PETKİM ANNUAL REPORT 2021

PETKİM

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Reporting period:	01 January - 31 December 2021
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STRONGER TOGETHER

CORPORATE PROFILE

Petkim is Turkey's first and only integrated petrochemical company and an indispensable supplier of raw material for the industry.

Petkim is Turkey's first and only integrated petrochemical company and an indispensable supplier of raw material for the industry. Petkim, a giant production power of strategic importance for the Turkish economy and industry, and touching almost all sectors, represents more than 55 years of experience and knowledge. Petkim continues its activities with an annual average gross production capacity of 3.6 million tons and nearly 60 petrochemical products in its 15 main production facilities and 6 auxiliary facilities.

Meeting approximately 17% of Turkey's petrochemical raw material demand, Petkim provides inputs to a wide array of sectors such as plastics, chemicals, packaging, piping, paint, construction, agriculture, automotive, electricity, electronics and textiles as well as the pharmaceuticals, detergents and cosmetics sectors with the high added value products in its portfolio such as thermoplastics, fiber and paint raw material. In addition to these, Petkim gives life to numerous sub-industries.

Established on 3 April 1965, Petkim Petrokimya Holding A.Ş. began production in 1970 with 5 facilities in the Yarımca Complex. Following additional investments carried out in the Yarımca Complex, the Aliağa Complex was brought into operation in 1985 to produce with optimum capacity based on the latest technologies of the time.

Petkim, which joined SOCAR in 2008 as a result of the privatization process, has invested over USD 100 million every year since 2008. The total sum of these additional investments, all of which were provided from Petkim's own resources, has exceeded USD 1 billion.

Carrying energy efficiency and product quality to even higher levels through the digital transformation, Petkim is focused on developing high-tech and higher value-added products with its deeply rooted R&D structure. Petkim is ready for the future with the world standards level and strong sustainability vision achieved in its Industry 4.0 applications. Thanks to the Industry 4.0 standard it has reached with its digital applications, Petkim was selected for inclusion in the World Economic Forum (WEF)'s "Global Lighthouse Network" in January 2020, being the only company from Turkey to be selected for the "WEF Global Lighthouse Network" which considers the "facilities of the future" in 2020.

With additional investments, additional technologies and the digital transformation, Petkim is taking firm steps towards becoming one of the few petrochemical complexes and production bases in Europe, in line with the strategic goals of the SOCAR Group to which it is affiliated. In this context, the completion of the refinery-petrochemical integration process, which was initiated after STAR Rafineri entered operation, marks a very important step towards the "Petkim of the Future".

With its vast experience and strong market perception, Petkim maintains its international competitive edge by effectively meeting the needs and expectations of a broad customer base. Petkim has been the Aegean Region's biggest exporter for many years, while exporting to approximately 78 countries. The 51% public share in the capital structure of Petkim Petrokimya Holding A.Ş. was transferred to SOCAR & Turcas Petrokimya A.Ş. on 30 May 2008 following a tender process in the privatization through block sale, at a price of USD 2.04 billion. Following the withdrawal of Turcas from the shareholding structure, the name of the Company was amended to SOCAR Turkey Petrokimya A.Ş. As of the end of 2021, 49% of the shares of Petkim, which is a subsidiary of SOCAR Turkey, were trading on Borsa İstanbul.

VISION, MISSION AND CORPORATE VALUES

Vision

To add to strength to the Turkish economy with our superior petrochemical products.

Mission

To maintain our development that aims for operational excellence with our strong organization and culture and our stakeholders.

Corporate Values

- Trust
- Agility
- Inclusion
- Passion
- Efficiency
- Obligation

MESSAGE FROM THE GENERAL MANAGER

Anar Mammadov
General Manager

Esteemed shareholders,

In 2021, the second year of the pandemic, we passed a new milestone in the company's history by breaking a new record in terms of sales volumes and net profit, while ensuring Petkim's production continuity.

While many petrochemical plants in the world faced production problems due to the impact of the pandemic, we raised our production capacity utilization rate from 87.9% in 2020 to 92.6% in 2021 with the synergy we created from proactive measures and refinery-petrochemical integration at Petkim.

While meeting the needs of the domestic market by carrying out uninterrupted production at high capacity, we continued to provide petrochemical raw materials so production of domestic producers, especially exporters, did not face disruption, despite the restrictions imposed in response to the pandemic.

We continued our vigorous efforts to tackle COVID-19 with all the precautions we took during the pandemic. With our exemplary work, we renewed the "COVID-19 Safe Production Certificate" which we received for our facilities in 2020, after the audits carried out by the TSE in 2021. We updated our ways of working to take account of the changes brought about by the pandemic, and ensured these changes were permanent. Thanks to the "Innovation at Work", remote working and hybrid working models, we not only ensured the continuity of our business, but also allowed our employees to continue to work in a healthy and efficient manner, regardless of their location and the technology they used.

We wrote a record profit in 2021

While increasing our total sales by 137% to TL 28.7 billion in 2021, we ended the year with a historic record net profit of TL 5.5 billion.

The demand generated by the disruption to US and Asian supply chains in the global petrochemical markets and the associated excess purchases, combined with the triggering effect of the normalization steps on consumer demand, led to a global rise in prices of the products which Petkim manufacturers. In addition, despite the surge in raw material costs across the globe, the synergy created by the integration with the STAR Refinery, effective management of global dynamics and, at the same time, the efforts to ensure the continuity of production despite the difficult pandemic conditions were the most important factors driving Petkim's profitability to a record high.

As Petkim, we realized 59% of our sales to domestic customers, while recording a record level of foreign sales, totaling USD 1,315 million, driven by an increase in exports to European countries. With this success, we ranked first in the chemicals category and first in all categories in the Aegean Region based on figures published by the Aegean Exporters' Association, and became the Aegean Region's export leader in 2021. By increasing our sales from production, as well as our commercial sales compared to the previous period, the share of commercial sales in Petkim's total sales exceeded 33%.

While the year 2020 was a year of maintaining strong liquidity in preparation of pandemic-related uncertainties, we embarked on a path of reducing financial costs and reducing our debt by optimizing liquidity in 2021. In addition, we also reduced our net interest expenses by demonstrating effective financial risk management. Another key factor behind this success was our continued program of sustainable value creation and optimization initiatives, which we further strengthened.

Transformation for the better with digitalization...

We started the digital transformation process in SOCAR Turkey at Petkim in 2018. We expanded this process to cover all SOCAR Turkey companies in a short space of time and focused on how we could apply the digital transformation to all of our business processes. We started our Industry 4.0 journey with the use of advanced analytical applications and artificial intelligence in production. While expanding artificial intelligence applications in the production and maintenance processes of our factories, we have incorporated augmented and virtual reality technologies into the processes in our production, maintenance and occupational safety units. As a result of the integration of industrial systems with business systems, we have ensured the creation of unified and smart platforms. We achieved perfectly functioning decision-making processes through artificial intelligence and machine learning algorithms which allow the use of big data. Considering this process as a cultural transformation for our employees, we also enhanced our employees' digital thinking reflexes with training programs.

In such a large structure, we view the new generation industry approach, defined as Industry 4.0, as a process management in which all our business systems are integrated with digital technologies, with the concepts of the "digital factory" and "digital thinking style" at its heart.

In addition, we have implemented a wide array of projects aimed at increasing the efficiency, throughput, energy efficiency and product quality at our facilities by improving our optimization and forecasting capabilities with advanced analytics and machine learning applications, and we are advancing a variety of new projects. This supports our ability to act based on data in the decisions we make, to evaluate millions of options which we could not possibly evaluate, and to reach more accurate and fast decisions or to predict possible outcomes in advance; and this comes back to us in the form of efficiency.

In addition to the projects which we have carried out on the operational front, we have also achieved efficiency and improvements in the operation of our corporate units such as the finance, procurement and human resources units. These improvements were also positively reflected in our financial results.

For a sustainable future...

We reinforced our outstanding performance in 2021 with our work in the field of sustainability.

We unwaveringly pressed ahead with our investments, which will contribute to energy efficiency, occupational health and safety, process safety and sustainable production processes.

By prioritizing managing the environmental impacts of our operations, we renewed Petkim's waste management system infrastructure in 2020, and in 2021 we were awarded the "Zero Waste Certificate" by the Ministry of Environment and Urbanization.

Meanwhile, at a time when we most urgently needed social solidarity in the face of difficult processes such as COVID-19 and forest fires, Petkim continued to carry out corporate social responsibility activities, extending a total of TL 5.3 million in social funds to our local and regional stakeholders throughout the year.

In 2021, we also published our first sustainability report covering 2019 and 2020 data with the "Sustainability Report covering SOCAR Turkey and group companies", meeting international GRI standards, in line with our principle of transparent disclosure to our stakeholders.

We succeeded in ranking among the top 10 companies in the world in our category in the global ESG rating, which reveals the Environmental, Social and Governance (ESG) performance of our activities with our sustainability performance. This result stands as testament to our comprehensive infrastructure and integration efforts in the name of sustainable production, as well as our sustainability approach, which aims to generate value for our stakeholders throughout our entire production and economic cycle and address social development. We believe our economic achievements and performance in our sustainability goals have more meaning than ever in a period of negative conditions in the global markets. The ESG rating, which stands as a global sustainability accreditation also serves as an important marker offering a strong contribution to our global brand value.

Moving forward with an agile approach...

As a company which attaches tremendous importance to the human focus and employee participation and ideas, we have started to implement the Değer Benim Program throughout the SOCAR Turkey group since 2021, where we have received the contribution of all our employees in the process of creating sustainable value and created an interactive and efficient working environment. More than 55 projects were implemented in our Refinery and Petrochemical Business Unit with employee suggestions in 2021, and significant gains were achieved in the sustainability focus area within the scope of the Değer Benim Program, which has produced more than 460 value-added projects since the beginning, generating USD 110 million of value.

A culture of continuous improvement stands as one of the greatest achievements which the journey of value creation has brought to our Company. We have designed the Agile Business Model in order to turn this achievement into a business model. Since 2019, we have started to internalize agile working, a business model in which different disciplines come together around a common goal and overcome obstacles together in order to make it a part of our corporate culture. From now on, with our agile approach, we will press ahead with actions aimed at continuous improvement in operations, reliability, efficient work and sustainable production.

Our unwavering position in our economy and our unique contribution to growth, our responsible production approach, our determination to increase our social impact and to produce value for a sustainable future by considering the economic, social and environmental dimensions of our activities will always stand as our unchanging philosophy.

I would like to take this opportunity to express my sincere thanks to all of our stakeholders, especially our colleagues, for their contribution and support to the exemplary performance we achieved in 2021.

Respectfully,

Anar Mammadov
General Manager

SOCAR GLOBAL

As an energy company offering integrated solutions, SOCAR continues to provide global economic, social and environmental benefits and develop its international operations through strategic collaborations.

SOCAR's Global Operations

EXPLORATION
- Absheron
- Bulla Deniz
- Zafar-Mashal
- Shafag-Asiman
- Babek
- Garabagh
- Ashrafi-Dan Ulduzu-Aypara
- D230

PRODUCTION
- Azeri-Chirag-Gunashli (ACG)
- Shahdeniz
- UMID
- Bahar Gum Deniz
- Binegedi
- Kurovdagh
- Kursengi and Garabaghli
- Michovdagh Kelameddin
- Muradkhanli, Jafarli and Zardab
- Neftchala
- Pirsahhat
- Ramanı
- Surakhany
- South-West Gobustan
- Zigh and Hovsan

REFINING AND GAS PROCESSING
- Gas Processing Plant
- Haydar Aliyev Oil Refinery
- STAR Rafineri

PETROCHEMICALS
- Azerikimya Production Union
- Petkim
- SOCAR Carbamide
- Polypropylene Plant
- High Density Polyethylene Plant
- SOCAR Methanol

TRANSPORTATION

- Baku-Novorossiysk Oil Pipeline
- Baku-Supsa Oil Pipeline
- Baku-Tbilisi-Ceyhan Crude Oil Pipeline (BTC)
- South Caucasus Natural Gas Pipeline (SCP)
- TANAP
- TAP
- Dubendi Terminal
- Kulevi Terminal
- Railroad Transportation
- SOCAR Terminal

SERVICES

- AzeriGas Production Union
- SOCAR Energy Ukraine
- SOCAR Georgia Gas
- SOCAR Georgia Petroleum
- SOCAR Petroleum
- SOCAR Romania
- SOCAR Trading
- SOCAR Energy Switzerland
- A1 and Pronto Oil in Austria

SYNERGY FROM INTEGRATION

INTEGRATION GAINS

SUSTAINABILITY IN PRODUCT AND QUALITY
Higher quality products, thanks to obtaining the required quality naphtha from STAR Rafineri, and sustainability in production with raw materials supply security

COST OPTIMIZATION
Comprehensive cost optimization provided by common purchases and common uses

LOGISTICAL GAINS
Significant savings in logistical costs achieved by obtaining naphtha directly from STAR Rafineri via pipeline

PRODUCTIVITY GROWTH
The efficiency provided by procuring almost all raw materials from STAR Rafineri in the medium term, and the joint management of the facilities

CONTRIBUTION TO THE TURKISH ECONOMY
Contributing to the efforts to bring down Turkey's current account deficit as our country's reliable petrochemical raw material supplier, thanks to its integration with STAR Rafineri

ACHIEVEMENTS UNDER THE INTEGRATION PROJECT

- Instead of importing its raw material, naphtha, from refineries in different parts of the world, Petkim started to save on logistics costs by purchasing it directly from STAR Rafineri through a pipeline. This logistical advantage also reflects positively to Petkim's balance sheet. Its ability to obtain the desired quality of naphtha from STAR Rafineri, rather than importing naphtha of different grades, as previously, allows Petkim to offer higher quality production, work to greater efficiency and benefit from raw material supply security.
- 122 projects were defined under 12 categories that will create value in STAR Rafineri and / or Petkim. Some of these projects have been completed, with work on others still ongoing.
- The bargaining power of companies has increased and unit costs have decreased in bulk purchases thanks to making joint service purchases.
- In human resources processes, unit costs are reduced as a result of being able to carry out common purchases for services such as training and consultancy.
- As a result of the joint use of maintenance equipment and workshops, value is created for both companies by providing efficiency. Emergency supplies are provided quickly, preventing unexpected extensions of production halts.
- By using common warehouses and equipment, efficient stock management has created value in maintenance processes.
- Value is created with common portfolio management in finance processes.
- Within the scope of Occupational Health and Safety, common service and equipment purchases reduce company costs. Thanks to the Common Occupational Health and Safety practices, a common culture is created in the group companies in the peninsula.
- Value is created as a result of the joint use of auxiliary facilities (e.g. Steam Unit, Water Treatment Unit, etc.) in Petkim and STAR Rafineri.
- The electricity transmission line installed between Petkim and STAR Rafineri ensures energy security for the Refinery.
- Low-value products produced during the production process at Petkim are sent to STAR Rafineri to be converted into more valuable products. For example, heavy naphtha from the Petkim Aromatics Plant is converted into jet fuel at STAR Rafineri.
- Through the transfer of mutual know-how in companies, processes are improved, so work is carried out in a more agile manner.

