

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

**PETKİM PETROKİMYA HOLDİNG
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 JUNE 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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**INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2023**

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT 30 JUNE 2023 AND 31 DECEMBER 2022**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

	Notes	Reviewed 30 June 2023	Audited 31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	10,512,104	13,251,675
Financial investments	5	612,083	1,176,533
Trade receivables		5,672,071	4,734,939
- Trade receivables from related parties	20	1,322,406	1,189,048
- Trade receivables from third parties	7	4,349,665	3,545,891
Other receivables		80,198	24,649
- Other receivables from related parties	20	411	-
- Other receivables from third parties		79,787	24,649
Inventories	6	4,551,495	4,383,080
Prepaid expenses		13,444,762	9,590,879
- Prepaid expenses to related parties	20	12,565,507	9,040,683
- Prepaid expenses to third parties	11	879,255	550,196
Derivative financial instruments	24	509,456	35,067
Other current assets		1,225,752	932,231
- Other current assets to third parties	11	1,225,752	932,231
Current income tax asset	14	20,587	275,800
TOTAL CURRENT ASSETS		36,628,508	34,404,853
NON-CURRENT ASSETS			
Financial investments	5	8,910	8,910
Other receivables		15,110	13,257
- Other receivables from related parties	20	15,043	13,190
- Other receivables from third parties		67	67
Investment property	21	8,870,648	5,626,240
Property, plant and equipment	9	13,801,216	11,946,193
Right-of-use assets		448,298	256,466
Intangible assets		96,715	90,119
Prepaid expenses		215,743	150,936
- Prepaid expenses to related parties	20	24,911	27,590
- Prepaid expenses to third parties	11	190,832	123,346
Deferred tax assets	14	2,175,856	2,113,631
Derivative financial instruments	24	52,143	31,660
Other non-current assets		35,182	20,687
- Other non-current assets related to third parties		35,182	20,687
TOTAL NON-CURRENT ASSETS		25,719,821	20,258,099
TOTAL ASSETS		62,348,329	54,662,952

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT 30 JUNE 2023 AND 31 DECEMBER 2022**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

	Notes	Reviewed 30 June 2023	Audited 31 December 2022
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		16,617,323	15,582,657
- Short-term borrowings from third parties		16,517,074	15,516,181
- Bank borrowings	8	7,386,048	3,143,887
- Short term lease liabilities	8	35,460	23,618
- Other financial liabilities	8	9,095,566	12,348,676
- Short-term borrowings from related parties		100,249	66,476
- Short term lease liabilities to related parties	20	100,249	66,476
Short-term portion of long-term borrowings		2,061,788	10,143,918
- Short-term portion of long-term borrowings to third parties		2,061,788	10,143,918
- Bank borrowings	8	2,061,788	543,418
- Bonds issued	8	-	9,600,500
Derivative financial instruments	24	-	8,239
Trade payables		6,311,051	4,407,481
- Trade payables to related parties	20	3,780,911	1,624,900
- Trade payables to third parties	7	2,530,140	2,782,581
Payables related to employee benefits	12	94,384	65,256
Other payables		2,037,417	17,922
- Other payables to related parties	20	2,020,127	87
- Other payables to third parties		17,290	17,835
Deferred revenue		1,443,975	322,491
- Deferred revenue from related parties	20	1,126,900	41,692
- Deferred revenue from third parties	10	317,075	280,799
Short-term provisions		406,425	552,458
- Provision for employee benefits	12	402,119	545,020
- Other short-term provisions	23	4,306	7,438
Other current liabilities		75,963	97,471
- Other current liabilities related to third parties		75,963	97,471
TOTAL CURRENT LIABILITIES		29,048,326	31,197,893
NON-CURRENT LIABILITIES			
Long-term financial liabilities		12,019,749	2,997,055
- Long-term borrowings from third parties		11,660,006	2,736,793
- Bank borrowings	8	11,507,876	2,665,083
- Long-term lease liabilities to third parties	8	152,130	71,710
- Long-term borrowings from related parties		359,743	260,262
- Long term lease liabilities to related parties	20	359,743	260,262
Deferred revenue		1,130,831	837,688
- Deferred revenue from related parties	20	1,130,831	837,688
Long-term provisions		656,512	517,708
- Provision for employee termination benefits	12	656,512	517,708
Deferred income tax liabilities	14	225,704	53,356
TOTAL NON-CURRENT LIABILITIES		14,032,796	4,405,807
TOTAL LIABILITIES		43,081,122	35,603,700

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ORIGINALLY ISSUED IN TURKISH**

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT 30 JUNE 2023 AND 31 DECEMBER 2022**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

	Notes	Reviewed 30 June 2023	Audited 31 December 2022
EQUITY			
Equity Attributable to Owners of the Parent Company			
		19,146,141	19,024,747
Share capital	13	2,534,400	2,534,400
Adjustment to share capital	13	238,988	238,988
Share premium		64,188	64,188
Other comprehensive (expense) not to be reclassified to profit or loss		(248,451)	(247,450)
- Actuarial loss arising from defined benefit plan		(248,451)	(247,450)
Other comprehensive income/(expense) to be reclassified to profit or loss		(700,191)	(533,526)
- Currency translation differences		(814,900)	(569,211)
- Gain/(loss) on hedge reserve		114,709	35,685
- Gain/(loss) on cash flow hedges		114,709	35,685
Restricted reserves		642,300	642,300
Retained earnings		16,325,847	9,745,594
Net profit for the period/year		289,060	6,580,253
Non-controlling interest		121,066	34,505
TOTAL EQUITY		19,267,207	19,059,252
TOTAL LIABILITIES AND EQUITY		62,348,329	54,662,952

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS
FOR SIX MONTH PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2023	1 April - 30 June 2023	Reviewed 1 January - 30 June 2022	1 April - 30 June 2022
PROFIT OR LOSS					
Revenue	15	19,809,837	10,611,975	25,789,517	14,368,565
Cost of sales (-)	15	(19,450,720)	(10,233,359)	(22,656,337)	(12,910,334)
GROSS PROFIT		359,117	378,616	3,133,180	1,458,231
General administrative expenses (-)	16	(888,448)	(513,272)	(441,346)	(219,167)
Selling, marketing and distribution expenses (-)		(374,343)	(203,378)	(213,709)	(130,361)
Other operating income	17	1,521,349	1,355,519	1,314,226	884,773
Other operating expense (-)	17	(1,158,235)	(994,271)	(720,140)	(528,570)
OPERATING (LOSS)/PROFIT		(540,560)	23,214	3,072,211	1,464,906
Income from investing activities	19	3,438,261	2,229,942	1,601,940	774,975
Expense from investing activities (-)	19	(236)	(223)	(48)	(16)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		2,897,465	2,252,933	4,674,103	2,239,865
Financial income	18	6,471,670	5,932,828	3,484,640	1,984,324
Financial expenses (-)	18	(8,950,968)	(7,826,594)	(4,451,474)	(2,603,081)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		418,167	359,167	3,707,269	1,621,108
Tax expense from continuing operations		(66,215)	(138,010)	565,398	899,033
- Current tax (expense)/income	14	(13,583)	2,000	(115,746)	104,851
- Deferred tax (expense)/income	14	(52,632)	(140,010)	681,144	794,182
PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS		351,952	221,157	4,272,667	2,520,141
PROFIT FOR THE PERIOD		351,952	221,157	4,272,667	2,520,141
DISTRIBUTION OF INCOME FOR THE PERIOD					
- Non-controlling interest		62,892	86,772	9,814	10,995
- Owners of the parent company		289,060	134,385	4,262,853	2,509,146
Earnings Per Share	22	0,1141	0,0530	1,682	0,99
- Earnings per Krl 1 number of 1 shares from continued operations		0,1141	0,0530	1,682	0,99

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE
INCOME FOR SIX MONTH PERIOD ENDED 30 JUNE 2023**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

