

**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
NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

CONTENTS	PAGE
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET	1-3
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS	4
CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW.....	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD	8-48
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	10-16
NOTE 3 SEGMENT REPORTING.....	16-18
NOTE 4 CASH AND CASH EQUIVALENTS	18
NOTE 5 FINANCIAL INVESTMENTS.....	19
NOTE 6 INVENTORIES	20
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	20
NOTE 8 BORROWINGS AND BORROWING COSTS.....	21-23
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	24-25
NOTE 10 INVESTMENT PROPERTIES	26
NOTE 11 DEFERRED REVENUE.....	26
NOTE 12 PREPAID EXPENSES	27
NOTE 13 EMPLOYEE BENEFITS	27-29
NOTE 14 EQUITY	29
NOTE 15 TAX ASSETS AND LIABILITIES.....	30-32
NOTE 16 GENERAL ADMINISTRATIVE EXPENSES.....	33
NOTE 17 FINANCIAL INCOME/EXPENSES	33
NOTE 18 EARNINGS PER SHARE	34
NOTE 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	34-41
NOTE 20 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	41-43
NOTE 21 NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS	43-47
NOTE 22 EVENTS AFTER BALANCE SHEET DATE	47-48

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT
30 SEPTEMBER 2023**

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

	Notes	Unaudited 30 September 2023	Audited 31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,836,416	13,251,675
Financial investments	5	488,720	1,176,533
Trade receivables		6,813,543	4,734,939
- Trade receivables from related parties	19	1,512,291	1,189,048
- Trade receivables from third parties	7	5,301,252	3,545,891
Other receivables		20,468	24,649
- Other receivables from related parties	19	411	-
- Other receivables from third parties		20,057	24,649
Inventories	6	4,943,367	4,383,080
Prepaid expenses		14,161,633	9,590,879
- Prepaid expenses to third parties	12	492,034	550,196
- Prepaid expenses to related parties	19	13,669,599	9,040,683
Derivative financial instruments		201,716	35,067
Other current assets		1,314,269	932,231
- Other current assets to third parties		1,314,269	932,231
Current tax assets	15	32,954	275,800
TOTAL CURRENT ASSETS		31,813,086	34,404,853
NON-CURRENT ASSETS			
Financial investments	5	8,910	8,910
Derivative financial assets		86,262	31,660
Other receivables		16,645	13,257
- Other receivables from related parties	19	16,578	13,190
- Other receivables from third parties		67	67
Investment properties	10	10,779,082	5,626,240
Property, plant and equipment	9	14,758,577	11,946,193
Right of use assets		461,254	256,466
Intangible assets		92,684	90,119
Prepaid expenses		252,045	150,936
- Prepaid expenses to related parties	19	23,188	27,590
- Prepaid expenses to third parties	12	228,857	123,346
Deferred tax assets	15	2,544,374	2,113,631
Other non-current assets		35,182	20,687
- Other non-current assets related to third parties		35,182	20,687
TOTAL NON - CURRENT ASSETS		29,035,015	20,258,099
TOTAL ASSETS		60,848,101	54,662,952

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

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30 SEPTEMBER 2023**

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

	Notes	Unaudited 30 September 2023	Audited 31 December 2022
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		14,441,015	15,582,657
- Short-term borrowings to third parties		14,334,718	15,516,181
- Bank borrowings	8	6,658,054	3,143,887
- Short term lease liabilities	8	38,505	23,618
- Other financial liabilities	8	7,638,159	12,348,676
- Short-term borrowings to related parties		106,297	66,476
- Short term lease liabilities to related parties	19	106,297	66,476
Short-term portion of long-term borrowings		2,868,155	10,143,918
- Short-term portion of long-term borrowings to third parties		2,868,155	10,143,918
- Bank borrowings	8	2,868,155	543,418
- Bonds issued	8	-	9,600,500
Derivative financial instruments		-	8,239
Trade payables		5,245,513	4,407,481
- Trade payables to related parties	19	2,030,419	1,624,900
- Trade payables to third parties	7	3,215,094	2,782,581
Payables related to employee benefits		120,902	65,256
Other payables		22,904	17,922
- Other payables to related parties	19	87	87
- Other payables to third parties		22,817	17,835
Deferred revenue		949,495	322,491
- Deferred revenue from related parties	19	514,667	41,692
- Deferred revenue from third parties	11	434,828	280,799
Short term provisions		689,750	552,458
- Provision for employee benefits	13	687,153	545,020
- Other short term provisions		2,597	7,438
Other current liabilities		104,067	97,471
- Other current liabilities related to third parties		104,067	97,471
TOTAL CURRENT LIABILITIES		24,441,801	31,197,893
NON-CURRENT LIABILITIES			
Long term financial liabilities		12,501,223	2,997,055
- Long term financial liabilities to third parties		12,137,793	2,736,793
- Bank borrowings	8	11,975,222	2,665,083
- Long-term lease liabilities to third parties	8	162,571	71,710
- Long-term borrowings to related parties		363,430	260,262
- Long term lease liabilities to related parties	19	363,430	260,262
Deferred revenue		1,185,736	837,688
- Deferred revenue from related parties	19	1,185,736	837,688
Long term provisions		788,096	517,708
- Provision for employee termination benefits	13	788,096	517,708
Deferred income tax liabilities		341,697	53,356
TOTAL NON - CURRENT LIABILITIES		14,816,752	4,405,807
TOTAL LIABILITIES		39,258,553	35,603,700

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT
30 SEPTEMBER 2023**

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

	Notes	Unaudited 30 September 2023	Audited 31 December 2022
EQUITY			
Equity attributable to owners of the parent company		21,533,202	19,024,747
Share capital	14	2,534,400	2,534,400
Adjustment to share capital	14	238,988	238,988
Share premium		64,188	64,188
Other comprehensive (expense) not to be reclassified to profit or loss		(315,965)	(247,450)
- Actuarial loss arising from defined benefit plan		(315,965)	(247,450)
Other comprehensive (expense/income) to be reclassified to profit or loss		(663,432)	(533,526)
- Currency translation differences		(870,689)	(569,211)
- (Loss) / Gain on hedge reserves		207,257	35,685
- (Loss) / Gain on cash flow hedges		207,257	35,685
Restricted reserves		646,142	642,300
Retained earnings		16,322,005	9,745,594
Net profit for the year		2,706,876	6,580,253
Non-controlling interest		56,346	34,505
TOTAL EQUITY		21,589,548	19,059,252
TOTAL LIABILITIES AND EQUITY		60,848,101	54,662,952