SOCAR Turkey's subsidiaries in Aliağa - Petkim, STAR Rafineri, SOCAR Depolama and SOCAR Turkey Petrol Ticaret - have been gathered under the roof of the SOCAR Turkey Refinery and Petrochemical Business Unit Presidency.

122
Projects under 12 categories

Procurement
Joint procurements

Finance
Value-creating joint portfolio management

HR
Joint process management

Joint usage
Productive stock management

Know-how
Agile processes through know-how transfer

SOCAR TURKEY

SOCAR Turkey, which operates under the trading name of SOCAR Turkey Enerji A.Ş., was founded in 2006 by the State Oil Company of Azerbaijan Republic (SOCAR), one of the world's most renowned oil and natural gas companies. SOCAR Turkey, which started operating in Turkey in 2008, was involved in the bidding process of a block sale of 51% of the publicly held shares of Petkim Petrokimya Holding A.Ş.

On 30 May 2008, a comprehensive strategic partnership between Azerbaijan and Turkey was formed, along with Petkim, which was transferred to Turcas Petrochemical A.Ş. and SOCAR. After Turcas left the partnership, all 51% of Petkim's shares were transferred to SOCAR Turkey Enerji A.Ş., while on 14 August 2015, 13% of the Company's total capital was purchased by Goldman Sachs International. Thus, the partnership structure of SOCAR Turkey Enerji A.Ş. was redefined as 87% SOCAR and 13% Goldman Sachs International. In 2021, the shares of Goldman Sachs International were acquired by the SOCAR Group.

Concentrating its investments in strategic areas such as petrochemistry, refining, natural gas transmission, trade and distribution, SOCAR Turkey implemented the Aegean Region's largest integrated port after Petkim, SOCAR Terminal, the largest real sector investment in a single point in Turkey, STAR Rafineri and the Trans-Anatolian Natural Gas Pipeline Project (TANAP), which forms the longest part of the South Gas Corridor and transports the resources in the Caspian Sea to Turkey and Europe.

SOCAR Turkey, Turkey's largest foreign direct investor, became the first company in Turkey to receive the title of "Special Industrial Zone" for the land in Aliağa, which includes all group companies. STAR Rafineri, one of the SOCAR Turkey group companies, has Turkey's first "Strategic Investment Incentive Certificate".

Making Turkey an investment base, SOCAR Turkey acquired EWE Turkey Holding and its subsidiaries, which manage the operations of the German energy company EWE AG in Turkey, on 17 June 2019. As of this date, 80% of Bursagaz and Kayserigaz, which distribute gas in Bursa and Kayseri, EWE Enerji, the trade and electricity distribution company, Enervis, which provides energy services, and 100% of the shares in Millenicom, which operates in the telecommunications sector, belonged to SOCAR Turkey. Having completed the integration process with the steps it took in 2020 after the strategic investments it carried out, SOCAR Turkey continues its activities as Turkey's largest industrial holding.

With more than 5,200 direct employees, SOCAR Turkey provides employment for more than 10,000 people together with its contractors.

The value of investments undertaken in Turkey has so far exceeded USD 16.5 billion, and once all of SOCAR's investments are completed, this figure will reach USD 19.5 billion. This amount represents SOCAR's largest investment in a country besides Azerbaijan.

HEADQUARTERS	
SOCAR TURKEY ENERJİ A.Ş.	The hub of petrochemical, refining and natural gas operations
SOCAR TURKEY AR-GE VE İNOVASYON A.Ş.	Innovative, sustainable, environmentally friendly and market-oriented products and technologies
SCR MÜŞAVİRLİK A.Ş.	Real estate construction and consultancy

REFINERY AND PETROCHEMICAL BUSINESS UNIT	
PETKİM	Turkey's first and only integrated petrochemical producer
STAR RAFİNERİ	Diesel, jet fuel, LPG, reformate and naphtha producer
SOCAR DEPOLAMA	Storage and operation
SOCAR TURKEY PETROL TİCARET	Wholesale and retail sale of fuel, aviation and marine fuels
PETKİM RES	Wind power plant

NATURAL GAS BUSINESS UNIT	
BURSAGAZ	Natural gas distribution company
KAYSERİGAZ	Natural gas distribution company
SOCAR ENERJİ TİCARET A.Ş.	Natural gas and electricity, trade and sales activities
ENERVİS	Energy industry service provider

PORTFOLIO MANAGEMENT BUSINESS UNIT	
SOCAR FİBER	Fiber optic line investment for electronic communication
SOCAR TERMİNAL	Aegean Region's largest container terminal
MİLLENİCOM	Telecommunications service supplier
TANAP	The biggest link of the Southern Gas Corridor that will carry Azerbaijan's natural gas to Europe

SOCAR, which has brought a number of large-scale investments into operation, one after the other, with the strength it derives from the unity of the countries united in brotherhood, continues to manufacture and work with the confidence it places in the potential of the Turkish market and the energy derived from the country's stable growth. Acting with this belief, the company works with determination to play an important role in Turkey's transformation into an effective production powerhouse on international platforms.

Petkim increased its EBITDA by 226% year-on-year, to TL 6,242 million. Net profit for 2021 stood at TL 5,517 million with a rise of 415%.

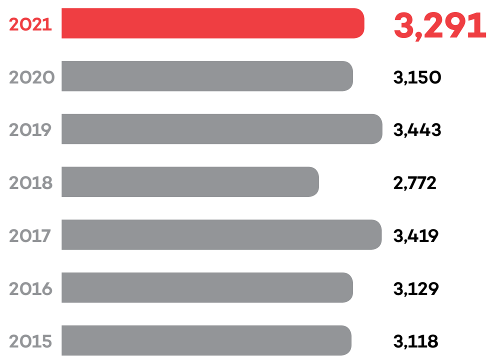
30,428,156
In 2021, total assets amounted TL 30,428,156 thousand.

52.3%
In 2021, total assets increased by 52.3%.

5,516,603
Net profit at the end of 2021 was TL 5,516,603 thousand.

3.29
The production amount in 2021 was 3.29 million tons.

Gross Production (thousand tons)



KEY OPERATIONAL AND OPERATIONAL HIGHLIGHTS

2.56x
Current Ratio

1.15x
Liquidity Ratio

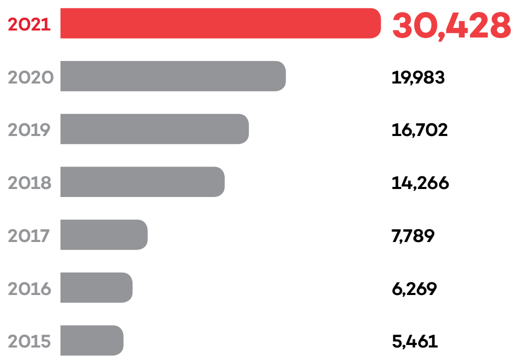
Two-Year Key Indicators (TL thousand)	2020	2021
Total Assets	19,983,439	30,428,156
Net Sales	12,134,076	28,715,657
Net Profit	1,071,196	5,516,603
Exports (USD million)	574	1,315
Issued Capital	2,534,400	2,534,400
Number of Employees (year-end)	2,379	2,377

Summary Balance Sheet (TL thousand)	2020	2021
Current Assets	11,859,736	19,623,291
Non-Current Assets	8,123,703	10,804,865
Total Assets	**19,983,439**	**30,428,156**
Short-term Liabilities	5,934,180	7,655,372
Long-term Liabilities	6,490,634	10,053,754
Shareholders' Equity	7,558,625	12,719,030
Total Equity and Liabilities	**19,983,439**	**30,428,156**

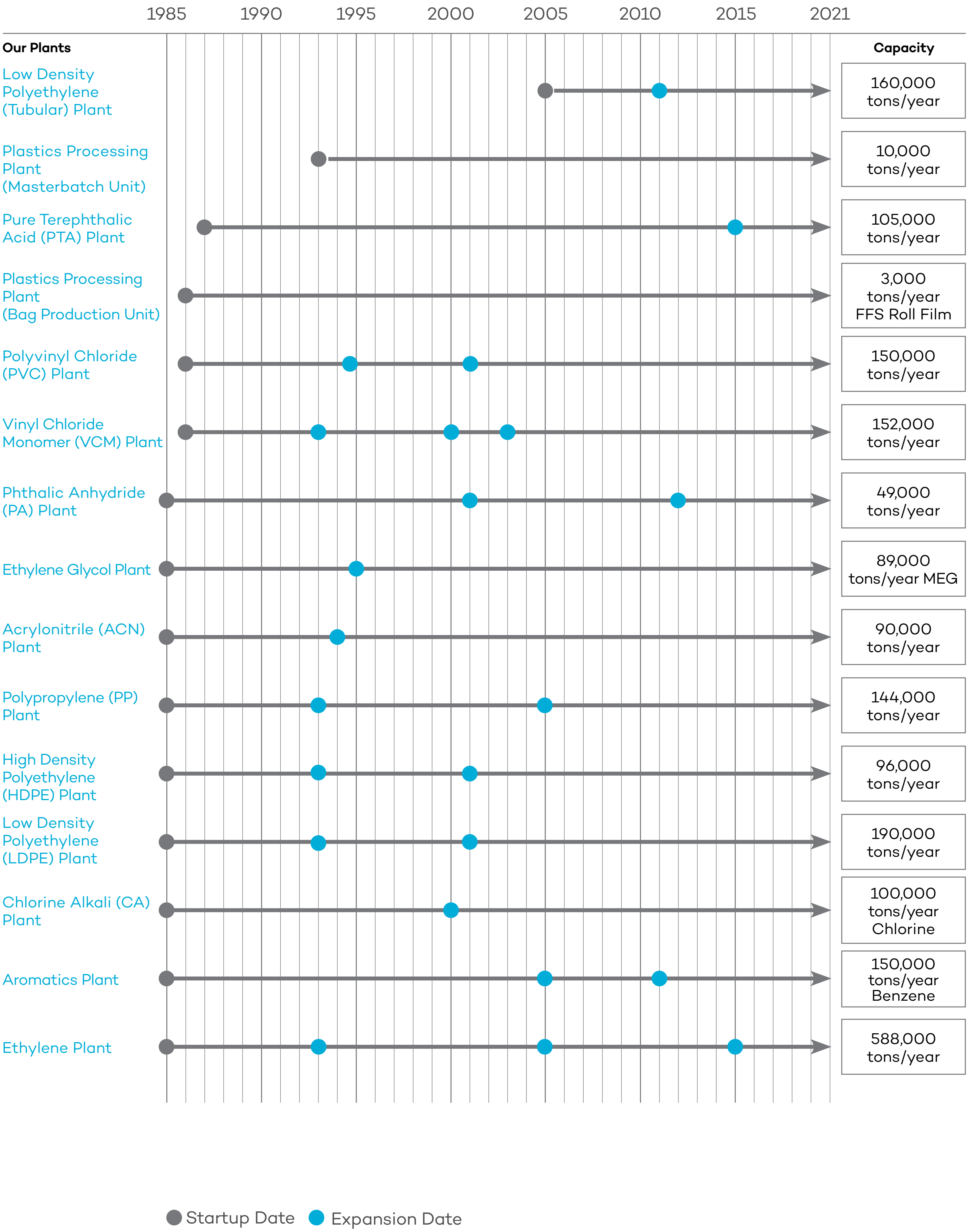
Summary Income Statement (TL thousand)	2020	2021
Net Sales	12,134,076	28,715,657
Gross Profit	1,853,765	6,417,248
Operating Profit	1,694,126	7,310,677
EBITDA	1,916,393	6,241,644
Net Profit for the Year	**1,071,196**	**5,516,603**

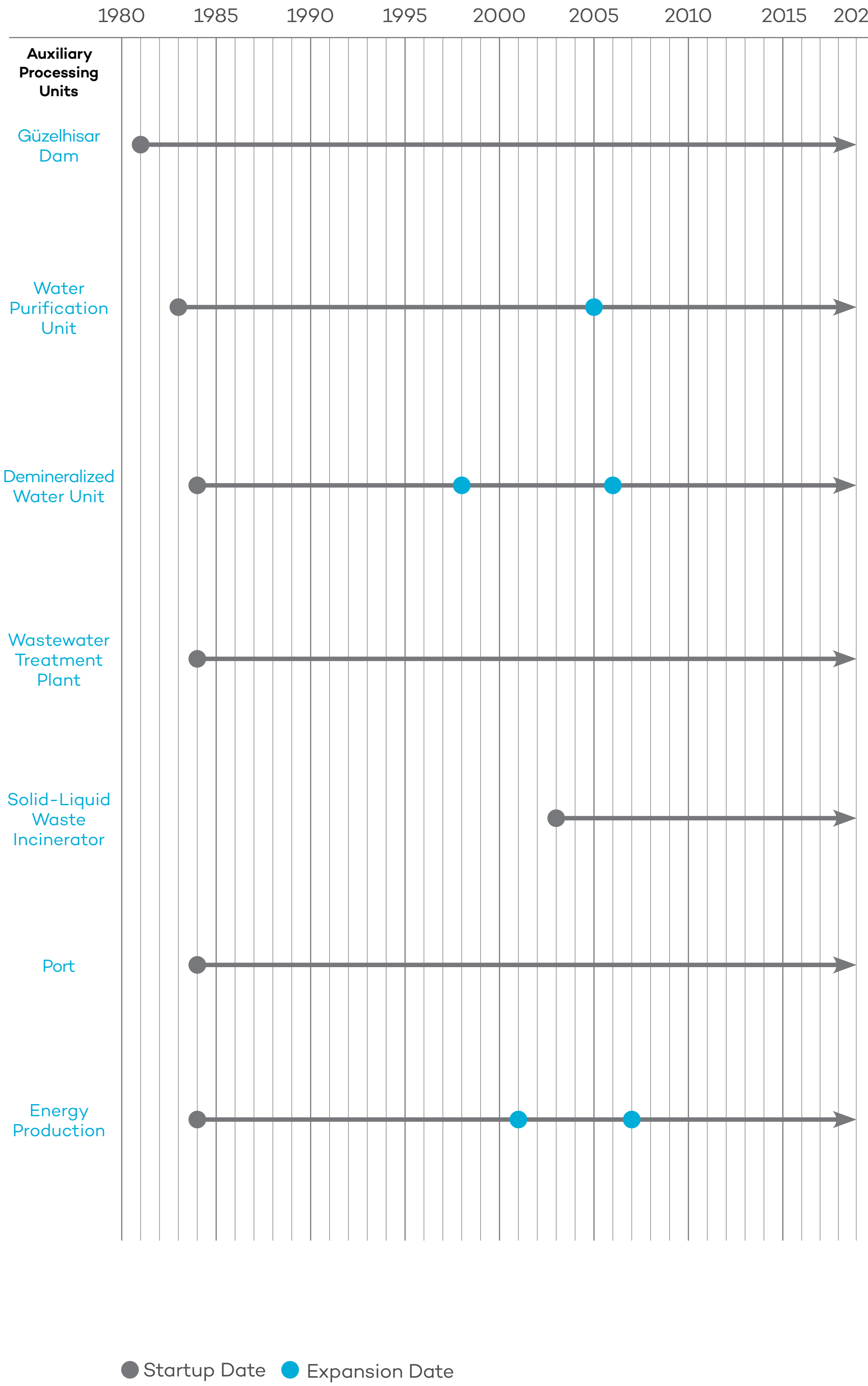
Key Ratios	2020	2021
Current Ratio	2.00x	2.56x
Liquidity Ratio	1.22x	1.15x
Financial Leverage Ratio	0.62x	0.58x
Debt Ratio (Total Debt/Equity)	1.64x	1.39x
Gross Profit Margin (%)	15.5	22.3
Operating Profit Margin (%)	14.0	25.5
EBITDA Margin (%)	15.8	21.7
Net Profit Margin (%)	8.8	19.2