Notes	Reviewed 1 January - 30 June 2023	1 April - 30 June 2023	Reviewed 1 January - 30 June 2022	1 April - 30 June 2022
PROFIT FOR THE PERIOD	351,952	221,157	4,272,667	2,520,141
OTHER COMPREHENSIVE INCOME				
Items that will not to be Reclassified to Profit or Loss				
	(1,001)	(1,001)	(34,786)	(34,786)
Gains (losses) on remeasurements of defined benefit plans	(1,251)	(1,251)	(43,482)	(43,482)
Taxes relating to (loss)/gain from remeasurements of defined benefit plan	250	250	8,696	8,696
Items to be Reclassified to Profit or Loss	(142,996)	(115,197)	17,374	(46,717)
Currency translation differences	(228,408)	(209,697)	(32,220)	(64,163)
- (Losses)/gains from cash flow hedges	106,765	118,125	61,993	21,808
- Taxes relating to (loss)/gain from cash flow hedges	(21,353)	(23,625)	(12,399)	(4,362)
OTHER COMPREHENSIVE EXPENSE	(143,997)	(116,198)	(17,412)	(81,503)
TOTAL COMPREHENSIVE INCOME	207,955	104,959	4,255,255	2,438,638
Attributable to:				
Non-controlling interests	86,561	114,259	63,612	22,771
Owners of the parent company	121,394	(9,300)	4,191,643	2,415,867

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2023 AND 2022

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

	Share capital	Adjustment to share capital	Other comprehensive income/(expense) not to be reclassified to profit or loss Actuarial loss arising from defined benefit plan	Cash flow hedges	Other comprehensive income/(expense) to be reclassified to profit or loss Currency translation differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
1 January 2022	2,534,400	238,988	(46,542)	(23,513)	(433,091)	64,188	417,325	5,451,706	4,518,863	12,722,324	(3,294)	12,719,030
Transfers	-	-	-	-	-	-	-	(5,451,706)	5,451,706	-	-	-
Total comprehensive income	-	-	(34,786)	31,622	(68,044)	-	-	4,262,853	-	4,191,645	63,612	4,255,257
- Other comprehensive income (expense)	-	-	(34,786)	31,622	(68,044)	-	-	-	-	(71,208)	53,798	(17,410)
- Net profit for the period	-	-	-	-	-	-	-	4,262,853	-	4,262,853	9,814	4,272,667
30 June 2022	2,534,400	238,988	(81,328)	8,109	(501,135)	64,188	417,325	4,262,853	9,970,569	16,913,969	60,318	16,974,287
1 January 2023	2,534,400	238,988	(247,450)	35,685	(569,211)	64,188	642,300	6,580,253	9,745,594	19,024,747	34,505	19,059,252
Transfers	-	-	-	-	-	-	-	(6,580,253)	6,580,253	-	-	-
Total comprehensive income	-	-	(1,001)	79,024	(245,689)	-	-	289,060	-	121,394	86,561	207,955
- Other comprehensive income (expense)	-	-	(1,001)	79,024	(245,689)	-	-	-	-	(167,666)	23,669	(143,997)
- Net profit for the period	-	-	-	-	-	-	-	289,060	-	289,060	62,892	351,952
30 June 2023	2,534,400	238,988	(248,451)	114,709	(814,900)	64,188	642,300	289,060	16,325,847	19,146,141	121,066	19,267,207

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE
INTERIM PERIODS 1 JANUARY - 30 JUNE 2023 AND 2022**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2023	Reviewed 1 January - 30 June 2022
A. Cash flows from operating activities:		782,955	(35,794)
Net profit for the year (I)		351,952	4,272,667
Adjustments related to reconciliation of (II) net profit for the year:		(182,740)	(583,638)
Adjustments for tax losses	14	66,215	(565,398)
Adjustments for depreciation and amortization		679,735	374,018
Adjustments for impairments/reversals			
- Adjustments for impairment of inventories	6	(16,243)	35,439
Adjustments for provisions			
- Adjustments for provision employment termination benefits		417,070	207,941
- Adjustments for provision/other provisions		(9,075)	12,582
Adjustments for interest income/(expense)			
- Adjustments for interest income	18	(144,584)	(102,920)
- Adjustments for interest expense	18	1,245,860	551,187
Adjustments for unrealized foreign currency translation differences		914,401	469,878
Adjustments for fair value		(3,335,029)	(1,562,753)
Adjustments for gain/(losses) on sale of tangible assets		(6)	(1,041)
Adjustments to revenues from government grants		(1,084)	(2,571)
Changes in working capital (III)		1,069,936	(3,012,503)
Adjustments related to increase/(decrease) in trade receivables		(97,524)	(844,366)
Adjustments related to increase/(decrease) in other receivables		(57,402)	(2,969)
Adjustments related to increase in inventory		(235,395)	(2,338,520)
Increase/(decrease) in prepaid expenses		(431,256)	(22,164)
Adjustments for (decrease)/increase in trade payables		923,448	405,848
Adjustments for (decrease)/increase in other payable		(9,928)	724
Change in derivative financial instruments		18,948	(12,751)
Increase in payables to employees		28,983	15,692
Adjustments for increase/(decrease) in deferred revenue		983,785	246,617
Adjustments for other increase/(decrease) in working capital		(53,723)	(460,614)
Cash flows from operating activities (I+II+III)		1,239,148	676,526
Employee termination benefits paid		(422,023)	(226,266)
Income taxes paid		(34,170)	(486,054)
B. Cash flows from investing activities		(270,302)	(2,727,139)
Cash outflows from purchases of tangible and intangible assets		(858,173)	(675,472)
Proceeds from sale of tangible and intangible assets		330	1,041
Other advances given and payables		(67,530)	(234,426)
Other cash inflows/(outflows)		655,071	(1,818,282)
C. Cash flows from financing activities		(5,013,797)	4,266,691
Proceeds from borrowings	8	10,449,306	1,457,439
Repayments of borrowings	8	(1,585,519)	(1,097,501)
Proceeds from other financial liabilities	8	3,459,758	5,724,695
Repayments of other financial liabilities	8	(8,883,360)	(1,450,549)
Repayments of bond issued	8	(9,363,586)	-
Proceeds other payables to related parties		2,020,040	-
Cash outflows for lease payments		(114,568)	(67,932)
Interest received		164,787	116,368
Interest paid		(1,160,655)	(324,479)
Other cash outflows		-	(91,350)
D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		(4,501,144)	1,503,758
E. Effect of currency translation differences on cash and cash equivalents		1,761,573	46,342
Net increase/(decrease) in cash and cash equivalents (D+E)		(2,739,571)	1,550,100
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	13,251,675	3,665,331
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	10,512,104	5,215,431

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD BETWEEN 1 JANUARY AND 30 JUNE 2023**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Petkim Petrokimya Holding A.Ş. ('Petkim' or 'the Company') was established on 3 April 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 and in the following years, construction of other plants continued. In 1985, Aliğa Petrochemical Complex was established with advance technology and optimum capacity. 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 major operations of the Company and its subsidiaries are as follows:

- To establish and to operate factories, plants in Turkey 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 Turkey 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 third parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

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THE PERIOD BETWEEN 1 JANUARY AND 30 JUNE 2023**

(Amounts expressed in thousands Turkish Lira ('TRY') unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

The 'Share Sales Agreement', with respect to the sale 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 30 May 2008.

On 22 June 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').

On 22 September 2014, the listed shares of 10.32% in the Company, which belonged to Prime Ministry Privatisation Administration, was sold to SOCAR İzmir Petrokimya A.Ş ('SİPAŞ'), the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ('STEAŞ'). STEAŞ and SİPAŞ merged on 22 September 2014 under STEAŞ.

As of 30 June 2023 and 31 December 2022 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 have been quoted in Borsa İstanbul ('BİST') since 9 July 1990.

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 10 August 2023 and signed by Mr. Anar Mammadov, General Manager and Ahmet Gülhan, Vice President of Finance, on behalf of the Board of Directors.

The registered address of the Company as of the date of preparation of the condensed consolidated interim financial statements is as follows:

Siteler Mahallesi Necmettin Giritlioğlu Cad.
SOCAR Türkiye Aliğa Yönetim Binası No 6/1 Aliğa/İZMİR

As of 30 June 2023, the Company's subsidiaries ('subsidiaries') the Company and its subsidiaries (hereinafter collectively referred to as the 'Group') and their respective operating segments are as follows:

		Nature of operations	Business segment
1.	Petlim Limancılık Ticaret A.Ş. ('Petlim')	Port operations	Port
2.	Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	Plastic Processing	Petrochemistry

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NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

The number of personnel in the Group is 2,357 as of 30 June 2023 (31 December 2022: 2,355). The details of the employees as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Union (*)	1,719	1,733
Non-union (**)	638	595
	2,357	2,328

(*) Indicates the personnel who are members of Petrol İş Union.