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2023**

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

	Notes	Unaudited 1 January - 30 September 2023	Unaudited 1 July - 30 September 2023	Unaudited 1 January - 30 September 2022	Unaudited 1 July - 30 September 2022
PROFIT OR LOSS					
Revenue		32,998,975	13,189,138	39,990,292	14,200,775
Cost of sales (-)		(30,912,886)	(11,462,166)	(35,933,347)	(13,277,010)
GROSS PROFIT		2,086,089	1,726,972	4,056,945	923,765
General administrative expenses (-)	16	(1,490,534)	(602,086)	(745,037)	(303,691)
Selling, marketing and distribution expenses (-)		(619,094)	(244,751)	(353,074)	(139,365)
Other operating income		2,086,762	565,413	1,882,931	568,705
Other operating expense (-)		(1,457,643)	(299,408)	(971,850)	(251,710)
OPERATING PROFIT		605,580	1,146,140	3,869,915	797,704
Income from investing activities		5,495,939	2,057,678	2,551,521	949,581
Expense from investing activities (-)		(255)	(19)	(85)	(37)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		6,101,264	3,203,799	6,421,351	1,747,248
Financial income	17	8,060,894	1,589,224	5,189,978	1,705,338
Financial expenses (-)	17	(11,671,528)	(2,720,560)	(6,707,928)	(2,256,454)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		2,490,630	2,072,463	4,903,401	1,196,132
Tax income/ (expense)					
from continuing operations		206,875	273,090	877,040	311,642
- Current tax (expense)/ income	15	(13,583)	-	-	115,746
- Deferred tax (expense)/ income	15	220,458	273,090	877,040	195,896
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		2,697,505	2,345,553	5,780,441	1,507,774
PROFIT FOR THE PERIOD		2,697,505	2,345,553	5,780,441	1,507,774
DISTRIBUTION OF INCOME FOR THE PERIOD					
- Non-controlling interest		(9,371)	(72,263)	22,402	12,588
- Owners of the parent company		2,706,876	2,417,816	5,758,039	1,495,186
Earnings Per Share		1.0681	0.9540	2.2720	0.5900
- Earnings per Kr 1 number of 1 shares from continued operations	18	1.0681	0.9540	2.2720	0.5900

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER
COMPREHENSIVE INCOME FOR THE NINE-MONTH INTERIM PERIOD ENDED
30 SEPTEMBER 2023**

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

	Unaudited 1 January - 30 September 2023	Unaudited 1 July - 30 September 2023	Unaudited 1 January - 30 September 2022	Unaudited 1 July - 30 September 2022
OTHER COMPREHENSIVE INCOME				
Items to be reclassified to Profit or Loss	(98,694)	44,302	1,694	(15,680)
Currency translation differences	(280,172)	(51,764)	(91,503)	(59,283)
Other comprehensive (loss)/income related with				
cash flow hedges	241,972	135,207	116,496	54,503
Tax relating to (loss)/gain on cash flow hedge	(60,494)	(39,141)	(23,299)	(10,900)
Items that will not to be Reclassified to Profit or Loss	(68,515)	(67,514)	(24,262)	10,524
Gains (losses) on remeasurements of defined benefit plans	(91,354)	(90,103)	(30,330)	13,152
Taxes relating to (loss)/gain from remeasurements of defined benefit plan	22,839	22,589	6,068	(2,628)
OTHER COMPREHENSIVE EXPENSE	(167,209)	(23,212)	(22,568)	(5,156)
TOTAL COMPREHENSIVE INCOME	2,530,296	2,322,341	5,757,873	1,502,618
Attributable to:				
Non-controlling interests	21,841	(64,720)	92,825	29,213
Owners of parent company	2,508,455	2,387,061	5,665,048	1,473,405

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 2023**

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

	Share capital	Adjustment to share capital	Other comprehensive (expense)/income not to be reclassified to profit or loss Actuarial loss arising from defined benefit plan	Other comprehensive (expense)/income to be reclassified to profit or loss (Loss)/gain on cash flow hedges	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	-	-	-
- Net profit for the period	-	-	-	-	-	-	-	5,758,039	-	5,758,039	22,402	5,780,441
- Other comprehensive income/ (expense)	-	-	(24,262)	63,274	(132,003)	-	-	-	-	(92,991)	70,423	(22,568)
Total comprehensive income	-	-	(24,262)	63,274	(132,003)	-	-	5,758,039	-	5,665,048	92,825	5,757,873
30 September 2022	2,534,400	238,988	(70,804)	39,761	(565,094)	64,188	417,325	5,758,039	9,970,569	18,387,372	89,531	18,476,903
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	-	-	-	-	-	-	3,842	(6,580,253)	6,576,411	-	-	-
- Net profit for the period	-	-	-	-	-	-	-	2,706,876	-	2,706,876	(9,371)	2,697,505
- Other comprehensive income/ (expense)	-	-	(68,515)	171,572	(301,478)	-	-	-	-	(198,421)	31,212	(167,209)
Total comprehensive income	-	-	(68,515)	171,572	(301,478)	-	-	2,706,876	-	2,508,455	21,841	2,530,296
30 September 2023	2,534,400	238,988	(315,965)	207,257	(870,689)	64,188	646,142	2,706,876	16,322,005	21,533,202	56,346	21,589,548