Total Assets (TL million)



PETKİM PLANTS





Rainfall Area: 450 km^2
Annual Average Rainfall:
500-600 kg/m^2
Water Level: 63 m. (min.), 104 m. (normal), 107 m. (max.)
Active Volume: 137 million m^3
Total Storage Volume: 150 million m^3

Capacity: 7,800 m^3/h
Start up Date: 1983
Expansion Date: 2005
Total Storage Capacity of Raw Water Basins: 80,000 m^3

Capacity: 1,700 m^3/h
Start up Date: 1984
Expansion Date: 1998, 2006

Capacity: 1,670 m^3/h
550 m^3/h Oily Wastewater
120 m^3/h Domestic Wastewater
1,000 m^3/h Chemical Wastewater

Capacity: 2.26 tons/h
0.85 tons/h Solid Waste
1.07 tons/h Treatment Sludge
0.34 tons/h Waste Oil

Handling Amount:
2.7 million tons

Steam Production Unit
Capacity: 1,200 tons/h XHS
Electricity Production-Distribution
Installed Capacity: 273 MW
Capacity Increases: 2001 (TG4), 2007
(Gas Turbine), 2017 (Wind Turbine)

MILESTONES FROM PETKİM'S HISTORY

1965-1970

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

1971-1975

- Production began at the Çanakkale Plastics Processing Plant.
- The DDB Plant within the Yarımca Complex was established and began operations.
- Petkim's capital was increased to TL 1.5 billion.
- Expansions at the Ethylene and LDPE plants within the Yarımca Complex were completed.
- The Carbon Black, Synthetic Rubbers (SBR-CBR), Styrene and Polystyrene plants at the Yarımca Complex began operations.

1976-1983

- Expansions of the VCM and PVC plants at the Yarımca Complex were completed. Caprolactam units began production.
- Due to the rapid growth of the Turkish automotive industry, Petlas Lastik Sanayi A.Ş. was established to produce tires as of 19 August 1976 under the management of Petkim.
- Petkim's capital was increased to TL 8 billion, TL 40 billion and finally TL 100 billion.
- Auxiliary plants and shared facilities at the Aliağa Complex were completed.

1984-1989

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

1990-1995

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

1996-1999

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

2000-2004

- Chlorine Alkali production technology was changed to membrane type to achieve lower production cost and more HSE friendly plant. Investments increased chlorine production capacity from 75,000 tons/year to 100,000 tons/year.
- Capital was increased from TL 117,000 billion to TL 204,750 billion.
- As per the Privatization High Council's decree, the Yarımca Complex was sold to Tüpraş.
- The second expansion of the HDPE Plant, which increased production capacity from 66,000 tons/year to 96,000 tons/year, was completed in 2001.
- 10,000 tons were added to the PVC plant capacity.
- The Çanakkale Plastic Processing Plant was shut down; its equipment was transferred to the Aliağa Complex.
- The construction and installation of the Solid-Liquid Waste Incineration Unit began operations in 2003.
- Petkim's dry cargo jetty was opened for service to third parties.

2005-2007

- The expansion of the Ethylene, LDPE and PP plants was completed in 2005. The capacities of the plants increased from 400,000 tons/year to 520,000 tons/year for ethylene, from 190,000 tons/year to 310,000 tons/year for LDPE and from 80,000 tons/year to 144,000 tons/year for PP. This represents the largest investment program undertaken in the past 18 years.
- At the Aromatics Plant, PX capacity was increased from 100,000 tons/year to 136,000 tons/year, whilst benzene capacity was increased from 123,000 tons/year to 134,000 tons/year.
- As a result of a USD 90 million investment, the 57 MW gas turbine went into operation at the Steam Production and Electric Power Generation units in 2007. In the steam boilers, in addition to fuel-oil, the use of environmentally friendly natural gas has started which also provided fuel flexibility for operations.
- Elsewhere, the use of an FFS Roll Film-producing co-extruder unit was started for Bag Production operations in 2007. With a view to replacing valve bags, FFS bag packaging was introduced gradually for all solid products.
- In addition, a privatization tender using the block sale method for the state-owned shares of Petkim, equivalent to a 51% stake in the Company, was announced. The tender, which was open to the public, took place on 5 July 2007. The sale of these shares to the second highest bidder, the SOCAR & Turcas Consortium, was approved by decision number 2007/63 of the Privatization High Council on 22 November 2007.

2008-2009

- On 30 May 2008, in a privatization tender again using the block sale method, 51% of Petkim's public shares were handed over to SOCAR & Turcas Consortium for USD 2.04 billion.
- A 1.3 million m^2 parcel of land owned by Petkim was allocated to the STAR Rafineri A.Ş. for the establishment of a raw materials refinery.
- Major improvements in productivity were realized by upgrading technology to increase feedstock flexibility. Petkim began cracking not only naphtha but also LPG.
- Within the scope of the Company's expansion plans, feasibility studies and detailed terminal plans were conducted for the Petkim Port.
- As a result of the Integrated Management System Certification Audit carried out by Turkish Standards Institute (TURKSTAT), the ISO 9001 Quality Management System was renewed. Petkim was granted the ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

2010

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

2011

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

2012

- A preliminary agreement for operation of the container port was signed between Petlim Limancılık A.Ş., a 100% subsidiary of Petkim and APM Terminals, a Dutch-based company active in operation and management of container terminals. It will be built at Petkim production facilities by APMT.
- Following the expansion investment completed in August 2012, the capacity of the PA plant increased from 34,000 tons/year to 49,000 tons/year.
- In the National Awards of Quality, one of the most prestigious awards of Turkey, which was held in cooperation with TÜSİAD and KalDer, Petkim was awarded National Quality Success Award in the category of Large-scale Institutions.
- A project to modify and increase the capacity of the Ethylene and PTA plants received the "Strategic Investment Incentive Certificate."
- Petkim received first prize in the large manufacturers category of the "Energy Efficiency Increase in Industry Project" competition. This initiative is organized by the Ministry of Energy and Natural Resources, and comprises seven projects that provide TL 58 million/year profit and a reduction of 140,000 tons/year in CO_2 emissions.
- Also, by means of Petkim's contributions, the construction of the Heydar Aliyev Technical and Industrial Vocational High School was completed. Following completion, the school was handed over to the Aliağa Directorate of National Education.

2013

- Petkim was awarded with the grand prize in the Efficiency in Industry category of The National Energy Prizes contest.
- Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrialists consuming energy more than 500,000 TEP.
- Petkim crowned its customer oriented efforts with TS ISO 10002 Customer Satisfaction Management System Certificate.
- In line with the integration targets, an operation agreement was signed on 22 February 2013 with APMT BV and APM Terminals for the operation of the Container Port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).
- Petkim Academy was established.
- Petkim was awarded with four prizes in Successful Industrial Enterprises Ceremony, which is held every year by the Aegean Region Chamber of Industry.
- Excavation works for the Petlim Container Port were begun.

MILESTONES FROM PETKİM'S HISTORY

- With exports worth USD 765,751,000, Petkim became the export leader of both the Aegean Region and the overall chemical industry in the region.

2014

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

2015

- Conducting its activities based on its 45 years' R&D culture, Petkim's research center reached the status of R&D Center following the certification of the Ministry of Science, Industry and Technology on 13 January 2015. The center operates on an area of 1,200 m^2 consisting of 6 laboratories, a 400 m^2 pilot plant and offices, located at Petkim complex.
- Petkim celebrated its 50th year of operation with its employees, senior officials from Petkim and SOCAR, the business and media world and distinguished guests from Turkey and Azerbaijan in a series of events.
- The capacity of the PTA plant, which supplies raw materials to textiles and PET packaging production, was increased from 70,000 tons/year to 105,000 tons/year.
- Petkim Port received the "GreenPort Certificate" following an audit carried out by the Directorate General of Merchant Marine and Turkish Statistics Institute (TURKSTAT).
- Petkim was selected as one of Turkey's most preeminent digital companies. Accenture Turkey, which is evaluating the performance of digitalization in private sector companies at all stages from production to the customer, has implemented Digitalization Index. As a result of the work performed under a systematic approach and a scientific methodology, Petkim became the leader of the "Manufacture of Chemicals and Chemical Products" sector.
- Petkim received the first prize in the Industrial Energy Efficiency Project competition organized by the General Directorate of the Renewable Energy of Ministry of Energy (YEGM). In the contest, where the projects of industrial enterprises on increasing energy efficiency of their current systems evaluated, Petkim won the first place in the SEVAP-3 (50,001 TEP and higher) category, participating with total of 8 energy projects selected from the LDPE, Ethylene, Aromatics, ACN and LDPE-T plants.

2016

- On 6 December 2016 the first phase of the 800,000 TEU capacity Petkim Container Terminal was completed and it entered operation.
- The ACN plant broke a 31-year production record and was selected as "The Best Plant" among Petkim facilities.
- Petkim started to produce organoleptic lid types with nonwoven in High Density Polyethylene plant, supplying producers of bottle lids for fizzy liquids.
- Petkim received the "Aegean Region's Top Company that Has the Biggest Exports" and "Top Company in Chemistry Sector Having the Biggest Exports" awards in recognition of its exports, which reached USD 447 million in 2016.
- The Petkim Port was awarded the GreenPort Certificate for a second time, following checks conducted by the Ministry of Transport, Maritime Affairs and Communications Directorate General of the Merchant Marine and Turkish Standards Institute.
- TS ISO 31000 Risk Management Verification performed by Turkish Standards Institute (TSE) has been successfully completed and Petkim received the certificate.

2017

- Petkim received the "Biggest Exporter in the Aegean Region" and "Biggest Exporter in the Chemicals Industry" awards, in recognition of the USD 671 million of exports it realized in 2017.
- Reaching 100% capacity in the Ethylene Plant, a record high production of 3.42 million tons was achieved with a record 97% capacity utilization rate in all facilities as a whole.
- The installation of the Wind Farm project with 17 turbines and a power capacity of 51 MW (17x3MW) was completed in 2017 and started production with a 25 MW electricity generation license.
- The construction of the second phase of the Petlim Container Terminal was completed.
- Petkim's Corporate Transformation Program, "Petkim Benim" started in January 2017.
- The Digital Transformation initiation has got underway at Petkim. Accordingly, the Deputy Directorate General of Digitalization and Technology was established.

2018

- Petkim's first international bills worth USD 500 million listed on the Irish Stock Exchange.
- A stake sale and transfer agreement was signed with SOCAR Turkey to acquire an 18% indirect stake in STAR Rafineri.
- The planned maintenance stop Turnaround was scheduled to last for 63 days, but was successfully completed in 53 days.
- The digitalization project, the Ethylene Furnace Optimization Model (EFOM), a world class project in terms of its size, was launched.
- The opening ceremony of SOCAR Turkey Aliağa Administration Building was held with the attendance of the Presidents of both countries.
- STAR Rafineri was opened with the attendance of the Presidents of both countries.
- SOCAR Turkey's 1,453 hectare plot in İzmir Aliağa was declared as the first Special Industrial Region in Turkey.
- The sponsorship contract with the Turkish Sports Federation for the Physically Disabled Boccia National Team was signed.
- The second phase of SOCAR Terminal became operational.

2019

- STAR Rafineri made its first transaction with Petkim for the naphtha it has produced within the context of refinery and petrochemicals integration of SOCAR Turkey.
- Petkim set an all-time production record with production of 3.44 million tons in 2019.
- The integration process of SOCAR Turkey group companies was completed on 1 November 2019. With this integration, the subsidiaries of Petkim, STAR Rafineri, SOCAR Turkey Akaryakıt Depolama and SOCAR Turkey Enerji Dağıtım were brought under the umbrella of the SOCAR Turkey Refinery and Petrochemicals Business Unit.
- Petkim's Cultural Transformation Program, "My Petkim", was expanded to companies in the SOCAR Turkey Refinery and Petrochemicals Business Unit and started to be rolled out under the name "Değer Benim".
- Petkim was the only company from Turkey this year which was selected to take part in the World Economic Forum (WEF) "Global Lighthouse Network", where the world's leading facilities which make the best of Industry 4.0 technologies in production are accepted.

2020

- Under the negative and limited working conditions brought about by the pandemic, Petkim maintained its production without interruption and contributed to the production of sanitary wares and PPE.
- Petkim received 3rd prize in category 3 (50,000 TEP and above) at the 20th Industrial Energy Efficiency Project Competition.
- Petkim was the company to undertake the highest investment expenditures on R&D in the field of Chemicals and Products.
- In order to increase the reliability of STAR Rafineri, electricity supplies for the Utility and Hydrogen Production Units, which are of critical importance, started to be supplied by Petkim in February 2020.
- Petkim WPP's electricity generation license, which was originally for a capacity of 25 MW, was revised to 38 MW on 13 August 2020.
- The benefit obtained from Petkim's integration efforts reached USD 30 million.
- Within the scope of Değer Benim Program, which completed its 4th year, additional value was created with 31 new projects in 2020.
- The Agile business methodology, which was initiated as a pilot in four factories in 2019, was successfully continued in 2020, resulting in a significant increase in HSE and production performance.
- Within the scope of the second wave of Lean Six Sigma studies at Petkim, 12 Green Belt training programs were successfully completed.
- Petkim was awarded the TSE COVID-19 Safe Production Certificate by providing a safer working environment during the pandemic period.

