the network and hardware operations;

- Work was done to help avoid disruption in business processes backing up of Core Switch.
- A wireless network system was established in all buildings.
- All servers where there are PHD and WORKCENTRE system, have been revamped with high-performance servers.
- IT tech equipment has been renewed to respond to the growing needs of mobile working.

SAP Projects
Within the scope of 2015 Information Technology activities, an array of studies were conducted for the installation and integration of SAP system and modules in different processes and/or newly established companies. The work included the following;

- Setting up the ERP of the newly established Petkim Engineering Plastics Specialities, including all SAP modules,
- Setting up the ERP of the newly established SOCAR Teknolojik Çözümler A.Ş. including all SAP modules,
- The setting up of the SAP EHS (environment, health and safety) module,
- SAP system integration studies with port and customs processes, and
- SAP mobility studies

Information Technology Coordination work
Petkim's Information Technology Unit participates in regular meetings with SOCAR Turkey Enerji A.Ş. group of companies in the context of IT coordination studies each month. During the coordination studies, work on integration with the SOCAR Group companies is performed, and the necessary support is extended for the implementation of SAP projects and software that Petkim previously had in the SOCAR Group companies.

SAP dashboard reporting was successfully implemented by undertaking necessary integration work in Petlim and Petkim.

The structure of the LMS (Learning Management System), implemented in SOCAR, was examined and is projected to enter operation at Petkim. Primarily, the e-learning phase will be implemented within the scope of the Petkim LMS project.

Engineering plastics and high-tech chemicals
With 50 years of knowledge and experience in human resources, Petkim, which is focused on the recent capacity increases as well as value-added products, has brought its orientation together with the growth strategy in different areas, and established Petkim Specialities.

Petkim Specialties Mühendislik Plastikleri Sanayi ve Ticaret A.Ş., a 100% owned subsidiary of Petkim, will produce engineering plastics and high-tech chemicals. The market, which is dominated by imported products in Turkey, has a volume of approximately USD 850 million.

Petkim Specialities will specialise in high added value products (masterbatch, compound) to be produced for sectors such as packaging, plastics, automotive, defence, medicine and information technology, areas that are mainly met through imports.

The Plastics Processing Plant assets within the Petkim organization, with a production capacity of 14,000 tons, will also be used in Petkim Specialities. In addition to this capacity, by procuring new machinery and equipment with a capacity of 10,000 tons, the capacity will eventually reach 24,000 tons. In this context, Petkim plans to invest USD 5 million in the plant, in addition to the existing investments.

Petkim Specialties, which will start building the new facilities in the second half of 2016, aims to start its production of technological plastics in the last quarter of the year.

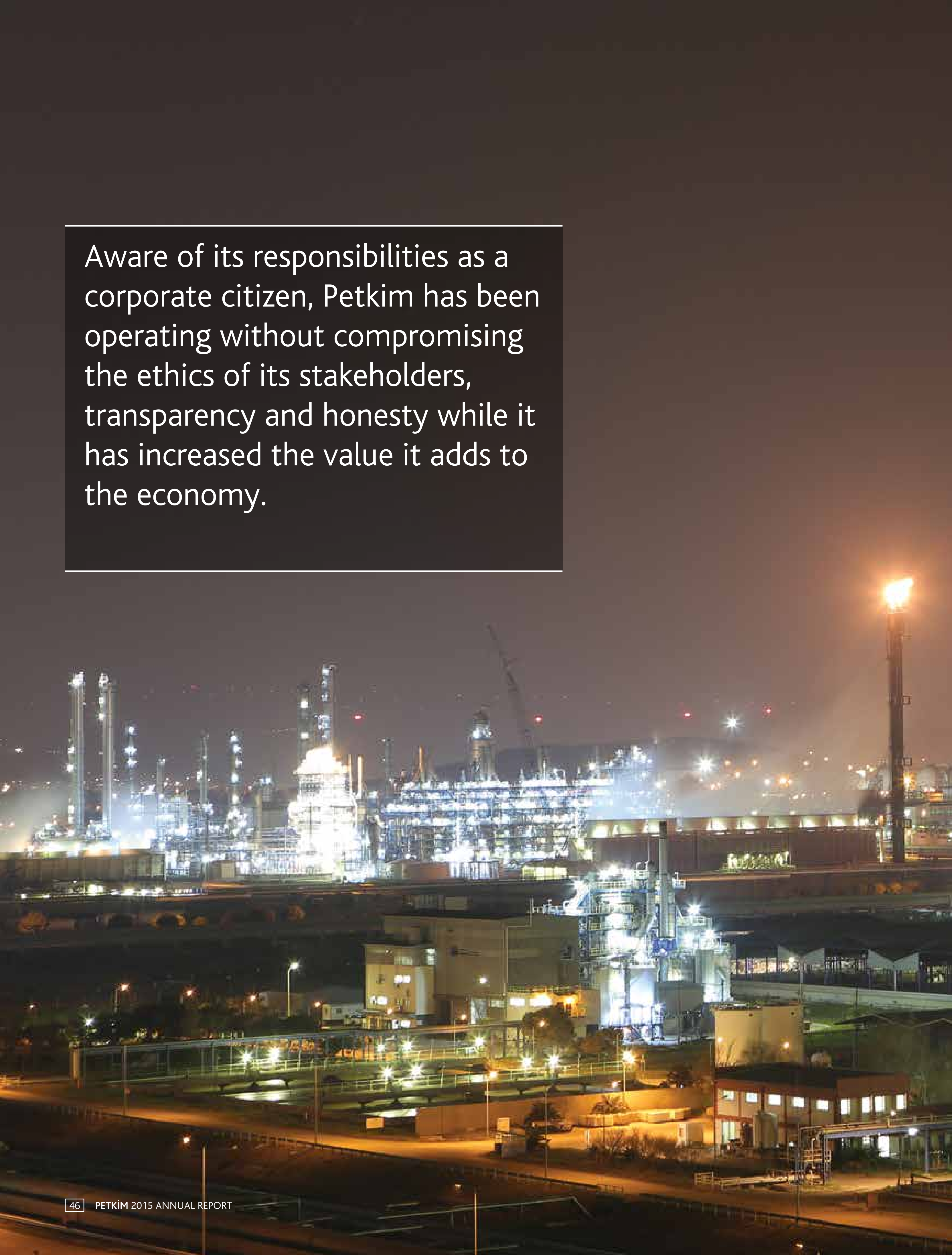
Digital

Petkim has become the leader of its industry in the Accenture Digitalization Index.

Petkim Specialities

Petkim Specialities will specialise in high added value products (masterbatch, compound) to be produced for sectors such as packaging, plastics, automotive, defence, medicine and information technology, areas that are mainly met through imports.

Aware of its responsibilities as a corporate citizen, Petkim has been operating without compromising the ethics of its stakeholders, transparency and honesty while it has increased the value it adds to the economy.



SUSTAINABILITY

We set ourselves apart with our care for the future

Petkim sets itself apart with a corporate identity whose concept of sustainability has adopted dedication and determination in all aspects.

9.03

Petkim's Corporate Governance Rating was revised to 9.03 (90.3%) as of 19 August 2015.

Petkim's Sustainability Vision
Companies in Turkey have grown acutely aware of the concept of sustainability in recent years, and action has been taken in accordance with the lines of business. The petrochemicals sector is one of the most important when it comes to sustainable development. Industrially developed countries are, at the same time, the world's leading petrochemical producers. Petkim's products are used as raw materials in the most important sectors of Turkish manufacturing industry. This production and value-added chain is one of the key elements of sustainable development.

Aware of its responsibilities as a corporate citizen, Petkim has been operating without compromising the ethics of its stakeholders, transparency and honesty while it has increased the value it adds to the economy. In addition, the company sets itself apart with a corporate identity whose concept of sustainability has adopted dedication and determination in all aspects in order to minimize the environmental impact of its activities. This is in accordance with the company's vision of the future and to contribute to the environment, always act with sensitivity towards the occupational safety and health of workers and to provide the maximum contribution to society through social responsibility projects.

With its work on the basis of the perception of sustainability, Petkim became one of the 15 companies listed on the BIST Sustainability Index in 2014.

Petkim in the BIST - Sustainability Index
With its work on the basis of the perception of sustainability, Petkim became one of the 15 companies listed on the BIST Sustainability Index in 2014. After a review conducted in 2015, the company was included in the index again and maintained its success.

Petkim's Corporate Governance Rating was increased in 2015.
As a result of a study conducted by the Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate), which is authorized to perform rating activities in accordance with the Capital Markets Board (CMB) Corporate Governance Principles, Petkim's Corporate Governance Rating, which had stood at 9.01 (90.1%) was revised to 9.03 (90.3%) on 19 August 2015.

The Corporate Governance Rating was determined by weighing the results of the evaluation in accordance with the Capital Markets Board (CMB) Corporate Governance Principles under four main headings (Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors).

The breakdown of the main topics of the Corporate Governance Rating is given below.

Main sections	Note (%)
Shareholders	90.89
Public Disclosure & Transparency	93.67
Stakeholders	95.98
Board of Directors	85.16
Total	**90.3**

Human Resources

A corporate culture acting with common sense adopted by the human resources
The main thrust of Petkim's HR policy is to create the intellectual capital of the future by constantly improving the Company's workforce, by passing on our know-how and experience. Within this approach, Petkim aims to become the most attractive employer in the sector for young people. Petkim runs scheduled training programs to provide the relevant know-how, experience, and skills to empower its employees to be more successful in their jobs.

Petkim also strives to create a flexible and efficient working environment—one in which the company will always meet its targets—and one that instils a positive outlook for the future in highly-motivated and skilled employees. At the same time, the company attaches importance to occupational safety and professional discipline concerns and norms, which engender social and environmental responsibility as well as respect for our corporate values.

Adopting the principle of investing in qualified human resources, Petkim recruited 260 new employees in 2015 in line with its growth targets. As of the end of 2015, a total of 2,471 people were employed at Petkim; of which 553 were white-collar and 1,918 blue-collar. Petkim, which has unwaveringly maintained its active employment policies, also considers this to be a part of its corporate social responsibility.

Petkim shares its know-how in petrochemicals with all industrial institutions at the Petkim Academy.
As the producer of raw materials for Turkey's petrochemical industry, Petkim provides the know-how, leadership, and experience that it has gained over the past 50 years to all of its stakeholders and all industrial institutions, as well as its employees in the context of Petkim Academy Project, within an academic structure.

260

Petkim recruited 260 new employees in 2015.

In addition to providing strong support to the Company's career management system, the Petkim Academy brings employees, customers and sector institutions together in numerous training and development programs.

50 hours

In 2015, Petkim Academy provided Petkim employees an average of 50 hours of training.

Established to meet the sectoral-based training and development demands of technical and management positions such as those of foremen, technicians, engineers and managers, the Petkim Academy includes an on-site technical training school and a school of personal development, with competent internal trainers providing training programs which are designed in cooperation with the management of industrial institutions, and which are developed in line with market strategies and techniques, and taking consideration of quality, production, and maintenance restructuring.

In addition to providing strong support to the Company's career management system, the Petkim Academy brings employees, customers and sector institutions together in numerous training and development programs.

All newly recruited staff receive a 2-day "Orientation" program which includes an introduction of Petkim, and environmental, Integrated Management System, Administration, Security, Information Security Management System, technical and fire safety training.

Trainees start working by completing the employment guaranteed workforce training program in production and maintenance departments. The training, provided to groups of 20 people on average over a period of 38 working days, is conducted in collaboration between Petkim, İSKUR and Katip Çelebi University. Trainees then receive On-The-Job Training Programs, lasting for 3-4 days, and trainees are supported in their preparation to start work.

Employees are offered 16 hours of HSE (Health-Security-Environment) Training, in accordance with legislation. Some of this training takes place through e-learning training.

Petkim Academy Schools implement sectoral-based continuous training for suppliers and customers. The Petkim First Aid Training Center, which holds a certificate of eligibility from the Izmir Provincial Health Department, provides a high standard of first aid training with its experienced staff, most of whom are physicians.

The Petkim Academy Fire Safety Center conducts fire safety training in the areas of practical education, predominantly to meet the needs of institutions in the region.

Technical visits to the facilities and internship programs, which are provided to vocational school and university students within the framework of Petkim's social responsibility approach, are managed by the Petkim Academy.

In line with the existing cooperation agreements with Azerikimya, Azerikimya employees come to Aliağa and participate in on-site applied training programs. SOCAR Summer School students come to Petkim for training purposes during the summer period.

The Petkim Academy Application Center was opened within the Petkim Academy. Hands-on technical training is provided in this Center by demonstrating aromatics on ACN, LDPE and PE plant models with mechanical equipment (heat exchangers, compressor rotors), electric motors, control valves and transformers.

In 2015;
- Petkim employees received an average of 50 hours of training within the Petkim Academy Technical Training School and Personal Development School.
- Technical Training School instructors carried out training for 23 individual technical issues for manufacturing factories. The scope of the training program has been enriched with four newly added topics. Each session is estimated to have 20 employees, while employees of the STAR Refinery were also included in this training program.
- Six Azerikimya employees came to Aliağa and participated in the field application training.
- Within the framework of cooperation agreements with various universities and vocational schools, Petkim offered internship opportunities to 279 students in the summer term, and a further 74 students in the winter term, over a period of 8 months.

Petkim ranked first in energy efficiency.
Petkim, high energy-consuming in the production process, attaches great importance to Efficiency Increasing Projects (EIP) which reduces energy costs. To this end, the company currently has several projects under development, where employees are encouraged to take part in projects. These projects have won awards at a national level.

Eleven Efficiency Increasing Projects (EIP) were carried out during 2015 with the support of grants from the Ministry of Energy and Natural Resources and General Directorate of Renewable Energy, with six of these projects completed. A total of TL 379,000 in grants will be extended to these projects.

A total of 14 Energy Efficiency Projects were completed in 2015 and work on 29 projects is currently underway. The 14 completed projects will enable savings of 3,906 TEP.

The energy efficiency projects carried out in power plant and in the factories in Petkim over the last 10 years resulted in a 20% improvement in per unit energy consumption.

Petkim received first prize in the Industrial Energy Efficiency Project Competition (SENVER-16) organized by the General Directorate of the Renewable Energy of Ministry of Energy (YEGM) participating with a total of eight selected energy efficiency projects chosen from the LDPE, Ethylene, Aromatics, ACN and LDPE-T plants.

This competition is held in the category of SEVAP-3 (50,001 TEP and higher) which evaluates the projects undertaken by industrial enterprises to increase the energy efficiency of their current systems.

System and Process Effectiveness Studies

These studies are focused on work to increase profitability with End-To-End Value Chain Management.
In 2015, the communication and coordination infrastructure of different functions were strengthened to enable them to work in harmony as a team and in an agile manner, while placing priority on the End-To-End Value Chain Management point of view in macro and micro scales, to maximize profitability and create more value.

Also in the changing conditions of today's business world, more agile and analytical decision-making mechanisms have been developed to remain firmly standing with a focus on profitability. Work on increasing the awareness of profitability in all units, mainly technical units, was carried out.

The Petkim employee suggestion system, Fikrimce (In My Opinion), was developed and the continuity and sustainability of the improvements was ensured.
A wide variety of activities continue within the scope of the Petkim Opinion Management System, "Fikrimce", with the aim of adapting quickly to changing conditions, to produce innovative solutions in the current business environment, to encourage creativity in starting using the new methods, and to continue with unique and special methods.

The Idea Evaluation Board, that convenes regularly every month, closely monitors developments by working with the authorities to conduct timely evaluations. The e-Committee module continued to be used as a tool for rapid decision making during the evaluation and implementation stages of the proposals.

8 energy
efficiency projects

Petkim received first prize in the Industrial Energy Efficiency Project Competition (SENVER-16) participating with a total of eight selected energy efficiency projects chosen from the LDPE, Ethylene, Aromatics, ACN and LDPE-T plants.

6 management systems

The Petkim Integrated Management System consists of six management systems.

The Blue Room enabled faster results to be obtained in a special work environment that supports the incubation process of ideas.
Four Blue Room studies were carried out at Petkim in 2015. Teams selected from Fikrimce participants present ideas generated in accordance with the topic of the day, then production, research, design and cost-benefit analysis studies are completed, and presented to a jury consisting of senior management on the same day. The ideas approved by the jury during the day are transferred to the platform 'Fikrimce', and submitted to the relevant technical facility for further evaluation.

Four campaigns in four different subject areas were organized within the company in 2015, where all employees–both white-collar and blue-collar employees–were allowed to focus on the strategic issues identified.

The Traditional Fikrimce "Best" of the Year award ceremony was held with the participation of a large number of employees on 30 September 2015 at the Petkim Poolside.

Integrated Management System and Quality Work

Performance and management system activities are carried out in the framework of the new organization, which was created in 2015.
Within the scope of performance management system activities;
- Individual and corporate performances are managed.
- All CPA (Corrective and Preventive Actions) opened within the institution are tracked and reporting is provided to the senior management on a monthly basis.
- Coordination of the CSA (Current Situation Analysis) and SP (Strategic Plan) work with the functions directly linked to Deputy General Manager and General Manager is carried out.
- QDMS Document Management System Software management is carried out.

In 2015;
- Actions was taken to improve the existing system by evaluating feedback received from employees given following workshops.
- 'Performance Management Feedback Training' was given to all managers and employees in higher positions within the scope of Performance Management.
- Also, Interim Evaluation of Performance was carried out for all white-collar employees in an electronic environment for the first time.

Petkim Port awarded the Greenport Certificate
As a result of the audit carried out by the Directorate General of Merchant Marine and TSI (Turkish Statistics Institute) in Petkim Port on 17-18 September 2015, Petkim Port was awarded the Greenport Certificate.

The Petkim Integrated Management System audit consisting of six management systems resulted in success. Petkim operates with an approach of Total Quality Management and holds quality, environment, occupational health and safety, energy, and customer satisfaction management system certificates. Integrated Management System activities continued in 2015.

Tests performed by 13 auditors from Ankara and Izmir regions of Turkish Statistics Institute between 23-27 November 2015 were completed successfully.
- ISO 9001:2008 Quality Management System (recertification)
- ISO 14001:2004 Environmental Management System (recertification)
- OHSAS 18001: 2008 Occupational Health and Safety Management System (recertification)
- ISO 50001:2011 Energy Management System (recertification)
- TS/ISO 10002:2006 Customer Satisfaction Management System (supervision)
- ISO 27001:2013 Information Security Management System (supervision)

Over the last 13 years, Petkim has allocated more than USD 210 million in resources for environmental investments. The company cares for the environment in all its investments.

Corporate Social Responsibility
Petkim considers its investments in the environment, nature, people and the future, to be an indispensable element of its vision and competitive structure.

Over the last 13 years, Petkim has allocated more than USD 210 million in resources for environmental investments. Its smoke stacks, which generate a high level of thermal power, are open for audit on a 24/7 basis for audit by the Ministry of Environment and Urbanization and the results have been monitored online since 2011.

Petkim has been listed on the BIST Sustainability Index since November 2014.

Petkim's environmental awareness also manifested itself in afforestation efforts. A total of 1,200 olive trees in the STAR Refinery, STEP Power Plant, and Petlim Container Port feedback area were planted in the Petkim Atatürk Olive Grove in Yenişakran, and in the 60-decare area next to Penal Institutions Campus, with the contribution and help of the Menemen Forest SubDistrict Directorate teams and Petkim 50th Anniversary Olive Grove was created.

In the the licensed dumping area of the STAR Refinery in Aliağa, 14,150 saplings were planted on a total of 228,000 m^2 plot in the Village of Guzelhisar. The third of the Heydar Aliyev Friendship and Remembrance Forests, the previous phases of which were established in 2010 and 2011 in Yenifoca, was established near Orlemiş Village, Yenisakran.

Our Company management and employees visited Kinik and Soma several times after the 301 mineworkers lost their lives on 13 May 2014 in the Soma mine disaster, and shared the grief of their families.