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2023

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

Notes	Unaudited 1 January - 30 September 2023	Unaudited 1 January - 30 September 2022
A. Cash flows from operating activities:	224,700	1,910,591
Net profit for the period (I)	2,697,505	5,780,441
Adjustments related to reconciliation of (II) net profit (loss) for the year:	(498,114)	(400,273)
Adjustments for depreciation and amortization	1,032,660	579,858
Adjustments for impairments/reversals		
- Adjustments for impairment/(reversal) of inventories	6 (28,410)	29,934
Adjustments for provisions		
- Adjustments for provision employment termination benefits	794,269	399,511
- Adjustments for provisions/(reversals)	(10,784)	15,215
Adjustments for interest income/(expense)		
- Adjustments for interest income	17 (241,869)	(217,161)
- Adjustments for interest expense	17 2,021,658	1,045,307
Adjustments for unrealized foreign currency translation differences	1,303,401	830,345
Adjustments for tax expenses	15 (206,875)	(877,040)
Adjustments for gain on sale of property, plant and equipment	(6)	(1,089)
Adjustments for income from government incentives	(7,406)	(2,571)
Adjustments for fair value losses/(gains)		
- Adjustments for fair value gains on financial assets	5 (1,910)	(137,881)
- Adjustments for fair value increase in investment properties	10 (5,152,842)	(2,064,701)
Changes in working capital (III)	(1,490,991)	(2,736,139)
Adjustments related to decrease /(increase) in trade receivables	(1,657,179)	770,551
Adjustments related to decrease /(increase) in other receivables	793	(3,239)
Adjustments related to increase in inventory	(610,387)	(1,174,681)
Adjustments related to (increase) in prepaid expenses	(400,738)	(443,550)
Adjustments for (decrease) /increase in trade payables	646,741	(1,314,669)
Adjustments for (decrease) /increase in other payable	(14,481)	2,931
Change in derivative financial instruments	34,728	(14,009)
Adjustments related to increase in payables to employees	42,546	36,473
Increase /(decrease) in deferred income other than contract liabilities	581,122	77,769
Adjustments for other (decrease) in working capital	(114,136)	(673,715)
Cash flows from operating activities (I+II+III)	708,400	2,644,029
Employee termination benefits paid	(437,163)	(234,245)
Income taxes (paid)	(46,537)	(499,193)
B. Cash flows from investing activities	(1,231,501)	(3,850,589)
Proceeds from sale of property, plant and equipment	723	1,274
Cash outflows from purchases of property, plant and equipment	9 (1,816,454)	(1,736,620)
Other cash advances and payables given	(105,493)	(347,336)
Other cash outflows	689,723	(1,767,907)
C. Cash flows from financing activities	(8,482,056)	5,972,831
Proceeds from borrowings	8 13,216,257	2,176,163
Repayments of borrowings	8 (3,852,412)	(2,174,559)
Proceeds from other financial liabilities	8 4,756,976	8,939,666
Repayments of other financial liabilities	8 (11,155,395)	(2,193,452)
Repayments of bond issues	8 (9,363,586)	-
Proceeds from other payables to related parties	2,020,040	-
Repayments to other payables to related parties	(2,020,040)	-
Principal payments for lease liabilities	(226,106)	(98,637)
Interest paid	(2,099,659)	(809,496)
Interest received	241,869	231,757
Other cash outflows	-	(98,611)
D. Net increase /(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)	(9,488,857)	4,032,833
E. Effect of currency translation differences on cash and cash equivalents	73,598	131,662
Net increase/ (decrease) in cash and cash equivalents (D+E)	(9,415,259)	4,164,495
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 3,836,416	7,829,826

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

(Amounts expressed in thousands of 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.

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.

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AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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. ('STEAS').

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. ('STEAS').

As of 30 September 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 8 November 2023 and signed by Mr. Kanan Mirzayev, General Manager and Mr. 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 September 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

The number of personnel in the Group is 2,367 as of 30 September 2023 (31 December 2022: 2,335). The details of the employees as of 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023	31 December 2022
Union (*)	1,716	1,733
Non-union (**)	651	595
	2,367	2,328

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

2.1 Basis of Presentation

The condensed consolidated interim 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, condensed consolidated interim financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ('TAS'/'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 TAS 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 2022. 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 interim consolidated financial statements for the period ended 30 September 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 interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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 condensed consolidated interim financial statements, except for the financial assets and liabilities measured at 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:14.1 and announcements made by the CMB, it is obligatory for the companies preparing condensed financial statements in interim periods to present the foreign exchange position table, 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 21).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

2.1 Basis of Presentation (Continued)

The Group's financial statements in the 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 these condensed consolidated interim financial statements are consistent with the accounting policy applied in the consolidated financial statements for the period 1 January - 31 December 2022 except for the followings:

Income tax expense is recognised in each interim 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.

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 consensated 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

2.3 Basis of Consolidation (Continued)

a) Subsidiaries (Continued)

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 all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 30 September 2023 and 31 December 2022 are;

<u>Subsidiaries</u>	Direct or Indirect Control	
	Shareholding rates of the Group (%)	
	30 September 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 within 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 has been designated as US Dollars as of 1 January 2017 due to Petlim's commencement of its operations and generating all its revenues in US Dollars. The condensed consolidated interim financial statements have been prepared and presented in Turkish lira ('TRY'), which is the parent Company's functional and presentation currency.

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 gains or losses arising from the settlement and 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 shareholders 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 September 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 TRY27,3767 = USD1, and liabilities are translated into TRY from the foreign exchange selling rates announced by Central Bank of the Republic of Turkey as TRY27,4260 = USD1 (31 December 2022: buying rate as TRY18.6983 = USD1, selling rate as TRY18.7320 = USD1). Due to the significant fluctuations in the exchange rates in 2023 and 2022, the profit or loss statements have been translated with the average rates calculated over the rates announced by the Central Bank of the Republic of Turkey, of the net profits calculated on a quarterly basis.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 September 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;** effective 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.

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

**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 September 2023 (Continued):**

- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
- **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.

The Group will assess the effects of the above amendments on its operations and apply them from the effective date. The impact of the above standards and interpretations on the implementation of the above is assessed.

2.5 Comparative Information and Correction of Prior Period Financial Statements

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

2.6 Significant Accounting Estimates, Judgments and Assumptions

Preparation of condensed consolidated interim 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:

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

2.6 Significant Accounting Estimates, Judgments and Assumptions (Continued)

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 20.

b) Useful life of tangible and intangible assets and investment property

The Group determines useful lives of tangible and intangible assets and investment properties 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 September 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 15)

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 13.