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

**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT**

2.1 Basis of Presentation of Financial Statements

The consolidated financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, 'Principals of Financial Reporting in Capital Markets' published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ('TFRS') and its addendum and interpretations ('IFRIC') issued by the Public Oversight Accounting and Auditing Standards Authority ('POAASA') Turkish Accounting Standards Board.

The condensed consolidated interim financial statements are presented in accordance with 'Announcement regarding with TFRS Taxonomy' which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB.

Public Oversight Accounting and Auditing Standards Authority ("POA") made an announcement on 20 January 2022 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29- Financial Reporting in Hyperinflationary Economies for the year 2021. As of the preparation date of this consolidated financial statements, POA did not make an additional announcement and no adjustment was made to this consolidated financial statements in accordance with TAS 29.

The Group prepared its condensed consolidated interim financial statements for the period ended 30 June 2023 in accordance with ('TAS') 34 'Interim Financial Reporting' in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed consolidated interim financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Group preferred to present its interim financial statements in condensed.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT (Continued)**

2.1 Basis of Presentation of Financial Statements (Continued)

The Group's condensed consolidated interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore, the condensed consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements dated 31 December 2022 and group's public announcements during the financial year.

The Group maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ('TCC'), tax legislation and the uniform chart of account issued by the Ministry of finance.

The consolidated financial statements, except for the investment properties and derivatives presented with their fair values, are maintained under historical cost conversion, with the required adjustment and reclassification reflected for the purpose of fair presentation in accordance with the TFRS.

According to CMB Communiqué No:14 and announcements made by the CMB, it is obligatory for the foreign exchange position table of the companies preparing the summary financial statements in interim periods to present the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements. (Note 24).

The Group's condensed consolidated interim financial statements do not have any effect on the seasonality of the Group's operations.

2.2 Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of the financial statements in the condensed consolidated interim statements are consistent with the explanations in the financial statements for the period 1 January - 31 December 2022 except for the following:

Income tax expense is recognised in each period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. Amounts accrued for income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual income tax rate changes.

Expenses, which are not evenly distributed through the year, are recognized in the condensed consolidated interim financial statements only when they can be estimated or deferred appropriately.

2.3 Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the parent company, Petkim and its subsidiaries on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT (Continued)**

2.3 Basis of Consolidation (Continued)

a) Subsidiaries

All companies that have control over the Group are affiliates of the Group. The Group controls the entity if it is exposed to variable interest due to its relationship with the entity or if it has the right to influence the entity at the same time. Control over the subsidiary the subsidiary is included in the consolidation as of the date of its transition to the Group. Since the control on the subsidiary has ended, the related subsidiary is excluded from the scope of consolidation.

The balance sheets and income statements of the companies included in the consolidation have been consolidated using the full consolidation method and all debit/credit balances and transactions between them have been mutually canceled. The shareholding amounts and the shareholders' equity of the companies participating in are eliminated mutually. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation. Gains and losses arising from intra-group transactions recognized in assets are eliminated when the losses are offset against each other and unrealized losses are eliminated when the transaction does not indicate an impairment in the transferred asset.

The non-controlling share in the net assets and results of subsidiaries for the period are classified within the materiality principle of the account in the consolidated statements of balance sheets and retained earnings.

The accounting policies of the subsidiaries have been changed where necessary to be consistent with the accounting policies accepted by the Group.

The table below sets out the associates and the proportion of ownership interest as of 30 June 2023 and 31 December 2022:

<u>Subsidiaries</u>	Direct or Indirect Control Shares of Company (%)	
	30 June 2023	31 December 2022
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company of the Group are measured in the currency in which the entity is located and in which the operations are maintained ('functional currency'). As a result of the Group management's assessment, the functional currency of Petlim, a subsidiary of the Group, has been designated as US Dollars beginning from 1 January 2017. In the condensed consolidated interim financial statements, the financial statements have been prepared and presented in Turkish lira ('TRY') which is the parent company's functional and presentation currency of the Group.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT (Continued)**

2.3 Basis of Consolidation (Continued)

b) Foreign currency translation (Continued)

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange gain or losses arising from the settlement translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at the balance sheet dates are included in consolidated comprehensive income, except for the effective portion of foreign currency hedge of cash flow which are included under shareholder's equity.

iii) Translation of financial statements of subsidiaries, whose functional currency is not Turkish liras

Assets in the condensed consolidated interim balance sheet as of 30 June 2023 are translated into TRY from the foreign exchange buying rates effective as of balance sheet date announced by the Central Bank of the Republic of Turkey as 25.8231 TRY = 1 USD, and liabilities are translated into TRY from the foreign exchange selling rates announced by Central Bank of the Republic of Turkey as 25.8696 TRY = 1 USD (31 December 2022: buying rate as 18.6983 TRY = 1 USD, selling rate as 18.7320 TRY = 1 USD)

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2023:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8; effective from annual periods beginning on or after 1 January 2023.** The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

These changes do not have any impact on the Group's financial statements.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT (Continued)**

2.4 Amendments in Turkish Financial Reporting Standards (Continued)

**b) Standards, amendments and interpretations that are issued but not effective as at
30 June 2023:**

- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements; ;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- **IFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- **IFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

Group will evaluate the effects of these alterations above to their operations and will follow them from the validation date. The impacts of the new standards, amendments and improvements on the financial position and performance of the Group is being assessed.

2.5 Comparative Information and Restatement of Previous Year Financial Statements

The Group prepared its interim condensed consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 30 June 2023 on a comparative basis with balance sheet at 31 December 2022; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 30 June 2023 on a comparative basis with financial statements for the period of 1 January - 30 June 2022.

For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT (Continued)**

2.6 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 Group management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Group management are as follows:

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 23.

b) Useful life of tangible and intangible assets

The Group determines useful lives of tangible and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 30 June 2023.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives 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 and deferred tax provisions in the period in which such determination is made (Note 14).

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 12.

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**NOTE 2 - BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENT (Continued)**

2.6 Critical Accounting Estimates and Judgments (Continued)

**e) Exchange rate valuation of foreign currency denominated advances given to related parties
in accordance with share purchase of Rafineri Holding A.Ş.**

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase consideration of USD 720 million. Rafineri Holding has approximately 60% shares in SOCAR Turkey Yatırım A.Ş., which holds all of the shares of STAR Rafineri A.Ş. ("STAR"). With the Board of Directors meeting dated 10 April 2023, it has been decided to sign a new protocol between Petkim and STEAS in addition to the prevailing contract terms. In accordance with the protocol with STEAS, it is considered appropriate to reduce our Company's indirect shareholding in STAR from 18% to 12%, and thereby, the percentage of shares of Rafineri Holding A.Ş. to be purchased from STEAS from 30% to 20% and in this regard, to reduce the Share Transfer Price to USD 480,000,000 and an agreement has been reached with STEAS in this respect. Our Company has already paid USD 480.000.000 to STEAS within the scope of the SPA. Therefore, our Company will not be required to pay any other price and share transfer and closing transactions will be carried out when the conditions stipulated in the SPA are fulfilled.

The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalization of share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 30 June 2023 and have been subjected to exchange rate valuation.

f) Fair value of determination of investment properties

As of 30 June 2022, investment properties are carried in the condensed consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

The details of the methods and assumptions used for valuations of investment property and are as follows.

- Revaluation of investment property was based on the method of reference by considering highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m² sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the real estate market, also, current information and experience of the professional valuation company was utilized.

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NOTE 3 - SEGMENT REPORTING

Operating segments are identified on the same basis as financial information is reported internally to the Group's chief operating decision maker. The Company Board of Directors has been identified as the Group's chief operating decision maker who is responsible for allocating resources between segments and assessing their performances. The Group management determines operating segments by reference to the reports reviewed by the Board of Directors to make strategic decisions.