SOCAR was the platinum sponsor while Petkim was the gold sponsor in the social responsibility campaign 'Plastics Turning Into Homes' launched in 2014 by the Plastics Industrialists Association. The Campaign emphasizes that all plastic waste (plastic yogurt and cheese containers, plastic bottles and caps, detergent bottles, old plastic toys, plastic carboys which have lost its function, plastic hangers, etc.) are in fact valuable raw materials whose import into our country results in significant economic loss, because of the scarcity of production in our country. Furthermore, it is also emphasized that significant economic and environmental value can be generated by recycling waste plastic, which can be recycled many times.

The Heydar Aliyev Technical and Industrial Vocational High School, built by our company in Aliağa, opened its doors in the 2012-2013 academic year and will produce its first graduates next year. Constructed for approximately TL 16 million, the school - which educates 720 students - was designed as a campus on a 22,000 m^2 plot with its education buildings, student hostel, cafeteria and conference hall. Offering 5-star hotel comfort and a university campus structure, the Heydar Aliyev Technical and Industrial Vocational High School, could be considered as the most beautiful school not just in Izmir Aliağa but also in the whole of Turkey, as well as being one of the most important symbols of the brotherhood that exists between Turkey and Azerbaijan.

14,150 trees

14,150 saplings were planted on a total of 228,000 m^2 plot in the Village of Guzelhisar in Aliağa.

INVESTOR RELATIONS

Having qualified to be included in Borsa İstanbul Sustainability Index in 2014, Petkim remained in the Index upon the review conducted in 2015.

TL 1.5 billion

Issued capital of Petkim was raised to TL 1,500,000,000.

Petkim continued to be included in the Sustainability Index in 2015.
Having qualified to be included in Borsa İstanbul Sustainability Index in 2014, Petkim remained in the Index following the review conducted in 2015.

The Corporate Governance Rating assigned to Petkim was upgraded once again in 2015.
As a result of the rating performed in accordance with the Corporate Governance Principles of the Capital Markets Board of Turkey (CMB), Petkim's Corporate Governance Rating was upgraded once again this year, and increased to 9.03 (90.3%).

Petkim stock outperformed the BIST 100 Index by 39%.
Despite the volatilities and shifts in the financial markets in 2015, Petkim stock performed solidly in the reporting period and outperformed the BIST 100 index by 39% owing to the Company's high profitability, robust cash position and the trust built before its investors.

Issued capital of Petkim was raised to TL 1,500,000,000.
The process initiated on 9 December 2015 to increase Petkim's issued capital from TL 1,000,000,000 to TL 1,500,000,000 to be fully covered from internal funds was brought to completion with the relevant registration on 25 January 2016. Adhering to world-class corporate governance and investor relations practices and nurturing a deep sense of social responsibility, Petkim devotedly works to enhance customer satisfaction and to increase shareholder value.

In line with the CMB's requirements, an Internal Audit and Investor Relations Coordination unit was set up in the Company as at 31 May 2013, which reports to the General Manager.

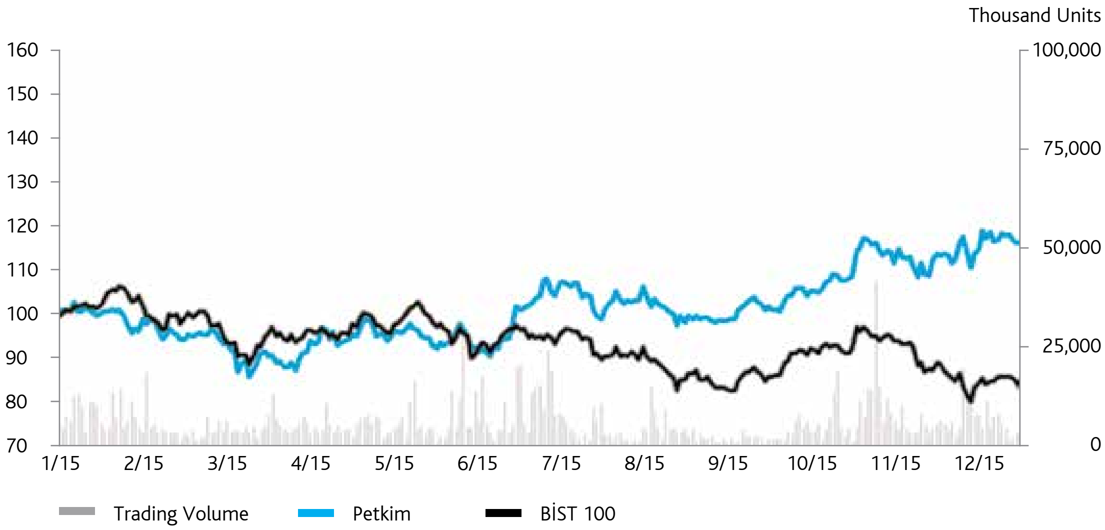
The Coordination unit is responsible for fulfilling the obligations stemming from the Capital Market legislation, performing internal audit activities, coordinating corporate governance practices, and handling relations with investors. The Internal Audit and Investor Relations Coordination also ensures compliance with the legislation, the Company's Articles of Association and other internal guidelines in the exercise of shareholder rights at Petkim, takes necessary steps for ensuring exercise of such rights, reports to the Board of Directors as required by its job description, strengthens the Company's capability to achieve alignment with the CMB legislation, and handles relations with investors, analysts and capital market regulators.

During 2015, the Internal Audit and Investor Relations Coordination received a monthly average of 50 information requests by email and phone, and responded to all of them. In the reporting period, a total of eight investor information meetings were organized, including one analysts meeting and three teleconferences, whereby top management informed the investors about the Company's financial position, strategies and operations.

While the BIST 100 index went down 16% in 2015, Petkim stock went up 16%, outperforming the BIST 100 index by 39% relatively.

STOCK PERFORMANCE:
Thanks to solid financial results that responded to shareholder expectations and the increased demand for our Company stock, Petkim stock outperformed the market in 2015. While the BIST 100 index went down 16% in 2015, Petkim stock went up 16%, outperforming the BIST 100 index by 39% relatively.

STOCK PERFORMANCE IN 2015



Contact information of the Internal Control and Investor Relations Executive Directorate is as follows:
Internal Control and Investor Relations Executive Directorate Tel: (+90 232) 616 12 40 /3444 - 2501 - 4438
E-mail: yatirimci.iliskileri@petkim.com.tr
investor.relations@petkim.com.tr

AGENDA

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF PETKİM PETROKİMYA HOLDİNG A.Ş. RELATED OPERATION YEAR 2015

1. Opening and composition of the Meeting Presidency,
2. Reading, discussion and approval of the Activity Report of the Board of Directors for the operation year 2015,
3. Reading the report of the Auditor pertaining to operation year of 2015,
4. Reading, discussion and approval of the financial statements pertaining to operation year of 2015,
5. Release of the Chairman and members of the Board of Directors on account of their activities and account for the operation year of 2015,
6. Discussion of the proposal of the Board of Directors on the usage of the profit pertaining to the operation year of 2015, determination of the declared profit and dividend share ratio and taking a resolution thereon,
7. Re-election or replacement of the members of the Board of Directors, whose terms of office have expired and determination of their term,
8. Determination of the monthly gross remunerations to be paid to the members of the Board of Directors,
9. Election of the Auditor pursuant to the Turkish Commercial Code,
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 2016,
11. Informing the Shareholders on the aid and donations granted by our Company within the operation year of 2015,
12. Taking a resolution on the limit of aid and donation of our Company that will be made up to the Ordinary General Assembly Meeting for 2016 accounts pursuant to the article 19 clause 5 of the Capital Markets Law (CML),
13. 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),
14. Granting the Members of the Board of Directors authorization to perform the transactions provided for in Articles 395 and 396 of Turkish Commercial Code,
15. 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 in the year 2015 and of any benefits or income thereof,
16. Wishes and closing.

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) that I do not not work full-time in public agencies

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.

22/02/2013

Name/Surname: İlhami ÖZŞAHİN

ID No: 183 293 636 90

DECLARATION OF INDEPENDENCE

I declare that I am a candidate of "Independent Member" in Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) in accordance with criteria contained in Corporate Governance Principles regulated in the Capital Market Board's Corporate Governance Communique No (II-17.1) that was promulgated in the Official Gazette no: 28871 dated 3 January 2014, Articles of Association and applicable legislation

In this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all related parties that:

a) No employment relationship has been established during the last five years between me, my spouse and my relatives by blood or marriage up to second degree and the company, partnerships which the company controls the management of based on Turkish Financial Accounting Standards 10, or, has material influence over based on Turkish Accounting Standards 28, or shareholders who control the management of or have material influence over the company and legal entities which these shareholders control the management of, which has caused me to assume important duties and responsibilities in an executive position nor have I/we individually or jointly held more than 5% of the capital or voting rights or privileged shares in or established a material business relationship with the same,

b) I was not a shareholder of (5% and more) nor held an executive position which would cause me to assume important duties and responsibilities or officiated as a board member, during the last five years, in any company from or to which the company purchases or sells a substantial quantity of services or products based on agreements made, during the periods these services or products were sold or purchased including especially those companies which carry out audit (including tax audits, legal audits, internal audits), rating and consultancy services for the company,

c) 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.

d) I am assumed to be a resident in Turkey in accordance with the Income Tax Law dated 31.12.1960, numbered 193;

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

f) I am able to spare enough time so as to follow the Company's activities and to fully perform the tasks that I have undertaken or the representation tasks I am assigned by the Board of Directors,

g) I did not officiate as a board member at the board of directors of the company for longer than 6 years during the last ten years,,

ğ) I am not officiating as an independent board member with more than three of the companies which the company controls or shareholders that control the management of the company control the management and in total more than five of the companies which are traded on the stock exchange

10/02/2015

Name/Surname: Mehmet Emin BİRPINAR

ID No:: 35920575130

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".

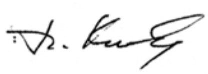
g) I am considered a resident of Turkey in accordance with the Income Tax Law.

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.

22/02/2013



Name/Surname: Hulusi KILIÇ

ID No: 641 712 380 68

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

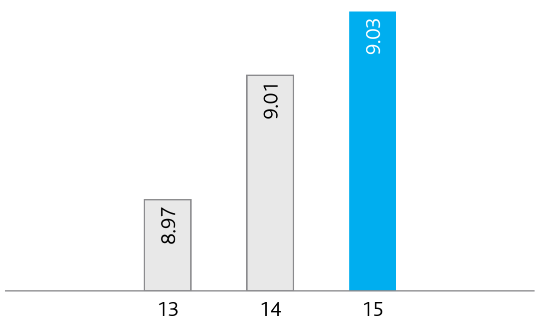
In corporate governance practices, the Company makes the utmost effort to comply with the Corporate Governance Principles (the Principles) of the Capital Markets Board (CMB). In areas where compliance cannot be met, Petkim provides reasons for the failure to comply and announces precautions taken against 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, 2013, 2014 and 2015. The Company increased its credit rating to 9.03 in 2015, up from 9.01 the previous year. Petkim's 2015 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.

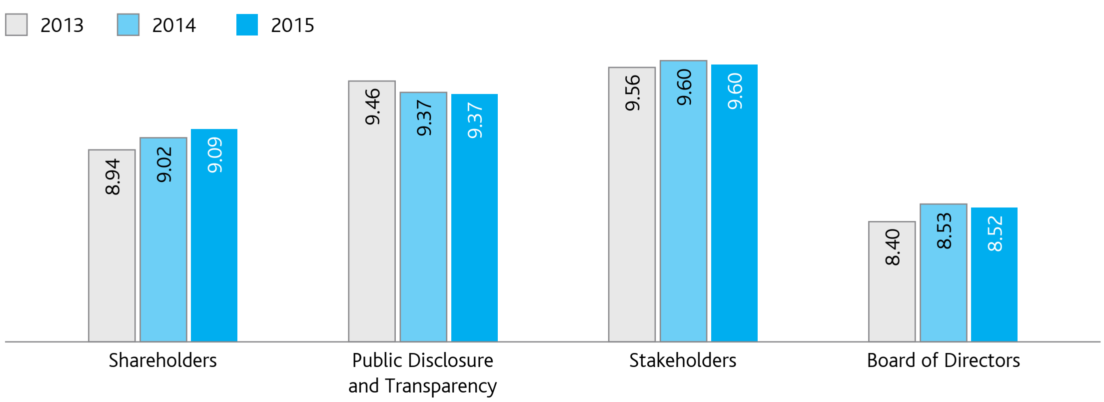
In line with the relevant CMB directive on the matter, Petkim's corporate governance rating was calculated via an assessment carried out under four weighted categories (shareholders, public disclosure and transparency, stakeholders, Board of Directors). The detailed report can be accessed via the corporate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

During the year 2015, 40 material event disclosures were made to BIST in accordance with the CMB's Communiqué on Public Disclosure of Material Events. No additional information was requested by the Capital Markets Board and BIST for the announcements made for material events. The Capital Markets Board has not imposed any sanctions on the Company caused by any non-compliance to material event disclosures. The material event disclosures are regularly sent via e-mail to domestic and foreign investors by the Investor Relations Unit. All of the Company's material event disclosures were made in a timely fashion. In the period of time from the close of the fiscal year until the date of the general assembly meeting where related financial statements will be discussed, the Company's capital increase from TL 1,000,000,000 to TL 1,500,000,000 to be fully covered from internal funds based on the Board of Directors decision dated 8 December 2015 has been registered on 25 January 2016.

CORPORATE GOVERNANCE RATING



CORPORATE GOVERNANCE RATING



a) Compulsory Principles that we fail to implement

None.

b) Non-compulsory 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.
- The company shall determine a target rate that is not to be less than 25% and a target time for woman representation on the Board of Directors, and devise a policy to achieve these goals: 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, İzmir.
- An insurance policy is to be obtained at a sum insured of 25% in excess of the company capital against losses that board members may cause to the company by reason of their faults in the performance of their duties: The matter is being evaluated by the Company.

There are no conflicts of interests arising from not fully complying with these principles.

Activities in the Period for Compliance with the Principles

Company's website provides up-to-date information and is effectively used as a public disclosure tool.

Annual report was reviewed and necessary revisions were made in terms of fully complying with the principles.

Information policies were revised, and approved at the General Assembly, and publicly announced on electronic platform.

Company's profit distribution policy revised within the scope of the CMB Communiqué on Dividends n.II-19.1, was presented to the approval of the General Assembly.

At the General Assembly the rules on the following issues were abided by: 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.

SECTION II: SHAREHOLDERS

2.1. Investor 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 scope of the 11th Article of the Corporate Governance Communiqué n.II-17.1. of the Capital Markets Board; at our Company the Investor Relations director is Mustafa ÇAĞATAY who has a Corporate Governance Rating Specialist License (license n.700269) and a Capital Market Activities Advanced Level License (license n.203652). İlkay ÇETİN is a member of our Investor Relations Department.

The report of the Investor Relations Department regarding the activities it carried out within period was presented to the Board of Directors on 31 December 2015.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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, Borsa İstanbul and the Central Registry Agency (CRA),
- To organize Material Event Disclosures 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.

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

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 (Supervisor)

Phone: +90 232 - 616 12 40/4438

E-mail: icetin@petkim.com.tr

In 2015, our investors were informed through teleconferences, investor conferences and our web page. In the reporting period, a total of eight investor information meetings were organized, including one analysts meeting and three teleconferences, whereby top management informed the investors about the Company's financial position, strategies and operations.

During the year 2014, approximately 50 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.

2.2. 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 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.

2.3. General Assembly Meetings

During 2015, the Company convened three General Assembly meetings, two extraordinary and one ordinary. Detailed disclosures related to the respective meeting and agenda items were posted on PDP prior to the General Assembly meetings.

In the Company's:

- **Extraordinary General Assembly meeting held on 20 February 2015, the amendment to the Articles of Association was ratified, which related to conversion of Group (B) shares into Group (A) shares and to divide the Company shares into two groups as (A) and (C);**
- **Extraordinary General Assembly meeting held on 6 March 2015, the amendment to the Articles of Association was ratified, which related to bringing the Company's Articles of Association into alignment with the energy market legislation;**
- **The Extraordinary General Assembly meeting held on 20 February 2015 at 13:30 hours at the Company headquarters in Aliağa, İzmir was registered on 23 February 2015;**
- **The Extraordinary General Assembly meeting held on 6 March 2015 at 13:30 hours at the Company headquarters in Aliağa, İzmir was registered on 9 March 2015.**

The 2014 Ordinary General Assembly Meeting was held at the headquarters of the Company in Aliağa, İzmir on 30 March 2015 at 13.30. The meeting was registered in 3 April 2015 and announced in the Trade Registry Gazette n. 8796 on 8 April 2014. 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 28 August 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 no. 28396 dated 29 August 2012.

All shareholders/stakeholders and the media organs were invited to the 2014 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 65,671,899,996 (65.67%) shares and 185 stakeholders attended the meeting by proxy while 5 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.

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 PDP as a "Material Event 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 at PDP via a material event disclosure, 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.

A suggestion was electronically conveyed as a dissenting opinion relating to agenda item no. 7 in the 2014 General Assembly, and the response to the same was given in the wishes and closing section.

Within the period, there were no transactions left to the General Assembly for resolution due to majority of the independent members of the Board of Directors casting negative votes in cases where affirmative votes of the majority of the independent members of the Board of Directors is required for the Board of Directors to take a decision.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Our Company's majority shareholders (who control the management of the Company), Board of Directors' members, managers who have administrative responsibilities, and their spouses and blood relatives and relatives by marriage up to second-degree did not make any important transaction with the Company or its associate companies which may lead to conflicts of interest and/or did not make any transaction, related to a commercial business that is within the scope of the Company's or its associate companies' field of activity, for their own account or for the account of others or did not become unlimited partners in other companies carrying out similar commercial businesses.

The resolutions adopted in the Ordinary and Extraordinary General Assembly meetings convened in 2015 have been carried out during the year. There are no unfulfilled decisions related to the matter.

The Company provided detailed information to shareholders about the aids and donations made during 2014 in the information document made available prior to 2015 Ordinary General Assembly meeting. Furthermore, the matter was included in the Ordinary General Assembly agenda, and information was provided to shareholders during the General Assembly.

In 2015, our Company donated TL 250,671 to students attending Heydar Aliyev Vocational High School, and our subsidiary Petlim donated TL 150,000 for the mining disaster that occurred in Soma.

2.4. 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. Group C share enjoys a privilege in making nominations to the Board of Directors.

Furthermore, the validity of the Board of Directors decisions taken about the issues specified in the 15th Article of the Articles of Association of our Company, depends on the affirmative votes of the Group C shareholders.

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.

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.

Furthermore, according to the 30th Article of the Articles of Association of our Company; shareholders who have at least one twentieth of the Company capital may ask the Board of Directors to make a call for the General Assembly – provided that they specify the necessary reasons and the agenda in writing – or if the General Assembly is already going to convene, they may ask the Board of Directors to add the issues they request to be resolved on the agenda.

2.5. 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 79 of the annual report and on the corporate web site (www.petkim.com.tr) under the link: Investor Relations/ Corporate Governance /Profit Distribution Policy.

Our Company's Board of Directors did not distribute dividends in 2015 since no distributable profit will remain after legal reserves are set aside as per legal requirements out of the Net Profit for the Period in the amount of TL 8,678,766 that descends in 2014 Consolidated Financial Statements drawn up under the provisions of the CMB Communiqué Serial: II-14.1.

2.6. 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- Apart from the shares traded in the stock exchange, validity of the transfer of registered shares is subject to the approval of the Board of Directors. Affirmative vote of the Members of the Board of Directors elected to represent Group C shares is required in order for the Board of Directors to approve the share transfer.

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.

During the term of the preliminary license obtained from the Energy Market Regulatory Authority (EMRA) until the generation license is obtained, the Company's shares or shares certificates may not be transferred and/or no acts and actions may be carried that will result in the transfer of shares or share certificates or lead to direct or indirect change in the Company's shareholding structure, save for by reason of inheritance or bankruptcy and the exceptions specified in Article 57 of the Electricity Market Licensing Regulation.