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 million and an agreement has been reached with STEAS in this respect. Our Company has already paid USD 480 million 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

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

2.6 Significant Accounting Estimates, Judgments and Assumptions (Continued)

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

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 September 2023 and have been subjected to exchange rate valuation.

f) Fair value of determination of investment properties

As of 30 September 2023, investment properties are carried in the 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.

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Petrochemical	32,640,417	13,044,761	39,738,107	14,105,310
Port	358,558	144,377	252,185	95,465
Total before eliminations and adjustments	32,998,975	13,189,138	39,990,292	14,200,775
Consolidation eliminations and adjustments	-	-	-	-
	32,998,975	13,189,138	39,990,292	14,200,775

b) Operating profit

Petrochemical	79,296	1,050,230	3,600,034	704,351
Port	498,388	84,131	240,974	91,169
Total before eliminations and adjustments	577,684	1,134,361	3,841,008	795,520
Consolidation eliminations and adjustments	27,896	11,779	26,605	(118)
Operating profit	605,580	1,146,140	3,867,613	795,402
Financial (expenses), net	(3,610,634)	(1,131,336)	(1,517,950)	(551,116)
Income from investing activities, net	5,495,684	2,057,659	2,551,436	949,544
Profit before tax from continued operations	2,490,630	2,072,463	4,901,099	1,193,830
Tax income	206,875	273,090	879,342	313,944
Profit for the period	2,697,505	2,345,553	5,780,441	1,507,774

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	30 September 2023	31 December 2022
Petrochemical	56,015,879	51,237,408
Port	8,555,483	6,071,131
Total before eliminations and adjustments	64,571,362	57,308,539
Consolidation eliminations and adjustments	(3,723,261)	(2,645,587)
	60,848,101	54,662,952

d) Total liabilities

Petrochemical	33,423,924	31,432,113
Port	8,377,030	5,965,483
Total before eliminations and adjustments	41,800,954	37,397,596
Consolidation eliminations and adjustments	(2,542,401)	(1,793,896)
	39,258,553	35,603,700

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Banks	3,805,706	13,251,635
- Demand deposits	65,081	39,901
- Turkish Liras	34,732	2,319
- Foreign currency	30,349	37,582
- Time deposits	3,740,625	13,211,734
- Turkish Liras	415,567	1,389,311
- Foreign currency	3,325,058	11,822,423
Other	30,710	40
	3,836,416	13,251,675

As of 30 September 2023, foreign currency time deposits consist of monthly deposits. The weighted average effective interest rates of USD and EUR monthly deposits are 3.21% and 2.05% per annum, respectively (31 December 2022: USD 2.92%, EUR 1.50%).

As of 30 September 2023, the TRY dominated time deposits consist of overnight deposits and the weighted average effective interest rate is monthly 36.47% per annum (31 December 2022: consist of monthly and daily deposits and the weighted average effective interest rate is monthly 23.89%).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 5 - FINANCIAL INVESTMENTS

a) Short-term financial investments

	30 September 2023	31 December 2022
Exchange rate-protected TRY time deposits (*)	186,719	975,731
Other	302,001	200,802
	488,720	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 September 2023, the nominal and fair value amounts of exchange rate-protected TRY time deposit accounts

	30 September 2023		
Currency	Nominal amount (original currency)	Fair value (in TRY)	Maturity
TL	175,436	186,719	October 2023
	175,436	186,719	

b) Long-term financial investments

	30 September 2023		31 December 2022	
	Shareholding		Shareholding	
	Amount	rate (%)	Amount	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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 6 – INVENTORIES

	30 September 2023	31 December 2022
Raw materials	1,280,279	1,061,292
Work-in-progress	870,223	1,155,436
Finished goods	2,082,412	1,175,257
Trade goods	237,367	335,613
Goods in transit	201,797	528,470
Other inventories	332,979	217,112
Less: Provision for impairment on inventories	(61,690)	(90,100)
	4,943,367	4,383,080

Movements of provision for impairment on inventory for the periods 30 September 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	(61,690)	(36,078)
30 September	(61,690)	(36,078)

NOTE 7 – TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	30 September 2023	31 December 2022
Trade receivables	5,315,873	3,566,454
Provision for doubtful trade receivables (-)	(14,621)	(20,563)
	5,301,252	3,545,891

b) Short-term trade payables to third parties:

Trade payables	3,215,094	2,782,581
	3,215,094	2,782,581

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 8 – BORROWINGS AND BORROWING COSTS

	30 September 2023	31 December 2022
Short-term borrowings	6,658,054	3,143,887
Short-term portions of long-term borrowings	2,868,155	543,418
Bond issued (**)	-	9,600,500
Short-term lease liabilities	38,505	23,618
Other financial liabilities (*)	7,638,159	12,348,676
Short-term financial liabilities	17,202,873	25,660,099
Long-term borrowings (***)	11,975,222	2,665,083
Long-term lease liabilities	162,571	71,710
Long-term borrowings	12,137,793	2,736,793
	29,340,666	28,396,892

(*) Other financial liabilities consist of letters of credits and exchange loan arising from naphtha purchases and trade goods financing. The average remaining maturity of other financial liabilities is 127 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
 ORIGINALLY ISSUED IN TURKISH
 PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTHS PERIOD
 ENDED 30 SEPTEMBER 2023

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

NOTE 8 – BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Short-term borrowings:						
TRY borrowings	-	18.25	-	220,627	-	220,627
USD borrowings	8.45 – 10.75	5.90 -9.75	242,764	156,057	6,658,054	2,923,260
Short-term portions of long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67, SOFR + 5.0, 8.13 – 9.50	Libor + 4.67	90,277	22,247	2,475,949	416,723
Euro borrowings	Euribor + 0.72, 7.73	Euribor + 0.72 -1.64	13,486	6,344	392,206	126,695
Bond issued	-	5.88	-	512,519	-	9,600,500
Total short-term borrowings					9,526,209	13,287,805
Long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67, SOFR+5.00 + 5.60	Libor + 4.67	436,637	142,274	11,975,222	2,665,083
Total long-term borrowings					11,975,222	2,665,083
Total borrowings					21,501,431	15,952,888

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 8 – BORROWINGS AND BORROWING COSTS (Continued)

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

	30 September 2023
1 October 2024-30 September 2025	1,231,426
1 October 2025-30 September 2026	9,383,927
1 October 2026-30 September 2027	987,062
1 October 2027 and over	372,807
	11,975,222
	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 September 2023, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 20. The Group is subject to some key performance indicators to for the borrowings and the Group has met those indicators as of 30 September 2023.