2021

- **Petkim was ranked 8th among 206 companies in the "ESG Rating", where the world's leading institutions are evaluated under the "Environment, Social and Governance" titles by an independent auditor, in line with our area of activity and our sustainability goals.**
- **Petkim was granted the new certification having successfully completed the "ISO 22301:2012 Social Security - Business Continuity Management System Certification" audit carried out by the Turkish Standards Institute between 25 October-1 November 2021.**
- **With the Değer Benim Transformation Program, implemented to increase efficiency and performance at Petkim, the realization of the project proposals received from our colleagues over a period of 5 years amounted to USD 110 million in 2021.**
- **Important steps were taken regarding the Agile Working Model, which supports our understanding of sustainability, efficiency and performance-oriented work in production to become a part of our corporate culture, and Petkim successfully switched to the Agile Working Model on the operation side in all factories.**

ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY

ORGANIZATIONAL STRUCTURE

The organizational structure of the company was determined as the “General Manager” and “Internal Audit” Unit under the Board of Directors, the “Senior CFO in charge of Financial Affairs” and “Other Positions Under the General Manager”. There are 1 President, 7 Vice Presidents and 2 Directors in the company’s senior management structure and the details are given below.

Name	Position
Anar Mammadov	President
Elchin İbadov	Vice President (Financial Affairs)
Haluk Urul	Vice President (Production)
Ergün Binboğa	Vice President (Technical Services)
Agshin Salimov	Vice President (Trading)
Levent Kocagül	Vice President (Human Resources)
İbrahim Kadıoğlu	Vice President (Business Excellence)
Matin Khalilli	Vice President (Supply Chain and Procurement)
Seral Erkut	Director (Occupational Health, Safety an Environment)
Khalig Mustafayev	Group Director (Aliağa Corporate Services)

In 2021, the STAR Refinery A.Ş. was integrated with SOCAR Turkey Fuel Storage A.Ş. and SOCAR Turkey Energy Distribution A.Ş., our group companies, also located on the Aliağa Peninsula, and a new organizational structure was created to maximize the synergies that will be created in the field of refining and petrochemicals. We had signed a share transfer agreement with STAR Refinery A.Ş., which provides raw materials to our company, and is located on the Aliağa Peninsula where Petkim continues its activities, and is an indirect partner in our Company with an 18% stake.

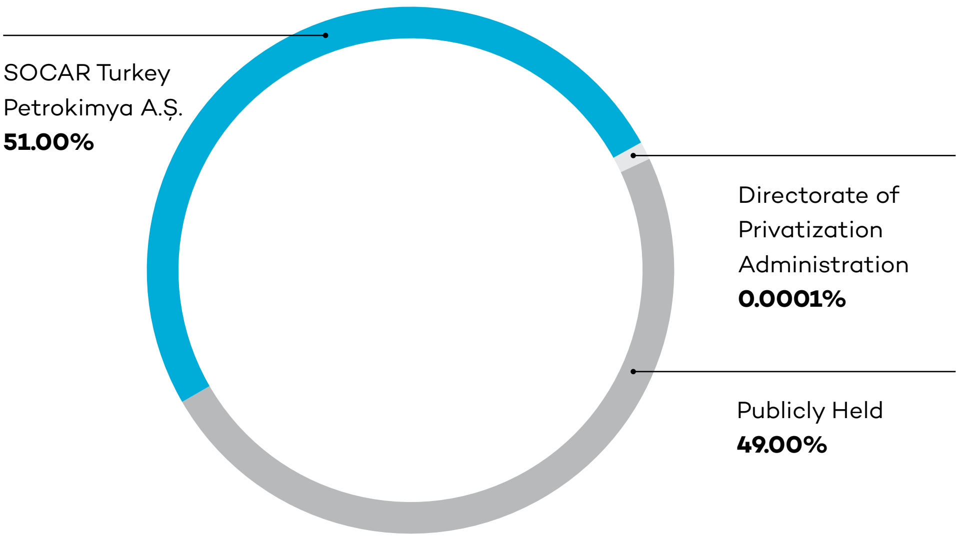
In this context, a Refinery and Petrochemical Business Unit was established within SOCAR Turkey. This organizational change was carried out by maintaining the legal personality of our Company, Petkim Petrokimya Holding A.Ş. in its current form and in full compliance with the legislation and regulations to which it is subjected.

The financial affairs, sales, purchasing, human resources, business excellence, asset management, information technologies, occupational health and safety and environmental functions, which had been carried out at the assistant general manager level in our company started to be managed by the Refinery and Petrochemical Business Unit. In this structure, the legal, corporate communication, public relations, corporate services functions of Petkim and other group companies will be carried out within SOCAR Turkey Enerji A.Ş., which is indirectly the main shareholder of our group.

CAPITAL AND SHAREHOLDING STRUCTURE

Natural and legal persons directly holding share or voting rights in the capital:

Shareholder	Paid-in Capital (TL)	%
SOCAR Turkey Petrokimya A.Ş.	1,292,544,000.00	51.00
Directorate of Privatization Administration	0.01	0.0001
Traded on BIST (Publicly Held)	1,241,855,999.99	49.00
Total	2,534,400,000.00	**100.00**



INFORMATION ON PRIVILEGED SHARES AND VOTING RIGHTS OF SHARES

Article 32 of the Company's Articles of Association stipulated that each share entitles its holder to one vote in General Assembly Meetings. Group C shares enjoy the privilege of making nominations to the Board of Directors.

Furthermore, Board of Directors decisions passed in relation to matters specified in Article 15 of the Company's Articles of Association become valid if Group C shares cast affirmative votes.

BOARD OF DIRECTORS

SOCAR Turkey Petrokimya A.Ş. representative
Rövnag Abdullayev[*]
Chairman of the Board of Directors

Rövnag Abdullayev graduated from the Infrastructure and Civil Engineering Institute in the Moscow State University of Civil Engineering.

Abdullayev, who started his career in 1989, worked as an engineer, department chief and then as a senior engineer in the “Oil Rocks” and “28 May” Oil and Gas Production Departments and the Caspian Sea Oil Gas Construction Trust. Abdullayev, who became the director of the Trust in 1997, was appointed as the director of the Baku Oil Refinery, named after Heydar Aliyev in 2003. Serving as SOCAR’s President since 2005, Rövnag Abdullayev has been serving as the Chairman of the Board of Directors of SOCAR Turkey Enerji A.Ş., Petkim Petrokimya Holding A.Ş. and STAR Rafineri A.Ş., and having assumed the Presidency of the Neftçi Football Club between 2004-2008, Abdullayev has also served as the President of the Association of Football Federations of Azerbaijan (AFFA) since 2008 and the President of the Azerbaijan Judo Federation since 2015. Abdullayev, a member of the New Azerbaijan Party, was elected as a member of the National Assembly in the third, fourth and fifth terms. Abdullayev, who is also a member of the National Assembly Commission on Natural Resources, Energy and the Environment, a member of the working groups on relations with the British, Georgian and Russian parliaments and the head of the Azerbaijan-Norway inter-parliamentary working group, was honored with the “Glory Medal” in a decision taken by the President of the Republic of Azerbaijan in 2015.

SOCAR Turkey Enerji A.Ş. representative
Vagif Aliyev[*]
Vice Chairman of the Board of Directors

Vagif Aliyev graduated from Azerbaijan Civil Engineering Institute Hydraulic Engineering Department.

Mr. Aliyev began his career in 1981 as an engineer at the Caspian Sea Oil & Gas Production Union’s Azer Sea Oil Construction Trust and successfully took up many positions. In 2005, he was appointed as the Head of Investments at the SOCAR. He was appointed as a member of the Board of Directors of Petkim Petrokimya Holding A.Ş. in 2008, a member of the Board of Directors of SOCAR Turkey Enerji A.Ş. in 2009 and a member of the Board of Directors of STAR Rafineri A.Ş. in 2012. Since October 2009, he has served as the Chairman of the Board of Directors at Petkim Petrokimya Holding A.Ş., and between 2013 and 2020 as Chairman of the Board of Directors at SOCAR Turkey Enerji A.Ş., Petkim Petrokimya Holding A.Ş., and STAR Rafineri A.Ş.
Mr. Aliyev served as the Deputy Chairman of SOCAR Turkey Enerji A.Ş., Petkim Petrokimya Holding A.Ş. and STAR Rafineri A.Ş. between 2020-2021.

[*]SOCAR Turkey Enerji A.Ş. representative Vagif Aliyev resigned from this duty on 10 September 2021 and Süleyman Gasimov was appointed as the representative of the legal entity.

David Mammadov
Vice Chairman of the Board of Directors

David Mammadov graduated from the M. Azizbeyov Petroleum and Chemistry Institute, Faculty of Chemical Technology of Petroleum and Gas, Azerbaijan, with a Chemical Engineering degree. He began his career in 1976 as an Operator at the Baku Oil Refinery and held various positions in the company. Mammadov has been SOCAR’s Vice President responsible for Refineries since 2005. He has been a Member of the Board of Directors of SOCAR Turkey Enerji A.Ş. since 2007, a member of the Board of Directors of Petkim Petrokimya Holding A.Ş. since 2008 and a member of the Board of Directors of STAR Rafineri A.Ş. between 2012-2021.

[*]David Mammadov resigned from this duty on 9 September 2021 and Zaur Gurbanov was appointed to fill the vacant board membership.

Prof. Dr. Süleyman Gasimov
Board Member

Born in 1961, Süleyman Gasimov graduated from the Azerbaijan National Economic Institute (now Azerbaijan State Economic University) in 1982 and from Academy of Public Administration under the President of the Republic of Azerbaijan in 2003. He worked in various positions such as accountant, economist, deputy chief accountant and chief accountant in the oil and gas industry from 1982 to 1991. Between 1991-2003, he was a chief accountant at the Khazardenizneftgas (Caspian Sea Oil and Gas) Production Unit of Azerineft (Azeri Oil) Oil and Gas Production Department, Offshore Oil and Gas Production Unit. In 2004-2006, he was Chief of Division of Economics and Accounting Department of SOCAR, Deputy Chief of the Department and Chief of the Department. In 2006, Mr. Gasimov became the Company's Vice President for Economic Issues. He was awarded the Taraggi (Progress) Medal in 2006 and the Shohrat (Glory) Order and second-degree Order of Labor in 2011. He has a Ph.D. in Economics and is the author of many scientific works and more than 40 scientific articles. He has been a Board Member at SOCAR Turkey Enerji A.Ş. since 2011, Petkim Petrokimya Holding A.Ş. since 2012 and at STAR Rafineri A.Ş. since 2014.

*Süleyman Gasimov resigned from this position on 9 September 2021 and Kanan Najafov was appointed as a member of the Board of Directors. Süleyman Gasimov was appointed as the Deputy Chairman of the Board of Directors on 10 September 2021, as the representative of SOCAR Turkey Enerji A.Ş.

Zaur Gurbanov
Board Member

Zaur Gurbanov was born in 1982 in Mingachevir. He served in Azerbaijani Armed Forces and participated in peace keeping operations in 2000-2005.

He graduated from Odlar Yurdu University with a bachelor's degree in Business Organization and Management in 2010, master's degree in Finance from the Azerbaijan University of Economics in 2012. Between 2005-2010, he worked in various local and foreign companies. He held positions at Ernst & Young, an international audit and consulting firm, as senior employee, senior consultant, manager, senior manager and director in 2010-2020. He has been serving as the Deputy CEO of Azerbaijan Investment Holding since 2020. On 11 August 2021, he was appointed as the Vice President of SOCAR by the order of the President of the Republic of Azerbaijan. He serves as a member of the Supervisory Board of Azerbaijan Caspian Sea Shipping, Azerbaijan Airlines and Baku Metropolitan based on the order of the President of the Republic of Azerbaijan.

Kanan Najafov
Board Member

Kenan Najafov was born in 1975. He graduated from Baku State University with a bachelor's degree in international law and international relations in 1997, international business law at the American University Washington College of Law in 1999, business administration at the Wharton School of the University of Pennsylvania in 2003. He began his career in 1996 as an operations specialist at the World Bank Office in Azerbaijan, and in 1999 worked in the Washington and Baku offices of the Baker Botts global law firm. He worked in BP PLC's London and Aberdeen offices in the field of commercial analysis and business development between 2003-2008, as an investment analyst at EXANE BNP PARIBAS and CITIGROUP, as well as vice president at CITIGROUP between 2008-2012, as the Chief Strategy Administrator and Deputy Chief Executive Officer of NOBEL OIL between 2012-2015. For the next five years, he was engaged in private business and since 2020 he has served as the Chairman of the Board of the Business Development Fund of the Ministry of Economy. On 11 August 2021, he was appointed as the Vice President of SOCAR by the order of the President of the Republic of Azerbaijan.

BOARD OF DIRECTORS

Osman Dinçbaş[**]
Board Member - Independent

Osman Dinçbaş started his career as an audit assistant in Ernst Young İstanbul Office in 1984. He was transferred to Hartford Office in CT, USA then to New York Office of Ernst & Young and worked in the USA for a total of three years. Upon returning to Turkey he was promoted as Audit Manager. In 1994, he was promoted to Audit Partner. In 1998, Dinçbaş was assigned as the Management Consulting Leader of the Turkish practice and he developed the MC business from zero to 60-consultant group specialized in ERP (Baan, SAP, Oracle), Business Process Reengineering and Risk Management services. In 2002, he was assigned as the Chief Operating Officer of Ernst & Young Turkey, which had become a major professional company with over 800 professionals in 4 cities in the country. He also began to serve at the Executive Committee of Ernst & Young Southeast Europe and performed as the People Leader for this Region. At the end of 2003, Dinçbaş was promoted to Managing Partner position of Turkish Practice and continued to perform in this role until the end of 2010. Then, for a year, he acted as the Markets Leader of the company, until he left Ernst & Young in January 2012, to start his own business. Dinçbaş served as a Board Member of Foreign Investment Association in Turkey (YASED), for 6 consequent years (3 terms). He was also the Chairman of the Turkish Chapter of US based Junior Achievement for 8 years. Dinçbaş is also one of the founding members of the Turkish Chapter of Endeavour. After leaving Ernst & Young, Dinçbaş was deeply involved in promoting and supporting new businesses, helping startups. He established "Early Stage Seeding Fund" investment vehicles in Turkey and Europe and supported several startups. Dinçbaş also started his boutique consulting services company, providing corporate governance and risk advisory services as well as strategic advisory services. In September, 2018, Dinçbaş has been assigned as the Deputy Minister at the Ministry of Treasury and Finance, in Ankara. He has been a Board Member at Petkim A.Ş. since December 2018.

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

[**]Osman Dinçbaş resigned from this duty on 1 June 2021 and on 12 July 2021 Fatih Kılınç was appointed to replace him.

Fatih Kılınç[**]
Board Member - Independent

Fatih Kılınç received his undergraduate degree at Yeditepe University, Department of Public Relations and Publicity, and his master's degree from Marmara University, Department of Radio, Television and Cinema. He began his career as an internet journalist for various media organizations. He worked as an academic expert at Marmara University. He held various positions in the Ministry of Development and the Planning and Budget Committee of the Grand National Assembly of Turkey.