Once the generation license from the EMRA is obtained, it is obligatory to seek EMRA's advance approval in each instance for transfer of shares or share certificates that result in the change of control in the Company's shareholding structure, independent of the changes in capital interest mentioned above and independent of acquisition of shares representing five percent or more of the Company's capital directly or indirectly by a real or legal person.

The provisions of the Capital Market legislation are reserved.

SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Web Site and Contents

The Company actively uses its corporate website (www.petkim.com.tr) 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 material event, 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.

3.2. Annual Report

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

SECTION IV: STAKEHOLDERS

4.1. Provision of Information to Stakeholders

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

In 2015, Petkim increased the effectiveness of the various implementations that it has launched and practiced in the previous years for diversifying and enriching information and communication channels in order to be closer to its customers. These activities are summarized below.

Within the scope of the Personal Development School and Technical Training School programs run by Petkim Academy that was established in 2013 to channel Petkim's know-how and experience in the sector to its customers; face-to-face industrial, technical and security trainings were given needed for the staff employed at any level by our customers and by our Company, besides the training programs required for the Company personnel.

The monthly Petkim e-bulletin that was launched as our Company's corporate publication in 2013 reached its 32nd issue in December 2015. The bulletin serves as a tool to convey to our customers various news and information such as key economic indicators, latest news from the petrochemical market, analyses and price information, national and international legislation governing the sector (REACH, CLP, etc.), new investments, new products and technological developments.

The effectiveness of the 'Customer Communication Line (Call Center)' that was launched in 2013 for our customers to reach Petkim more easily, was way ahead of the anticipated level in 2015, and thus it became one of the fastest and most effective communication tools between our Company and our customers.

Within the scope of our customer oriented sales and marketing policy, in the first external control (TSEK) that was performed in our TSE-ISO 10002 certified (certification obtained in 2013) Customer Complaints Management System, all our implementations' compliance with the standards was controlled. The certification was extended for another two years due to the good practices recorded.

In order to reinforce its position in the market and to strengthen its relations with its customers, in 2015, 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.

Our Company aims to maintain a long-lived and harmonious working relationship based on mutual trust, transparency and openness with our suppliers from which we procure the goods and services required for our production.

In addition, our Company establishes and builds on cooperation with suppliers, civil society organizations and educational institutions to derive benefits for all parties involved, to exchange support for shared causes, to co-create value, and to further their skills and competencies.

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 2015, among the suppliers in the goods/services group A-B;

- 381 suppliers of our Company in the country were invited to participate in our survey. Consequently, 124 suppliers answered our survey while the participation was 32%. In 2015, satisfaction ratio of the suppliers of our Company in the country was 84%.
- 125 suppliers of our Company outside the country were invited to participate in our survey. Consequently, 37 suppliers answered our survey while the participation was 30%. In 2015, satisfaction ratio of the suppliers of our Company outside the country was 84%.

In 2015, the average satisfaction ratio of the suppliers of our Company in and outside the country was 84%, which is quite a high level.

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

As a result of our mutual efforts with the Mutual Health and Safety Unit that was established in order to inform and inspect the suppliers which have been working at the site, 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.

4.2. Stakeholders' Participation in Management

The participation of stakeholders in Management by representing the 43.68% publicly held portion of our Company is made possible by Articles 11 and 22 of the Articles of Association.

Evaluating employees' opinions sensitively and systematically since 2004, Petkim, launched a new employee suggestion system "In My Opinion" in 2013. With this platform our Company aims to improve business processes by utilizing its employees' knowhow effectively.

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.

4.3. 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.

The fundamental principles of our HR policy are spelled out as follows:

- Establish and implement the system for identifying the qualifications of the human resource that will enable efficient and productive execution of our Company's activities, and for selecting and recruiting them;
- Identify and implement the training programs intended to equip our people with the knowledge, skills, attitudes and behaviors that will help them keep abreast of all developments and changes regarding the nature of their respective jobs, to boost their job satisfaction, and to help them be more successful in business life; evaluate the outcomes with respect to the Company;
- Set up and realize a career management system that ensures constant development of our people in the organization, prepares them for responsibilities required by higher positions and makes optimum use of our employees at any level who are willing to take responsibility;
- Gather information on the scope of jobs performed in the organization, staffing needs and working conditions, and conduct work analyses to make use of this information, develop job descriptions aligned with changing conditions;
- Develop the systems that will encourage success and creativity by providing working conditions conforming to the quality of the service rendered; in this context, generate ideas that can be transformed into new products, services, processes, systems, social interaction so as to bring about renewal and to add value to the organization, employees and other stakeholders by making use of the creativity of all our stakeholders (employees, customers, suppliers, shareholders, society); catalyze the people's inherent potential to do and to be useful and get them to think and question before every action, render their knowledge and experience usable to the benefit of the company and employees, motivate owners of creative ideas through recognition and rewarding so as to increase involvement of all employees in the Company's activities with their self-conceived creative and innovative ideas, and ensure that creative ideas are efficiently put into practice;
- Seek employees' opinions through various means including questionnaires and similar methods, which will then be used as input for future or planned implementations;
- Ensure creation of "Corporate Culture and Awareness" by responding to social and cultural needs of the personnel;
- Raise a sustainability notion in employees in an effort to meet today's needs without depleting future generations' resources. Propagate a level of consciousness that will get them to consider their goals also in terms of their environmental and socio-economical dimensions to be able to create long-term value rather than focusing solely on short-term solutions when planning their strategies;
- Occupational Health and Safety: Concentrate on ensuring occupational health and safety and on protecting the natural environment in our operations; develop systems to prevent workplace accidents; increase cooperation with neighboring facilities, authorities and local administrations for boosting the Health-Security-Environment performance; give the foreground to Occupational Health and Safety and the environment factor in our projects; organize in a manner to allow emergency response; be transparent to our stakeholders in our implementations.

Representative for handling relations with employees;

Under "Article 27 – Appointment of a Workplace Trade Union Representative and His/Her Duties" of the Law no. 6356 on Trade Unions and Collective Bargaining Agreement, there is a Chief Workplace Representative and Representatives at the workplace.

Financial rights and fringe benefits made available to blue-collar workers at the Company are determined by the Collective Bargaining Agreement. Within the scope of the Collective Agreement negotiations for the period 1 January 2015 until 31 December 2016 which began on 28 January 2015, our Company and Petrol-iş Union reached an agreement with respect to pay increase. Accordingly, the wages will be given a raise of 6% to 9% for the first six months and they will be increased commensurate with the inflation in the second, third and fourth half-years.

Complaints, if any, received from employees with respect to discrimination; if received, steps taken for its resolution:

The Company does not make discriminations and no such complaints have been received from any employee to date.

Whether performance criteria have been announced to employees:

In 2015, "Performance and Management Systems Directorate" was set up and individual and corporate performances were managed through this new structure. Performance and Management Systems Directorate evaluates the feedback received from employees through workshops and prepares actions for improving the existing system. Within the frame of performance management, all employees holding managerial and higher positions were given "Performance Management Feedback Training". During 2015, Interim Performance Appraisal was conducted on the electronic environment for the first time for all white-collar employees. Targets are determined in line with the budget, stakeholder expectations, improvement opportunities and comparison/contrast activities, and are assigned to performance indicator owners after concurrence. The basic rule in setting the following year's targets for performance indicators is to achieve Main Business Targets (MBT) and exceed previously attained performance, by taking into consideration comparison data, as well. Corporate performance is also monitored through weekly coordination meetings and Steering Committee meetings.

4.4. Ethical Rules and Social Responsibility

In line with the CMB's Corporate Governance Principles Communiqué, Code of Ethics was issued at the Company with a Board of Directors Decision and was publicly announced. The Code of Ethics are available in detail on the Company website (www. petkim.com.tr).

Petkim never sees its investments in environment, nature and human health as a cost factor.

Petkim pronounced these investments as an inseparable part of the Company's vision and competitive structure.

Transferring more than USD 210 million funds to environmental investments in the last 13 years, Petkim's chimneys that have high thermal conductivity are ready 24/7 for the controls of the Ministry of Environment and Urban Planning since 2011.

In November 2014 Petkim became one of the 15 companies that joined the Sustainability Index within the Borsa Istanbul.

Petkim's environmental awareness showed its impacts on afforestation efforts, as well. A total number of 1200 olive trees in the feedback area of STAR Refinery, STEP Power Plant and ve Petlim Container Port, were replanted in the Petkim Atatürk Olive Grove and the Penal Institutions Campus in Yenişakran with the contribution and help of Menemen Forest Sub-District Directorate teams.

With a ceremony made in May 2014, the olive trees transported from the Aliağa Complex were planted in the Petkim 50th Anniversary Olive Grove that was created in the 60 acre area near the Yenişakran Penal Institutions Campus. These trees will be cared for and harvested by prisoners, and the revenues to be derived will be used to finance placement of handicapped individuals in jobs.

In Güzelhisar Village, licensed dumping area of STAR Refinery in Aliağa, 14,150 saplings were planted on a 228,000 m^2 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.

Our Company management and employees went to Kınık and Soma for several times after the 301 mineworkers lost their lives on the 13 May 2014 in the Soma mine disaster, and shared the grief of their families. The traditional Çayağzı Spring Fest (that was to be made in May 2014) was cancelled, and the funds our Company was going to spend for this event, were added to our employees voluntary donations, and consequently the sum was spent for the families selected by the county governor in both districts.

SOCAR was the platinum sponsor while Petkim was the gold sponsor in the social responsibility campaign 'Plastics Turning Into Homes' launched in 2014 by the Plastics Industrialists Association The Campaign emphasizes that all plastic wastes (plastic yogurt/cheese containers, PET bottles and their caps, detergent bottles, old plastic toys, 19-liter plastic bottles that are no longer functional, plastic hangers etc.) are actually valuable raw materials that cause significant economic loss as they are imported to our country because of the scarcity of production in our country. Furthermore, it is also emphasized that significant economic and environmental value can be created by recycling the waste plastics that can be recycled many times. While drawing attention to clean environment and nature; warm homes are created for street animals with the huts made of 100% recycled plastic wastes.

Heydar Aliyev Technical and Industrial Vocational High School built by our Company in Aliağa, started education in 2012-2013 academic year and will have its first graduates next year. Constructed for approximately TL 16 million to honor the name and memory of Heydar Aliyev, the founder of contemporary Azerbaijan, the school which educated 720 students in, was designed as a campus on a 20 thousand m^2 of land with its education buildings, students' hostel, cafeteria, and conference hall. Furthermore, an additional building that will have a Chemistry Lab and Electricity and Mechanics Workshops will be built by our Company. Having a 5-star hotel comfort and a university campus structure, Heydar Aliyev Technical and Industrial Vocational High School, is not just İzmir Aliağa's but Turkey's most beautiful school as well as being one of the most important symbols of the brotherhood of Turkey-Azerbaijan.

SECTION V: BOARD OF DIRECTORS

5.1. 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.

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 ALİYEV)	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
Privatization Administration (Representative: Muammer Türker)	Member	Non-executive	Out-group / Governor of Antalya
SOCAR Turkey Enerji 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 / SOCAR Vice President, Economy
İlhami ÖZŞAHİN	Member	Independent	Out-group / Freelance Consultant
Hulusi KILIÇ	Member	Independent	Out-group / Ministry of Foreign Affairs Bilateral Political Affairs General Manager
Prof. Mehmet Emin BİRPINAR (*)	Member	Independent	Out-group / Yıldız Teknik University Lecturer, Ministry of Environment and Urban Planning Deputy Secretary
Sadettin KORKUT	General Manager	Executive	---

(*) Prof. Mehmet Emin Birpınar was elected as a member of the Board of Directors to succeed M. Hayati Öztürk on 20 February 2015. Other Board members were elected on 29 March 2013 to serve a term of office of 3 years each.

The Board of Directors is composed of 9 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 three 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. Provisions of the Law, Capital Markets Board Regulations/Decisions and other relevant legislations in force are applicable regarding the determination, nomination, election, dismissal and/or resignation, and qualifications and the number of Independent Member candidates for the Board of Directors. 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.

Declarations of independence of our independent Board members are presented on pages 59-61 of this annual report. Within the reporting 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 8 October 2009 and no. 48/110.

In the General Assembly meeting held within 2015, 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. 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.

A target ratio/time or a policy for woman representation on our Board of Directors has not yet been determined.

In 2015, there were no administrative and/or judicial sanctions imposed against the Company or the Members of the Board of Directors Body on account of practices that are contradictory to the provisions of the legislation.

5.2. Principles of the Board of Directors' Activities

Board of Directors is structured in a manner that will create maximum impact and effectiveness. In this issue, utmost attention is paid to comply with the Law, CMB Regulations and Decisions. Principles regarding this issue are specified in the Articles of Association of our Company.

The qualifications and the number of the independent members of the Board of Directors will be determined in accordance with the Capital Markets Board regulations on Corporate Governance. Independent members of the Board of Directors are elected from among the candidates – who will be nominated by the shareholders – in conformity with this Articles of Associations and the procedures and principles specified in the Capital Markets Board regulations on Corporate Governance.

The tasks and working principles of the committees that will be established under the Board of Directors; are determined in accordance with the provisions of the Turkish Code of Commerce, Capital Markets Law, Capital Markets Board regulations on Corporate Governance and the relevant legislations.

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 12 times in 2015 with the participation of all the members. 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.

A Board of Directors Coordination Unit was structured under the General Manager in order to provide services to all Members of the Board of Directors with the aim of regularly keeping/ filing the documents related to the Board of Directors meetings. Board of Directors meetings are coordinated by the Board of Directors Coordination Unit. Board of Directors decisions are signed and recorded in the decision book. Members casting negative votes must explain their motives and sign the minutes. Documents and correspondences regarding the meeting are regularly archived by the Board of Directors Coordination Unit. When the independent members of the Board of Directors cast negative votes in cases where affirmative votes of the independent members of the Board of Directors is required, measures stipulated in the regulations of the Capital Markets Law and Capital Markets Board are applicable. 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.

In 2015, an insurance coverage was not obtained for losses that may be caused by the faults of Board of Directors members committed in the performance of their duties.

5.3. 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 reporting 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 held and 4 written disclosures were presented to the Board of Directors during the reporting period. The Early Detection of Risk Committee met six times and presented the reports drawn up pursuant to TCC 378 to the Board of Directors during the reporting period.

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 2016, distribution of tasks at the committees will be rearranged.

AUDIT COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
İlhami ÖZŞAHİN	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	Member of the Early Detection of Risk Committee
Prof. Dr. Mehmet Emin BİRPINAR	Committee Member	Independent Member of Board of Directors (Non-Executive)	Independent	Chairman of the Early Detection of Risk Committee Member of the Corporate Governance Committee

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	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Hulusi KILIÇ	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	None
Prof. Dr. Mehmet Emin BİRPINAR	Committee Member	Independent Member of Board of Directors (Non-Executive)	Independent	Member of the Audit Committee Chairman of the Early Detection of Risk Committee
Farrukh GASSIMOV	Committee Member	Member of Board of Directors (Non-Executive)	-	None
Kenan YAVUZ	Committee Member	Member of Board of Directors (Non-Executive)	-	None
Mustafa ÇAĞATAY	Committee Member	Coordinator of Internal Audit and Investor Relations (Executive)	-	None

In accordance with the Article 11-2 of the Capital Markets Board Corporate Governance Communiqué (II-17.1), Internal Audit and Investor Relations Coordinator Mr. Mustafa ÇAĞATAY was appointed as a member of the Corporate Governance Committee.

Made up of four members of the Board, the Chairman of the Corporate Governance Committee is an independent Board member.

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 21 March 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	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Prof. Dr. Mehmet Emin BİRPINAR	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	Member of the Audit Committee Member of the Corporate Governance Committee
İlhami ÖZŞAHİN	Committee Member	Independent Member of Board of Directors (Non-Executive)	Independent	Chairman of the Audit Committee
Süleyman GASIMOV	Committee Member	Member of Board of Directors (Non-Executive)	-	None

Made up of three members of the Board, the Chairman of the Risk Detection Committee is an independent Board member. At the Company Board of Directors meeting n.103/184 held on 21.03.2012, the existing Risk Management Committee's name was changed as 'Early Risk Detection Committee'.

5.4. Risk Management and Internal Control Mechanism

Enterprise Risk Management Implementations

The Company conducts its operations in a transparent, accountable, fair and responsible manner. The Board of Directors sets up the internal control systems incorporating the risk management, information systems and processes for minimizing the risks that might have an impact on the Company's stakeholders and particularly its shareholders, by taking into consideration the feedback from the relevant Board of Directors committees, as well.

The Early Detection of Risk Committee makes proposals and suggestions to the Board of Directors regarding early detection and assessment of all kind of risks such as strategic, financial, operational and similar risks that might affect the Company, regarding calculation of their impact and probability, management and reporting of these risks in accordance with the corporate risk appetite of the Company; implementation of necessary measures in relation to identified risks, their consideration in decision-making mechanisms and creation and integration of efficient internal control systems along this line. In 2015, the Early Detection of Risk Committee held six meetings and presented the reports of these meetings to the Board of Directors.

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. 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.

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. Systems 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.

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. Backups are taken periodically and measures are taken to prevent loss of company information.

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 Periodical drills are done in the plants. 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

Information is shared with the Audit Committee during its meetings held within the year to ensure healthy execution of the internal control mechanism. The Committee constantly supervises the operation and efficiency of the system, and communicates the issues relating to risk management and internal control mechanism and suggested solutions to the Board of Directors as and when necessary.

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 2015, it was concluded as follows: "For us and according to the evident circumstances and conditions, in 2015, 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."

5.5. Strategic Targets of the Company

In 2015, "Performance and Management Systems Directorate" was set up and individual and corporate performances were managed through this new structure. Performance and Management Systems Directorate seeks employees' feedbacks through workshops and uses them as input for taking actions to improve the existing system. Within the frame of performance management, all employees holding managerial and higher positions were given "Performance Management Feedback Training". During 2015, Interim Performance Appraisal was conducted on the electronic environment for the first time for all white-collar employees.

The Company established its Strategic Plan through the studies of Current Situational Analyses (CSAs) and updated the Strategic Plan by revising CSAs in 2014.

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 scope of process management system approach;

Upon determination of Main Business Targets (MBT), the General Manager, together with the Assistant General Managers who are top process owners, identified the Key Performance Indicators (KPI) targets that are necessary to achieve MBTs. Then, department managers who are main process owners, together with Assistant General Managers, identified the Process Performance Indicators (PPI) that are necessary to attain KPIs.

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 2016 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.

The Company's annual targets are given a definite form within the frame of the budget efforts submitted for the approval of the Board of Directors. The Board of Directors compares the operating results and budget targets on a monthly basis, investigates reasons of deviations, if any, and considers suggested improvements. The Company's general goals for 2015 have been identified as achieving maximum production and sales drawing on the capacity and productivity increase investments that were completed in 2014 and decreased raw material prices. Within the frame of this strategy, the targets were attained and high operating profitability was captured through increased operational efficiency and production, system and process improvements, and being closer to the market and acting faster in 2015.

5.6. Financial Rights

The Remuneration Policy for Board Members and Executives was approved by the Board of Directors and announced to the public with a material event disclosure on 28 March 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 Article no: 32 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

With our Board of Directors' decision n.3/10 taken on 25/02/2014, our Company's Profit Distribution Policy for 2013 and succeeding years were determined as follows:

In the 37th Article 'Determining the Profit, the 38th Article 'Reserve Funds' and the 39th Article 'Method and Timeframe for Profit Distribution' of the Articles of Association of our Company, profit distribution policy is specified in conformity with the relevant provisions of the Turkish Code of Commerce and Capital Markets Board.