Movements of financial liabilities (excluding lease liabilities) are as of 30 September 2023 and 2022 as follows:

	2023	2022
1 January	14,110,776	8,105,635
Proceeds from financial liabilities	17,973,233	11,115,829
Repayments of financial liabilities	(24,371,393)	(4,368,011)
Unrealized foreign exchange losses	7,376,669	4,858,577
Changes in interest accrual	(140,483)	205,151
Change in cash and cash equivalents and financial investments (*)	10,167,651	(6,053,826)
30 September	25,116,453	13,863,355

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTHS PERIOD
ENDED 30 SEPTEMBER 2023**

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2023
Cost:						
Land	126,262	-	-	-	1,847	128,109
Land improvements	488,802	-	5,763	-	4,472	499,037
Buildings	199,493	-	-	-	1,401	200,894
Machinery and equipment	11,185,990	-	801,258	-	-	11,987,248
Motor vehicles	94,184	-	19,557	(674)	-	113,067
Furniture and fixtures	238,780	-	31,335	(3,755)	911	267,271
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	5,463,922	-	-	-	2,479,286	7,943,208
Construction in progress (*)	2,752,001	1,816,454	(873,647)	-	1,061	3,695,869
	20,551,101	1,816,454	(15,734)	(4,429)	2,488,978	24,836,370
Accumulated depreciation (-):						
Land improvements	(201,515)	(29,627)	-	-	(3,288)	(234,430)
Buildings	(131,733)	(3,898)	-	-	(1,294)	(136,925)
Machinery and equipment	(7,134,207)	(754,702)	-	-	-	(7,888,909)
Motor vehicles	(29,074)	(15,793)	-	425	-	(44,442)
Furniture and fixtures	(128,169)	(20,810)	-	3,287	(862)	(146,554)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(978,543)	(159,616)	-	-	(486,707)	(1,624,866)
	(8,604,908)	(984,446)	-	3,712	(492,151)	(10,077,793)
Net book value	11,946,193					14,758,577

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTHS PERIOD
ENDED 30 SEPTEMBER 2023**

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

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2022
<u>Cost:</u>						
Land	125,063	-	-	(18)	1,175	126,220
Land improvements	469,147	-	347	-	2,849	472,343
Buildings	197,348	-	-	-	892	198,240
Machinery and equipment	8,699,122	-	250,629	-	-	8,949,751
Motor vehicles	76,912	-	11,433	-	-	88,345
Furniture and fixtures	199,875	-	10,643	(544)	572	210,546
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	3,829,569	-	-	-	1,578,787	5,408,356
Construction in progress (*)	1,204,919	1,736,620	(290,703)	-	674	2,651,510
	14,803,622	1,736,620	(17,651)	(562)	1,584,949	18,106,978
<u>Accumulated depreciation (-):</u>						
Land improvements	(161,003)	(29,012)	-	-	(1,749)	(191,764)
Buildings	(125,897)	(3,800)	-	-	(728)	(130,425)
Machinery and equipment	(6,533,916)	(361,287)	-	-	-	(6,895,203)
Motor vehicles	(13,114)	(11,729)	-	-	-	(24,843)
Furniture and fixtures	(105,468)	(16,555)	-	377	(540)	(122,186)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(559,339)	(116,070)	-	-	(250,865)	(926,274)
	(7,500,404)	(538,453)	-	377	(253,882)	(8,292,362)
Net book value	7,303,218					9,814,616

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 10 – INVESTMENT PROPERTIES

Net asset value	1 January 2023	Fair value increase	30 September 2023
Land	5,626,240	5,152,842	10,779,082
	5,626,240		10,779,082

Net asset value	1 January 2022	Fair value increase	30 September 2022
Land	2,872,594	2,064,701	4,937,295
	2,872,594		4,937,295

A construction right was established to STAR Rafineri A.Ş. ('STAR') for 30 years in 2014 for an annual cost of USD4.6 million on a total land of m² 2,076,506 in Aliğa District, which is among the investment properties owned by the Group. The right of construction is increased by Libor+1% every year.

The fair value of the land has been appraised according to the Group's valuation report dated 30 September 2023 prepared by a real estate appraisal company authorized by the CMB.

There are no guarantees, pledges or mortgages on the Group's investment properties.

As of 30 September 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 containing directly or indirectly observable inputs.

NOTE 11 – DEFERRED REVENUE

a) Short-term deferred revenue

	30 September 2023	31 December 2022
Advances received	434,679	279,137
Deferred revenue	149	1,662
	434,828	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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 12 – PREPAID EXPENSES

a) Short-term prepaid expenses

	30 September 2023	31 December 2022
Advances given for inventory purchases	421,197	500,716
Prepaid rent, insurance and other expenses	68,614	48,408
Advances given for customs procedures	2,223	1,072
	492,034	550,196

b) Long-term prepaid expenses

Advances given for property, plant and equipment purchases	227,164	121,671
Prepaid rent, insurance and other expenses	1,693	1,675
	228,857	123,346

NOTE 13 – EMPLOYEE BENEFITS

a) Short-term employee benefits:

	30 September 2023	31 December 2022
Provision for bonus premium	632,588	524,746
Provision for seniority incentive bonus	54,565	20,274
	687,153	545,020

b) Long-term employee benefits:

Provision for employment termination benefits	522,900	398,080
Provision for unused vacation rights	210,914	92,404
Provision for seniority incentive bonus	54,282	27,224
	788,096	517,708

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 13 – EMPLOYEE BENEFITS (Continued)

Provision for unused vacation:

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

	2023	2022
1 January	92,404	49,183
Changes in the period, net	118,510	47,147
30 September	210,914	96,330

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 September 2023 (31 December 2022: TRY15,371.40).