The operating segment of the Group are as follows;

- Petrochemical
- Port

The Board of Directors assesses the performance of operating segments with specific criteria and measurement units. This measurement criterion consists of net sales and operating profit. Assets and liabilities of the segment include all assets and liabilities of the Group.

a) Revenue

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Petrochemical	19,595,656	10,499,482	25,632,797	14,286,157
Port	214,181	112,493	156,720	82,408
Total before eliminations and adjustments	19,809,837	10,611,975	25,789,517	14,368,565
Consolidation eliminations and adjustments	-	-	-	-
	19,809,837	10,611,975	25,789,517	14,368,565

b) Operating profit

Petrochemical	(970,934)	(361,999)	2,895,683	1,363,859
Port	414,257	376,664	149,805	89,722
Total before eliminations and adjustments	(556,677)	14,665	3,045,488	1,453,581
Consolidation eliminations and adjustments	16,117	8,549	26,723	11,325
Operating profit	(540,560)	23,214	3,072,211	1,464,906
Financial (expenses)/income, net	(2,479,298)	(1,893,766)	(966,834)	(618,757)
Income from investing activities, net	3,438,025	2,229,719	1,601,892	774,959
Profit before tax from continued operations	418,167	359,167	3,707,269	1,621,108
Tax (expense)/income	(66,215)	(138,010)	565,398	899,033
Profit for the period	351,952	221,157	4,272,667	2,520,141

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NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	30 June 2023	31 December 2022
Petrochemical	57,536,907	51,237,408
Port	8,261,940	6,071,131
Total before eliminations and adjustments	65,798,847	57,308,539
Consolidation eliminations and adjustments	(3,450,518)	(2,645,587)
	62,348,329	54,662,952

d) Total liabilities

Petrochemical	37,537,720	31,432,113
Port	7,867,756	5,965,483
Total before eliminations and adjustments	45,405,476	37,397,596
Consolidation eliminations and adjustments	(2,324,354)	(1,793,896)
	43,081,122	35,603,700

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Banks	10,512,018	13,251,635
Demand deposits	83,941	39,901
- Turkish Lira	3,976	2,319
- Foreign currency	79,965	37,582
Time deposits	10,428,077	13,211,734
- Turkish Lira	1,628,783	1,389,311
- Foreign currency	8,799,294	11,822,423
Other	86	40
	10,512,104	13,251,675

As of 30 June 2023, foreign currency time deposits consist of monthly deposits. The weighted average effective interest rates of USD and EUR monthly deposits are 3.36% and 2.98% per annum, respectively. (31 December 2022: USD - 2.92%, EUR - 1.50%).

As of 30 June 2023, the TRY dominated time deposits consist of monthly deposits and the weighted average effective interest rate is monthly 38.18% per annum (31 December 2022: consist of monthly and daily deposits and the weighted average effective interest rate is monthly 23.89% and daily 10.27% per annum).

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NOTE 5 - FINANCIAL INVESTMENTS

a) Short-term financial investments

	30 June 2023	31 December 2022
Exchange rate-protected TRY time deposits (*)	388,018	975,731
Marketable securities	224,065	200,802
	612,083	1,176,533

(*) Exchange rate-protected TRY time deposits is a deposit product that provides foreign exchange hedging in case the USD and EUR exchange rates against TRY are increased more than the interest rate at the end of the term. Exchange rate-protected TRY time deposits are accounted as financial assets at fair value through profit or loss.

As of 30 June 2023, the nominal and fair value amounts of exchange rate-protected TRY time deposit accounts:

Currency	30 June 2023		Maturity
	Nominal amount (original currency)	Fair Value (in TRY)	
TRY	282,961	388,018	August 2023
		388,018	

Currency	31 December 2022		Maturity
	Nominal amount (original currency)	Fair Value (in TRY)	
TRY	932,979	975,731	March 2023
		975,731	

b) Long-term financial investments

	30 June 2023		31 December 2022	
	Amount	Shareholding rate (%)	Amount	Shareholding rate (%)
SOCAR Power Enerji Yatırımları A.Ş.	8,910	9.90	8,910	9.90
	8,910		8,910	

8,910,000 shares having a nominal price of TRY0.001 per share corresponding to 9.9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TRY8,910) 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 26 January 2015.

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NOTE 6 - INVENTORIES

	30 June 2023	31 December 2022
Raw materials	860,864	1,061,292
Work-in-progress	844,463	1,155,436
Finished goods	2,027,846	1,175,257
Trade goods	346,813	335,613
Goods in transit	316,200	528,470
Other inventories	229,166	217,112
	(73,857)	(90,100)
Less: Provision for impairment on inventories	(73,857)	(90,100)
	4,551,495	4,383,080

Movements of provision for impairment on inventory for the periods ended 30 June 2023 and 2022 were as follows:

	2023	2022
1 January	(90,100)	(6,144)
Realised due to sale of inventory	90,100	6,144
Charged within the period	(73,857)	(41,583)
	(73,857)	(41,583)
30 June	(73,857)	(41,583)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties

	30 June 2023	31 December 2022
Trade receivables	4,364,286	3,566,454
Provision for doubtful trade receivables (-)	(14,621)	(20,563)
	4,349,665	3,545,891

b) Short-term trade payables to third parties:

Trade payables	2,530,140	2,782,581
	2,530,140	2,782,581

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NOTE 8 - BORROWINGS AND BORROWING COSTS

	30 June 2023	31 December 2022
Short-term borrowings	7,386,048	3,143,887
Short-term portions of long-term borrowings	2,061,788	543,418
Bonds issued (**)	-	9,600,500
Lease liabilities	35,460	23,618
Other financial liabilities (*)	9,095,566	12,348,676
Short-term financial liabilities	18,578,862	25,660,099
Long-term borrowings (***)	11,507,876	2,665,083
Lease liabilities	152,130	71,710
Long-term financial borrowings	11,660,006	2,736,793
Total financial liabilities	30,238,868	28,396,892

(*) Other financial liabilities consist of letters of credits and murabaha loan arising from naphtha purchases and trade goods financing. The average remaining maturity of other financial liabilities is 159 days (31 December 2022: Average remaining maturity is 109 days).

(**) This balance consists of a 5,875% annual fixed coupon bond quoted on the Irish stock exchange with a nominal value of USD 500 million, maturity of 5 years, coupon payment every 6 months and principal and coupon payments at maturity. The repayment of bond has been completed on 26 January 2023.

(***) On 26 January 2023, the loan agreement amounting to USD 300 million has been signed between Group and J.P. Morgan Securities PLC. The mentioned loan has a bullet maturity of 3 years and has interest rate of SOFR + 5.60%, per annum. Pursuant to the long-term loan agreement signed between the Group and JP Morgan Securities PLC on 26 January 2023, USD 300 million loan is swapped with the annual interest rate of SOFR +5.60% of the portion of USD 150 million with a fixed interest rate of 9.56 per annum.

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NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bonds issued:

	Effective weighted average		Original currency		TRY equivalent	
	Interest rate p.a. (%)		30 June 2023	31 December 2022	30 June 2023	31 December 2022
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Short-term borrowings:						
TRY borrowings	-	18.25	-	220,627	-	220,627
USD borrowings	5.51 - 12	5.90 - 9.75	285,511	156,057	7,386,048	2,923,260
Short-term portions of long-term borrowings:						
USD borrowings	Libor + 4.67, SOFR + 5.0, 8.13	Libor + 4.67	63,543	22,247	1,643,821	416,723
Euro borrowings	Euribor + 0.72 - 1.64	Euribor + 0.72 - 1.64	14,819	6,344	417,967	126,695
Bond issued	-	5.88	-	512,519	-	9,600,500
Total short-term borrowings					9,447,836	13,287,805
Long-term borrowings and bond issues:						
USD borrowings	Libor + 4.67, SOFR+5.00 + 5.60	Libor + 4.67	444,841	142,274	11,507,876	2,665,083
Total long-term borrowings					11,507,876	2,665,083
Total borrowings					20,955,712	15,952,888

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NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings and bonds issued as of 30 June 2023 and 31 December 2022 is as follows:

	30 June 2023
1 July 2024-30 June 2025	1,106,701
1 July 2025-30 June 2026	8,871,681
1 July 2026-30 June 2027	1,068,156
1 July 2027-30 June 2028	461,338
	11,507,876
	31 December 2022
2024	615,555
2025	774,381
2026	754,525
2027	476,542
2028	44,080
	2,665,083

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions.