- Within this framework; as our Company's Profit Distribution Policy for 2013 and succeeding years; our Company has adopted the principle of distributing the maximum amount of dividends in cash in line with its medium and long term strategies and investment and financial plans, and by taking the market conditions and developments in the economy into consideration.
- In conformity with the 37th Article of the Articles of Association of our Company, the Company may distribute advance dividends.
- In the event that distributable profit is available in accordance with relevant communiqués of the CMB, the profit distribution resolution is to be taken by the Board of Directors, as long as the amount is not below 50% of the distributable profit within the framework of the provisions of Capital Market Legislation and Turkish Commercial Code, and shall be submitted to the approval of General Assembly; and the distribution shall be completed within the legal time allotted.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend, shall be distributed to Board Members.
- A consistent policy shall be followed recognizing both the interests of the shareholders and the Company in the implementation of the Profit Distribution Policy.
- The date of distribution shall be decided by the General Assembly upon proposal of the Board. Profit distribution payments shall be completed within the legal time allotted. The relevant legislation, communiqués, and regulations of CMB shall be followed in regards to other profit distribution matters.
- In the event that the calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at the General Assembly meeting about the reasons and how the undistributed profits are to be allocated.

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS

DECISION DATE: 3 MARCH 2016

DECISION NO.: 2016 - 7 - 9

3 MARCH 2016

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL: II-14.1, SECTION TWO, ARTICLE 9

We hereby declare that;

a) We have examined the consolidated financial statements for the period ended 31 December 2015;

b) The consolidated financial statements do not contain any misrepresentation of the facts in material aspects or any omissions that may turn out to be misleading as of the date of the disclosure based on the information we have obtained in the scope of our duty and responsibility in the organization;

c) the financial statements drawn up pursuant to the CMB Communiqué Serial: II-14.1 present a fair view of the organization’s assets, liabilities, financial position and profit and loss, together with those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

İlhami ÖZŞAHİN	Mehmet Emin BİRPINAR
Chairman	Member

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT

DECISION DATE: 4 MARCH 2016

DECISION NO.: 2016 - 8 - 11

4 MARCH 2016

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL: II-14.1, SECTION TWO, ARTICLE 9

We hereby declare that;

a) We have examined the Board of Directors' Annual Report for the period ended 31 December 2015;

b) The annual report does not contain any misrepresentation of the facts in material aspects or any omissions that may turn out to be misleading as of the date of the disclosure based on the information we have obtained in the scope of our duty and responsibility in the organization;

c) The annual report drawn up pursuant to the CMB Communiqué Serial: II-14.1 presents a fair view of the development and performance of the business and the organization's financial position, major risk exposure and uncertainties, together with those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

İlhami ÖZŞAHİN	Mehmet Emin BİRPINAR
Chairman	Member

AUDIT COMMITTEE REPORTS

Financial Statements for the Fiscal Year 01.01.2015–31.12.2015

Independently audited comparative consolidated financial statements for 01.01.2015 –31.12.2015 fiscal year, which were drawn up in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight, Accounting and Audit Standards Authority within the scope the Capital Markets Board (CMB) Communiqué no. II-14.1; and in conformity with the presentation principles stipulated by the CMB Decision no. 20/670 dated 07.06.2013 and published in the CMB's Weekly Bulletin no. 2013/19 dated 07.06.2013 were reviewed by getting the opinions of the executives who have responsibilities in the preparation of the Company's financial statements.

To the extent of the information available to us, our opinion regarding the said financial statements was communicated to the executives who have responsibilities in the preparation of the financial statements, and in our opinion, we have concluded that the financial statements present a true and fair view of our Company's operating results, that they do not contain any material omissions that may turn out to be misleading, and that they are in conformity with the CMB regulations.

Sincerely,

3 March 2016

Audit Committee

Committee Chairman	Committee Member
İlhami ÖZŞAHİN	Prof. Mehmet Emin BİRPINAR

Annual Report for 01.01.2015–31.12.2015 Fiscal Year

Independently audited comparative consolidated annual report for 01.01.2015 –31.12.2015 fiscal year, which was drawn up in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight, Accounting and Audit Standards Authority within the scope the Capital Markets Board (CMB) Communiqué no. II-14.1; and in conformity with the presentation principles stipulated by the CMB Decision no. 20/670 dated 07.06.2013 and published in the CMB's Weekly Bulletin no. 2013/19 dated 07.06.2013, was reviewed by getting the opinions of the executives who have responsibilities in the preparation of the Company's annual report.

To the extent of the information available to us, our opinion regarding the said annual report was communicated to the executives who have responsibilities in the preparation of the annual report, and in our opinion, we have concluded that the annual report presents a true and fair view of our Company's operating results, that it does not contain any material omissions that may turn out to be misleading, and that it is in conformity with the CMB regulations.

Sincerely

4 March 2016

Audit Committee

Committee Chairman

İlhami ÖZŞAHİN

Committee Member

Prof. Mehmet Emin BİRPINAR

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OFTHE BOARD OF DIRECTORS

Güney Bağımsız Denetim ve SMMM A.Ş.
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ey.com
Ticaret Sicil No: 479920-427502

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

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Petkim Petrokimya Holding A.Ş. ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31.12.2015.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the consolidated financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express and opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated 31.12.2015 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

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

Cem Uçarlar, SMMM
Partner

March 4, 2016

Istanbul, Turkey

Presentation
In 2015
Corporate Governance
Financial Information

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Financial Statements for the Period Between January 1 - December 31, 2015 together with Report of Independent Auditors

(Convenience translation of the independent auditors' report into English and consolidated financial statements originally issued in Turkish)

Independent Auditors' Report on the Consolidated Financials Statements

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
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To the Board of Directories of Petkim Petrokimya Holding Anonim Şirketi

We have audited the accompanying consolidated statement of financial position of Petkim Petrokimya Holding Anonim Şirketi ("Petkim" or the Company) and its Subsidiaries (together referred as "the Group") as at December 31, 2015 and the related consolidated statement of profit or loss and 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.

Management's responsibility for the 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") 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 as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as standards on auditing issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). 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.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company'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 independent audit 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. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company'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 present fairly, in all material respects, the financial position of Petkim Petrokimya Holding A.Ş. and its Subsidiaries as at December 31, 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Independent Auditors' Report on the Consolidated Financials Statements

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 3, 2016.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting..

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Cem Uçarlar, SMMM
Partner

March 3, 2016
İstanbul, Turkey

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Consolidated Statement of Financial Position at December 31, 2015

(Convenience translation of the independent auditors' report into English and consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

		Current year	Previous year
		Audited	Audited
	Notes	**December 31, 2015**	December 31, 2014
Assets			
Current assets		**2.767.573.102**	1.767.709.192
Cash and cash equivalents	4	**1.341.536.749**	702.158.128
Financial investments	5	**160.452.259**	-
Trade receivables			
- Trade receivables from third parties	7	**551.425.057**	522.028.996
- Trade receivables from related parties	32	**-**	246.651
Other receivables			
- Other receivables from related parties	32	**255.049.233**	18.721.644
- Other receivables from third parties	8	**6.510.328**	2.582.910
Derivative financial assets	9	**1.646.432**	1.445.166
Inventories	10	**363.508.864**	431.973.190
Prepaid expenses			
- Prepaid expenses to third parties	19	**39.469.618**	43.238.711
- Prepaid expenses to related parties	32	**12.878.087**	12.878.087
Other current asset	21	**35.096.475**	32.435.709
Non-current assets		**2.693.092.226**	2.020.547.900
Financial investments	5	**8.910.000**	-
Other receivables			
- Other receivables from related parties	32	**105.206.024**	51.791.682
Investment property	11	**1.469.935**	1.461.758
Property, plant and equipment	12	**2.276.634.074**	1.817.284.723
Intangible assets	13	**18.327.669**	16.697.372
Prepaid expenses			
- Prepaid expenses from third parties	19	**92.704.917**	24.712.059
- Prepaid expenses from related parties	32	**17.170.782**	30.048.869
Deferred tax assets	30	**133.346.497**	44.480.315
Other non-current assets	21	**39.322.328**	34.071.122
Total assets		**5.460.665.328**	3.788.257.092

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

Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries

Consolidated Statement of Financial Position at December 31, 2015

(Convenience translation of the independent auditors' report into English and consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	Current year Audited December 31, 2015	Previous year Audited December 31, 2014
Liabilities			
Current liabilities		**1.584.388.339**	1.136.768.697
Short-term financial liabilities	6	**319.638.074**	352.914.646
Current portion of long-term financial liabilities	6	**41.912.519**	43.108.180
Derivative financial liabilities	9	**11.008.960**	-
Trade payables			
- Trade payables to related parties	32	**31.306.140**	37.895.925
- Trade payables to third parties	7	**1.110.250.720**	631.153.338
Short-term liabilities for employee benefits	20	**8.261.053**	25.793.321
Other payables			
- Other payables to related parties	32	**1.750.437**	11.213.876
- Other payables to third parties	8	**2.253.728**	1.487.502
Deferred income			
- Deferred income from related parties	32	**4.168.083**	4.286.908
- Deferred income from third parties	18	**21.925.077**	14.090.157
Short term provisions			
- Provision for employee benefits	17	**13.027.856**	3.517.037
- Other short-term provisions	15	**2.706.226**	5.166.629
Current tax liabilities	30	**9.684.055**	-
Other current liabilities	21	**6.495.411**	6.141.178
Non-current liabilities		**1.070.893.492**	468.227.528
Long-term financial liabilities	6	**914.267.416**	324.567.369
Deferred income			
- Deferred income from related parties	32	**12.705.027**	16.579.501
- Deferred income from third parties	18	**54.794.114**	48.490.336
Long term provisions			
- Provision for employee benefits	17	**89.126.935**	78.590.322
Total liabilities		**2.655.281.831**	1.604.996.225
Equity		**2.805.383.497**	2.183.260.867
Share capital	22	**1.500.000.000**	1.000.000.000
Adjustment to share capital	22	**238.988.496**	486.852.283
Other comprehensive income/(expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		**(23.668.037)**	(15.228.165)
Other comprehensive income/(expense) to be reclassified to profit or loss			
- Hedging reserve		**(7.490.023)**	1.156.133
Gain on sale of subsidiary that do not result in loss of control	22	**214.187.872**	466.324.085
Restricted reserves		**36.548.777**	8.356.700
Retained earnings		**156.442.236**	178.181.398
Net profit for the year		**626.378.793**	6.452.915
Equity holders of the parent		**2.741.388.114**	2.132.095.349
Non controlling interest		**63.995.383**	51.165.518
Total liabilities and equity		**5.460.665.328**	3.788.257.092

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

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2015

(Convenience translation of the independent auditors' report into English and consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

			Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	Hedging reserve
January 1, 2014	1.000.000.000	486.852.283	(12.885.403)	-
Transfers	-	-	-	-
Dividend payment	-	-	-	-
Share transfer to minority interest (Note 22)	-	-	-	-
Gain on sale of subsidiary	-	-	-	-
Other comprehensive income/(loss)	-	-	(2.342.762)	1.156.133
Net profit for the period	-	-	-	-
Total comprehensive income	-	-	(2.342.762)	1.156.133
December 31, 2014	1.000.000.000	486.852.283	(15.228.165)	1.156.133
January 1, 2015	**1.000.000.000**	**486.852.283**	**(15.228.165)**	**1.156.133**
Transfers	-	-	-	-
Capital increase by bonus issue (Note 22)	**500.000.000**	**(247.863.787)**	-	-
Other comprehensive income/(loss)	-	-	**(8.439.872)**	**(8.646.156)**
Net profit for the period	-	-	-	-
Total comprehensive income	-	-	**(8.439.872)**	**(8.646.156)**
December 31, 2015	**1.500.000.000**	**238.988.496**	**(23.668.037)**	**(7.490.023)**

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

Gain on sale of subsidiary (Note 22)	Restricted reserves	Net profit for the year	Retained earnings	Equity holders of the parent	Non controlling Interest	Total equity
-	3.653.928	48.896.680	180.987.490	1.707.504.978	-	1.707.504.978
-	4.702.772	(48.896.680)	44.193.908	-	-	-
-	-	-	(47.000.000)	(47.000.000)	-	(47.000.000)
-	-	-	-	-	48.939.667	48.939.667
466.324.085	-	-	-	466.324.085	-	466.324.085
-	-	-	-	(1.186.629)	-	(1.186.629)
-	-	6.452.915	-	6.452.915	2.225.851	8.678.766
-	-	6.452.915	-	5.266.286	2.225.851	7.492.137
466.324.085	8.356.700	6.452.915	178.181.398	2.132.095.349	51.165.518	2.183.260.867
466.324.085	**8.356.700**	**6.452.915**	**178.181.398**	**2.132.095.349**	**51.165.518**	**2.183.260.867**
-	**28.192.077**	**(6.452.915)**	**(21.739.162)**	**-**	**-**	**-**
(252.136.213)	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**-**	**(17.086.028)**	**-**	**(17.086.028)**
-	**-**	**626.378.793**	**-**	**626.378.793**	**12.829.865**	**639.208.658**
-	**-**	**626.378.793**	**-**	**609.292.765**	**12.829.865**	**622.122.630**
214.187.872	**36.548.777**	**626.378.793**	**156.442.236**	**2.741.388.114**	**63.995.383**	**2.805.383.497**

Consolidated Statement of Profit or Loss and Comprehensive Income For the Year Ended December 31, 2015

(Convenience translation of the independent auditors' report into English and consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	Current year Audited January 1 - December 31, 2015	Previous year Audited January 1 - December 31, 2014
Sales	23	**4.532.635.969**	4.132.846.077
Cost of sales (-)	23	**(3.816.426.528)**	(4.047.377.938)
Gross profit		**716.209.441**	85.468.139
General and administrative expenses (-)	24	**(117.751.852)**	(99.763.548)
Marketing, selling and distribution expenses (-)	24	**(32.297.691)**	(26.520.156)
Research and development expenses (-)	24	**(11.742.738)**	(11.890.488)
Other operating income	26	**131.035.297**	119.102.981
Other operating expense (-)	26	**(169.532.903)**	(126.974.273)
Operating profit/(loss)		**515.919.554**	(60.577.345)
Income from investment activities	27	**13.030**	2.712.214
Operating profit/(loss) before financial expense		**515.932.584**	(57.865.131)
Finance income	28	**421.668.110**	140.993.206
Finance expense (-)	29	**(363.773.458)**	(144.899.570)
Profit/(loss) before taxation		**573.827.236**	(61.771.495)
Current year tax expense	30	**(19.213.253)**	-
Deferred tax income/(expense)	30	**84.594.675**	70.450.261
Net profit for the period		**639.208.658**	8.678.766
Other comprehensive income			
Not to be reclassified to profit or loss			
- Actuarial gain/(loss) arising from defined benefit plan		**(10.549.840)**	(2.928.452)
- Deferred tax effect of actuarial gain/(loss) arising from defined benefit plan		**2.109.968**	585.690
To be reclassified to profit or loss			
- Hedging reserve gain/(loss)		**(10.807.695)**	1.445.166
- Deferred tax effect of hedging reserve gain/(loss)		**2.161.539**	(289.033)
Other comprehensive loss (after tax)		**(17.086.028)**	(1.186.629)
Total comprehensive income		**622.122.630**	7.492.137
Distribution of income for the period			
Minority interest		**12.829.865**	2.225.851
Equity holders of the parent		**626.378.793**	6.452.915
Earnings per share (Kuruş) - Minority interest		**0,009**	0,001
Earnings per share (Kuruş) - Equity holders of the parent	31	**0,418**	0,004
Distribution of comprehensive income:			
Minority interest		**12.829.865**	2.225.851
Equity holders of the parent		**609.292.765**	5.266.286

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

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

(Convenience translation of the independent auditors' report into English and consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Notes	Current year Audited January 1 - December 31, 2015	Previous year Audited January 1 - December 31, 2014
Cash flows from operating activities:			
Profit/(loss) before taxation		573.827.236	(61.771.495)
Adjustments to reconcile profit/(loss)before tax to net cash generated from operating activities:			
Depreciation and amortization	12-13	113.732.702	89.580.561
Interest income	28	(33.403.052)	(14.402.000)
Interest expense	29	24.139.283	7.216.987
Provision for legal cases	15	10.537	731.271
Provision for settlement fee of tax inspection, net	15	-	1.700.000
Provision for employment termination benefits, net	17	5.803.217	6.461.030
Gain on sale of property, plant and equipment, net	27	(13.030)	(2.712.214)
Provision for doubtful receivables	7-8	1.341.985	4.453.420
Provision for seniority incentive bonus, net	17	4.706.932	4.236.684
Provision for unused vacation rights, net	17	1.139.310	1.016.908
Provision for impairment on inventories	10	12.046.150	26.539.025
Provision for personnel bonus	17	10.000.000	-
EMRA allowance expenses	15	283.077	28.283
Trade receivable rediscount expense	26	2.354.847	3.065.598
Trade payable rediscount expense	23	(2.060.731)	(3.839.696)
Accrual of incentive on loan interest	8	(1.647.621)	(1.487.002)
Unrealized foreign currency (gains)/losses on borrowings		185.837.329	30.173.099
Generated by before changes in operating assets and liabilities		898.098.171	90.990.459
Changes in the assets and liabilities:			
Trade receivables		(32.846.242)	220.736.921
Inventories		56.418.176	5.687.256
Other receivables		(292.021.728)	45.970.957
Other current assets and prepaid expenses		4.654.263	3.398.460
Other non-current assets and prepaid expenses		(60.365.979)	(53.785.485)
Trade payables		481.158.113	(283.135.652)
Trade payables to related parties		(15.499.785)	(4.683.312)
Other payables		(8.697.215)	1.839.254
Short term provisions for employee benefits, deferred income, current tax liabilities and other liabilities		(2.768.833)	(16.883.085)
Other long term liabilities		2.429.304	12.033.790
Seniority incentive bonus paid	17	(4.683.906)	(3.640.915)
Employment termination benefit paid	17	(7.467.961)	(13.679.923)
Notice pay liability paid		(6.693.107)	(4.533.973)
Taxes paid	30	(9.529.198)	-
Tax penalties paid		(1.721.600)	-
Paid litigation provisions	15	(1.054.017)	-
Guarantor fee paid		-	(30.968.257)
Net cash generated by/(used in) operating activities		999.408.456	(30.653.505)
Investing activities:			
Short term financial investments		(160.452.259)	-
Purchase of property, plant and equipment and intangible assets	12-13	(574.908.796)	(425.070.121)
Proceeds from sales of property, plant and equipment and intangible assets		201.299	3.323.893
Gain on sale of subsidiary		-	580.750.000
Net cash generated by/(used in) investing activities		(735.159.756)	159.003.772
Financing activities:			
Interest received		29.877.952	13.863.150
Proceeds from borrowings		1.244.687.447	715.548.533
Redemption of borrowings		(885.080.341)	(381.745.723)
Interest paid		(14.355.137)	(5.900.523)
Dividend paid		-	(47.000.000)
Net cash generated by/(used in) financing activities		375.129.921	294.765.437
Net increase/(decrease) in cash and cash equivalents		639.378.621	423.115.704
Cash and cash equivalents at the beginning of the period	4	702.158.128	279.042.424
Cash and cash equivalents at the end of the period	4	1.341.536.749	702.158.128

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

1. 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,
- 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 Market 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 main shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ").

SOCAR Turkey Enerji A.Ş. and SOCAR İzmir Petrokimya A.Ş., which is the 100% subsidiary of SOCAR Turkey Enerji A.Ş and owns 10,32% shares of the Group, have merged as of September 22, 2014.

As of December 31, 2015 and December 31, 2014 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Group 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 3, 2016 and signed by Mr. Sadettin Korkut, General Manager and Mr. Rıza Bozoklar, Vice President of Finance, on behalf of the Board of Directors. General Assembly and relevant regulators has the right to modify legal financial statements and the consolidated financial statements.