He has been serving as the head of department at the Ministry of Treasury and Finance since November 2020.

Nominated by the Directorate of Privatization Administration, Fatih Kılınç has been serving as an Independent Member of the Board of Directors at Petkim since July 2021.

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

[**]Fatih Kılınç resigned from his duty on 1 February 2022.

İlhami Özşahin
Board Member

Born in Kastamonu in 1950, İlhami Özşahin graduated with a degree in Electrical Engineering from İstanbul State Engineering and Architecture Academy. Having started his professional career at Turkish Electricity Administration (TEK) as System Operating Engineer, in 1976, Mr. Özşahin was appointed as the Head of Load Dispatching Department in the same corporation in 1995 after serving at the positions of Chief Engineer, Assistant Manager and Manager. In March 2003, he was assigned as the General Manager and Chair of Board of Directors positions at Türkiye Elektrik İletim A.Ş. (TEİAŞ) General Directorate which was established as a result of partitioning of Turkish Electricity Administration into three in 2009, and then retired when he was acting as General Manager. Over the course of his career, he attended various domestic and overseas education activities and received long-term educational training related to energy planning and coordination in Japan, and completed Energy Management studies in England. Özşahin is currently serving as a freelance consultant in electrical energy related issues.

Mehmet Bostan*
Board Member - Independent

Born in 1971 in İstanbul, Mehmet Bostan graduated from İstanbul University, Faculty of Economics with a degree in international relations, and received his MBA from İstanbul Bilgi University. Mr. Bostan, who started his professional career in 1995, served at various positions in banking sector, the latest of which was the Chief Representative of Turkey Operations at Dresdner Bank AG. Mehmet Bostan became Assistant General Manager of Finance at Güneş Sigorta in 2009. He then served as General Manager of Vakıf Emeklilik for six years. Between November 2016 and September 2017, he worked as the General Director of the Turkey Asset Fund while serving as Chairman of the Board. He served as an Independent Member of the Turkcell Board of Directors between 2013-2018. He has been a Member of the Board of Directors of Petkim since June 2016.

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

Mehmet Ceylan*
Board Member - Independent

Born in 1958 in Safranbolu, Mehmet Ceylan completed his secondary and high school education in Safranbolu and Karabük.

Following his graduation, as the top scoring student, from the Department of Mechanical Engineering of Konya Selcuk University in 1979, he obtained Master's Degree at the Department of Mechanical Engineering of the Istanbul Yildiz Technical University in 1981. Between 1981 and 1983, he served as an Assistant and Lecturer at the Department of Mechanical Engineering of Zonguldak Bulent Ecevit University.

Between 1984 and 1985, he completed the School of Foreign Languages at the Middle East Technical University, attended doctorate degree courses at the Department of Mechanical Engineering, and served as a Research Associate for some time. In 1986, he served as a Planning Assistant Specialist and as a Specialist at the Prime Ministry State Planning Organization for a period of 13 years.

Between 1989 and 1991, he obtained his second master's degree in the field of Economy at the Western Illinois University in the U.S.A.

He was elected as the Mayor of Safranbolu in 1999 and continued this duty until 2002. He was elected as a Karabük Deputy in 2002 and he served in the Turkish Grand National Assembly for 2 terms until 2011. During his office as a member of the parliament, he took office at the Planning and Budget Committee and at the Committee on European Union Harmonization, and served as a Member of the Turkey-EU Joint Parliamentary Commission and as the Vice President of the Committee on Foreign Affairs. Having been appointed as the Deputy Minister at the Ministry of Development in 2011, Mr. Ceylan continued to serve as the Deputy Minister at the Ministry of Environment and Urbanization between 2016 and 2018. He retired in September 2018. Mr. Ceylan, who is married and has three children, has a good command of English.

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

Neslihan Tonbul
Board Member

Neslihan Tonbul completed her primary, secondary and high school education in USA and received her undergraduate degree at Rutgers University (New Jersey) in Economics and Political Sciences in 1981. Later she received her graduate degree at Tufts University Fletcher School of Law and Diplomacy in International Finance in 1983. She worked at various international finance institutions in New York, London and İstanbul (The Irving Trust Company, The Bank of New York and BNY Mellon) in executive positions between 1983 and 2008 and finally appointed as Regional Manager responsible for Middle East, Africa, Eastern Europe and Turkic Republics.

She was selected as a member of Board of Directors in many leading companies and holdings of Turkey since 2008 and currently serves as a member of Board of Directors at Tofaş, Petkim, Alarko Holding, Vakıfbank AG and Tat Gıda. Recently she attended a program at Harvard Business School and specialized in Family Business Management at CFEG in Boston. She has been teaching classes on Family Business Management and Impact Investment and Sustainability at Koç University Faculty of Economics and Administrative Sciences since 2017 as a faculty member.

She is a founder member of Turkish-American Business Forum, a member of American Research Institute in Turkey (ARIT), Young Presidents Organization (YPO) and Educational Volunteers Foundation of Turkey (TEGV) Board of Trustees, and a member of the Advisory Board at the Middle East Institute, based in Washington, DC. She has been mentoring women entrepreneurs within EBRD since 2014. Ms. Tonbul has a good command of English, French and Azerbaijani and currently learning Italian and French. She has been a Board Member at Petkim A.Ş. since March 2018.

DECLARATIONS OF INDEPENDENCE OF INDEPENDENT BOARD MEMBERS

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

e) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

g) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

h) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

i) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

15 February 2019

Name/Surname: Osman DİNÇBAŞ

I hereby stand for serving as an “Independent Member” on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company’s Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I will not work in public institutions or organizations on a full-time basis after being elected as a member, except for the position of lecturer in universities provided that they comply with the legislation they are bound to,

e) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

f) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company’s operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

g) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company’s affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

h) I have not held a seat on the Company’s Board of Directors for more than six years in the past ten years,

i) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

j) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

15 February 2019

Name/Surname: Mehmet BOSTAN

DECLARATIONS OF INDEPENDENCE OF INDEPENDENT BOARD MEMBERS

I hereby stand for serving as an “Independent Member” on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company’s Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I will not work in public institutions or organizations on a full-time basis after being elected as a member, except for the position of lecturer in universities provided that they comply with the legislation they are bound to,

e) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

f) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company’s operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

g) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company’s affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

h) I have not held a seat on the Company’s Board of Directors for more than six years in the past ten years,

i) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

j) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

12 February 2019

Name/Surname: Mehmet CEYLAN

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

e) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

g) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

h) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

i) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

30 June 2021

Name/Surname: Fatih KILINÇ

INFORMATION ON OUTSIDE POSITIONS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

The members of our Company's Board of Directors as of the end of the reporting period are as follows:

Name - Surname	Title		Positions Outside the Company
SOCAR Turkey Petrokimya A.Ş. (Representative Rövnag Abdullayev)	Chairman	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Chairman
SOCAR Turkey Enerji A.Ş. (Representative Süleyman Gasimov)	Vice Chairman	Non-executive	In-group/SOCAR Vice President, Economy
Zaur Gurbanov	Member	Non-executive	In-group/SOCAR Vice President
Fatih Kılınç	Member	Independent	Head of Department at the T.R. Ministry of Treasury and Finance
Kanan Najafov	Member	-	In-group/SOCAR Vice President
Neslihan Tonbul	Member	Non-executive	Out-group/University Lecturer and Board Member in various companies
Mehmet Ceylan	Member	Independent	-
Mehmet Bostan	Member	Independent	Boğaziçi Ventures Technology Fund, Board Member
İlhami Özşahin	Member	Non-executive	Out-group/Freelance Consultant

COMMITTEES OF BOARD OF DIRECTORS

AUDIT COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Mehmet Ceylan	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	-
Mehmet Bostan	Committee Member	Independent Member of Board of Directors (Non-Executive)	Independent	Chairman of the Corporate Governance Committee

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

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

In 2021 the Audit Committee convened five times and submitted five reports to the Board of Directors.

COMMITTEE FOR EARLY DETECTION OF RISK

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Fatih Kılınç	Committee Chairman	Member of Board of Directors	Independent	-
Süleyman Gasimov	Committee Member	Vice Chairman of the Board of Directors	-	-
Zaur Gurbanov	Committee Member	Member of Board of Directors	-	-

Made up of three members of the Board, the Chairman of the Risk Management Committee is an independent Board member. Operating principles of the Committee are defined by the Board of Directors resolution dated 29 June 2012, numbered 111-199. The existing Risk Management Committee's name has been changed as "The Committee for Early Detection of Risk" at the Company's Board of Directors meeting no: 103/184 held on 21 March 2012.

In 2021 the Committee for Early Detection of Risk convened six times and submitted six reports to the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Mehmet Bostan	Committee Chairman	Member of Board of Directors (Non-Executive)	Independent	Member of the Audit Committee
Kanan Najafov	Committee Member	Member of Board of Directors (Non-Executive)	-	-
Neslihan Tonbul	Committee Member	Member of Board of Directors (Non-Executive)	-	-
Emre Can Yüceoğlu	Committee Member	Manager of Investor Relations	-	-

In accordance with the Article 11-2 of the Capital Markets Board Corporate Governance Communiqué (II-17.1), Investor Relations Manager Mr. Emre Can Yüceoğlu was appointed as a member of the Corporate Governance Committee.

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

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

In 2021 the Corporate Governance Committee convened three times and submitted three reports to the Board of Directors.

AN ASSESSMENT OF THE COMMITTEES BY THE BOARD OF DIRECTORS

It has been stated by the Board of Directors that the committees complied with their respective operating principles and held meetings at defined frequencies in the January-December 2021 period. The minutes on the outcomes of the meetings have been submitted to the Board of Directors. It has been established that the committees effectively fulfilled their functions.

EXECUTIVE MANAGEMENT

Anar Mammadov
President

Born in 1971 in Baku, Anar Mammadov graduated from Azerbaijan Medical University with a degree in medicine and received his degree in law from Baku State University. He received his Ph.D. in oil supply, logistics, and trading from the College of Petroleum Studies in England. He received his MBA from TRIUM Global Executive. Between 1995 and 1998, he managed Avista Company of which he was the founder. Between 1998 and 2007, he worked at Milio International as Regional Director. He served as CEO of Arxiel Carbonexis (2007-2009), of SOCAR Georgia (2009-2014) and of SOCAR Greece (2014-2016). After taking over the position of General Manager at Petkim in 2016, he was also appointed as President of SOCAR Turkey Refinery and Petrochemistry Business Unit as of November 2019. Anar Mammadov has more than 15 years of experience in the oil and energy industry. In September 2018, he was granted the Taraggi (Advancement) Medal given by the President of the Republic of Azerbaijan. Fluent in English, Russian and Turkish, Anar Mammadov is married and has 3 children.

Elchin Ibadov
Finance Vice President

Born in Azerbaijan in 1978, Elchin Ibadov, started to work as a Research Assistant at World Trade Center, Chicago in 2002, after graduating from Chicago Illinois University. He worked in PwC between 2003-2014. Between 2014-2019, Elchin Ibadov acted as Chief Financial Officer (CFO) at STAR Rafineri, and appointed to the Finance Director and CFO position at Petkim as of November 2019, and concurrently serves as Vice President for Finance at Refinery and Petrochemistry Business Unit. In line with his vision of continuous learning and improvement, Mr. Ibadov also completed several professional training and certification programs at Harvard Business School. He wrote a number of textbooks in fields of economy, accounting, International Financial Reporting Standards and financial audit. He is a permanent member of several international finance and audit organizations like ACCA, ACFE and IIA. He proudly serves as Deputy Chairman of Petkimspor Club, with the aim of contributing to the improving success of children and youngsters living in Aegean Region. Married with four children, Mr. Ibadov is fluent in English, Azerbaijani, Russian and Turkish.

Haluk Urul
Operations Vice President

Haluk Urul, who was born in 1963 in Mersin, graduated from Chemical Engineering Department at the Middle East Technical University in 1987. Between 1989-2004 he took up positions of Process Engineer, Production Planning Supervisor, Manager of Commerce at ATAŞ Mersin Refinery. Following his responsibilities of Terminal Operations Manager at ATAŞ BP Petroleum Terminal, Operations Manager at ATAŞ Storage and Handling Terminal and Terminal Operations Manager at BP Turkey Joint Initiatives and Third Parties, he joined SOCAR Turkey Enerji A.Ş. as Terminal and Operations and Technical Services Manager in 2012. Having acted as General Manager of SOCAR Akaryakıt Depolama A.Ş. since 2016, Mr. Urul has been appointed to the position of Vice President for Petrochemistry Production Unit in November 2019. Haluk Urul is married with two children and is fluent in English.

Ergun Binboğa
Technical Services Vice President

Born in Ankara in 1964, Ergun Binboğa graduated from the Department of Chemical Engineering at the Middle East Technical University in 1988. He then graduated from the Honeywell UOP-Chicago Design Engineering Program in 2005, Harvard University Disruptive Strategies in 2016 and with an Economics MBA Program at İzmir University in January 2021. He started his career at Tüpraş İzmir Refinery in 1989. Between 1989 and 2009, he worked as a Technical Services and R&D Manager, Refinery Operations Planning and Sales Manager, and Production Manager at Tüpraş İzmir Refinery. In the same period, he undertook the responsibility of KBC operational enhancement between 2002-2004 and the Izmir Refinery of Shell Global Solutions Operational Excellence, Hydrocarbon and energy programs between 2006-2009.
As of 2015, he continued his career as the Process and Equipment Development Manager at the Tüpraş Head Office and finally as the Production Group Manager at the Tüpraş İzmit Refinery. In 2017, he served as the Operations Director responsible for the commissioning and operations of STAR Rafineri and then as the Assistant General Manager. He was appointed as the Vice President of STAR Rafineri Production Unit in November 2019 and as the Vice President of Technical Services in April 2020. As of October 2020, in addition to his current responsibilities, he has been serving as the vice president of Technical Services, responsible for the Project, Planned Maintenance and Operations Technologies groups. Fluent in English, Ergun Binboğa is married and has a child.

Agshin Salimov
Trade Vice President

Born in 1989 in Azerbaijan, Agshin Salimov graduated from the Department of Political Science and Public Administration at the Middle East Technical University. He received a degree of Executive Master in Energy Management at ESCP Europe Business School. He worked in international trade and energy companies in Azerbaijan, Switzerland and the UK, as an Operations Specialist, Commerce Officer, Senior Commerce Officer and Head of Commerce. He was appointed as Assistant General Manager of Sales, Marketing and Trade at Petkim in November 2016. He was appointed as Director of Petkim Supply, Export and Petrochemicals Sales Management in November 2019. As of 1 July 2020, he was appointed as Vice President of Trade in Refinery and Petrochemical Business Unit. Salimov is married and is fluent English and Russian.