As of 30 June 2023, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 23. The Group is subject to some key performance indicators to for the borrowings and the Group has met those indicators as of 30 June 2023.

Movements of financial liabilities are as of 30 June 2023 and 2022 as follows:

	2023	2022
1 January	14,110,776	8,105,635
Proceeds from financial liabilities	13,909,064	7,182,134
Repayments of financial liabilities	(19,832,465)	(2,548,050)
Changes in foreign exchange	7,622,843	3,134,800
Changes in interest accrual	50,272	210,724
Change in cash and cash equivalents and financial investments (*)	3,290,666	(3,563,513)
30 June	19,151,156	12,521,730

(*) Change in the financial investments as of 30 June 2023 excludes fair value changes of currency protected deposits.

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Transfers	Disposals	Foreign Currency translation differences	30 June 2023
Cost:						
Land	126,262	-	-	-	1,516	127,778
Land improvements	488,802	-	5,763	-	3,671	498,236
Buildings	199,493	-	-	-	1,150	200,643
Machinery and equipment	11,185,990	-	477,621	-	-	11,663,611
Motor vehicles	94,184	-	15,239	-	-	109,423
Furniture and fixtures	238,780	-	13,151	(3,277)	750	249,404
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	5,463,922	-	-	-	2,035,448	7,499,370
Construction in progress (*)	2,752,001	858,173	(527,030)	-	888	3,084,032
	20,551,101	858,173	(15,256)	(3,277)	2,043,423	23,434,164
Accumulated depreciation:						
Land improvements	(201,515)	(19,634)	-	-	(2,686)	(223,835)
Buildings	(131,733)	(2,582)	-	-	(1,059)	(135,374)
Machinery and equipment	(7,134,207)	(492,566)	-	-	-	(7,626,773)
Motor vehicles	(29,074)	(10,494)	-	-	-	(39,568)
Furniture and fixtures	(128,169)	(13,205)	-	2,953	(709)	(139,130)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(978,543)	(94,062)	-	-	(393,996)	(1,466,601)
	(8,604,908)	(632,543)	-	2,953	(398,450)	(9,632,948)
Net book value	11,946,193					13,801,216

(*) The investments in progress mainly consist of factory improvement projects.

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2022	Additions	Transfers	Disposals	Foreign Currency translation differences	30 June 2022
Cost:						
Land	125,063	-	-	(18)	785	125,830
Land improvements	469,147	-	185	-	1,903	471,235
Buildings	197,348	-	-	-	596	197,944
Machinery and equipment	8,699,122	-	106,555	-	-	8,805,677
Motor vehicles	76,912	-	10,280	-	-	87,192
Furniture and fixtures	199,875	-	4,016	(320)	382	203,953
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	3,829,569	-	-	-	1,054,611	4,884,180
Construction in progress (*)	1,204,919	675,472	(127,887)	-	450	1,752,954
	14,803,622	675,472	(6,851)	(338)	1,058,727	16,530,632
Accumulated depreciation:						
Land improvements	(161,003)	(19,317)	-	-	(1,146)	(181,466)
Buildings	(125,897)	(2,525)	-	-	(480)	(128,902)
Machinery and equipment	(6,533,916)	(236,144)	-	-	-	(6,770,060)
Motor vehicles	(13,114)	(7,730)	-	-	-	(20,844)
Furniture and fixtures	(105,468)	(10,856)	-	227	(359)	(116,456)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(559,339)	(70,985)	-	-	(163,911)	(794,235)
Assets subject to operating lease	(671)	-	-	-	-	(671)
	(7,500,404)	(347,557)	-	227	(165,896)	(8,013,630)
Net book value	7,303,218					8,517,002

(*) The investments in progress mainly consist of factory improvement projects.

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NOTE 10 - DEFERRED REVENUE

a) Short-term deferred revenue

	30 June 2023	31 December 2022
Advances received	316,714	279,137
Deferred revenue	361	1,662
	317,075	280,799

Advances received from customers for the sales in the subsequent periods are all short term and mature within less than one year (31 December 2022: Less than one year). The fair values of advances received are assumed to approximate their carrying values.

NOTE 11 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short-term prepaid expenses

	30 June 2023	31 December 2022
Advances given for inventory orders	791,306	500,716
Prepaid rent, insurance and other expenses	86,324	48,408
Advances given for customs procedures	1,625	1,072
	879,255	550,196

b) Long-term prepaid expenses

Advances given for property, plant and equipment	189,201	121,671
Prepaid rent, insurance and other expenses	1,631	1,675
	190,832	123,346

c) Other current assets

Value added taxes ("VAT")	1,219,886	930,723
Other	5,866	1,508
	1,225,752	932,231

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NOTE 12 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	30 June 2023	31 December 2022
Provision for bonus premium	368,343	524,746
Provision for seniority incentive bonus	33,776	20,274
	402,119	545,020

(*) Group has been paid TRY 397,129 of the TRY 524,746 .provision for bonus premium in 2023.

b) Long-term employee benefits:

Provision for employment termination benefits	436,400	398,080
Provision for unused vacation rights	176,023	92,404
Provision for seniority incentive bonus	44,089	27,224
	656,512	517,708

c) Liabilities for employee benefits:

Social security contribution	94,017	64,559
Due to personnel	367	697
	94,384	65,256

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 full TRY19,982.83 for each year of service as of 30 June 2023 (31 December 2022: TRY 15,371.40).

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.

TAS 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:

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NOTE 12 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits: (Continued):

	30 June 2023	31 December 2022
Net discount rate (%)	0.50	0.50
Probability of retirement (%)	97,8	97,8

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 full TRY19,982.83 which is effective from 1 January 2023, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2022: full TRY10,848.59)

Provision for seniority incentive bonus:

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, 100 days of gross salary for 30, 105 days of gross salary for 35 years and 110 days of gross salary for 40 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 six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 105 days for and 110 days for 40 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 six months are not considered. Periods which are more than six months are considered as one 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.

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NOTE 13 - EQUITY

The shareholders of the Company and their shareholdings as of 30 June 2023 and 31 December 2022 were as follows:

Group:Shareholder:	30 June 2023		31 December 2022	
	Amount	Share (%)	Amount	Share (%)
A Socar Turkey Petrokimya A.Ş.	1,292,544	51.00	1,292,544	51.00
A Publicly traded and other	1,241,856	49.00	1,241,856	49.00
C Privatization administration	-	0.01	-	0.01
Total paid share capital	2,534,400	100	2,534,400	100
Adjustment to share capital	238,988		238,988	
Total share capital	2,773,388		2,773,388	

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.

NOTE 14 - TAX ASSETS AND LIABILITIES

a) Corporate tax

In Turkey, the corporate tax rate is 20% for 2023 (2022:23%). Institutions tax rate is applied to the tax base that will result in deducting expenses not included in the deduction according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits, exception of investment discount etc.) and discounts (such as R&D discount). No further tax is payable unless the profit is distributed (except for the withholding tax at the rate of 19.8% calculated and paid on the exemption amount utilized in case of investment reduction exemption utilized under Article 61 of the Income Tax Law).

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2022 and 2021 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met.

	30 June 2023	31 December 2022
Calculated corporate tax	13,583	-
Less: Prepaid taxes	(34,170)	(275,800)
Corporate tax liability/ (asset)	(20,587)	(275,800)

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NOTE 14 - TAX ASSETS AND LIABILITIES(Continued)

a) Corporate tax (Continued)

Tax expenses included in the income statement for the condensed consolidated period end 30 June 2023 and 2022 are summarized below:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Deferred tax expense/income	(52,632)	(140,010)	681,144	794,182
Current period tax expense	(13,583)	2,000	(115,746)	104,851
Total tax expense	(66,215)	(138,010)	565,398	899,033

b) 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.

As of 30 June 2023, the corporate tax rate is 20% in Turkey (December 31, 2022: 23%). Corporation tax rate is applied to net income of the companies after adjusting for certain disallowable expenses, exempt income and allowances.