Subsidiaries

The Company has participated to Petlim 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 Petlim 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. With the general assembly resolution dated, November 17, 2014, the share capital of Petlim has been increased from TL 83.000.000 to TL 150.000.000.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

1. Organization and nature of operations (continued)

The company has founded a company with the name of the Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş. with the capital of TL 100.000 and the share of 100%, to carry out its production activities in high value-added advanced engineering plastics (masterbach, compound) and high-tech chemicals. Petkim and its subsidiaries are referred together as "the Group".

45 million shares, representing 30% of share capital of Petlim Limancılık Ticaret A.Ş., which is subsidiary of the Company, has been purchased by Goldman Sachs International ("GSI", together with its subsidiaries "GS") as of December 18, 2014 in exchange for 250 million USD Dollars.

At the same date, in the consequence of put option contract signed by STEAŞ with GSI, it has undertaken guarantor liability regarding of liabilities of Petkim due to share transfer agreement, if required and in the event of contract conditions the right of selling shares of Petlim by GSİ to STEAŞ has been originated ("Put option Contract"). Within the mentioned put option contract, no later than 7 years following the signed share transfer agreement, it has been agreed on public offering of shares of Petlim (public offering), in accordance with those regulations agreed by the parties and in consequence of option relation, loss of GSI shall be compensated by STEAŞ. (Note 22)

The number of personnel in the Group is 2.471 as of December 31, 2015 (December 31, 2014 - 2.425).

	December 31, 2015	December 31, 2014
Union (*)	**1.918**	1.907
Non-union (**)	**553**	518
	2.471	2.425

(*) 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 TFRS

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2015 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 2015. 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)

i) The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have a significant impact on the consolidated financial statements of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010-2012 Cycle" and "Annual Improvements - 2011-2013 Cycle.

Annual Improvements - 2010-2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. 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.

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

The amendment to TAS 16.35(a) and TAS 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.

TAS 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. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements - 2011-2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 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)

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

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

The amendments did not have a significant impact on the consolidated financial statements of the Group.

ii) 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.

TFRS 9 Financial Instruments - Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. 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. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) - Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9,

Or

- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures - clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits - clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting -clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

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

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on 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 Public Oversight Authority (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.

Annual Improvements - 2010-2012 Cycle

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.

Annual Improvements - 2011-2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing 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.

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.3 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.

The reclassifications made to the consolidated income statement of the Group dated December 31, 2015 are as follows:

- Idle capacity expenses amounting to TL 8.542.313 shown in other operating expense were classified to cost of goods sold.

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, Petlim in which Petkim has a shareholding interest of 70% (December 31, 2014 - 70%) and Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş. in which Petkim has a shareholding interest of 100% (December 31, 2014 - None). 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 subsidiaries 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.

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.

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

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 10).

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 10).

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 12).

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	4-68 years
Motor vehicles	5 years
Furniture and fixtures	3-20 years
Other fixed assets	5 years
Leasehold Improvements	3 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 13).

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

The estimated useful lives of intangible assets are as follows:

Useful life

Rights and software 3-15 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 statement of financial position.

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 11).

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 cannot 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.

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

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.

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.

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).Time deposits with maturity periods of three months or more has shown in financial investments (Note 5).

Financial Investments

It is determined by means of omission of provision for losses, if available, from the registered acquisition cost of financial asset provided that the financial assets, in which the Group has a share under 20%, have not any fair value registered in stock exchange and a fair value assumption/appraisal cannot be performed since the other methods used in the calculation of fair value are not appropriate and a fair value cannot be measured in a trustable manner (Note 5).

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 7).

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 7).

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 6).

Recognition and de-recognition of financial instruments

The Group recognizes a financial asset or financial liability in its consolidated statement of financial position 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.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised using a recalculated effective interest rate.

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

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

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedging reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

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)

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 32).

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 Group will comply with the conditions attaching to it and that the grant will be received or when the grant is actually received by the Group. 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 14).

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

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 30).

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 30).

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 17).

In the consolidated financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Group'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 15).

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.

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

Revenue recognition

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

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 30).
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 12 and Note 13.
c) Reserve for retirement pay is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 17).
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, and their individual performances after the balance sheet date up to the issuing date of the consolidated financial statements and furthermore, the renegotiation conditions with these debtors are considered (Note 7 and 8).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

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 10).

f) VAT amount, that is did not foresee using in less than a year, is classified to other intangible asset by the Group Management (Note 21).

g) Discounted letter of credits for the raw material purchases has been assessed as trade payable by the group management (Note 7)

Share capital and dividends

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

Subsequent events

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

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements (Note 35).

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 statement of financial position 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

Including petrochemical and port services, the Group has two main fields of activity.

a) Revenue

	January 1 - December 31, 2015	January 1 - December 31, 2014
Petrochemical	**4.533.431.442**	4.132.860.349
Port services	**-**	-
Total before elimination	**4.533.431.442**	4.132.860.349
Eliminations and adjustments of consolidation	**(795.473)**	(14.272)
	4.532.635.969	4.132.846.077

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

3. Segment reporting (continued)

b) Operating profit

	January 1 - December 31, 2015	January 1 - December 31, 2014
Petrochemical	**545.573.333**	24.112.310
Port services	**(36.242.038)**	(26.567.742)
Total before elimination	**509.331.295**	(2.455.432)
Eliminations and adjustments of consolidation	**6.588.259**	(58.121.913)
	515.919.554	(60.577.345)

c) Depreciation and amortization

	January 1 - December 31, 2015	January 1 - December 31, 2014
Petrochemical	**(113.598.533)**	(89.453.398)
Port services	**(25.886.955)**	(11.912.688)
Total before elimination	**(139.485.488)**	(101.366.086)
Eliminations and adjustments of consolidation	**25.752.786**	11.785.525
	(113.732.702)	(89.580.561)

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

3. Segment reporting (continued)

d) Profit before taxation

	January 1 - December 31, 2015	January 1 - December 31, 2014
Petrochemical	**625.075.416**	27.391.813
Port services	**(30.759.953)**	(27.023.881)
Total before elimination	**594.315.463**	367.932
Eliminations and adjustments of consolidation	**(20.488.227)**	(62.139.427)
	573.827.236	(61.771.495)

e) Net profit for the year

	January 1 - December 31, 2015	January 1 - December 31, 2014
Petrochemical	**616.871.622**	53.848.606
Port services	**42.825.263**	16.969.587
Total before elimination	**659.696.885**	70.818.193
Eliminations and adjustments of consolidation	**(20.488.227)**	(62.139.427)
	639.208.658	8.678.766

f) Investment expense

	January 1 - December 31, 2015	January 1 - December 31, 2014
Petrochemical	**158.240.038**	224.275.742
Port services	**462.906.710**	279.373.819
Total before elimination	**621.146.748**	503.649.561
Eliminations and adjustments of consolidation	**(46.237.952)**	(78.579.440)
	574.908.796	425.070.121

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

3. Segment reporting (continued)

g) Total asset

	December 31, 2015	December 31, 2014
Petrochemical	**4.845.019.577**	3.752.021.478
Port services	**977.224.062**	457.283.940
Total before elimination	**5.822.243.639**	4.209.305.418
Eliminations and adjustments of consolidation	**(361.578.311)**	(421.048.326)
	5.460.665.328	3.788.257.092

4. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash	**-**	924
Banks	**1.341.536.749**	702.157.204
- Foreign currency demand deposits	**6.477.785**	537.690
- Foreign currency time deposits	**1.106.344.117**	628.754.154
- TL demand deposits	**11.158.398**	3.086.360
- TL time deposits	**217.556.449**	69.779.000
	1.341.536.749	702.158.128

As of December 31, 2015, foreign currency time deposits consist of overnight and monthly deposits. The effective weighted average interest rates for USD and EUR 2,75% and 1,24%, respectively (December 31, 2014 - USD 2,06%, EUR 1,97%.). The monthly effective weighted average interest for the USD time deposit is 2,52% (December 31, 2014: USD 2,83%.)

As of December 31, 2015, TL time deposits consist of overnight and monthly deposits and bear the effective interest rate of 12,55% (December 31, 2014 - overnight 10,06%).

As of December 31, 2015, the Group has no blockage on its bank deposits (December 31, 2014 - None).

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

5. Financial investments

a) Short-term financial investments

	December 31, 2015	December 31, 2014
Time deposits longer than 3 months	**158.880.000**	-
Interest accrual	**1.572.259**	-
	160.452.259	-

The Group has EUR 50.000.000 time deposit consist of more than three months deposits, bear the effective interest of 1,72%. The related amount has been classified under the financial investments.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

5. Financial investments (continued)

b) Long-term financial investments

The details of financial assets available for sale and percentage of shares are below:

	December 31, 2015		December 31, 2014	
	Shares (%)	**TL Amount**	Shares (%)	TL Amount
SOCAR Power Enerji Yatırımları A.Ş	**9,90%**	**8.910.000**	-	-
		8.910.000		-

TL 8.910.000 shares having a nominal price of TL 1 per share corresponding to 9,9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TL 8.910.000) owned by SOCAR Turkey Elektrik Yatırımları Holding A.Ş (Power Holding), which is a subsidiary of controlling shareholder of the Group, SOCAR Turkey Enerji A.Ş., in Socar Power are purchased by the Group on January 26, 2015.

6. Financial liabilities

a) Short term liabilities

	December 31, 2015	December 31, 2014
Short-term bank borrowings	**308.155.137**	352.830.791
Short-term installment of long term borrowings	**40.001.436**	41.875.571
Interest accruals	**13.394.020**	1.316.464
	361.550.593	396.022.826

Bank borrowings amounting to TL 9.744.159 as of December 31, 2015 (December 31, 2014 - TL 5.000.430) are overnight loans without bearing any interest and used for the month-end Social Security Institution ("SSI") payments and Custom transactions.

As of December 31, 2015 and 2014, the amounts of short term bank borrowings and interest rates are as follows:

			December 31, 2015
	Nominal interest rate (%)	**Original currency**	**Amount**
Short-term bank borrowings			
USD borrowings	**Libor + 1,1%**	**51.042.433**	**148.410.978**
TL borrowings	**11%, 10,90%**	**159.744.159**	**159.744.159**
Interest accruals	**-**	-	**11.482.937**
			319.638.074

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

6. Financial liabilities (continued)

			December 31, 2014
	Nominal interest rate (%)	Original currency	Amount
Short-term bank borrowings			
USD borrowings	Libor + 0,5%, Libor + 1%, 1,8%	149.998.000	347.830.361
TL borrowings	-	5.000.430	5.000.430
Interest accruals	-	-	83.855
			352.914.646

			December 31, 2015
	Nominal interest rate (%)	**Original currency**	**Amount**
Short-term instalment of long-term bank borrowings			
USD borrowings	**Libor + 1,70%, Libor + 3,75%**	**9.533.457**	**27.719.479**
EUR borrowings	**Libor + 3%**	**3.865.168**	**12.281.957**
Interest accruals	**-**	**-**	**1.911.083**
			41.912.519

			December 31, 2014
	Nominal interest rate (%)	Original currency	Amount
Short-term instalment of long-term bank borrowings			
USD borrowings	Libor + 1,70%, Libor +3,75%	13.254.478	30.735.809
EUR borrowings	Libor + 3%	3.949.290	11.139.762
Interest accruals	-	-	1.232.609
			43.108.180

The fair values of bank borrowings are disclosed in Note 33. As of December 31, 2015, the Group has given guarantee letter amounting to USD 51.691.457 and EUR 40.127.045 to financial institutions (December 31, 2014 - USD 61.800.000).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

6. Financial liabilities (continued)

b) Long-term bank borrowings

				December 31, 2015
	Maturities	**Interest rate (%)**	**Original currency**	**Amount**
Long-term bank borrowings				
USD borrowings	**December 22, 2017**	**Libor + 1,70%**	**7.634.701**	**22.198.658**
	December 22, 2022	**4,26%**	**43.263.332**	**125.792.463**
	March 30, 2028	**Libor + 4,675%**	**196.586.647**	**571.595.335**
EUR borrowings	**March 22, 2022**	**Libor + 3%**	**21.266.667**	**67.576.960**
	September 29, 2023	**Libor + 0,872%**	**20.000.000**	**63.552.000**
	October 2, 2023	**1,64%**	**20.000.000**	**63.552.000**
				914.267.416

The Group's short term bank loan, amounting to TL 150.298.082 has floating rate and interest rate is Libor + 1,1% (December 31, 2014 - TL 255.130.391 - Libor + 0,5%, Libor + 1%). Current portion of long term financial liabilities' amounting to TL 41.912.519 has floating rate and interest rate is Libor + 1,70%, Libor + 3,75%, (December 31, 2014: TL 43.108.180 - Libor + 1,70%, Libor + 3% and Libor + 3,75%). Long term bank loans, amounting to TL 480.684.553 has floating rate and interest rate is, Libor + 0,872%, Libor + 1,70%, Libor + 3% and Libor + 4,675% (December 31, 2014: TL 167.830.029 - Libor + 0.872%, Libor + 1,70%, Libor + 3% and Libor + 3,75%).

				December 31, 2014
	Maturities	Interest rate (%)	Original currency	Amount
Long-term bank borrowings				
USD borrowings	June 14, 2016	Libor + 3,75%	1.357.143	3.147.079
	December 22, 2017	Libor + 1,70%	16.117.709	37.375.356
	December 22, 2017	4,26%	43.263.332	100.323.340
EUR borrowings	March 22, 2022	Libor + 3%	25.133.334	70.893.594
	September 2, 2023	1,64%	20.000.000	56.414.000
	October 29, 2023	Libor + 0,872%	20.000.000	56.414.000
				324.567.369

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

6. Financial liabilities (continued)

As of December 31, 2015 and 2014 the principal repayment schedule of the borrowing is as follows:

	December 31, 2015 Original currency (USD)	December 31, 2014 Original currency (USD)
2015	**-**	13.722.850
2016	**9.840.151**	9.840.151
2017	**8.483.008**	8.483.008
2018	**27.139.078**	8.483.005
2019	**10.448.871**	8.483.005
2020	**11.431.805**	8.483.005
2021	**16.149.884**	8.483.005
2022	**21.261.137**	8.483.005
2023	**20.641.598**	-
2024	**30.470.930**	-
2025	**38.334.396**	-
2026	**37.351.463**	-
2027	**23.590.398**	-
2028	**2.182.112**	-
Total	**257.324.831**	74.461.034

	December 31, 2015 Original currency (Euro)	December 31, 2014 Original currency (Euro)
2015	**-**	4.254.457
2016	**3.866.667**	3.866.667
2017	**6.943.590**	6.943.590
2018	**10.020.513**	10.020.513
2019	**10.020.513**	10.020.513
2020	**10.020.513**	10.020.513
2021	**10.020.513**	10.020.513
2022	**8.087.180**	8.087.180
2023	**6.153.846**	6.153.846
Total	**65.133.335**	69.387.792

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

7. Trade receivables and payables

a) Short-term trade receivables

	December 31, 2015	December 31, 2014
Trade receivables	**565.969.138**	535.561.962
	565.969.138	535.561.962
Provision for doubtful receivables	**(14.544.081)**	(13.532.966)
	551.425.057	522.028.996

As of December 31, 2015, weighted average yearly effective interest rates for the calculated not accrued income arising from short term trade receivables in TL, USD and EUR are 11,91%, 5,21% and 5,04%, respectively (December 31, 2014- TL, USD and EUR - 14,19%, 5,44% and 3,59%)

The aging analysis of trade receivables including doubtful receivables as of December 31, 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Overdue receivables	**23.742.592**	23.323.956
0 - 30 days	**236.226.997**	162.818.081
31 - 60 days	**115.299.387**	126.561.661
61 - 90 days	**98.795.660**	127.545.525
91 days and over	**91.904.502**	95.312.739
	565.969.138	535.561.962

As of December 31, 2015, trade receivables amounting to TL 23.742.592 (December 31, 2014 - TL 23.323.956) of total overdue receivables amounting to TL 8.276.402 (December 31, 2014 - TL 6.157.795) were past due, however, the Group holds guarantee letters amounting to TL 6.937.558 (December 31, 2014 - TL 6.020.007) for such receivables (Note 33). Furthermore, trade receivables from foreign customers amounting to TL 3.609.750 (December 31, 2014 - TL 3.633.195), are guaranteed with letter of credits amounting TL 1.633.479 (December 31, 2014 - 553.012). Furthermore, the Group has accounted provision for doubtful receivables for the TL 14.544.081 portion of its past due receivables (December 31, 2014 - TL 13.532.966).

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 44 days (December 31, 2014 - 63).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

7. Trade receivables and payables (continued)

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of December 31, 2015, 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 989.576.591 TL (December 31, 2014 - 1.061.468.492 TL) (Note 15)

The movement of the provision for doubtful receivables during the year is as follows:

Overdue period	December 31, 2015	December 31, 2014
0 - 1 month	**1.435.524**	2.032.808
1 - 3 months	**8.922.096**	7.250.043
Over 3 months	**13.384.972**	14.041.105
	23.742.592	23.323.956

The movement of the provision for doubtful receivables during the year is as follows:

	2015	2014
January 1	**(13.532.966)**	(9.448.949)
Additions during the year (Note 26)	**(1.341.985)**	(4.084.017)
Provisions no longer required	**330.870**	-
December 31	**(14.544.081)**	(13.532.966)

b) Other short-term trade payables

	December 31, 2015	December 31, 2014
Trade payables, net	**1.103.997.061**	625.806.070
Expense accruals	**6.253.659**	5.347.268
	1.110.250.720	631.153.338

Letter of credits amounting to TL 837.790.691 of total short-term trade payable were due to the banks to finance the purchases of Naphtha. The average maturity for the letter of credit transactions is 296 days and accrued interest amounting to TL 5.689.406 has followed in the same account (December 31, 2014 - 275.223.684 TL and the average maturity is 307 days).

Average maturity for short-term trade payables other than letter of credits is 29 days as of December 31, 2015 (December 31, 2014 - 45 days). The effective weighted average interest rates used in the calculation of finance costs of short-term trade payables are 13,93%, 3,38% and 3,38% for TL, USD and EUR denominated trade payables, respectively (December 31, 2014 - The effective weighted average interest rates of short-term trade payables for TL, USD and EUR denominated trade payables are 11,34%, 2,95% and 2,95% respectively).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

8. Other receivables and payables

	December 31, 2015	December 31, 2014
a) Other short-term receivables		
Receivables from contract of port services	**3.764.943**	-
Loan interest incentive accrual	**1.647.621**	1.487.002
Receivables from compensation of occupational accidents	**326.008**	326.008
Freight receivables	**118.000**	162.323
Receivables from personnel	**18.351**	23.662
Insurance receivables	**-**	319.000
Other	**1.569.013**	1.198.523
	7.443.936	3.516.518
Provision for other doubtful receivables	**(933.608)**	(933.608)
	6.510.328	2.582.910

The movement of the provision for other doubtful receivables during the year is as follows:

	2015	2014
January 1	**(933.608)**	(564.205)
Additions in the year (Note 26)	**-**	(369.403)
December 31	**(933.608)**	(933.608)

	December 31, 2015	December 31, 2014
b) Other short-term payables		
Deposits and guarantees received	**2.193.874**	1.460.974
Other	**59.854**	26.528
	2.253.728	1.487.502

9. Derivative financial instruments

The amounts of derivative financial instruments as of December 31, 2015 and 2014 are as follows:

	December 31, 2015		December 31, 2014	
	Asset	Liability	Asset	Liability
Hedging reserve	**1.646.432**	**11.008.960**	1.445.166	-
	1.646.432	**11.008.960**	1.445.166	-

9. Derivative financial instruments (continued)

	December 31, 2015			December 31, 2014		
	Contract Amount (TL)	Fair value		Contract Amount (TL)	Fair value	
		Asset	Liability		Asset	Liability
Hedging reserve:						
Foreign currency forward transactions	**257.067.840**	**1.646.432**	**659.638**	52.747.090	1.445.166	-
Futures commodity trading operations	**149.529.817**	**-**	**10.349.322**	-	-	-
	406.597.657	**1.646.432**	**11.008.960**	52.747.090	1.445.166	-

Derivatives held for hedging:

The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes.