EXECUTIVE MANAGEMENT

Matin Khalilli
Procurement and Supply Chain Vice President

Matin Khalilli was born in Baku in 1981. After graduating from the Department of International Law at Baku State University, in 2002, Khalilli completed a Master's degree at the same university in 2007.
He prepared his Master's thesis on the International Legal Status of Special Economic Zones. In the first years of his career, he worked as a specialist and manager in the Azerbaijan Regional Investment Project, which the World Bank carried out jointly with the State of Azerbaijan. In 2008, he won the Edmund Muskie scholarship program carried out by the US Department of State and continued his education at Kennesaw State University, pursuing a full-time MBA. In his MBA training, he focused on Process Improvement in Supply Chains and Operations. He worked on Project Management by giving lectures on Operations and Supply Chain Management at universities. After his consultancy and teaching experience in the private sector, he won the internationally recognized PMP® certificate in the Project Management discipline and founded the Baku Project Management School. Having worked in international companies providing Trade and Procurement Services in the Refinery and Petrochemical sector from 2013, Mr. Khalilli joined the SOCAR Turkey family as Trade Control Manager in 2016. After working as STAR Rafineri Supply Chain Director between 2017 and 2019 and as the SOCAR Turkey Procurement and Supply Group Director between 2019 and 2020, Matin Khalilli has been working as the Vice President of Procurement and Supply Chain at SOCAR Turkey Refinery and Petrochemical Business Unit since November 2020. He successfully completed the training modules on Strategic Procurement and Supply Chain of the Chartered Institute of Procurement & Supply, based in the UK. Mr. Khalilli is married with two children. He is fluent in English, Azerbaijani, Russian and Turkish.

İbrahim Kadıoğlu
Business Excellence Vice President

İbrahim Kadıoğlu who was born in 1981, graduated from the Middle East Technical University, Department of Food Engineering, while simultaneously completing his minor in Biological Sciences and a 1-year intensive Enterprise program at the same university. Having completed a Master›s degree in Finance at Koç University, Kadıoğlu worked as an internal and external management consultant in many international companies such as IBM, Danone, Türk Telekom and PPC in Australia, France and Turkey.
Mr. Kadıoğlu, who started to work as the Corporate Transformation Coordinator in Petkim in February 2013, was appointed as the Vice President of Business Excellence in the Refinery and Petrochemical Business Unit of SOCAR Turkey after serving as a System and Process Development Coordinator, Business Optimization and Business Intelligence Coordinator and then as a Digitalization Leader. Mr. Kadıoğlu is married with two children and is fluent in English.

Levent Kocagül
Human Resources Vice President

Born in 1978 in Turgutlu, Manisa, Levent Kocagül graduated from Dokuz Eylül University with a degree in business administration in 2000. He worked as Human Resources Services Manager at Japan Tobacco International (JTI) from November 2001 to September 2007, and Human Resources Shared Services Manager at Coca-Cola İçecek (CCI) from October 2007 to March 2016. He joined Petkim in May 2016 as Organizational Development Manager, where he became Assistant General Manager of Human Resources in November 2016. He was appointed as Vice President for Human Resources at Refinery and Petrochemistry Business Unit in November 2019. Additionally, he was appointed as the Chairman of the Board of Directors of Chemicals, Petroleum, Rubber and Plastics Industry Employers' Association of Turkey as of 5 September 2018 where he had been serving as Vice President of the Board of Representatives of Aegean Region since 2016. Mr. Kocagül, who was elected as a member of the Board of Directors of the Turkish Confederation of Employer Associations (TİSK) in December 2019, has also been a member of the TİSK Executive Board. He has been member of Yunus Emre Foundation on behalf of TISK since 2021 and has been member of the TED Aliağa College Board of Directors since 2016. Levent Kocagül, who lives in Izmir, is married with two children and is fluent in English.

Seral Erkut
Occupational Health, Safety and Environment Director

Born in Turkey in 1978, Seral Erkut started to work in the Operations department at the ATAŞ Refinery in 2002, after graduating from the Department of Physics Engineering at Ankara University. Erkut, who contributed significantly to the success of the ATAŞ Refinery over a 10 year period with 10 million man-hours of working time without any loss of work time, worked in the "Health, Safety, Environment, Security and Quality" department between 2006 and 2017 after the terminal conversion project by ending the refinery activities. Seral Erkut assumed the duties of "Occupational Health, Safety and Environment Manager" at the SOCAR Depolama company between 2017 and 2019 and "Occupational Health, Safety and Environment Group Coordinator" at SOCAR Turkey between 2019 and 2020. As of October 2020, Mr. Erkut has been working as the "Occupational Health, Safety and Environment Director" in the Refinery and Petrochemical Business Unit. Attaching importance to continuous training and personal development, Mr. Erkut holds A-class Occupational Safety Specialist, and Environmental Officer certificates, and has successfully completed a number of training and certification programs, including in Integrated Management Systems, Crisis and Business Continuity Management and Root Cause Analysis. Erkut, who is married with two children, is fluent in English and Turkish.

Khalig Mustafayev
Aliağa Corporate Services Group Director

Born in 1971 in Baku, Azerbaijan, Khalig Mustafayev graduated from Baku State University, earning a degree in history in 1993 and in law in 2001; he acquired a degree in economics and management from Azerbaijan State Oil Academy in 2007. At the 2019-2020 semester, he completed the MBA program at the GISMA Business School, Berlin, and Graduate Program on New Technologies in London. He completed MBA training at Moscow Government International Relations University of Russian Federation Ministry of Foreign Affairs in 2021. He started his professional career working on activities for protection of public order in divisions of Ministry of Interior, between 1993-2005. He then worked as Ata Holding Security and Surveillance Department Director, SOCAR Security Department Internal Affairs Branch Manager (2006-2010), and as Assistant General Manager of Human Resources, Regime, and Information Technology at SOCAR Azerikimya Production Unit (2010-2016). He was appointed as Assistant General Manager for Business Support at Petkim in November 2016.

Mr. Mustafayev was appointed to the Aliağa Corporate Services Group Director position in November 2019. Mr. Mustafayev was granted the 10th Year Medal for Ministry of State of Emergencies in 2015 and Taraggi (Advancement) Medal in 2017 given by the President of the Republic of Azerbaijan. Having more than 28 years of experience, Khalig Mustafayev speaks English and is fluent in Russian. He is married and has two children.

KEY MARKET DEVELOPMENTS IN 2021

INFLATION CLIMBS AS GLOBAL ECONOMY OUTPACES EXPECTATIONS DESPITE THE PANDEMIC

According to the IMF, the world economy grew by as much as 5.9% in 2021, despite the pandemic. According to IMF figures, developed countries realized 5.2% economic growth in 2021 while developing countries recorded a vigorous 6.4% growth. The better-than-expected growth in the global economy was a result of the expansionary monetary policy implemented by central banks, the direct and indirect financial support extended to households due to the pandemic, and the rapid increase in spending on services which had postponed during the pandemic, as restrictions were scaled back. On the other hand, production problems experienced at a global level due to the pandemic, increased logistics costs due to the port and container crisis, increased commodity and energy prices coupled with disruptions in the supply chain were reflected to product prices, and the high product prices spread around the world through international trade.

Inflation reached a 39-year peak in the USA, a 30-year peak in Germany, a 25-year peak in the Eurozone, a 24-year peak in the OECD and a 19-year peak in Turkey in 2021.

SUPPLY BOTTLENECKS IN THE PETROCHEMICAL INDUSTRY

Global shutdowns imposed to prevent the spread of the virus during the pandemic, breaks in the supply chain and labor shortages all caused unexpected technical shutdowns and low-capacity operation at petrochemical plants. The coincidence of an unexpected number of technical halts and planned maintenance halts in Europe further exacerbated the supply shortage.

The blizzards which hit parts of the United States on 15 February 2021, the effects of which continued throughout the first quarter of the year, led to closures of about 70% of capacity in refineries, petrochemical plants and ports, with the resulting supply shortage turning into a supply shock. In August 2021, Hurricane Ida, which hit the United States, disabled refinery and petrochemical facilities in the Gulf of Mexico. In September 2021, production at petrochemical plants in energy-intensive regions slumped due to the implementation of a bilateral control of energy control in China.

All these developments led to significant supply disruption in the petrochemical sector in 2021.

A DECOUPLING IN PRICES BETWEEN REGIONS DUE TO DISRUPTIONS IN THE GLOBAL SUPPLY CHAIN

Freight costs have jumped five- to six- fold when compared to their pre-pandemic levels for reasons such as container shortages and loading and unloading problems experienced in important ports of the world during the pandemic. While increases in freight costs have been reflected to product prices, breaks in the global supply chain have limited physical trade and led to wide price differentials between regions. While the supply surplus in Asia brought prices down, prices were realized at the lowest level due to issues with production and logistics. Prices were higher in the USA and Europe.

PRICES AND MARGINS JUMP IN THE PETROCHEMICAL SECTOR

The supply issues experienced in the petrochemical sector during the pandemic, breaks in the supply chain, logistics costs caused by the port and container crisis and the increase in energy and input prices were reflected to product prices. Sudden and prolonged shutdowns in petrochemical plants due to the unexpected technical problems affecting Europe in the first half of the year, the winter blizzards which hit the USA in February and Hurricane Ida in August all drove prices to historical peaks.

As part of the efforts to tackle the pandemic, demand for products such as face masks, medical products and hygiene products has grown significantly. With the closure of economies during the pandemic, people spent more time at home and on home improvement, and the need for new housing and household goods increased. In this period, demand for packaging products increased with the rise of online commerce. This sector-based growth led to an increase in demand for petrochemical products.

Pandemic-specific supply shocks and rising petrochemical product prices, combined with increasing demand, paved the way for a rebound in margins, which had contracted in recent years. While product prices declined in the second half of the year, especially in the fourth quarter, the rapid increase in oil, energy and input prices led to some narrowing of margins. The introduction of new capacity in Asia, global supply shortages and the fact that prices were lower than in other regions amid weakening demand sent margins dipping into negative territory.

KEY MARKET DEVELOPMENTS IN 2021

HIGHER OIL AND ENERGY PRICES REFLECTED TO MARGINS

After oil prices fell to as low as USD 10/barrel in April 2020, oil prices increased gradually with the support of the decision taken by the OPEC+ cartel to cut production by 9.7 million barrels per day, along with a production cut of around 4 million barrels per day by other oil producers. The year 2021 started with oil prices at USD 51/barrel. Oil prices have increased by about 55% YoY to reach USD 80/barrel on the back of the rebound in demand as economies have opened up, with the OPEC+ cartel gradually raising production in 2021.

The most important development in the energy market during 2021 was the rise in natural gas prices to record levels in the last quarter of the year.

US natural gas prices reached a 7-year high of USD 6.50/MMBtu. In Europe, natural gas prices, which had been hovering at around EUR 5/MMBtu, stabilized in a EUR 25-35 /MMBtu band having briefly peaked near EUR 60/MMBtu.

European petrochemical producers reduced production capacity for some products in response to rising natural gas prices, while seeking to reflect rising costs to their sales prices. In parallel with the increase in oil and natural gas prices, input prices also surged in 2021 with Naphtha prices jumping from USD 480/ton to USD 700/ton in 2021.

PETKİM SHIFTS PRODUCTION TO PRODUCTS IN HIGH DEMAND DURING THE PANDEMIC

While many petrochemical plants around the world faced issues in production due to the impact of the pandemic, Petkim ramped up its production capacity utilization rate from 87.9% in 2020 to 92.6% in 2021 on the back of proactive measures.

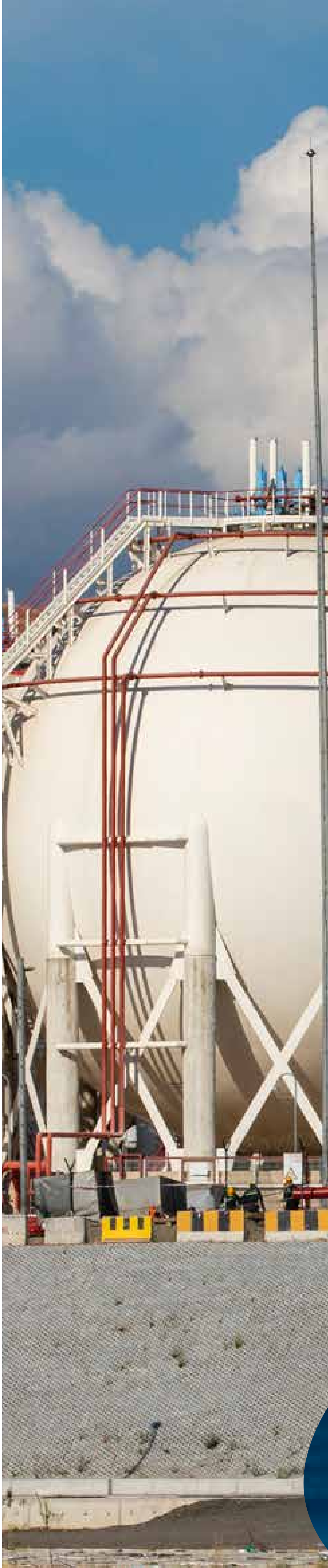
Due to the pandemic, demand for some petrochemical products, especially face masks, medical products, hygiene products and packaging products increased sharply. For example, Petkim focused on the production of polypropylene product types used in the production of medical products and face masks, which saw a surge in demand during the pandemic.

PETKİM RAMPS UP COMMERCIAL PRODUCT PORTFOLIO AND VOLUME

Petkim significantly increased its customer potential, product portfolio and profitability by focusing on commercial activities. Due to the increased volume of trade, sources of supply have been diversified, reaching more countries and customers. Accordingly, when there is a netback in product prices between countries, there have been opportunities to seize profitability thanks to the quick decisions reached with commercial business partners.

In addition to the products in its existing production portfolio, Petkim has increased its trading volume of products which it does not produce, in line with demand from the market and customers. Petkim's trading volume, which had stood at 489,000 tons in 2019 and 709,000 tons in 2020, maintained its continuous growth to reach 949,000 tons in 2021.

The Euro area has been one of the regions with the highest prices and demand for petrochemical products due to disruptions in the supply chain and supply issues experienced in the region. Petkim has increased its exports of petrochemical products to Europe, its most important trading partner, supported by its geographical advantage of Turkey being the country closest to the region and accordingly being in a position to supply the European market.



SOCAR INTEGRATION BRINGS PETKİM SIGNIFICANT ADVANTAGES

The integration between refining and petrochemicals production has grown even more important during the pandemic. Thanks to its integration with the STAR Refinery, Petkim has been able to sustain its production continuously without encountering difficulties in the supply of raw materials. The high-quality inputs provided by the STAR Refinery have ensured raw material supply security in production, while joint purchases and joint uses have enabled comprehensive cost optimization.