In accordance with the Law No 7440 on the "Restructuring of Certain Receivables and Amendments to Certain Laws" published in the Official Gazette on March 12, 2023, an additional tax of 10% is to be calculated over the exemptions and deductions subject to corporate income deduction in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022 and without being associated with the period's income; and an additional tax of 5% is to be calculated over the exempted earnings.

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 30 June 2023 and 31 December 2022 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Fair value increase in investment properties	(8,869,167)	(5,553,396)	(886,917)	(555,340)
Fair value difference of derivative financial instruments	(561,599)	(66,727)	(112,320)	(13,345)
Deferred income tax liabilities	(9,430,766)	(5,620,123)	(999,237)	(568,685)
Difference between the carrying value and tax bases of property, plant, equipment and intangible assets	3,918,013	5,727,482	783,603	1,152,354
Carry forward tax losses	3,162,214	483,453	637,688	97,554
Unused investment incentives	2,687,831	2,585,060	1,043,300	1,072,634
Provision for employee benefits	1,058,631	1,062,728	211,726	212,546
Deferred revenue related to the port rental agreement	353,929	132,666	70,786	26,533
Fair value difference of derivative financial instruments	-	8,239	-	1,648
Inventory provision	73,857	90,100	14,771	18,020
Rent allowance fee	3,556	3,598	711	720
Provision for legal cases	2,597	2,597	519	519
Other	931,417	232,166	186,285	46,432
Deferred income tax assets	12,192,045	10,328,089	2,949,389	2,628,960
Deferred tax assets/(liabilities) - net			1,950,152	2,060,275

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NOTE 14 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The movement of deferred income tax is as follows:

	2023	2022
1 January	2,060,275	150,311
Charged to consolidated statement of profit or loss	(52,632)	681,144
Charged to consolidated statement of other comprehensive income	(21,103)	(3,703)
Foreign currency translation differences	(36,388)	7,077
30 June	1,950,152	834,829

As of 30 June 2023, the Group has TRY2,687,831 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2022: TRY2,585,060).

Tax Advantages Obtained Under the Investment Incentive System:

Earnings of the Group that are derived from investments linked to an investment incentive certificate are subject to corporate tax at discounted rates for a certain period, which starts when the investment starts to partly or fully operate, and ends when the maximum investment contribution amount is reached. Within this scope, the group has accounted for TRY 1,043,300 (31 December 2022: TRY 1,072,634) of tax advantages as deferred tax assets which are expected to be recovered in the foreseeable future in the consolidated financial statements as of June 30, 2023. TRY 29,334 of deferred tax expense is recognized in the consolidated profit or loss statement for the period between January 1 - June 30, 2023 from accounting of such deferred tax assets.

Deferred tax assets are recognized for deductible temporary differences, carry forward tax losses and indefinite-life investment incentives which allows payment of corporate tax at discounted rates, as long as it is probable that sufficient taxable income will be generated in the future. In this context, the Group recognizes deferred tax assets from investment incentives based on long-term plans, including taxable profit projections derived from business models, which are re-evaluated at each balance sheet date to assess recoverability of such deferred tax assets. The Group expects to recover such deferred tax assets within 8 -10 years from the balance sheet date.

In the sensitivity analysis performed as of June 30, 2023, when the inputs of the key macroeconomic and sectoral assumptions that form the business plans are increased/decreased by 10%, there is no change in the projected 8-10 years recovery periods of deferred tax assets related to investment incentives.

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NOTE 15 - REVENUE AND COST OF SALES

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Domestic sales	11,438,817	5,856,993	13,651,263	6,986,374
Foreign sales	8,767,152	4,976,544	12,810,961	7,835,562
Other sales	203,127	116,559	120,482	46,579
Discounts (-)	(599,259)	(338,121)	(793,189)	(499,950)
Net revenue	19,809,837	10,611,975	25,789,517	14,368,565
Raw materials	(11,257,640)	(6,017,950)	(11,935,280)	(6,199,494)
Cost of trade goods sold	(4,823,513)	(2,430,788)	(9,331,317)	(5,838,585)
Energy	(1,773,849)	(896,878)	(1,454,322)	(772,564)
Personnel expense	(958,226)	(456,973)	(486,644)	(277,383)
Depreciation	(523,887)	(294,502)	(284,091)	(162,884)
Changes in finished goods and work in progress	511,486	174,590	1,084,177	449,730
Other	(625,091)	(310,858)	(248,860)	(109,154)
Cost of Sales (-)	(19,450,720)	(10,233,359)	(22,656,337)	(12,910,334)

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Personnel expense	(456,047)	(251,387)	(217,444)	(109,276)
Outsourced services	(234,936)	(143,791)	(106,026)	(57,711)
Depreciation and amortization	(49,490)	(22,872)	(42,255)	(21,992)
Energy expenses	(32,670)	(13,367)	(35,258)	(9,821)
Taxes, funds and fees	(14,211)	(12,877)	(7,278)	(4,188)
Other	(101,094)	(68,978)	(33,085)	(16,179)
	(888,448)	(513,272)	(441,346)	(219,167)

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NOTE 17 - OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Foreign exchange gain	1,411,765	1,290,871	1,275,037	861,015
Rent income	20,287	11,001	12,665	6,410
Other	89,297	53,647	26,524	17,348
	1,521,349	1,355,519	1,314,226	884,773

b) Other operating expenses:

Foreign exchange losses	(982,659)	(909,630)	(627,271)	(472,697)
Consultancy expenses	(51,739)	(32,842)	(27,461)	(14,152)
Other	(123,837)	(51,799)	(65,408)	(41,721)
	(1,158,235)	(994,271)	(720,140)	(528,570)

NOTE 18 - FINANCIAL INCOME/EXPENSES

a) Financial income

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Foreign exchange gain	5,894,559	5,430,625	3,379,477	1,927,973
Income on derivatives	401,874	401,874	-	-
Interest income	144,584	79,661	102,920	55,222
Other	30,653	20,668	2,243	1,129
	6,471,670	5,932,828	3,484,640	1,984,324

b) Financial expenses

Foreign exchange losses	(7,602,199)	(7,037,345)	(3,823,516)	(2,219,712)
Interest expense	(1,245,860)	(708,847)	(551,187)	(343,440)
Commission expense	(69,140)	(61,392)	(54,240)	(29,176)
Interest expense on employee benefits	(22,682)	(11,199)	(12,822)	(4,120)
Other	(11,087)	(7,811)	(9,709)	(6,633)
	(8,950,968)	(7,826,594)	(4,451,474)	(2,603,081)

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NOTE 19 - INCOME/ (EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Fair value increase in investment properties	3,244,408	2,124,901	1,293,666	731,342
Fair value difference on financial investments	134,920	75,711	269,087	24,550
Rent income	58,927	29,326	38,098	19,035
Other	6	4	1,089	48
	3,438,261	2,229,942	1,601,940	774,975

b) Expenses from investment activities

Loss on sale of property, Plant and equipment	(236)	(223)	(48)	(16)
	(236)	(223)	(48)	(16)

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 30 June 2023 and 31 December 2022 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Trade receivables from related parties:

	30 June 2023	31 December 2022
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	875,414	702,133
STAR ⁽²⁾	398,550	241,289
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	32,072	-
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	8,630	103
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	5,064	223,587
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	1,667	21,404
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	71	30
STEAS ⁽¹⁾	304	5
Other ⁽²⁾	634	497
	1,322,406	1,189,048

⁽¹⁾ Shareholders of the Company.

⁽²⁾ Shareholders of the Company or SOCAR's subsidiaries.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

b) Short-term other receivables from related parties:

	30 June 2023	31 December 2022
SOCAR Logistics DMCC ⁽²⁾	411	-
	411	-

c) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	15,043	13,190
	15,043	13,190

d) Short-term trade payables to related parties:

STAR ⁽²⁾	2,801,718	1,015,425
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	601,911	389,877
STEAŞ ⁽¹⁾	171,803	174,157
SOCAR Sigorta ve Reasürans Brokerlığı A.Ş. ⁽²⁾	113,543	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	57,196	16,524
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	20,614	10,829
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	8,727	1,869
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	4,832	9,352
Azoil Petrolcülük A.Ş. ⁽²⁾	468	1,413
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	99	992
SOCAR Trading SA ⁽²⁾	-	4,430
Other ⁽²⁾	-	32
	3,780,911	1,624,900

Short-term payables to the related parties mainly consist of consultancy and product purchases. Average maturity of short-term payables to the related parties is 11 days. (31 December 2022: 11 days)

(1) Shareholders of the Company.