Depending on the Group's sales prices per customer contracts are set in TL, in US Dollar or in Euro, which is based on prices for raw material purchases in US Dollars, it is reflected in the sales price in US Dollar exchange rate. The Group has signed a contract that related to the amount of EUR 80.900.000 to foreign currency forward transactions to hedge against currency exchange risks in 2015. The fair value as of December 31, 2015 amounting to TL 986.794 is shown in the balance sheet as derivative instruments; the gain is recognized in the statement of comprehensive income under hedge funds. (December 31, 2014 - TL 1.445.166)

The group has signed contracts amounting to TL 83.123.923 naphtha purchases and TL 56.056.572 final product sales as of December 31, 2015, in order to hedge the cash flow risk against the naphtha purchases that is opened to price risk on purchase dates. Group management has assessed the results of hedging transactions as effective and hedge transactions have been accounted in the hedging fund under comprehensive income statement. As of December 31, 2015 the fair value of TL 10.349.322 has been accounted under derivative instruments in balance sheet (December 31, 2014 - None).

10. Inventories

	December 31, 2015	December 31, 2014
Raw materials	**112.685.870**	68.815.200
Work-in-progress	**94.789.137**	190.828.746
Finished goods	**90.622.291**	132.406.770
Trade goods	**19.207.550**	25.623.038
Goods-in-transit	**33.907.481**	14.434.214
Other inventories	**24.342.685**	27.244.975
	375.555.014	459.352.943
Less: Provision for impairment on inventories	**(12.046.150)**	(27.379.753)
	363.508.864	431.973.190

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

10. Inventories (continued)

Movements of provision for impairment on inventories for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
January 1	**(27.379.753)**	(840.728)
Charge during the year for impairment of inventory (Note 23)	**(12.046.150)**	(26.539.025)
Realized in the period	**27.379.753**	-
December 31	**(12.046.150)**	(27.379.753)

Allocation of the provision for impairment on inventories in terms of inventory type is as follows:

	December 31, 2015	December 31, 2014
Raw materials	**-**	2.483.300
Work-in-progress	**10.041.552**	11.920.373
Finished goods	**1.150.298**	11.470.833
Trade goods	**583.877**	662.734
Other inventories	**270.423**	842.513
December 31	**12.046.150**	27.379.753

As of December 31, 2015, provision for impairment on inventories decreased from TL 27.379.753 to TL 12.046.150. The reason of the impairment of inventories is the difference between sales and cost price, as product sales price decreased due to the decrease in naphtha price.

11. Investment property

	December 31, 2015	December 31, 2014
Investment property (*)	**1.469.935**	1.461.758
	1.469.935	1.461.758

(*) 30 years right of construction of the land, that is 1.969.478,40 m2, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual cost of the land, that is located in Aliağa district Arapçiftliği, is USD 4.630.057,88 and the cost will be increased at the rate of Libor + 1% each year. 30 years right of construction of the land, that is 11.017.36 m2, is given to the Air Liquide Gaz Sanayi ve Ticaret A.Ş. by the group. The market value of the land has been determined as TL 2.500.000.

In 2010, the market value of the portion of the land with the area of 1.375.000 m2 and acquisition cost of TL 1.020.532 has been determined as TL 177.500.000 and TL 126.000.000 as of December 31, 2010 respectively by Artı Gayrimenkul Değerleme ve Danışmanlık A.Ş. and Elit Gayrimenkul Değerleme A.Ş. that are licensed by the Capital Market Board.

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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

11. Investment property (continued)

Movements of investment properties for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
January 1	1.461.758	1.020.532
Transfers (*)	8.177	441.226
December 31	1.469.935	1.461.758

(*) The land, amounting to TL 8.177 is transferred from property, plant and equipment in 2015. (Note 12) (December 31, 2014: 441.226).

12. Property, plant and equipment

The movements of tangible assets and related accumulated depreciation for the years ended December 31, 2015 and 2014 are as follows:

	December 31, 2014	Additions	Transfers (Note 11 ve13)	Disposals	December 31, 2015
Cost:					
Land	13.208.763	-	(8.177)	-	13.200.586
Land improvements	108.396.415	-	5.561.156	-	113.957.571
Buildings	169.032.795	-	2.585.248	(382.369)	171.235.674
Machinery and equipment	6.381.145.390	-	55.110.339	-	6.436.255.729
Motor vehicles	10.576.693	-	1.771.691	(29.115)	12.319.269
Furniture and fixtures	67.789.913	-	6.939.741	(26.848)	74.702.806
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	581.831	-	-	-	581.831
Construction in progress (*)	488.649.086	574.908.796	(75.762.598)	-	987.795.284
	7.240.377.038	574.908.796	(3.802.600)	(438.332)	7.811.044.902
Accumulated depreciation:					
Land improvements	(82.575.675)	(2.513.804)	-	-	(85.089.479)
Buildings	(95.524.377)	(3.656.754)	-	194.239	(98.986.892)
Machinery and equipment	(5.179.977.175)	(101.293.438)	-	-	(5.281.270.613)
Motor vehicles	(9.276.064)	(662.797)	-	29.115	(9.909.746)
Furniture and fixtures	(54.532.020)	(3.247.840)	-	26.709	(57.753.151)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	(210.852)	(193.943)	-	-	(404.795)
	(5.423.092.315)	(111.568.576)	-	250.063	(5.534.410.828)
Net book value	1.817.284.723				2.276.634.074

(*) Since the construction in progress contains incomplete projects, as of balance sheet date they have not been capitalized yet. As December 31, 2015, investment expense, amounting to TL 152.268.574, is performed by Petkim, amounting to TL 422.640.222 is performed by Petlim. (December 31, 2014 - Petkim: TL 224.275.742, Petlim: TL 200.794.379).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

12. Property, plant and equipment (continued)

	December 31, 2013	Additions	Transfers (Note 11 ve13)	Disposals	December 31, 2014
Cost:					
Land	9.367.988	-	4.452.454	(611.679)	13.208.763
Land improvements	101.187.700	-	7.208.715	-	108.396.415
Buildings	166.065.628	-	2.967.167	-	169.032.795
Machinery and equipment	6.062.574.658	-	318.570.732	-	6.381.145.390
Motor vehicles	10.151.874	-	424.819	-	10.576.693
Furniture and fixtures	62.239.292	-	6.623.704	(1.073.083)	67.789.913
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	581.831	-	-	-	581.831
Construction in progress (*)	409.087.104	425.070.121	(345.508.139)	-	488.649.086
	6.822.252.227	425.070.121	(5.260.548)	(1.684.762)	7.240.377.038
Accumulated depreciation:					
Land improvements	(80.457.199)	(2.118.476)	-	-	(82.575.675)
Buildings	(91.957.310)	(3.567.067)	-	-	(95.524.377)
Machinery and equipment	(5.101.542.319)	(78.434.856)	-	-	(5.179.977.175)
Motor vehicles	(8.821.318)	(454.746)	-	-	(9.276.064)
Furniture and fixtures	(53.078.079)	(2.527.024)	-	1.073.083	(54.532.020)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	(16.909)	(193.943)	-	-	(210.852)
	(5.336.869.286)	(87.296.112)	-	1.073.083	(5.423.092.315)
Net book value	1.485.382.941				1.817.284.723

(*) Since the construction in progress contains incomplete projects, as of balance sheet date they have not been capitalized yet. As December 31, 2015, investment expense, amounting to TL 152.268.574, is performed by Petkim, amounting to TL 422.640.222 is performed by Petlim. (December 31, 2014 - Petkim: TL 224.275.742, Petlim: TL 200.794.379).

As of December 31, 2015, transfers amounting to TL 3.794.423 is transferred to intangible asset (December 31, 2014 TL 4.819.322), TL 8.177 is transferred to investment properties (December 31, 2014 TL 441.226).

As of December 31, 2015, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD 350 million on the date of November 20, 2015 (December 31, 2014 - None).

The Group compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 18.366.327 (December 31 2014 - TL 16.318.767) (Note 29). The rate that group has used to determine the capitalized finance cost is 11,59% (December 31, 2014 - 11,97%) which is weighted average effective interest rate of the investment loans.

Depreciation charges amounting to TL 111.568.576 for the year ended December 31, 2015 (December 31, 2014 - TL 87.296.112) were allocated to cost of sales by TL 90.846.512 (December 31, 2014 - TL 66.008.084), to idle capacity expenses by TL 8.554.895 (December 31, 2014 - TL 8.542.313), to inventories by TL 5.153.090 (December 31, 2014 - TL 6.532.713), to general administrative expenses by TL 6.276.974 (December 31, 2014 - TL 5.537.312), to marketing, selling and distribution expenses by TL 492.489 (December 31, 2014 - TL 334.738), and to research and development expenses by TL 244.616 (December 31, 2014 - TL 340.952).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

12. Property, plant and equipment (continued)

The major part of the additions to machinery and equipment as of December 31, 2015 related to the modernization of production facilities and machineries which are classified under construction in progress as of December 31, 2014 and completed in year 2015. The Group's management plans to increase the efficiency and environmental compliance with these investments. Construction in progress as of December 31, 2015 has similar characteristics with previous year's construction in progress.

There is no financial leasing as of December 31, 2015 (December 31, 2014 - None).

13. Intangible assets

The movements of intangible assets and related accumulated amortization for the years ended

December 31, 2015 and 2014 are as follows:

	December 31, 2014	**Additions**	**Transfers (Note 12)**	**Disposals**	**December 31, 2015**
Cost:					
Rights and software	**26.476.207**	**-**	**3.794.423** (*)	**-**	**30.270.630**
	26.476.207	**-**	**3.794.423**	**-**	**30.270.630**
Accumulated amortization:					
Rights and software	**(9.778.835)**	**(2.164.126)**	**-**	**-**	**(11.942.961)**
	(9.778.835)	**(2.164.126)**	**-**	**-**	**(11.942.961)**
Net book value	**16.697.372**				**18.327.669**

	December 31, 2013	Additions	Transfers (Note 12)	Disposals	December 31, 2014
Cost:					
Rights and software	21.656.885	-	4.819.322 (*)	-	26.476.207
	21.656.885	-	4.819.322	-	26.476.207
Accumulated amortization:					
Rights and software	(7.494.386)	(2.284.449)	-	-	(9.778.835)
	(7.494.386)	(2.284.449)	-	-	(9.778.835)
Net book value	14.162.499				16.697.372

(*) Transfers, that are performed during December 31, 2015 and 2014 periods, include software that are used during production process and other license.

There is no mortgage on intangible assets as of December 31, 2015 (31 December, 2014 - None).

Amortization charges amounting to TL 2.164.126 (31 December 2015 - 2.284.449 TL) for the year ended December 31, 2015 were allocated to cost of sales by TL 568.567 (31 December 2014 - 590.431 TL), to research and development expenses by TL 59.177 (31 December 2014 - 290.433 TL), and to general administrative expenses by TL 1.536.382 (31 December 2014 - 1.403.585 TL).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

14. Government grants

As of December 31, 2015, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 1.539.637 (31 December 2014: 1.407.362 TL) and TL 132.275 (31 December 2014: 40.744 TL) of that incentives grant has been presented in income statement.

15. Provisions, contingent assets and liabilities

	December 31, 2015	December 31, 2014
a) Short-term provisions:		
Provision for EMRA (*) contribution share	**1.763.480**	1.480.403
Provision for legal cases	**942.746**	1.986.226
Provision for tax inspection settlement fee (**)	**-**	1.700.000
	2.706.226	5.166.629

(*) Energy Market Regulatory Authority

Movements of the provision for EMRA contribution share is as follows:

	2015	2014
January 1	**1.480.403**	1.452.120
Change in the period, net	**283.077**	28.283
December 31	**1.763.480**	1.480.403

Movements of the provision for legal cases contribution share is as follows:

	2015	2014
January 1	**1.986.226**	1.254.955
Change in the period	**10.537**	731.271
Paid in the period (Note 26)	**(1.054.017)**	-
December 31	**942.746**	1.986.226

Other tax penalties that are detailed below resulted favor of the Group.

- 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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

15. Provisions, contingent assets and liabilities (continued)

The management of the Group believes that its practices regarding the mentioned communiqués are in compliance with legal regulations and it has used all of its legal rights including objection, reconciliation and initiating a legal process and the applications have resulted in favor of the Group. Accordingly, no risk remains in the financial statements regarding these notifications.

	December 31, 2015	December 31, 2014
b) Guarantees received:		
Bank guarantees within the context of DOCS	**599.275.848**	738.632.376
Letters of guarantee received from customers	**310.208.811**	278.268.951
Letters of guarantee received from suppliers	**167.392.899**	99.212.914
Receivable insurance	**76.290.860**	29.998.145
Mortgages	**2.000.000**	2.000.000
Policies received	**1.000.000**	865.440
Cheques received	**801.072**	2.864.606
Letters of credit received	**-**	8.838.974
	1.156.969.490	1.160.681.406

Allocation of the letters of guarantee received in terms of currency type is as follows:

		December 31, 2015		December 31, 2014
	Original currency	**TL Amount**	Original currency	TL Amount
Turkish Lira	**-**	**739.630.915**	-	846.462.355
US Dollar	**93.457.040**	**271.735.689**	113.722.353	263.710.764
Euro	**45.795.629**	**145.520.192**	17.891.812	50.467.435
Japanese Yen	**1.737.553**	**41.837**	-	-
British Pound	**9.500**	**40.857**	-	-
Swiss Francs	**-**	**-**	17.460	40.852
		1.156.969.490		1.160.681.406

	December 31, 2015	December 31, 2014
c) Guarantees given:		
Letters of guarantee given	**438.767.502**	347.421.165
	438.767.502	347.421.165

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

15. Provisions, contingent assets and liabilities (continued)

Collaterals, Pledges and Mortgages ("CPM") provided by the Company:

	December 31, 2015	December 31, 2014
A. Total amount of CPMs given for the Company's own legal personality	**438.767.502**	347.421.165
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	**571.595.334**	-
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	**120.665.400**	-
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.	-	-
	1.131.028.236	347.421.165

(*) Petlim Limancılık Ticaret A.Ş., which the group owns its 70% shares, has signed a project finance credit agreement with AKBANK T.A.Ş. at an amount of USD 212 million which has 13 years maturity with the first 3 years no repayment period, for the external funding of the container port project. Petkim has guaranteed the loan repayment and also amounting to 105 M TL which is its shares in Petlim Limancılık Ticaret A.Ş has been pledged. There are three covenant conditions of the loan agreements, the one on the construction period (credit/Total Shareholders' Equity Ratio does not exceed the 75:25 ratio), and two covering after the period of project activities. On November 20, 2015, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage amounting to USD 350 million in favor of Akbank T.A.Ş. on its land, which has been sold to Petlim by Petkim amounting to TL 5.650.000 (December 31, 2014 - None). It would be appropriate to take into account the amount of the land value instead of mortgage amount.

	December 31, 2015	December 31, 2014
Mortgages given to banks	**692.260.734**	-
Guarantees given to banks	**277.805.781**	143.308.020
Customs offices and Republic of Turkey Prime Ministry Undersecretaries of Customs	**46.664.800**	113.584.281
Türkiye Elektrik Ticaret ve Taahhüt A.Ş.	**8.478.465**	8.478.465
EMRA	**5.600.000**	8.475.000
Other	**100.218.456**	73.575.399
	1.131.028.236	347.421.165

Allocation of the letters of guarantee given in terms of currency type is as follows:

	December 31, 2015		December 31, 2014	
	Original currency	**TL Amount**	Original currency	TL Amount
US Dollar	**318.093.104**	**924.887.510**	86.865.000	201.431.249
Euro	**50.627.045**	**160.872.500**	10.500.000	29.617.350
Turkish Lira	**-**	**45.268.226**	-	116.372.566
		1.131.028.236		347.421.165

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

15. Provisions, contingent assets and liabilities (continued)

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, 2015 as follows:

Operational leases income	2015	2014
0-1 year	**14.261.363**	10.968.926
1-5 year(s)	**60.206.567**	45.691.663
5 year and more	**493.081.329**	358.975.604
Total	**567.549.259**	415.636.193

Operational leases expense	2015	2014
0-1 year	**12.878.087**	12.878.087
1-5 year(s)	**17.170.782**	30.048.869
Total	**30.048.869**	42.926.956

The group has signed an operational leasing contract for naphtha tank to be effective between December 1, 2014 and April 30, 2018 at the date of December 30, 2014. STAR has rented out tanks, owned by it, and discounted amounting TL 44.000.129 + VAT for over entire duration within the context of that contract. STAR has obtained a valuation report regarding usage right value of tank within period of rent from an independent firm so as to determine fair value of related rent process. Net book value of the net rent income from tanks between December 1, 2014 and April 20, 2018, is in the range of TL 40.0000.000 TL 45.000.000.

16. Commitments

As of July 25, 2014, the Group has signed a contract with STAR Rafineri A.Ş. whose main shareholder is SOCAR Turkey Enerji A.Ş. which is main shareholder of Petkim in the direction of purchasing naphtha approximately amounting to 1.600.000 tons per year and xysilen amounting to 270.000 tons per year for 20 years from STAR Rafineri which will be landed at Petkim Peninsula in order to ensure supply security and reduce costs. This contract has disclosed on PDP (Public Disclosure Platform) at the same date with contract. In addition, the Group has signed a cooperation contract with STAR Rafineri A.Ş. at the mentioned date and accordance with that contract the Group is going to sell steam for 20 years and serve solid and hazardous waste disposal, supply of workers on temporary duty and security services to STAR Rafineri which will be established by STAR Rafineri A.Ş. at Petkim Peninsula.

17. Employee benefits

	December 31, 2015	December 31, 2014
i) Short-term employee benefits		
Provision for seniority incentive bonus	**3.027.856**	3.517.037
Performance bonus	**10.000.000**	-
	13.027.856	3.517.037
ii) Long-term employee benefits		
Provision for employment termination benefits	**78.796.553**	69.911.457
Provision for unused vacation rights	**7.686.675**	6.547.365
Provision for seniority incentive bonus	**2.643.707**	2.131.500
	89.126.935	78.590.322

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

17. Employee benefits (continued)

Unused vacation rights:

Movements of the provision for unused vacation rights are as follows:

	2015	2014
January 1	**6.547.365**	6.192.081
Changes in the Period, net	**1.139.310**	1.016.908
Transfer to employment termination benefit, seniority incentive bonus and unused vacation (Note 20)	**-**	(661.624)
December 31	**7.686.675**	6.547.365

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 3.828,37 for each year of service as of December 31, 2015 (December 31, 2014 - TL 3.438,22).

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, 2015	December 31, 2014
Discount rate (%)	**3,80**	3,80
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 4.092,53, which is effective from January 1, 2016, has been taken into consideration in the calculation of employment termination benefits of the Group (January 1, 2015 - TL 3.451,37 TL)

The movements of the provision for seniority incentive bonus are as follows:

	2015	2014
January 1	**69.911.457**	85.484.667
Interest cost	**2.656.636**	3.248.418
Actuarial loss	**10.549.840**	2.905.184
Service cost	**3.146.581**	3.212.612
Transfer to employment termination benefit, seniority incentive bonus and unused vacation payable (Note 20)	**-**	(11.259.501)
Payments during the year	**(7.467.961)**	(13.679.923)
December 31	**78.796.553**	69.911.457

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

17. Employee benefits (continued)

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefit as December 31, 2015 and 2014, are follows:

		December 31, 2015		December 31, 2014
		Net discount rate		Net discount rate
Sensitivity analysis	**100 basis point increase**	**100 basis point decrease**	100 basis point increase	100 basis point decrease
Rate	**4,80%**	**2,80%**	4,80%	2,80%
Change in liability of employment termination benefit	**(2.941.096)**	**3.583.922**	(2.941.096)	3.583.922

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 Group, 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, 2015	December 31, 2014
Discount rate (%)	**3,80**	3,80
Probability of retirement (%)	**100,00**	100,00

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

17. Employee benefits (continued)

The movements of the provision for seniority incentive bonus are as follows:

	2015	2014
January 1	5.648.537	5.318.371
Interest cost	214.644	202.098
Actuarial loss	-	23.268
Service cost	4.492.288	4.034.586
Transfer to employment termination benefit, seniority incentive bonus and unused vacation (Note 20)	-	(288.871)
Payments during the year	(4.683.906)	(3.640.915)
December 31	5.671.563	5.648.537

18. Deferred Income

a) Short-term deferred income:

	December 31, 2015	December 31, 2014
Order advances received	18.740.926	13.280.798
Deferred income	3.184.151	809.359
	21.925.077	14.090.157

b) Long-term deferred income:

	December 31, 2015	December 31, 2014
Long-term deferred income (*)	54.794.114	48.490.336
	54.794.114	48.490.336

(*) 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. Under the agreement, the amount paid by the Group APM Terminals TL 2.234.292 in short-term deferred revenue 54.740.511 TL is followed till date to start operating in long-term deferred revenues. Business transition period will take place in 2016.