SALES AND MARKETING OPERATIONS MOVED TO A DIGITAL PLATFORM

The pandemic has ushered in remote working models around the world with important steps taken to move operations to a digital platform. Petkim has implemented the "Traditional, Hybrid and Remote" working model in three different categories covering all employees, which it has developed in accordance with its own structure. The Customer Information System commissioned for the digitalization of sales and marketing operations before the pandemic was developed further and many operational steps and requests from customers, extending from the order to the shipment, were moved to a digital platform.

PETKİM IN 2021

3.29
million tons

Production

2.7
million tons

Total Sale

TL 28.7
billion

Sales Revenue

898,170
tons

Solid Products Loading

1,145,856
tons

Loading and Unloading Operations of Liquid Chemical Cargo

TL 1,088
million

2021 Investment Expenditures

2,377
Employees

Petkim Human Resources

USD 110
million

Değer Benim Optimization Works

Ranked 8th Among 206 Companies

International ESG Performance Rating

BIST
SÜRDÜRÜLEBİLİRLİK
ENDEKSİ ŞİRKETİ

The 8th year in the BIST

Sustainability Index

OPERATION

PRODUCTION AT PETKİM

Production activities at Petkim continued throughout the year in accordance with the program objectives.

With the rollout of authorization studies (HARM), which got underway in June 2020 at all Petkim plants, a value close to 100% was reached in hot and cold work, closed container work and lifting activities at height as of January 2021.

By effectively implementing the measures taken for the COVID-19 pandemic, production and maintenance activities continued without any disruption to business continuity in 2021. In addition, the acceleration of the vaccination rollout and the 2nd vaccine dose being given to 98% of employees by the end of the year provided a positive contribution to business continuity.

In October 2021, staff working in the shift assistant supervisor position in the factories were appointed as a Day Supervisor, and the assistant supervisor positions were discontinued. The aim was for day supervisors to effectively participate in obtaining work permits for maintenance activities scheduled during the day shift, in carrying out HARM activity, and in tracking maintenance work.

All white-collar personnel were rotated between factories, creating the opportunity to get to know and learn about other factories.

Control of ESD systems in Petkim factories, the establishment of an ESD by-pass system and authorization procedure, their functions and maintenance in accordance with this procedure got underway in 2020 and the work was completed for LDPE, LDPE-T and Ethylene production by the end of 2021.

In addition, studies are continuing for the completion of the HAZID study actions covering all factories throughout Petkim.

Work on HAZOP has got underway, primarily in the Ethylene facility, while continuing in the LDPE and Aromatics facility. The work is expected to be completed by the end of 2023. In addition, the update of the Standard Operating Procedures in all factories has been completed.

Within the scope of Process Safety, work on the creation of emergency isolation valves and on preventing overflow in tanks and equipment is underway. In addition, material purchases have been completed within the scope of LO/LC Carseal Management work, and field application processes are ongoing.

Explosion Protection Documents have been revised in all factories. Within the scope of SEVESO, Hazardous Equipment Grouping work is underway in the LDPE-T, Ethylene, Aromatics, EO/EG and ACN facilities.

Behavior Oriented Occupational Safety studies, toolbox training, emergency level 1.2 drill plans in the facilities, PFI (Process Field Inspection) field inspections and MOC studies were among the important activities which took place in 2021. Emergency Management training for personnel in positions of manager or above was provided in the last quarter of the year.

The Safety Committees in the facilities continued to be convened on a monthly basis with the participation of blue-collar workers.

The production value of the PP Factory in 2021 reached an all-time high of 145,147 tons, exceeding its design capacity of 144,000 tons per year. The LDPE-T plant reached its highest production since the first start-up with production of 172,080 tons in 2021, also exceeding its design capacity of 160,000 tons per year.

Within the scope of the New Masterbatch Agile studies at the Plastics Processing Factory, the R&D and field trial studies of two new products (MB with PPA and Antiblock MB) were completed and commercial sales started to be made to customers.

The type of anti-block additive in F03 Masterbatch, used in the LDPE and LDPE-T facilities, was changed and a new type of anti-block was used. This offered a cost advantage of approximately 50% by providing the same effect with reduced use.

The gasoline blend project in the Aromatics facility was implemented and the first transfer took place in September.

The capacity increase and the expansion in the number of suppliers were achieved by using alternative and new generation catalysis to catalysis C, which are used as the initiator in the LDPE-T facility reactor.

The number of suppliers was also diversified in the use of ISOPAR-H solvent, an alternative to Isododecane, which is used as a catalysis solvent in the LDPE facility.

The project of recovering production residues formed in the Film extruders and the FFS Coil production machine in the Plastics Processing facility as well as recovering waste from the packaging areas is ongoing.

The PTA factory acetic acid land filling unit was commissioned.

Turnaround maintenance was carried out in the HDPE, LDPE 2, Aromatics and EO/EG facilities in 2021.

Work carried out within the scope of Asset Management was completed at the LDPE-T Plant. ACA (Asset Criticality Analysis), RCM (Reliability Centered Maintenance), HAZOP and RBA (Risk Based Inspection Activities) were completed. Asset Management asset work got underway in the HDPE facility.

As part of the digital transformation, the digital shift book practice was launched at the Ethylene, Aromatics, VCM and PP facilities.

At the beginning of September, the field inspection was successfully carried out by Howden Insurance at Petkim's facilities and seven findings were resolved.

Work has been initiated to address the findings of the internal audit conducted in August 2021.

Improvement activities continue unabated in the facilities.

AUXILIARY ENTERPRISES

With the integration carried out within the scope of the peninsula, the Auxiliary Enterprises were structured to cover the entire peninsula administratively.

In 2021, 100% availability was achieved for utilities provided by Auxiliary Enterprises, while year-round utilities met the need for uninterrupted production. There were no capacity reductions or production halts in the utilities.

The license capacity of the Petkim Wind Farm was increased from 25 MW to 38 MW, and is to be raised to 51 MW. In addition, an application was lodged to EMRA to increase the capacity of the Wind Farm through the installation of additional turbines. With the improvements and operational changes carried out, the cost of electricity and sales revenues declined. Heavy maintenance of the TG-3 from counter-pressure steam turbines was completed and heavy maintenance of the TG-2 unit got underway. The panels connected to the low voltage loads fed from the TM-01 Substation were renewed.

The commissioning the HS line (HS), installed between the Petkim Power Plant and the STAR Refinery, prevented many decommissioning incidents at the Refinery, while ensuring steam flow. In addition, the Refinery Hydrogen Unit and the Utility Unit were commissioned by laying a cable line to provide electricity supplies from the Petkim Power Plant.

In the cooling water towers connected to the Water Production (Water Pretreatment, Demineralized Water, Cooling Water) unit, energy savings of around 23% were achieved with a decrease of 1°C in cooling water temperature thanks to changes in the type and angle of the fan blades. In 2021, the level of savings was approved in audits and measurements conducted by the Ministry of Energy and Natural Resources.

20 of the 21 pools located in the wastewater section of Waste Treatment and Disposal unit were cleaned by industrial cleaning methods. Inoperative mechanical equipment (such as decanters, scrapers and pumps) was maintained and rendered functional.

The waste incinerator unit was placed into a comprehensive Turnaround (TA) application for the first time since its establishment in 2002, and extensive maintenance was performed at many points of the unit.

Auxiliary Water Production, Waste Treatment and Disposal Units met the utility needs of the facilities, ensuring continuity of production within the complex. In addition to the water requirements of surrounding establishments, the Petkim Waste Incineration Unit met the external demands for hazardous waste disposal within the scope of the current license.

Thanks to improvements in the Waste Water Treatment Plant after the insurance site inspection, the insurance premium of this unit was reduced.

Within the scope of improvements carried out in the waste water treatment plant, work on the improvement of the Holding Basin project, the vacuum truck collection area and the treatment of PTA waste water are continuing. In addition, investment project engineering studies will get underway within the scope of online traceability of wastewater from the facilities.

Feasibility studies for the Waste water recovery project were initiated in order to reduce dependence on a single source for the production of process water or demineralized water by using treatment effluent to counter the risk of drought, an ever present danger in the world and in our country, and to extend the useful life of the Güzelhisar Dam. In addition, projects such as a joint emergency line with İZSU and the use of grey water are under consideration.

As part of the efforts to reduce the use of natural resources, the volume of water drawn from the Güzelhisar reservoir was reduced by 4.1% in 2021.

Within the scope of increasing alternative renewable energy sources, studies on SPP projects which can be implemented in the Güzelhisar Reservoir and Raw Water Pools are continuing.

PRODUCT MOVEMENT

Petkim pier 3 infrastructure work was completed and construction work on the superstructure got underway.

Loading and unloading operations of 1,145,856 tons of liquid chemical cargo were managed with 243 ships arriving at the Petkim Port in 2021. In this context, 252 m^3 of waste was received from the ships, 419,102 m^3 of inert gas was

supplied, 47 m^3 of Flare service and 1,192 m^3 of utility water was provided.

Within the scope of Pilot and Tug services, 24/7 berthing and lifting services were provided to ships with five tugs, three mooring vessels and one pilot craft in the service area.

Pilot, tug and mooring services were provided to 788 vessels arriving in the ports in 2021.

The procedures used in the STAR Refinery Tank Field, STAD B Terminal and Petkim Common Pipe Transfer (OBT) units were all standardized.

Data found in equipment on the OBT site regarding the process control system (DCS) of the facilities was found and transferred to the process history database (PHD). The transferred data was transmitted to a room in the new OBT business building, and the field was monitored electronically.

The newly installed LPG skids for the sale of LPG produced by STAR Refinery to nearby LPG terminals were commissioned and started to be operated jointly with the STAR tank site.

In 2021, "Operator Rounds" and "Operator Logbook" applications were re-installed and commissioned to meet OBT needs throughout the OBT by working in partnership with the Industrial IT unit. Accordingly, field data and shift books, which had previously been tracked manually on paper, were digitized and rendered retrospectively traceable.

The OBT land filling unit recruited technicians through internal transfers, paving the way for 24-hour loading at the time of need. In 2021, 41,334 tons of filling took place.

With the synergy created by the transition to integration, work continued on joint projects, along with evaluation of by-products and cooperation opportunities on the peninsula.

MAINTENANCE

In order to ensure efficient and safe working, double and triple shift systems were reviewed again and shifts were organized at a level where intensive daytime work could be performed.

As part of the integration, the commissioning of the second tower for the radio system, which will serve the entire peninsula, the stages of purchasing radios were completed and a common radio procedure was established. Together with the installation of relays necessary for the infrastructure, the largest integration item related to field communication was implemented across the peninsula.

As a result of internal resistance measurements and capacity tests in all batteries at Petkim, a replacement plan was prepared for the next three years. The conversion from a lead acid battery to a nickel cadmium battery both increased reliability and reduced the total costs. In the first stage, the UPS batteries for the VCM, PP, LDPE and PTA factories were changed.

A robot with carburization, bowling & bulging sensors was provided for radiant coil inspection work performed during periodic/incidental maintenance at ethylene Jul NSC furnaces, and measurements began to be performed with an inspection robot without the need for scaffolding to be attached.

With the establishment of the Lubrication Workshop, oils to be used were kept in a single location, thus ensuring the suitability of the oils before use and the use of the correct oil. In addition, the reliability of the equipment was improved through the establishment of work-specific teams and implementation of periodic protective lubrication activities.

The Maintenance Planning and Programming process, which is being implemented in all advanced industrial plants, began to be implemented in all plants at the Petrochemical complex in 2021. Well planned, efficient and proactive work and continuous performance monitoring were achieved with optimal resource management by prioritizing business demands.

In the Construction Assets Risk-Based Technical Inspection (RBI) studies, all construction assets were categorized and logged into an inventory. The tracking mechanism was improved by creating asset records in the SAP and Meridium systems, and proactive control studies were initiated.

Equipment Criticality Analysis (ACA), Reliability-Centered Maintenance (RCM) and Risk-Based Technical Inspection (RBI) activities are continuing at Petkim within the scope of the SOCAR Asset Management Project.