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:

	30 September 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).

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 13 – EMPLOYEE BENEFITS (Continued)

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.

NOTE 14 – EQUITY

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

Group:	Shareholder:	30 September 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 inflation adjusted amounts of the cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 15 – TAX ASSETS AND LIABILITIES

a) Corporate tax:

In Turkey, the corporate tax rate is 25% 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.

Current tax liabilities at 30 September 2023 and 31 December 2022 are summarized below:

	30 September 2023	31 December 2022
Calculated corporation tax	13,583	-
Less: Prepaid taxes (-)	(46,537)	(275,800)
Total corporation tax (assets)	(32,954)	(275,800)

Tax expenses included in the income statement for the condensed consolidated interim periods ended 30 September 2023 and 2022 are summarized below:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Deferred tax income	220,458	273,090	877,040	195,896
Current period income tax expense	(13,583)	-	-	115,746
Total tax income/ (expense)	206,875	273,090	877,040	311,642

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 their tax financial statements.

As of 30 September 2023, the corporate tax rate is 25% 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 15 – TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

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 September 2023 and 31 December 2022 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/ (Liabilities)	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Fair value increase in investment properties	(10,777,601)	(5,553,396)	(2,020,800)	(555,340)
Fair value difference of derivative financial instruments	(287,978)	(58,488)	(71,995)	(11,697)
Deferred income tax liabilities	(11,065,579)	(5,611,884)	(2,092,795)	(567,037)
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	6,961,200	5,727,482	1,740,300	1,152,354
Unused investment incentives	2,687,831	2,585,060	1,183,816	1,072,634
Provision for employee benefits	1,475,249	1,062,728	368,812	212,546
Carry forward tax losses	2,850,108	483,453	704,974	97,554
Deferred revenue related to the port rental agreement	460,823	132,666	115,206	26,533
Inventory provision	61,690	90,100	15,423	18,020
Rent allowance fee	3,514	3,598	878	720
Provision for legal cases	2,597	2,597	649	519
Other	661,656	232,166	165,414	46,432
Deferred income tax assets	15,164,668	10,319,850	4,295,472	2,627,312
Deferred tax assets- net			2,202,677	2,060,275

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 15 – TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The movement of deferred tax asset is as follows:

	2023	2022
1 January	2,060,275	150,311
Recognized in the profit or loss statement	220,458	877,040
Recognized in other comprehensive income	(37,655)	(17,231)
Foreign currency translation differences	(40,401)	11,378
30 September	2,202,677	1,021,498

As of 30 September 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 1,183,816 (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 30 September 2023. TRY 111,182 of deferred tax income is recognized in the consolidated profit or loss statement for the period between 1 January – 30 September 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 30 September 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 16 – GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July – 30 September 2022
Personnel expense	(793,494)	(337,447)	(368,180)	(150,736)
Outsourced services	(386,898)	(151,962)	(186,447)	(80,421)
Depreciation and amortization	(76,467)	(26,977)	(63,754)	(21,499)
Energy expenses	(52,885)	(20,215)	(40,577)	(5,319)
Taxes, funds and fees	(21,053)	(6,842)	(11,295)	(4,017)
Other	(159,737)	(58,643)	(74,784)	(41,699)
	(1,490,534)	(602,086)	(745,037)	(303,691)

NOTE 17 – FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July – 30 September 2022
Foreign exchange gains	7,756,594	1,460,161	4,969,434	1,589,957
Interest income	241,869	97,285	217,161	114,241
Other	62,431	31,778	3,383	1,140
	8,060,894	1,589,224	5,189,978	1,705,338

b) Finance expense

Foreign exchange loss	(9,489,872)	(1,887,673)	(5,562,385)	(1,738,869)
Interest expense	(2,021,658)	(775,798)	(1,045,307)	(494,120)
Commission expense	(114,901)	(45,761)	(68,554)	(14,314)
Interest expense on employee benefits	(34,010)	(11,328)	(18,817)	(5,995)
Other	(11,087)	-	(12,865)	(3,156)
	(11,671,528)	(2,720,560)	(6,707,928)	(2,256,454)

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 18 – EARNINGS PER SHARE

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July – 30 September 2022
Net profit for the period of the equity holders of the parent	2,706,876	2,417,816	5,758,039	1,495,186
Weighted average number of shares with nominal value of Kr each (thousand)	253,440	253,440	253,440	253,440
Earnings per share (Kr)	1.0681	0.9540	2.2720	0.5900

NOTE 19 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

	30 September 2023	31 December 2022
a) Short-term trade receivables from related parties:		
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	848,349	702,133
STAR Rafineri A.Ş. ⁽²⁾	625,930	241,289
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	32,164	223,587
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	3,312	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	1,488	21,404
STEAŞ ⁽¹⁾	577	5
SOCAR TURKEY Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	341	-
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	84	103
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	19	30
Other ⁽²⁾	27	497
	1,512,291	1,189,048

⁽¹⁾ Shareholders of the Company

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

b) Short-term other receivables from related parties:

	30 September 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⁾	16,578	13,190
	16,578	13,190

d) Short-term trade payables to related parties:

STAR ⁽²⁾	874,512	1,015,425
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	399,588	389,877
SOCAR Logistics DMCC ⁽²⁾	394,406	-
STEAS ⁽¹⁾	226,284	174,157
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	92,436	16,524
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	29,309	10,829
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	6,453	1,869
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	5,661	9,352
Azoil Petrolcülük A.Ş. ⁽²⁾	1,059	1,413
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	120	992
SOCAR Trading SA ⁽²⁾	-	4,430
Other ⁽²⁾	591	32
	2,030,419	1,624,900

Short-term trade payables to related parties mainly consist of natural gas, naphta, trade goods and services purchases. Average maturity of short term trade payables is 11 days (31 December 2022: 11 days).

e) Other payables to related parties:

Due to Shareholders ⁽¹⁾	87	87
	87	87

⁽¹⁾ Shareholders of the Company

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

f) Short-term deferred revenue from related parties

	30 September 2023	31 December 2022
STAR ⁽²⁾	460,137	6,370
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	52,025	35,097
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	2,334	152
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	133	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	38	73
	514,667	41,692

g) Long-term deferred revenue from related parties

SOCAR Aliğa Liman İşletmeciliği A.Ş. ^{(2) (*)}	1,181,288	833,076
STAR ⁽²⁾	4,367	4,524
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	81	88
	1,185,736	837,688

(*) The balance is mainly consist of deferred revenue as a part of lease period of the port (32 years), in accordance with the operation agreement between the Group and SOCAR Aliğa Liman İşletmeciliği A.Ş. The Group recognize these prepayments as revenue within the contractual period on a straight line basis.

h) Short-term prepaid expense to related parties

STEAŞ ^{(1) (*)}	13,165,257	9,012,642
SOCAR Logistics DMCC ⁽²⁾	408,127	-
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	87,653	25,856
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	6,370	76
STAR ⁽²⁾	1,382	1,813
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	425	-
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	167	-
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	130	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	88	128
Other ⁽²⁾	-	168
	13,669,599	9,040,683

(1) Shareholders of the Company

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 – 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 September 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.

30 September 2023 31 December 2022

i) Long-term prepaid expense to related parties

STAR ⁽²⁾	21,564	22,489
STEAŞ ⁽¹⁾	1,624	5,101
	23,188	27,590

j) Short-term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	94,729	58,766
STEAŞ ⁽¹⁾	11,568	7,710
	106,297	66,476

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 – TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

k) Long-term operational lease liabilities from related parties

	30 September 2023	31 December 2022
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	327,466	232,307
STEAS ⁽¹⁾	35,964	27,955
	363,430	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 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
STEAS ^{(1) (*)}	4,116,756	743,511	2,582,129	875,154
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	47,328	12,411	62,484	4,937
SOCAR Logistics DMCC ⁽²⁾	6,034	5,893	(29)	(29)
SOCAR Power Enerji Yatırımları A.Ş. ^{(2) (*)}	2,849	1,279	1,882	770
SOCAR Turkey Doğalgaz Yatırım A.Ş.	(707)	(707)	-	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	(1,832)	(1,810)	145	191
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	(2,269)	(3,699)	1,318	384
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	(4,284)	(963)	11,556	11,388
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	(53,616)	(4,720)	-	-
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	(82,082)	(55,109)	(19,685)	(2,843)
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(160,376)	(32,811)	(111,722)	(39,834)
STAR ^{(2) (*)}	(482,187)	(1,026)	(273,696)	(105,244)
Diğer ⁽²⁾	(195)	235	300	384
	3,385,419	662,484	2,254,682	745,258

(*) TRY431,607 of the expenses arising from STAR consists of foreign exchange losses and TRY50,580 is from other expenses, TRY4,203,967 of the income obtained from STEAS is foreign exchange gain and TRY87,211 consists of other expenses. Expenses to SOCAR Power Enerji Yatırımları A.Ş. are mainly consists of foreign exchange losses.

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

b) Service and rent purchases from related parties:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	208,894	76,032	138,578	41,830
STEAS ⁽¹⁾	148,636	61,091	91,056	40,856
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. ⁽²⁾	147,190	53,434	60,073	24,357
SCR İnşaat ve Müşavirlik A.Ş. ⁽²⁾	56,393	21,367	17,966	10,880
STAR ⁽²⁾	27,220	9,366	19,448	6,849
Other ⁽²⁾	2,554	832	2,023	1,460
	590,887	222,122	329,144	126,232

c) Product purchase from related parties:

STAR ⁽²⁾	9,215,388	2,608,745	14,602,778	4,029,281
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	2,736,434	1,065,778	1,936,430	782,434
SOCAR Logistics DMCC ⁽²⁾	645,803	386,666	459,792	207,215
AZOIL Petrolcülük A.Ş. ⁽²⁾	4,386	2,019	23,557	3,062
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	2,952	1,218	3,028	1,483
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	7	7	120	120
	12,604,970	4,064,433	17,025,705	5,023,595

Purchases made from STAR consist of 708,912 tons of naphta purchasing, amounting to TRY9,156,719 and other products purchasing amounting to TRY58,669. Purchases made from related parties consist of natural gas, commercial products and fuel purchases.

⁽¹⁾ Shareholders of the Company

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

d) Product and service sales to related parties:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
STAR ⁽²⁾	2,670,799	1,227,405	1,656,826	555,877
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	375,093	150,669	267,793	102,916
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	181,996	62,895	103,764	13,432
AZERI M-I Drilling Fluids MMC ⁽²⁾	9,744	9,744	8,005	8,005
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	4,967	1,422	2,635	952
Other ⁽²⁾	8,764	3,216	1,596	251
	3,251,363	1,455,351	2,040,619	681,433

1,608,445 TL of the sales to STAR consists of by-product sales, 772,366 TL consists of steam sales and the remaining sales consist of other product sales.

e) Rent income from related parties:

STAR ⁽²⁾	95,076	32,275	62,961	21,416
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	6,988	2,365	4,200	1,415
Other ⁽²⁾	5,533	2,361	2,187	757
	107,597	37,001	69,348	23,588

(1) Shareholders of the Company

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

f) Key management compensation:

i. Key management compensation - short-term:

	1 January - 30 September 2023	1 July - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2022
Payments for salary and seniority incentives	173,717	26,440	110,922	15,558
	173,717	26,440	110,922	15,558

ii. Key management compensation - long term:

Provision for unused vacation	312	(2,050)	3,488	983
Provision for seniority incentives	81	(760)	2,116	698
Provision for employment termination benefits	101	63	173	44
	494	(2,747)	5,777	1,725
	174,211	23,693	116,699	17,283

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; bonus, employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	30 September 2023	31 December 2022
Provision for legal cases	2,597	2,597
Other	-	4,841
	2,597	7,438

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) Guaranties received:

	30 September 2023	31 December 2022
Receivable insurance	14,624,540	6,970,531
Bank guaranties within the context of DOCS (*)	3,672,494	3,395,297
Letters of guarantee received from customers	1,621,445	1,932,026
Letters of guarantee received from suppliers	1,010,556	730,860
Letters of credit	425,305	20,178
Mortgages	2,000	2,000
	21,356,340	13,050,892

c) Guaranties given:

Mortgages given to banks (**)	4,018,271	3,082,058
Guaranties given to banks	159,990	1,270,394
Custom offices	229,166	210,942
Other	500,614	261,819
	4,908,041	4,825,213

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

	30 September 2023	31 December 2022
A. Total amount of CPMs given for the Company's own legal personality	889,770	1,743,155
B. Total amount of CPMs given on behalf of fully consolidated companies (**)	4,018,271	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	-	-
	4,908,041	4,825,213

(*) Direct order collection system.