(2) Shareholders of the Company or SOCAR's subsidiaries.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

e) Other payables to related parties:

	30 June 2023	31 December 2022
SOCAR Turkey Petrol Ticaret A.Ş. ^{(2)(*)}	2,020,040	-
Due to shareholders ⁽¹⁾	87	87
	2,020,127	87

(*) This payable has been obtained in accordance with the intra-group borrowing rates in order to maintain the cash level that the Group needs in its operations.

f) Short-term deferred revenue from related parties

STAR ^{(2)(*)}	1,072,005	6,370
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	49,834	35,097
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	4,776	152
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	266	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	19	73
	1,126,900	41,692

(*) The balance consist of advance received from STAR for the goods and services to be supplied by the Group.

g) Long-term deferred revenue from related parties

SOCAR Aliğa Liman İşletmeciliği A.Ş. ^{(2)(*)}	1,126,329	833,076
STAR ⁽²⁾	4,419	4,524
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	83	88
	1,130,831	837,688

(*) The balance is mainly consist of deferred revenue as a part of rental period In accordance with the operating agreement between The Group and SOCAR Aliğa Liman İşletmeciliği A.Ş., during the rental period of the port (32 years). The Group recognizes these prepayments as income through the straight-line method.

	30 June 2023	31 December 2022
h) Short-term prepaid expense to related parties		
STEAŞ ^{(1)(*)}	12,423,095	9,012,642
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	127,203	25,856
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	13,080	76
STAR ⁽²⁾	1,527	1,813
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	101	128
Other ⁽²⁾	501	168
	12,565,507	9,040,683

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

h) Short-term prepaid expense to related parties (Continued)

(*) As a result of negotiations between the Group and its main shareholder STEAŞ, a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. ('Rafineri Holding') from STEAŞ with a purchase price of USD720 million. Rafineri Holding owns approximately 60% shares of SOCAR Turkey Yatırım A.Ş., who owns all the shares of STAR. The shares of Rafineri Holding which are subject to the contract may be acquired by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. The closing date is defined as 31 March 2019 in the contract at the latest. With the first amendment protocol signed on 7 March 2019 the closing date has been amended as 30 June 2020 at the latest. With the second amendment protocol signed on 15 May 2020 the closing date has been amended as 30 June 2023 at the latest. With the third amendment signed on 25 June 2021, the closing date has been amended as 3 January 2022 at the latest. With the fourth amendment signed on 27 December 2021, the closing date has been amended as 31 December 2022 at the latest with the decision taken as of 30 December 2022, it has been decided to postpone the closing date until 2 October 2023. As the aforementioned agreement is subject to various conditions that should be mutually agreed by the parties and could be terminated at Petkim's initiative depending on the Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 30 June 2023 and have been subject to exchange rate valuation. Also; with the Board Decision dated 10.04.2023, at this point, considering Petkim's liquidity and payment capacity have been adversely impacted by low profitability due to the ongoing negative conditions in the global petrochemical markets and its payment of 240.000.000 USD third installment of the Share Transfer Price does not seem possible in the foreseeable future, in accordance with the agreement with STEAS, it is considered appropriate to reduce our Company's indirect shareholding in STAR from 18% to 12%, and thereby, the percentage of shares of Rafineri Holding A.Ş. to be purchased from STEAS from 30% to 20% and in this regard, to reduce the Share Transfer Price to USD 480,000,000 and an agreement has been reached with STEAS in this respect. Petkim has already paid USD 480.000.000 to STEAS within the scope of the SPA. Therefore, the Group will not be required to pay any other price and share transfer and closing transactions will be carried out when the conditions stipulated in the SPA are fulfilled.

i) Long-term prepaid expense to related parties

	30 June 2023	31 December 2022
STAR ⁽²⁾	21,875	22,489
STEAŞ ⁽¹⁾	3,036	5,101
	24,911	27,590

j) Long-term leasing payables to related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	89,339	58,766
STEAŞ ⁽¹⁾	10,910	7,710
	100,249	66,476

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES(Continued)

i) Balances with related parties (Continued)

k) Long-term leasing payables to related parties

	30 June 2023	31 December 2022
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	323,909	232,307
STEAŞ ⁽¹⁾	35,834	27,955
	359,743	260,262

ii) Transactions with related parties

a) Other income/ (expenses), Income from investing activities and finance income/ (expenses) from related party transactions - net:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
STEAŞ ⁽¹⁾	3,373,245	3,163,012	1,706,975	1,075,186
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	34,917	17,773	57,547	54,982
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	1,570	848	1,112	541
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	1,430	1,417	934	(1,738)
Azoil Petrolcülük A.Ş. ⁽²⁾	1,388	1,386	10	1,911
SOCAR Logistics DMCC ⁽²⁾	141	369	-	231
Enervis Enerji Servis San ve Tic A.Ş. ⁽²⁾	20	20	23	23
SOCAR Azerikimya Production Union ⁽²⁾	-	-	(88)	(149)
SOCAR TRADING SA ⁽²⁾	-	-	(314)	(7)
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	(22)	204	(46)	383
SOCAR Turkey Araştırma Geliştirme ve Inovasyon A.Ş. ⁽²⁾	(97)	(89)	310	(283)
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	(353)	646	(25)	-
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	(3,321)	(3,276)	168	168
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	(28,361)	(16,855)	(16,842)	(16,927)
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	(48,896)	(48,896)	-	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(127,565)	(127,449)	(71,888)	(41,877)
STAR ⁽²⁾	(481,161)	(443,610)	(168,452)	(201,004)
	2,722,935	2,545,500	1,509,424	871,440

TRY452,598 of the expenses arising from STAR consists of exchange difference expenses and TRY28,563 is from other expenses, TRY3,448,907 of the income obtained from STEAŞ is foreign exchange income and TRY75,662 consists of other expenses. Income obtained from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

b) Service and rent purchases from related parties:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	132,862	41,723	96,748	69,307
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	93,756	52,608	35,716	35,716
STEAS ⁽¹⁾	87,545	43,387	50,200	29,207
SCR Gayrimenkul İnşaat ve Müşavirlik A.Ş. ⁽²⁾	35,026	7,014	7,086	4,464
STAR ⁽²⁾	17,854	8,226	12,599	9,135
Other ⁽²⁾	1,722	544	616	196
	368,765	153,502	202,965	148,025

c) Product purchase from related parties:

STAR ⁽²⁾	6,606,643	3,648,376	10,573,497	5,747,683
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	1,670,656	787,504	1,153,996	742,741
SOCAR Logistics DMCC ⁽²⁾	259,137	52,537	252,577	131,013
Azoil Petrolcülük A.Ş. ⁽²⁾	2,367	1,079	20,495	1,448
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	1,734	923	1,545	1,545
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	-	-	74	74
	8,540,537	4,490,419	12,002,184	6,624,504

Purchases made from STAR consist of 540,564 tone of naphta purchasing, amounting to TRY 6,558,869 and other products purchasing amounting to TRY 47,774. Purchases made from related parties consist of natural gas, commercial products and fuel purchases.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

d) Product and service sales to related parties:

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
STAR ⁽²⁾	1,443,394	786,858	1,100,949	613,370
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	224,424	116,875	164,877	87,043
SOCAR Enerji Ticaret AŞ. ⁽²⁾	119,101	77,834	90,332	67,918
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	3,545	1,627	1,683	840
Other ⁽²⁾	5,548	4,233	1,284	263
	1,796,012	987,427	1,359,125	769,434

(*) The breakdown of sales from STAR is as follows; TRY 798,379 the sales of by product, TRY 451,129 the sales of steam sales and TRY 193,886 the remaining sales of other products sales.

e) Rent income from related parties:

STAR ⁽²⁾	62,801	31,636	41,545	20,897
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	4,623	2,327	2,785	1,400
Other ⁽²⁾	3,173	1,722	1,430	716
	70,597	35,685	45,760	23,013

f) Key management emoluments:

i. Key management emoluments - short-term:

Payments for salary and seniority incentives	147,277	56,240	95,364	83,357
	147,277	56,240	95,364	83,357

ii. Key management emoluments - long-term:

Provision for unused vacation	2,362	607	2,505	848
Provision for employment termination benefits	38	19	129	121
Provision for seniority incentives	841	921	1,418	779
	3,241	1,547	4,052	1,748
	150,518	57,787	99,416	85,105

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.