19. Prepaid expenses

a) Short-term prepaid expenses

	December 31, 2015	December 31, 2014
Advances given for inventories	20.311.017	24.026.384
Advances given for customs affairs	10.201.986	14.004.351
Prepaid rent, insurance and other expenses	8.956.615	5.207.976
	39.469.618	43.238.711

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

19. Prepaid expenses (continued)

b) Long-term prepaid expenses

	December 31, 2015	December 31, 2014
Advances given for fixed assets (*)	**77.713.952**	22.405.739
Advances given for custom works	**12.772.125**	-
Prepaid rent, insurance and other expenses	**2.218.840**	2.306.320
	92.704.917	24.712.059

(*) A large part of the amount constituting the advance has been given tangible assets under the Wind Power Plant Project.

20. Liabilities for employee benefits

	December 31, 2015	December 31, 2014
Due to personnel	**8.220.279**	9.271.096
Social security contribution	**40.774**	4.312.229
Employment termination benefit, seniority incentive bonus and unused vacation payable to employees (Note 17)	**-**	12.209.996
	8.261.053	25.793.321

21. Other assets and liabilities

i) Other assets

	December 31, 2015	December 31, 2014
a) Other current assets:		
Value added tax ("VAT") receivable	**33.899.334**	29.118.763
Other	**1.197.141**	3.316.946
	35.096.475	32.435.709

	December 31, 2015	December 31, 2014
b) Other non-current assets:		
Value added tax ("VAT") receivable (*)	**26.660.801**	22.875.889
Spare parts	**12.539.243**	11.072.898
Other	**122.284**	122.335
	39.322.328	34.071.122

(*) VAT amount, that is predicted not to use within a year, is classified to non-current asset.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

21. Other assets and liabilities (continued)

ii) Other liabilities

	December 31, 2015	December 31, 2014
a) Other short-term liabilities:		
Taxes and funds payable and other deductions	**6.136.077**	5.917.747
Other	**359.334**	223.431
	6.495.411	6.141.178

22. Equity

The shareholders of the Company and their shareholdings as of December 31, 2015 and 2014 were as follows:

		December 31, 2015		December 31, 2014	
Group:	**Shareholder:**	**Amount**	**Share (%)**	Amount	Share (%)
A	Socar Turkey Petrokimya A.Ş.	**765.000.000**	**51,00**	510.000.000	51,00
A	Public owned (*)	**655.176.478**	**43,68**	386.784.319	38,68
A	SOCAR Turkey Enerji A.Ş. (**)	**79.823.522**	**5,32**	103.215.681	10,32
C	Privatization Administration	**0,01**	**-**	0,01	-
	Total paid share capital	**1.500.000.000**	**100**	1.000.000.000	100
	Adjustment to share capital	**238.988.496**		486.852.283	
	Total share capital	**1.738.988.496**		1.486.852.283	

(*) SOCAR Turkey Enerji A.Ş. traded on a public BIST part; it has a rate of 2.75% per share 41.278.401, 47.

(**) SOCAR Turkey Enerji A.Ş. and SOCAR İzmir Petrokimya A.Ş. that SOCAR Turkey Enerji A.Ş. owned 100% subsidiary and the Group owned 10.32% sharing, is united as of September 22, 2014.

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.

As the board of directories meeting decision taken at the December 8, 2015 in the registered capital ceiling of TL 4.000.000.000, increased 50% of the issued share capital and reached from TL 1.000.000.000 to TL 1.500.000.000. Capital increase consists from adjustments to share capital amounting to TL 247.863.787 and special fund amounting to TL 252.136.213. Group A registered shares, issued per procuration of the capital increased at an amount of TL 500.000.000, are distributed to shareholders in due form. Approved and issued capital of the Company consist of 149.999.999.999 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (December 31, 2014 - 59.999.999.999 Group A shares and 40.000.000.000 Group B shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management).

Capital of the Company is composed of all registered shares (December 31, 2014 - All registered).

22. 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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

22. 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, 2015, the Group has such restricted reserves amounting to TL 36.548.777 (December 31, 2014 TL 8.356.700)

The Group's accumulated earnings amounting to TL 156.442.236 has been classified in retained earnings under "Equity" in the consolidated balance sheet (December 31, 2013 - TL 178.181.398 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, 2015	December 31, 2014
Legal reserves and special funds	**362.011.604**	50.174.012
Net profit for the year	**573.177.217**	563.841.531
	935.188.821	614.015.543

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

22. Equity (continued)

Gain on sale of subsidiary shares do not result in loss of control

45 million shares, representing 30% of capital of Petlim Limancılık Ticaret A.Ş. which is subsidiary of the Company has been purchased by Goldman Sachs International ("GSI", together with its subsidiaries "GS") in exchange for 250 million USD Dollars ("Share Transfer Agreement").

At the same date, in the consequence of put option contract signed by STEAŞ with GSI, it has undertaken guarantor liability regarding of liabilities of Petkim due to share transfer agreement, if required and in the event of contract conditions the right of selling shares of Petlim by GSİ to STEAŞ has been originated ("Put option Contract"). Within the mentioned put option contract, no later than 7 years following the signed share transfer agreement, it has been agreed on public offering of shares of Petlim (public offering), in accordance with those regulations agreed by the parties and in consequence of option relation, loss of GSI shall be compensated by STEAŞ.

STEAŞ has committed to purchase of shares held by GSI in case of not occurring of public offering or not procuring the certain conditions of contract despite occurring the public offering as a matter of put option contract by the demand of GSI. Hence, STEAŞ's warranty obligation given to the GSI is going to be valid for 7 years following the signing of the share purchase agreement. Owing to the fact that the public offering of Petlim Shares within 3 years following the signing of Share Transfer Agreement has been planned, the parties has come to an agreement on warranty service provided to Petkim in the consequence of put option contract by STEAŞ, is going to carry on for 3 years following the signing of share transfer agreement. It has been decided to collect mentioned service fee for 3 years in a one-shot payment on corresponding of discounted rate for 3 years without VAT which is 2,35% per year (Service Fee). In accordance with agreement between STEAŞ and Petkim, STEAŞ states not reflecting addition warranty service fee to Petkim in case of not offering Petlim Shares to public within 3 years or in other words in case of continuing of put option right of STEAŞ given to GSI also after 3 years. In this way, a three year service fee amounting TL 40.942.875 corresponding USD 17.625.000 which is calculated discounted 2,35% per year has been deducted from gain on sale of subsidiary, which has been reflected to equity by taking tax effect into consideration and deducting the tax effect.

As a result of the information that is mentioned above, analysis of the profit on sale of subsidiary as follows:

Sales amount of the Petlim's 30% shares	580.750.000
The net book value of the shares sold	(48.939.667)
Pre-tax profit on sale of shares	531.810.333
Calculated tax (-)	(26.590.517)
Cost of guarantor service, net off tax (-)	(38.895.731)
Net profit on sale of shares	466.324.085

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

23. Sales and cost of sales

	January 1 - December 31, 2015	January 1 - December 31, 2014
Domestic sales	**3.179.567.385**	2.957.595.900
Export sales	**1.387.171.847**	1.240.335.518
Other sales	**52.395.088**	15.982.745
	4.619.134.320	4.213.914.163
Less: Other discounts	**(70.957.757)**	(67.604.731)
Less: Sales discounts	**(11.465.978)**	(9.445.833)
Less: Sales returns	**(4.074.616)**	(4.017.522)
Sales	**4.532.635.969**	4.132.846.077
Raw material usage	**(2.576.139.932)**	(2.972.666.181)
Cost of sold trade goods	**(312.021.757)**	(471.526.160)
Energy	**(373.394.042)**	(349.711.411)
Labour	**(186.797.331)**	(130.988.048)
Depreciation	**(99.969.974)**	(74.550.397)
Change in work in process	**(96.039.610)**	58.183.871
Change in finished goods	**(41.784.479)**	(17.916.703)
Idle capacity expense	**(30.456.850)**	(28.890.677)
Packaging costs	**(24.154.226)**	(12.924.517)
Rediscount income/(expense) on trade payables	**(2.060.731)**	(3.839.696)
Provision for impairment of inventories (Note 10)	**(12.046.150)**	(26.539.025)
Other	**(61.561.446)**	(16.008.994)
Cost of sales	**(3.816.426.528)**	(4.047.377.938)
Gross profit	**716.209.441**	85.468.139

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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

24. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1 - December 31, 2015	January 1 - December 31, 2014
a) General administrative expenses:		
Personnel expenses	**51.451.579**	38.494.546
Outsourced services	**28.611.550**	24.526.920
Energy expenses	**11.901.743**	12.204.184
Depreciation and amortization	**7.813.356**	6.940.897
Taxes, funds and fees	**5.546.511**	6.295.606
Employment termination benefits	**3.146.581**	3.212.612
EMRA contribution share	**1.781.592**	1.497.881
Other	**7.498.940**	6.590.902
	117.751.852	99.763.548

	January 1 - December 31, 2015	January 1 - December 31, 2014
b) Marketing, selling and distribution expenses:		
Outsourced services	**15.499.682**	12.546.734
Personnel expenses	**12.057.731**	8.825.427
Export fee expenses	**985.025**	1.357.534
Depreciation and amortization	**492.489**	334.738
Other	**3.262.764**	3.455.723
	32.297.691	26.520.156
c) Research and development expenses:		
Personnel expenses	**9.610.605**	9.351.753
Outsourced services	**549.265**	1.023.531
Depreciation and amortization	**303.793**	631.385
Other	**1.279.075**	883.819
	11.742.738	11.890.488
Total operating expenses	**161.792.281**	138.174.192

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

25. Expenses by nature

	January 1 - December 31, 2015	January 1 - December 31, 2014
Raw materials usage, changes in work-in-process and finished goods	**2.713.964.021**	2.932.399.013
Energy	**385.295.785**	361.915.595
Cost of commercial goods sold	**312.021.757**	471.526.160
Personnel expenses	**259.917.246**	187.659.774
Depreciation and amortization	**108.579.612**	82.457.417
Outsourced services	**44.660.497**	38.097.185
Idle capacity expense	**30.456.850**	28.890.677
Employment termination benefits - net	**3.146.581**	3.212.612
Provision for impairment of inventories (Note 10)	**12.046.150**	26.539.025
Other	**108.130.310**	52.854.672
	3.978.218.809	4.185.552.130

26. Other operating income and expense

	January 1 - December 31, 2015	January 1 - December 31, 2014
Other operating income:		
Interest income on trade receivables	**43.346.125**	38.837.080
Foreign exchange gains on trade payables	**32.129.952**	35.759.536
Foreign exchange gains on trade receivables	**28.307.903**	23.380.585
Rent income	**20.788.939**	12.959.801
Paid litigation provision	**1.054.017**	-
Energy maintenance income	**1.646.829**	1.134.752
Infrastructure income	**1.105.968**	989.610
Income from insurance recoveries	**357.410**	258.271
TUBITAK research and development support income (Note 14)	**132.275**	40.744
Other	**2.165.879**	5.742.602
	131.035.297	119.102.981

	January 1 - December 31, 2015	January 1 - December 31, 2014
Other operating expense:		
Foreign exchange losses on trade payable	**(131.177.532)**	(86.495.233)
Interest expense on trade payables	**(21.242.944)**	(16.570.095)
Foreign exchange losses on trade receivables	**(9.012.236)**	(3.109.997)
Rediscount expense on trade receivables	**(2.354.847)**	(3.065.598)
Compensation and penalty charges	**(1.697.115)**	(2.252.288)
Provision for doubtful receivables (Note 7 and 8)	**(1.341.985)**	(4.453.420)
Litigation allowance (Note 15)	**(10.537)**	(731.271)
Other	**(2.695.707)**	(10.296.371)
	(169.532.903)	(126.974.273)

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

27. Investment activities income and expense

	January 1 - December 31, 2015	January 1 - December 31, 2014
Income from investment activities:		
Proceeds from sales of property, plant and equipment and intangible assets	**13.030**	2.712.214
	13.030	2.712.214

28. Finance income

	January 1 - December 31, 2015	January 1 - December 31, 2014
Foreign exchange gain (*)	**385.667.891**	126.591.206
Interest income	**33.403.052**	14.402.000
Other	**2.597.167**	-
	421.668.110	140.993.206

(*) Foreign exchange gain related to cash and cash equivalents, financial liabilities and other liabilities.

29. Finance costs

	January 1- December 31, 2015	January 1- December 31, 2014
Foreign exchange loss (*)	**(338.723.003)**	(137.472.708)
Interest expense	**(24.139.283)**	(7.216.987)
Bank commission expense	**(911.172)**	(209.875)
	(363.773.458)	(144.899.570)

(*) Foreign exchange gain related to cash and cash equivalents, financial liabilities and other liabilities

The Group has investments in foreign currency loans compared with market TL interest rates and a total of 18.366.237 TL has been capitalized under tangible assets (December 31, 2014 - 16.318.767 TL) (Note 12).

30. Tax assets and liabilities

i) Corporation tax:

	December 31, 2015	December 31, 2014
Corporate and income tax payable	**19.213.253**	-
Prepaid corporate tax	**(9.529.198)**	-
Tax liability of profit	**9.684.055**	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

30. Tax assets and liabilities (continued)

As of December 31 Tax expense for the year ended are detailed below:

	January 1 - December 31, 2015	January 1 - December 31, 2014
Current income tax expense	**(19.213.253)**	-
Deferred tax income/(expense)	**84.594.675**	70.450.261
Total tax expense	**65.381.422**	70.450.261

The corporation tax rate of the fiscal year 2015 is 20% (December 31, 2014 - 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.

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, 2015, total deferred asset calculated over its unused investment incentive is TL 163.218.583 (2014 - TL 82.622.109).

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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

30. Tax assets and liabilities (continued)

Transfer pricing

The Law No: 5520 Article 13, which made new arrangements to transfer pricing, was effective from January 1 2007. With the aforementioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. In this respect, corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

The reconciliations of the taxation on income for the years ended December 31, 2015 and 2014 were as follows:

	January 1 - December 31, 2015	January 1 - December 31, 2014
Profit before taxation on income/(expense)	**573.827.236**	(61.771.495)
Tax calculated at enacted tax rates	**(114.765.447)**	12.354.299
The effect of adjustments do not create deferred tax	**2.357.105**	2.017.105
Unrecognized deferred tax on current year tax loses	**(5.652.557)**	(5.067.976)
Created deferred tax due to increase in investment incentives	**185.921.936**	65.317.602
Deductible income effect	**1.316.288**	8.906
Disallowable expenses	**(3.480.426)**	(4.337.086)
Other	**(315.477)**	157.411
	65.381.422	70.450.261

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, 2014 - 20%).

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

30. Tax assets and liabilities (continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2015 and 2014 were as follows:

		Taxable temporary differences	Deferred income tax assets/(liabilities)	
	December 31, 2015	December 31, 2014	**December 31, 2015**	December 31, 2014
Difference between the carrying values and tax bases of property, plant, equipment and intangible	**(314.955.950)**	(343.525.095)	**(62.991.190)**	(68.705.019)
Income accrual of hedging reserve	**(1.646.432)**	(1.445.166)	**(329.286)**	(289.033)
Adjustment to internal rate of return	**(1.202.203)**	(718.924)	**(240.441)**	(143.785)
Unincurred finance cost	**(633.967)**	(2.716.301)	**(126.794)**	(543.260)
Other	**(1.474.473)**	(874.479)	**(294.895)**	(174.896)
Deferred income tax liabilities	**(319.913.025)**	(349.279.965)	**(63.982.606)**	(69.855.993)
Unused investment incentives	**691.151.826**	351.002.892	**166.103.900**	82.622.109
Employment termination benefits and seniority incentive bonus provision	**84.468.116**	75.559.940	**16.893.623**	15.111.988
Inventory impairment	**12.158.681**	27.379.753	**2.431.736**	5.475.951
Accrued expenses of hedging	**11.008.960**	-	**2.201.792**	-
Accrued expense of personnel bonus	**10.000.000**	-	**2.000.000**	-
Rent allowance fee	**9.266.208**	7.551.178	**1.853.242**	1.510.236
Unearned credit finance income	**8.388.021**	8.033.938	**1.677.604**	1.606.788
Provision for unused vacation rights	**7.686.675**	6.547.365	**1.537.335**	1.309.473
Letter of credit interest accrual and IRR adjustment	**5.689.407**	-	**1.137.883**	-
Provision for doubtful receivables	**5.141.764**	3.969.181	**1.028.353**	793.836
Provision for legal cases	**891.260**	1.986.226	**178.252**	397.245
Recognizing research & development expenses, net	**528.306**	528.306	**105.661**	105.661
Provision for employment termination benefits, seniority incentives, unused vacation	**-**	12.209.996	**-**	2.441.999
SOCAR Turkey Enerji A.Ş. ("STEAŞ") guarantee cost	**-**	40.942.875	**-**	2.047.144
Adjustment to foreign currency transaction of goods are lack of documents	**-**	4.105.116	**-**	821.023
Other	**898.610**	464.275	**179.722**	92.855
Deferred income tax assets	**847.277.834**	540.281.041	**197.329.103**	114.336.308
Deferred tax assets/(liabilities) - net			**133.346.497**	44.480.315

The movement of deferred income tax is as follows:

Deferred tax asset/(liabilities) - net

	2015	2014
January 1	**44.480.315**	(1.723.230)
Tax expense recognized in income statement	**84.594.675**	70.450.261
Tax recognized directly in the shareholders' equity	**4.271.507**	296.657
Net off from gain on the sale of subsidiary shares	**-**	(24.543.373)
December 31	**133.346.497**	44.480.315

30. Tax assets and liabilities (continued)

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Financial losses cannot be deducted from retained earnings. As of December 31, 2015, the Group has not any financial loss (December 31, 2014 - None).

As of December 31, 2015, the Group has TL 691.151.826 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 (December 31, 2014 - TL 351.002.892).

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on January 4, 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as subject of deduction from corporate tax. The group has TL 94.987.701 unused investment incentive within the scope of strategic investment incentive certificate as of December 31, 2015. In this context, as of December 31, 2015, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 47.493.851 (December 31, 2014 - TL 20.702.551).

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of June 15, 2012. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 15% as subject of deduction from corporate tax. The Group has TL 12.455.513 investment incentives within the scope of the regional investment certificate. In this context, as of December 31, 2015, the Group has recognized deferred tax asset, which can be used in following periods, amounting to TL 1.868.327.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of November 20, 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as subject of deduction from corporate tax. The Group has TL 583.708.611 unused investment incentives within the scope of the port project investment certificate. In this context, as of December 31, 2015, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 116.741.722.