(**) 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 as of 30 September 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. Guaranties given has been considered as total risk amount.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Operational leases

As of 30 September 2023 and 31 December 2022, the annual income plans and amounts (undiscounted) regarding rental income, which are not included in the consolidated financial statements of the Group, are as follows:

	30 September 2023	31 December 2022
0-5 year	3,690,705	2,492,667
5-10 years	4,153,341	2,731,645
10 years and more	13,850,248	9,506,602
Total	21,694,294	14,730,914

**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS**

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, such exposure is limited with the sales prices impacted by foreign currencies.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTHS PERIOD
ENDED 30 SEPTEMBER 2023**

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

NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position

	30 September 2023				31 December 2022			
	TRY Equivalent	US Dollar	Euro	Other	TRY Equivalent	US Dollar	Euro	Other
1. Trade receivables	4,749,960	154,659	17,771	-	2,954,208	135,488	21,109	-
2a. Monetary financial assets (Cash, bank accounts included)	16,475,988	583,544	17,222	292	20,812,909	1,107,316	5,414	54
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	21,225,948	738,203	34,993	292	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)	21,225,948	738,203	34,993	292	23,767,117	1,242,804	26,523	54
9. Trade payables	3,685,681	87,183	38,785	232,955	2,320,977	82,231	32,874	133,628
10. Financial liabilities	16,408,244	576,957	20,102	-	23,198,363	1,231,699	6,318	-
11a. Monetary other liabilities	1,085,813	3,876	-	979,517	852,130	3,548	-	785,667
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	21,179,738	668,016	58,887	1,212,472	26,371,470	1,317,478	39,192	919,295
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	8,712,812	317,684	-	-	-	-	-	-
15a. Monetary other liabilities	446,606	13,251	-	83,179	308,375	14,458	-	37,544
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	9,159,418	330,935	-	83,179	308,375	14,458	-	37,544
17. Total liabilities (12+16)	30,339,156	998,951	58,887	1,295,651	26,679,845	1,331,936	39,192	956,839
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	1,901,312	69,450	-	-	2,099,333	112,274	-	-
18a. Amount of asset contract value of derivative instruments	1,901,312	69,450	-	-	2,099,333	112,274	-	-
18b. Amount of liability contract value of derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability)/ asset position (8-17+18)	(7,211,896)	(191,298)	(23,894)	(1,295,359)	(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)	(9,113,208)	(260,748)	(23,894)	(1,295,359)	(2,912,728)	(89,132)	(12,669)	(956,785)
21. Total fair value of financial instruments used for foreign currency hedging	3,563	130	-	-	(8,259)	(441)	-	-
22. Hedged amount for foreign currency assets	1,901,312	69,450	-	-	2,099,333	112,274	-	-
23. Hedged amount for foreign currency liabilities	-	-	-	-	-	-	-	-
24. Export	13,012,837	415,429	153,062	273,369	20,064,325	902,381	320,063	363,599
25. Import	11,264,985	396,496	110,344	102,588	14,192,255	733,386	149,781	219,909

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

Table of sensitivity analysis for foreign currency risk

30 September 2023

	<u>Profit/ (Loss)</u>		<u>Equity</u>	
	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	(713,842)	713,842	(713,842)	713,842
2- The part hedged for USD risk (-)	61,461	(43,666)	190,131	(172,336)
3- USD effect - net (1+2)	(652,381)	670,176	(523,711)	541,506
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(69,365)	69,365	(69,365)	69,365
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	(69,365)	69,365	(69,365)	69,365
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies – net	118,106	(118,106)	118,106	(118,106)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	118,106	(118,106)	118,106	(118,106)
Total (3+6+9)	(603,640)	621,435	(474,970)	492,765

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ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

31 December 2022

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
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 othe 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)

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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH
PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

Fair value estimation (Continued)

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

30 September 2023	Level 1	Level 2	Level 3	Total
Financial investments – currency-protected time deposits	-	184,809	-	184,809
Derivative financial instruments	-	287,978	-	287,978
Investment properties- Land	-	10,779,082	-	10,779,082
Total assets	-	11,251,869	-	11,251,869
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

NOTE 22 - EVENTS AFTER BALANCE SHEET DATE

By the decision of Petkim's Board of Directors dated April 10, 2023, it has been decided to sign a new protocol with STEAŞ in addition to the terms of the existing contract between Petkim and STEAŞ. According to the protocol, Petkim's indirect shareholding in STAR will be reduced from 18% to 12%, and consequently, the stake of Rafineri Holding to be acquired from STEAŞ will be reduced from 30% to 20%. In this context, the Share Transfer Price will be reduced to 480 million US Dollars, excluding the payment of 480 million US Dollars already made by Petkim to STEAŞ under the contract, and no other payments will be made within the scope of the contract. The contract will be amended accordingly. By purchasing 20% of Rafineri Holding shares from its main partner SOCAR Turkey Enerji A.Ş. on October 2, 2023, Petkim indirectly acquired 12% shares of STAR Rafineri A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS
AT AND FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2023**

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

NOTE 22 - EVENTS AFTER BALANCE SHEET DATE (Continued)

The raw material procurement contract signed between Petkim and STAR in 2014 has been terminated, and in October 2023, a new raw material procurement contract has been renewed. According to the new contract, heavy naphtha, light naphtha and reformat will continue to be supplied from STAR, the amounts of raw materials to be supplied will be determined by the agreement of the parties based on Petkim's request, and raw material prices will be determined for 12-month periods in accordance with transfer pricing principles. The new contract has been signed for 1 year, automatically renewable for 1-year periods.

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