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NOTE 21 - INVESTMENT PROPERTIES

Fair value	1 January 2023	Fair Value increase	30 June 2023
Land	5,626,240	3,244,408	8,870,648
	5,626,240		8,870,648

Fair value	1 January 2022	Fair Value increase	31 December 2022
Land	2,872,594	2,753,646	5,626,240
	2,872,594		5,626,240

30 years right of construction of the land, that is 2,076,506 m², is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual rent income from the land, that is located in Aliğa district, is USD 4.6 million and the annual rent income will be increased at the rate of Libor + 1% each year.

As of 30 June 2023, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

There are no pledges, collaterals and mortgages on investment properties.

As of 30 June 2023, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs.

NOTE 22 - EARNINGS PER SHARE

	1 January - 30 June 2023	1 April - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2022
Net profit for the period of the equity holders of the parent	289,060	134,385	4,262,853	2,509,146
Weighted average number of shares with nominal value of Krl each (thousand)	253,440	253,440	253,440	253,440
Earnings per share (Kr)	0.1141	0.0530	1.6820	0.9900

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NOTE 23 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	30 June 2023	31 December 2022
Provision for legal cases	2,597	2,597
Other	1,709	4,841
	4,306	7,438

b) Guarantees received:

Receivable insurance	13,837,855	6,970,531
Bank guarantees within the context of DOCS (*)	3,768,459	3,395,297
Letters of guarantee received from customers	1,510,808	1,932,026
Letters of guarantee received from suppliers	927,841	730,860
Letters of credit	257,677	20,178
Mortgages	2,000	2,000
	20,304,640	13,050,892

(*) Direct Order and Collection System

c) Guarantees given:

Mortgages given to banks	3,927,347	3,082,058
Guarantees given to banks	155,160	1,270,394
Custom offices	229,410	210,942
Other	263,750	261,819
	4,575,667	4,825,213

Collaterals, Pledges and Mortgages ('CPM') provided by the Group:

	30 June 2023	31 December 2022
A. Total amount of CPMs given for the Company's own legal personality	648,320	1,743,155
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	3,927,347	3,082,058
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	4,575,667	4,825,213

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NOTE 23 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

c) Guarantees given: (Continued)

(*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD212 million which Petlim has used loan balance amounting to TRY3,927,347 thousand as of 30 June 2023. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TRY105 thousand has been pledged. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land which was sold by Petkim at a price of TRY5,650. Guarantees given has been considered as total risk amount.

d) Operational leases

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 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
0 - 5 years	3,401,633	2,492,667
5 - 10 years	3,803,432	2,731,645
10 years and more	12,525,072	9,506,602
Total	19,730,137	14,730,914

NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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.

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NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency position

	30 June 2023				31 December 2022			
	TRY equivalent	US Dollar	Euro	Other	TRY equivalent	US Dollar	Euro	Other
1. Trade receivables	3,952,056	143,287	8,949	-	2,954,208	135,488	21,109	-
2a. Monetary financial assets(Cash, bank accounts included)	21,227,868	776,529	41,726	425	20,812,909	1,107,316	5,414	54
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	25,179,924	919,816	50,675	425	23,767,117	1,242,804	26,523	54
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	25,179,924	919,816	50,675	425	23,767,117	1,242,804	26,523	54
9. Trade payables	5,079,815	181,937	7,354	246,967	2,320,977	82,231	32,874	133,628
10. Financial liabilities	17,912,436	620,802	65,682	-	23,198,363	1,231,699	6,318	-
11a. Monetary other liabilities	970,464	-	-	970,464	852,130	3,548	-	785,667
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	23,962,119	802,739	73,036	1,217,431	26,371,470	1,317,478	39,192	919,295
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	8,211,230	317,408	-	-	-	-	-	-
15a. Monetary other liabilities	79,559	-	-	79,559	308,375	14,458	-	37,544
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	8,290,789	317,408	-	79,559	308,375	14,458	-	37,544
17. Total liabilities (12+16)	32,253,504	1,120,147	73,036	1,296,990	26,679,845	1,331,936	39,192	956,839
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	2,767,788	96,280	10,000	-	2,099,333	112,274	-	-
18a. Amount of asset contract value of derivative instruments	2,767,788	96,280	10,000	-	2,099,333	112,274	-	-
18b. Amount of liability contract value of derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability)/ asset position (8-17+18)	(4,305,792)	(104,051)	(12,361)	(1,296,565)	(813,395)	23,142	(12,669)	(956,785)
20. Net foreign currency (liability)/asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	(7,073,580)	(200,331)	(22,361)	(1,296,565)	(2,912,728)	(89,132)	(12,669)	(956,785)
21. Total fair value of financial instruments used for foreign currency hedging	409,260	15,626	203	-	(8,259)	(441)	-	-
22. Hedged amount for foreign currency assets	2,767,788	96,280	10,000	-	2,099,333	112,274	-	-
23. Hedged amount for foreign currency liabilities	-	-	-	-	-	-	-	-
24. Export	8,298,319	288,979	111,251	181,028	20,064,325	902,381	320,063	363,599
25. Import	6,958,424	257,712	90,860	81,454	14,192,255	733,386	149,781	219,909

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**NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Table of sensitivity analysis for foreign currency risk

30 June 2023

	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 TRY:				
1- Asset/Liability denominated in USD - net	(517,317)	517,317	(517,317)	517,317
2- The part hedged for USD risk (-)	250,484	(211,749)	248,625	(209,890)
3- USD effect - net (1+2)	(266,833)	305,568	(268,692)	307,427
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(62,955)	62,955	(62,955)	62,955
5- The part hedged for EUR risk (-)	-	-	28,154	(28,154)
6- EUR effect - net (4+5)	(62,955)	62,955	(34,801)	34,801
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies - net	116,390	(116,388)	116,390	(116,388)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	116,390	(116,388)	116,390	(116,388)
Total (3+6+9)	(213,398)	252,135	(187,103)	225,840

31 December 2022

	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 TRY:				
1- Asset/(Liability) denominated in USD - net	(165,607)	165,607	(165,607)	165,607
2- The part hedged for USD risk (-)	93,492	-	209,933	(116,441)
3- USD effect - net (1+2)	(72,115)	165,607	44,326	49,166
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	(25,256)	25,256	(25,256)	25,256
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	(25,256)	25,256	(25,256)	25,256
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	92,570	(92,570)	92,570	(92,570)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	92,570	(92,570)	92,570	(92,570)
Total (3+6+9)	(4,801)	98,293	111,640	(18,148)

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**NOTE 24 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT-
(Continued)**

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.

30 June 2023 and 31 December 2022, fair value and book value of financial statement were as follows:

30 June 2023	Level 1	Level 2	Level 3	Total
Financial Investments – currency-protected				
Time deposits	-	388,018	-	388,018
Derivative financial instruments	-	561,599	-	561,599
Investment properties- Land	-	8,870,648	-	8,870,648
Total assets	-	9,820,265	-	9,820,265
Derivative financial liabilities	-	-	-	-
Total liabilities	-	-	-	-
31 December 2022	Level 1	Level 2	Level 3	Total
Financial Investments – currency-protected				
Time deposits	-	975,731	-	975,731
Derivative financial instruments	-	66,727	-	66,727
Investment properties- Land	-	5,626,240	-	5,626,240
Total assets	-	6,668,698	-	6,668,698
Derivative financial liabilities	-	8,239	-	8,239
Total liabilities	-	8,239	-	8,239

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NOTE 25 – EVENTS AFTER BALANCE SHEET DATE

According to “A Law on the Establishment of an Additional Motor Vehicle Tax to Compensate for the Economic Losses Caused by the Earthquakes Occurred” published in the Official Gazette on 15 July 2023, The Corporate Tax Rate Law increased from 20% to 25%. The new rate is effective as of the July 2023 payment period. The Group continues to assess the potential impact of the law on its consolidated financial statements as of the date of publication of these financial statements.

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