31. 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, 2015	January 1 - December 31, 2014
Net profit for the year belongs to equity holders of the parent	**626.378.793**	6.452.915
Weighted average number of shares with nominal value of Kr 1 each (thousand)	**150.000.000**	150.000.000
Earnings per share (Kuruş)	**0,418**	0,004

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

32. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2015 and 2014 and significant intercompany transactions were as follows:

i) Balances with related parties:

	December 31, 2015	December 31, 2014
a) Other receivables from related parties:		
SOCAR Turkey Enerji A.Ş.("STEAŞ") (1) (**)	**255.041.322**	9.275.600
TANAP Doğalgaz İletişim A.Ş. (2)	**7.911**	-
Star Rafineri A.Ş. ("STAR") (2)	**-**	9.446.044
	255.049.233	18.721.644
b) Long term other receivables from related parties:		
SOCAR Power Enerji Yatırımları A.Ş. (2) (*)	**54.500.611**	51.791.682
SOCAR Turkey Enerji A.Ş.("STEAŞ") (1) (**)	**50.705.413**	-
	105.206.024	51.791.682

(*) Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 43.180.543, interest and other receivables amounting to TL 11.320.068 (December 31, 2014: TL 49.171.320 land sale and rent receivables, TL 2.620.362 interest and other receivables).
(**) The fund made available to STEAŞ that TL 252.961.200 and TL 2.080.122 portion of the fund consist other receivables; 14,59% and 3,81% interest rates are applied respectively TL and USD receivables.

	December 31, 2015	December 31, 2014
c) Trade receivables from related parties:		
SOCAR Azerikimya Production Union (2)	**-**	246.651
	-	246.651

	December 31, 2015	December 31, 2014
d) Short term trade payable to related parties:		
SOCAR Gaz Ticareti A.Ş. (2)	**31.164.848**	37.668.892
Azoil Petrolcülük A.Ş. (2)	**347.219**	390.220
STAR (2)	**-**	19.714
	31.512.067	38.078.826
Less: Unearned credit finance income	**(205.927)**	(182.901)
	31.306.140	37.895.925

Short term trade payables to related parties mainly arise from merchandise and LPG purchases. Average maturity for short term trade payables to related parties is 17 days. (December 31, 2014 - 15 days.)

(1) Shareholders of the Company
(2) Shareholders of the Company or Socar's subsidiaries

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

32. Transactions and balances with related parties (continued)

e) Other payables to related parties:

	December 31, 2015	December 31, 2014
STAR [2]	**1.257.480**	-
STEAŞ [1]	**405.652**	11.126.571
Due to shareholders [1]	**87.305**	87.305
	1.750.437	11.213.876

	December 31, 2015	December 31, 2014
f) Short term deferred income from related parties		
STAR [2] [*]	**4.156.932**	4.277.252
SOCAR Power Enerji Yatırımları A.Ş. [2]	**10.305**	9.656
SOCAR Teknolojik Çözümler A.Ş. [2]	**846**	-
	4.168.083	4.286.908
g) Long term deferred income from related parties		
STAR [2] [*]	**12.705.027**	16.579.501
	12.705.027	16.579.501

[*] Short term and long term deferred income from STAR, consists of rent income that arise from one shot cash collections of the Group at the beginning of rent agreement.

	December 31, 2015	December 31, 2014
h) Short term prepaid expense to related party		
STAR [2] [*]	**12.878.087**	12.878.087
	12.878.087	12.878.087

	December 31, 2015	December 31, 2014
i) Long term prepaid expense to related party		
STAR [2] [*]	**17.170.782**	30.048.869
	17.170.782	30.048.869

[*] Long and short term prepaid expense to STAR, consists of rent expense of naphtha tank.

The group has signed an operational leasing contract for 3 naphtha tanks to be effective between December 1, 2014 and April 30, 2018 at the date of December 30, 2014. STAR has rented out tanks, owned by it, and discounted amounting TL 44.00.129 + VAT for over entire duration within the context of that contract. STAR has invoiced to the Group about the rents in 2015 and the Group has paid the entire amount. STAR has worked with an independent firm to valuation that fair value of tank using and they've sent report to the Group. In this valuation report, the present value of net rental income has identified the range of TL 40.000.000 and TL 45.000.000 between the dates of December 1, 2014 and April 30, 2018.

[1] Shareholders of the Company
[2] Shareholders of the Company or Socar's subsidiaries

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

32. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

	January 1 - December 31, 2015	January 1 - December 31, 2014
a) Finance costs/(income) from related party transactions - net:		
STEAŞ [(1)] [(*)]	**21.001.000**	722.086
SOCAR Power Enerji Yatırımları A.Ş. [(2)] [(*)]	**12.048.247**	5.004.591
Petrokim [(2)]	**312.581**	985.785
STAR [(2)] [(*)]	**237.183**	5.086.426
Socar Gaz Ticareti A.Ş. [(2)]	**23.147**	179.408
SOCAR Azerikimya Production Union [(2)]	**16.820**	(455)
Azoil Petrolcülük A.Ş. [(2)]	**(39)**	3.410
	33.638.939	11.981.251

[(*)] Group has generated interest income at rate of 14.59% regarding TL receivables, at rate of 3,43% regarding USD receivables from SOCAR Power Enerji A.Ş. and at rate of 14,59% regarding TL receivables, at rate of 3,81% regarding USD receivables from SOCAR Turkey Enerji A.Ş.

Revenue from STAR consist from interest income from receivable amounting to TL 218.264, foreign exchange income - loss TL 19.001, rediscount income amounting to TL 82, revenue from STEAŞ consists interest income from receivable amounting to TL 10.489.206, foreign exchange income - loss amounting to TL 10.513.053, rediscount expense amounting to TL 1.259 receivable from Socar Power consist foreign exchange gain - loss amounting to 9.778.983 and interest income amounting to TL 2.269.264.

	January,1 - December 31, 2015	January 1 - December 31, 2014
b) Service and rent purchases from related parties:		
STAR [(2)]	**20.247.893**	14.683.009
STEAŞ [(1)]	**12.254.380**	10.058.378
SOCAR Power Enerji Yatırımları A.Ş. [(2)]	**642.891**	407.526
	33.145.164	25.148.913

Service and rent purchases from STAR consist from naphtha rent expense amounting to TL 12.878.087, other rental expenses amounting to TL 678.963, labour purchase amounting to TL 4.545.009 and other service purchases amounting to 2.145.834. All of service purchases from STEAŞ consist of invoices and expenses of STEAŞ staff, works on behalf of Petkim.

c) Product purchase from related parties:

SOCAR Gaz Ticareti A.Ş. [(2)]	**335.940.076**	312.817.391
Petrokim [(2)]	**76.675.484**	87.017.414
Azoil Petrolcülük A.Ş. [(2)]	**1.406.934**	1.533.807
SOCAR Turkey Petrol Enerji Dağıtım A.Ş.[(2)]	**793.187**	-
	414.815.681	401.368.612

[(1)] Shareholders of the Company
[(2)] Shareholders of the Company or Socar's subsidiaries

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

32. Transactions and balances with related parties (continued)

Product purchases from SOCAR Gaz Ticareti A.Ş. and Petrokim in the period ended December 31, 2015 consist of natural gas 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, 2015	January 1 - December 31, 2014
SOCAR Azerikimya Production Union [2]	**1.013.489**	2.089.565
STAR [2]	**1.272.025**	827.238
STEAŞ [1]	**153.983**	134.194
SOCAR Power Enerji Yatırımları A.Ş. [2]	**2.192**	25.366
	2.441.689	3.076.363

e) Rent income from related parties:

	January 1 - December 31, 2015	January 1 - December 31, 2014
STAR [2]	**15.789.543**	8.717.314
Socar Power Enerji Yatırımları A.Ş. [2]	**21.893**	29.753
Socar Teknolojik Çözümler A.Ş. [2]	**170**	-
	15.811.606	8.747.067

	January 1 - December 31, 2015	January 1 - December 31, 2014
f) Key management emoluments:		
i. Key management emoluments - short term:		
Payments for salary and seniority incentives	**7.319.469**	5.249.880
Provision for unused vacation	**540.237**	384.922
	7.859.706	5.634.802
ii. Key management emoluments - long term:		
Provision for employment termination benefits	**91.398**	63.766
Provision for seniority incentives	**49.980**	25.757
	141.378	89.523
	8.001.084	5.724.325

The Group classifies the general manager, assistant general managers, and 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.

[1] Shareholders of the Company
[2] Shareholders of the Company or Socar's subsidiaries

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

33. 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 intercompany) 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, 2015 and 2014 were as follows:

December 31, 2015

	Receivables					
	Trade receivables (1)		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	551.425.057	360.255.257	6.510.328	1.501.989.008	2.420.179.650
- The part of maximum credit risk covered with guarantees etc.	-	489.584.768	-	-	-	489.584.768
A. Net book value of financial assets neither past due nor impaired (3)	-	542.226.546	360.255.257	6.510.328	1.501.989.008	2.410.981.139
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)	-	9.198.511	-	-	-	9.198.511
- The part covered by guarantees etc.	-	8.571.037	-	-	-	8.571.037
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	14.544.081	-	933.608	-	15.477.689
- Impairment amount (-)	-	(14.544.081)	-	(933.608)	-	(15.477.689)
- 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	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

33. Financial instruments and financial risk management (continued)

December 31, 2014

	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]	246.651	522.028.996	70.513.326	2.582.910	702.157.204	-	1.297.529.087
- The part of maximum credit risk covered with guarantees etc.	-	478.292.343	-	-	-	-	478.292.343
A. Net book value of financial assets neither past due nor impaired [3]	246.651	512.238.006	70.513.326	2.582.910	702.157.204	-	1.287.738.097
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]	-	9.790.990	-	-	-	-	9.790.990
- The part covered by guarantees etc.	-	6.573.018	-	-	-	-	6.573.018
D. Net book value of assets impaired	-	-	-	-	-	-	-
- Past due (gross book value)	-	13.532.966	-	933.608	-	-	14.466.574
- Impairment amount (-)	-	(13.532.966)	-	(933.608)	-	-	(14.466.574)
- 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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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

33. Financial instruments and financial risk management (continued)

December 31, 2015

			Trade receivables
	Related parties	**Third parties**	**Total**
1-30 days overdue	**-**	**6.895.763**	**6.895.763**
1-3 months overdue	**-**	**337.254**	**337.254**
Over 3 months overdue	**-**	**1.965.494**	**1.965.494**
Total overdue receivables	**-**	**9.198.511**	**9.198.511**
The part covered by the guarantees	**-**	**8.571.037**	**8.571.037**
			627.474

December 31, 2014

			Trade receivables
	Related parties	Third parties	Total
1-30 days overdue	-	7.250.043	7.250.043
1-3 months overdue	-	2.032.808	2.032.808
Over 3 months overdue	-	508.139	508.139
Total overdue receivables	-	9.790.990	9.790.990
The part covered by the guarantees	-	-	6.573.018
			3.217.972

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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

33. Financial instruments and financial risk management (continued)

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, 2015 and 2014 are as follows:

December 31, 2015:

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	**319.638.074**	**327.561.178**	**21.227.096**	**306.334.082**	**-**
Bank borrowings-current maturity of long term loans	**41.912.519**	**82.613.437**	**18.072.847**	**64.540.590**	**-**
Bank borrowings-long term	**914.267.416**	**1.195.800.443**	**-**	**-**	**1.195.800.443**
Trade payables	**1.110.250.720**	**1.116.746.133**	**544.372.056**	**572.374.077**	**-**
Trade payables to related parties	**31.306.140**	**31.512.067**	**31.512.067**	**-**	**-**
Other payables to related parties	**1.750.437**	**1.750.437**	**1.750.437**	**-**	**-**
Other payables	**2.253.728**	**2.253.728**	**2.253.728**	**-**	**-**
Short term liabilities for employee benefits	**18.261.053**	**18.261.053**	**18.261.053**	**-**	**-**
Derivative financial liabilities					
Derivative cash inflows		**214.737.835**	**48.487.835**	**166.250.000**	**-**
Derivative cash outflows		**(81.013.604)**	**(54.476.328)**	**(26.537.276)**	**-**
Derivative financials Liabilities (net)		**133.724.231**	**(5.988.493)**	**139.712.724**	**-**

December 31, 2014:

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	352.914.646	353.272.546	283.705.546	69.567.000	-
Bank borrowings-current maturity of long term loans	43.108.180	48.799.930	6.876.595	41.923.335	-
Bank borrowings-long term	324.567.369	351.324.375	-	-	351.324.375
Trade payables	631.153.338	633.414.699	489.910.461	143.504.238	-
Trade payables to related parties	37.895.925	38.078.826	38.078.826	-	-
Other payables to related parties	11.213.876	11.213.876	11.213.876	-	-
Other payables	1.487.502	1.487.502	1.487.502	-	-
Short term liabilities for employee benefits	25.793.321	25.793.321	25.793.321	-	-
Derivative financial liabilities					
Derivative cash inflows		53.965.000	10.633.107	43.331.893	-
Derivative financials Liabilities, net	1.445.166	53.965.000	10.633.107	43.331.893	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

33. Financial instruments and financial risk management (continued)

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.

Foreign currency position

	December 31, 2015				December 31, 2014			
	TL equivalent	USD	EUR	Other	TL Equivalent	USD	EUR	Other
1. Trade receivables	276.604.032	59.998.638	32.147.530	-	312.455.746	95.433.453	32.316.486	-
2a. Monetary financial assets (Cash, bank accounts included)	1.531.746.732	457.905.431	63.046.891	1.023	641.410.589	273.486.143	2.446.709	16.500.868
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	1.808.350.764	517.904.069	95.194.421	1.023	953.866.335	368.919.596	34.763.195	16.500.868
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	48.766.889	16.772.214	-	-	46.517.134	20.060.000	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	48.766.889	16.772.214	-	-	46.517.134	20.060.000	-	-
8. Total assets (3+7)	1.857.117.653	534.676.283	95.194.421	1.023	1.000.383.469	388.979.596	34.763.195	16.500.868
9. Trade payables	1.032.825.508	353.667.096	1.417.126	-	579.382.717	243.887.824	4.843.340	7.861.264
10. Financial liabilities	192.210.599	61.512.953	4.203.026	-	391.022.396	163.348.482	4.337.080	-
11a. Monetary other liabilities	372.767	128.204	-	-	9.899.771	4.269.167	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	1.225.408.874	415.308.253	5.620.152	-	980.304.884	411.505.473	9.180.420	7.861.264
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	914.267.416	247.484.680	61.266.667	-	324.567.369	60.738.184	65.133.333	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15)	914.267.416	247.484.680	61.266.667	-	324.567.369	60.738.184	65.133.333	-
17. Total liabilities (12+16)	2.139.676.290	662.792.933	66.886.819	-	1.304.872.253	472.243.657	74.313.753	7.861.264
18. Net liability/asset position (8-17)	(282.558.637)	(128.116.650)	28.307.602	1.023	(304.488.784)	(83.264.061)	(39.550.558)	8.639.604
19. Net (liability)/asset position of off-balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of asset nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
19b. Amount of liability nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
20. Net foreign (liability)/asset position(8-17+19)	(282.558.637)	(128.116.650)	28.307.602	1.023	(304.488.784)	(83.264.061)	(39.550.558)	8.639.604
21. Net foreign currency (liability)/asset position of monetary items (UFRS7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	(282.558.637)	(128.116.650)	28.307.602	1.023	(304.488.784)	(83.264.061)	(39.550.558)	8.639.604
22. Total fair value of financial instruments used for foreign currency hedging	986.794	-	310.547	-	1.445.166	-	512.343	-
23. Hedged amount for current assets	257.067.840	-	80.900.000	-	52.747.090	-	18.700.000	-
24. Hedged amount for current liabilities	-	-	-	-	-	-	-	-

33. Financial instruments and financial risk management (continued)

Table of sensitivity analysis for foreign currency risk:

December 31, 2015		**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	**(37.251.197)**	**37.251.197**	**-**	**-**
2- The part hedged for USD risk (-)	**-**	**-**	-	-
3- USD effect - net (1+2)	**(37.251.197)**	**37.251.197**	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	**8.995.024**	**(8.995.024)**	-	-
5- The part hedged for EUR risk (-)	**25.706.784**	**(25.706.784)**	-	-
6- EUR effect - net (4+5)	**34.701.808**	**(34.701.808)**	-	-
Change of other currencies by 10% against TL:				
7- Assets/liabilities denominated in other foreign currencies - net	**309**	**(309)**	-	-
8- The part hedged for other foreign currency risk (-)	**-**	**-**	-	-
9- Other foreign currency effect - net (7+8)	**309**	**(309)**	-	-
Total (3+6+9)	**(2.549.080)**	**2.549.080**	**-**	**-**

December 31, 2014		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	(19.308.103)	19.308.103	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	(19.308.103)	19.308.103	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(11.156.026)	11.156.026	-	-
5- The part hedged for EUR risk (-)	5.274.709	(5.274.709)	-	-
6- EUR effect - net (4+5)	(5.881.317)	5.881.317	-	-
Change of other currencies by 10% against TL:				
7- Assets/liabilities denominated in other foreign currencies - net	15.251	(15.251)	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	15.251	(15.251)	-	-
Total (3+6+9)	(25.174.169)	25.174.169	-	-

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

33. Financial instruments and financial risk management (continued)

The total export and import amounts from Turkey for the years ended December 31 are as follows:

		2015		2014
	Original amount	**TL**	Original amount	TL
USD	**276.737.097**	**760.997.731**	407.647.779	883.966.438
EUR	**199.984.546**	**613.411.516**	115.643.321	336.619.543
Total export		**1.374.409.247**		1.220.585.981
USD	**772.743.974**	**2.089.975.758**	1.472.804.025	3.209.950.347
EUR	**26.847.943**	**80.082.894**	49.613.574	144.348.766
British Sterling	**815.364**	**3.311.364**	418.250	1.523.221
Japanese Yen	**155.575.210**	**3.712.495**	79.159.606	1.670.650
Swiss Frank	**77.111**	**227.838**	394.710	963.677
Total import		**2.177.310.349**		3.358.456.661

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, 2015 and 2014 is presented below:

	2015	2014
Financial instruments with fixed interest rate		
Financial liabilities		
- USD financial liabilities	**370.336.623**	193.107.167
- EUR financial liabilities	**63.552.000**	56.413.999
- TL financial liabilities	**169.339.992**	5.000.430
Financial instruments with variable interest rate		
- USD financial liabilities	**528.104.897**	326.526.750
- EUR financial liabilities	**144.484.496**	139.541.849

In case of +/(-) 1% change in variable rate loans interest expense will change by +/(-) TL 9.168.278 (December 31, 2014- TL 4.660.686).

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.)

33. 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, 2015	December 31, 2014
Total debt	**2.529.727.799**	1.517.722.237
Less: Cash and cash equivalents and short term financial investments (Note 4 and 5)	**(1.501.989.008)**	(702.158.128)
Net debt	**1.027.738.791**	815.564.109
Total equity	**2.805.383.497**	2.183.260.867
Debt/equity ratio	**37%**	37%

34. 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 Group can realize in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

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.

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

34. Financial instruments (fair value and financial risk management disclosures) (continued)

Fair values of short-term bank borrowings and other financial liabilities are assumed to approximate their carrying values due to their short term. Long-term floating rate bank loans' interest rates are updated according to the changing market conditions, it is assumed to represent the value of the fair value is the carrying value of these loans. Long-term fixed-rate loan, when evaluated with a fixed interest rate as of the balance sheet date, it is observed its fair value is close to the carrying value.

Fair value estimation

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Depend on registered price (unadjusted) in the active market;

Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.

Level 3: Not depend on observable market data

December 31, 2015 and 2014, fair value and book value of financial statement were as follows:

December 31, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	**-**	**1.646.432**	**-**	**1.646.432**
Total asset	**-**	**1.646.432**	**-**	**1.646.432**
Derivative financial instruments	**-**	**11.008.960**	**-**	**11.008.960**
Total liabilities	**-**	**11.008.960**	**-**	**11.008.960**

December 31, 2014, fair value and book value of financial statement were as follows:

December 31, 2014	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	1.445.166	-	1.445.166
Total asset	-	1.445.166	-	1.445.166
Total liabilities	-	-	-	-

35. Subsequent events

None.

36. Disclosure of other matters

None.

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