SUPPLY CHAIN AND PROCUREMENT

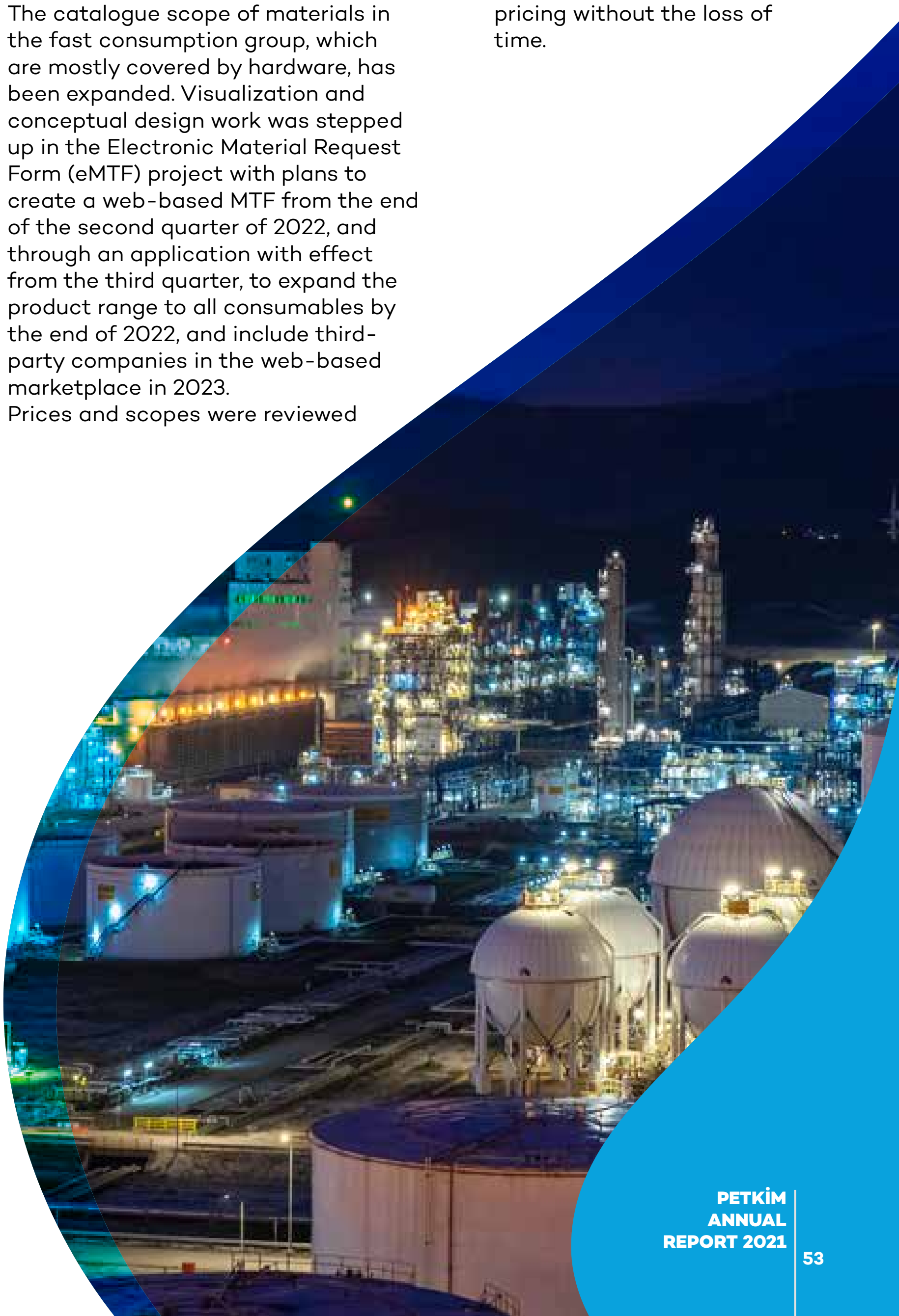
SUPPLY CHAIN ACTIVITIES

- 788 ships arriving at the ports were provided with pilot, tug and mooring services, with these activities generating gross income of USD 5,316,011.
- As part of the Pilot and Tug Organization, five tugs, three mooring vessels and one pilot craft, as well as berthing and lifting services were provided to ships on a 24/7 basis at the service site.
- The "Green Port" certificate, which aims to improve the quality of sea water around the port with an integrated quality management approach, reduce environmental pollution which may arise from shipping operations, increase energy efficiency, ensure waste recycling and ensure continuity in occupational health and safety practices, was renewed after successfully passing the inspection process.
- The "5S Implementation Project" was commissioned within the scope of the "Storage Capacity Increase and Reducing Carbon Footprint Project" implemented in the Product Packaging and Storage areas. The project brought a number of gains, including a 27% increase in the usable indoor space capacity for solid product storage without the need for additional investment.
- In line with item 12 of the United Nations sustainability development goals, entitled "Responsible Production and Consumption" and item 13, entitled "Climate Action", Petkim has aimed to reduce the amount of new plastic pallets used in packaging operations to zero. To achieve this, the proportion of returnable pallets collected from customers was increased by introducing a new method and application in plastic pallet management. The increase in operational speed in pallet handling and arrangement paved the way for a 14% decrease in the amount of new plastic pallets used in packaging when compared to 2020. In addition to achieving significant savings on the purchase of new pallets, these measures prevented the use of 1,004,638 kg of plastic, contributing to efforts to reduce the carbon footprint by reducing the use of carbon resources required for the production of new plastic pallets.
- Within the scope of packaging activities for PVC, LDPE, HDPE, PP, PA, LDPET and PTA products, a monthly average of 74,848 tons of solid product loading was carried out, with a total of 898,170 tons of solid product loading from Petkim warehouses and 12 different contracted external warehouses in 2021, along with 842,315 tons of solid product packaging.
- By fixing the speed limit of forklifts used in Product Packaging and Storage areas at 10 km/h, a fuel reduction of 0.3 lt/hour was achieved, preventing the use of 2,400 liters of fossil fuel throughout the year and contributing to sustainability.
- A saving of TL 424,167 was achieved in export costs by creating 4,456 DBA certificates on sales scales. The filling scale of the LDPE-2 FFS machine was renewed and the filling sensitivity was increased.
- Electric vehicles started to be used for on-site control activities in Petkim solid product warehouses and carbon dioxide emissions of 828 kg/year were prevented.
- The depositing of plastic pallets continued as an example of the zero waste measures carried out by the Ministry of Environment and Urbanization. Within the scope of the newly implemented Recycling Contribution Fee, the pallet deposit system was meticulously implemented, avoiding an additional annual obligation of TL 2,700,000.
- Product packaging quality was increased and energy consumption was reduced by 80% by adding a state-of-the-art stacking line to HDPE packaging.
- Improvements were made to wooden pallets used in export products, with the decision to use E46 pallets instead of E52 pallets, and as a result, export pallet costs were reduced by 32%.
- In 2021, a total statistical value of USD 549,493,378 was realized with 1,374 import declarations, and 801,858,218.30 FOB/USD total statistical value was realized with 3,380 declarations in export transactions.
- A total of 667,133.82 tons of products were transported domestically and 135,693.28 tons of products were transported to 39 different countries within the scope of export activities.
- The benefit provided within the scope of "direct representation" activities in customs transactions in 2021 amounted to TL 5,646,874, an increase of 47% compared to the previous year.
- The Robotic Process Automation

application was expanded and applied to other business processes, and labor productivity was increased by including 7 different business processes in the RPA application.
- To enable customs clearance activities established between Turkey and Azerbaijan to be carried out on the Blockchain platform, negotiations with the public institutions and organizations of the relevant countries were largely completed and application design studies were advanced.
- The dispute on behalf of Petkim Petrochemical Holding A.S. caused by the Customs Tariff Statistics Position, which has been ongoing since 2014, was concluded in favor of the Company before the Council of State. This eliminated the risk of importing the PYGAS product with an SCT tariff, including the risk of importing with higher customs duties, and the risk of SCT applying to what had been consumed in the production of the SCT-free product in the domestic production of the PYGAS product which was produced in the Petkim Ethylene Factory and consumed in the Aromatics factory.
- Supply Chain teams implemented a range of projects within the scope of Değer Benim Platform in 2021, yielding USD 11.3 million in benefits.

PURCHASING ACTIVITIES

- A supplier performance value of over 91% was achieved in 2021.
- The scope of areas where e-tender and e-auction solutions could be used in procurement tenders was expanded.
- The use of robotic process automation in invoice pre-registration was expanded, with labor savings achieved in operational transactions.
- Training and pilot projects related to Smart Materials software, which will be commissioned for the digitization of purchasing processes, was completed.
- In 2021, the SAP Central Procurement Module and SAP S4 Hana project, which will increase the efficiency of integrated processes, was completed.
- The supplier portal, which is a part of the Smart Materials project, was commissioned to work in integration with the SAP MDG program.
- During the pandemic, the local supplier pool was further expanded and the process of supporting the domestic market was advanced. Supplier inventory-managed contracts for tube, pipe and valve products secured the companies' needs for tubes and valves for 3 years and their needs for pipes over a period of 1 ½ years. Thus, both the security of supply related to these materials, which are currently subject to serious global supply issues, was achieved while eliminating the impact of increasing raw material prices, resulting in a benefit of around EUR 5 million.
- Suppliers covered by rebate contracts concluded with key suppliers were included in the procurement processes of contractors conducting EPC work within the SOCAR Refinery-Petrochemical Business Unit. In the event that one of the companies included in the process wins the tender held by the contractor in accordance with their own processes, they will pay SOCAR the percentage of the contribution specified in the "rebate contract" from the sales which it will carry out.
- The catalogue scope of materials in the fast consumption group, which are mostly covered by hardware, has been expanded. Visualization and conceptual design work was stepped up in the Electronic Material Request Form (eMTF) project with plans to create a web-based MTF from the end of the second quarter of 2022, and through an application with effect from the third quarter, to expand the product range to all consumables by the end of 2022, and include third-party companies in the web-based marketplace in 2023.
- Prices and scopes were reviewed by conducting trend analyses of the 20 selected contracts within the scope of Post Award management, providing an additional benefit of approximately USD 7 million. A team was formed to focus on Post Award management studies in order to enhance the benefit provided.
- Two Engineering (Tekfen and Çimtaş) contracts, one Electro-Mechanical (ENKA) contract and one Digitalization-Instrument (Siemens) contract were signed to move forward with more agile purchasing in project work, with steps taken to ensure work was carried out at optimum pricing without the loss of time.



SALES AND MARKETING

PETKİM REALIZED 2.7 MILLION TONS OF SALES IN 2021 - A NEW RECORD

Petkim's sales from production amounted to 1,719,000 tons in 2021 with commercial product sales of 949,000 tons, with total sales reaching 2.7 million tons and sales revenues reaching USD 3,246 million.

As global supply chain disruptions experienced during the pandemic and global supply shocks in the petrochemical sector continued, raw material imports continued to be beset by issues and bottlenecks. Petkim therefore continued to place priority on serving the domestic market in its sales in 2021, realizing 59% of its sales to its 2,040 customers in the domestic market.

A RECORD-BREAKING YEAR FOR PETKİM'S COMMERCIAL ACTIVITIES

Petkim, which has been focusing on commercial activities in line with the demands of its customers in recent years, expanded its product portfolio as well as its commercial product volume while developing new collaborations within the framework of its trade strategy. The sales volume of commercial products, which stood at 709,000 tons with 32 commercial products in 2020, increased by 34% to include 39 products in 2021. Commercial product sales reached USD 1,080 million, accounting for 33% of total sales revenues for all products.

EXPORTS REACH USD 1,315 MILLION IN 2021

While Petkim maintained the weight of the domestic market in sales, there was an increase in foreign sales, especially with the transit trade for exports. Foreign sales reached a record USD 1,315 million in 2021, including direct exports of USD 802 million and transit exports of USD 513 million.

NEW DEVELOPED PRODUCTS AND COMMERCIAL PRODUCTS LEAD TO A WIDER PRODUCT PORTFOLIO

In 2021, new product types were developed by SOCAR R&D in accordance with the demands of the market and customers. In addition to Polypropylene EH 122 grade, products suitable for PPA masterbatch, AB masterbatch, slip AB masterbatch and extrusion coating applications in the field of masterbatch started to be produced in the plastic processing factories. In addition to its new products, Petkim maintains its focus on accurately meeting customer needs with its commercial product portfolio, which extends to 39 products.

INVESTMENTS

New investments and ongoing investments were followed more closely by increasing the frequency of the Investment Committee meetings, from once every quarter to once every two months, and then to once every month at the end of the year. The aim of these committee meetings was to implement high-yielding projects quickly without time loss. While conduction work in the preparation of the following year's investment budget, all technical analysis was carried out in accordance with the investment process, and financial analysis of the necessary projects was completed. Accordingly, the process was aimed at ensuring the optimal management of the investment projects by selecting projects with the highest added value and providing sustainability among the 1,500+ investment requests. Thus, while allowing ideas to mature, resources were transferred to the most appropriate options. Post-feasibility studies of realized projects were carried out and their realizations were followed on a monthly basis. While all these studies were being carried out, Petkim's short- and medium-term investment strategy was determined with due regard to its cash flow.

Among the strategic projects, the biggest investments are currently the modernization investments for the piers. These investments are aimed at strengthening the infrastructure of the piers, eliminating OHS and environmental risks and modernizing the infrastructure to achieve adaptation to the latest technology.

Projects aimed at ensuring the continuity of operation at the facilities and increasing the capacity utilization rate include the replacement and modernization of critical equipment. In addition to these projects, projects which will increase Petkim's profitability, provide synergies on the Aliağa peninsula, which have a short turnaround time and which are carried out in the Value Creation program were also included in the investment program and implemented during 2021.

PETKİM CONTINUES TO SHAPE ITS FUTURE WITH ITS INVESTMENTS, TO FOLLOW INNOVATION AND SUPPORT CHANGE IN INTEGRATION WITH SOCAR TURKEY GROUP COMPANIES.

In the 2021 Petkim investment strategy, priority was given to Occupational Health and Safety, Process Safety and maintenance investments which would ensure the continuity of the facilities. In addition to these investments, value creation projects and projects classified as strategic were implemented. Investment expenditures for 2021 amounted to TL 1,088 million.

R&D AND INNOVATION ACTIVITIES

SOCAR Turkey R&D and Innovation A.Ş. was established in December 2019 with the aim of bringing all SOCAR Group companies in line with their vision by drawing on the 53 years of R&D experience in the petrochemistry field of the R&D Center, which was first established in the Petkim Yarımca facilities in 1969. In June 2020, the Center qualified to receive the R&D Center certificate awarded by the Ministry of Industry and Technology.

In line with SOCAR Turkey's vision of being an integrated energy company which adds value to all stakeholders with economic and social responsibility, the founding purpose of SOCAR R&D and Innovation A.Ş. is to be an innovative, sustainable, environmentally friendly and market-oriented products, catalysts and digital technologies for all stakeholders in the value chain, and to increase the efficiency of production processes.

Its fields of activity include sustainability, energy transition, the circular economy, process optimization, the development of new products, application development and the digital transformation.

Installed Area

1,200 m²

Number of Researchers

26

Patents

15

Partnership Structure

100%
SOCAR Turkey Enerji A.Ş.

With its open innovation model, SOCAR R&D and Innovation implements collaboration between industry and academia in a target-oriented and determined manner.

The SOCAR R&D Center, located in the complex of the Aliağa Refinery and Petrochemical Business Unit, was established on an area of 1,200 m² and consists of six laboratories (Rheology, Catalysts, Polymer Characterization, Environmental and Biotechnology, Chemical Analysis and Chromatography), a 400 m² pilot facility (polymer processing, polymerization, chemical process operations, and catalyst test systems) and offices.

SOCAR R&D Center started to work with the Refinery and Petrochemical Business Unit in 2020 with the "order-based R&D model". In this context, a total of 14 order-based R&D projects were carried out with Petkim and four with the STAR Refinery in 2020-2021. In addition, four project services were provided for problem/bottleneck solutions.
The projects cover energy efficiency, operational excellence, digitalization, new products and environmental issues in the Refinery and Petrochemical Business Unit's production processes.

Aware of the environmental responsibility of all of our group companies operating in the energy, refining and petrochemical chain, the SOCAR R&D Center aims to play an active role in R&D and innovation projects within the scope of the Horizon 2020, part of the European Green Deal Call, which aims to achieve the European Union's transition to a carbon-free economy by 2050. SOCAR is currently involved as a partner in four European Union projects in the fields of Carbon Capture, Storage and Utilization (CCSU), sustainable production with Artificial Intelligence and alternative energy sources in the R&D, Horizon 2020 and Horizon Europe Programs, and as an advisory board member in two projects.


T-2101 A
HAM TA
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DIGITAL TRANSFORMATION AND INFORMATION TECHNOLOGIES

INFORMATION TECHNOLOGIES

In line with SOCAR Turkey's strategic goals, IT teams went to great lengths to achieve their 2021 targets and to achieve headway in the digital transformation. All of the projects and studies set out in the IT Roadmap were completed successfully.

In total, 56,379 calls were received through the SOCAR Service Center, with a timely response rate of 94.5% to the calls, exceeding the targets. The systems achieved an uninterrupted level of 99.84%, exceeding the industry average.

A total of 11 integration projects of different sizes, including our project, "Project Earth", the first phase of which was completed with the intense support of SOCAR senior management and business units, aims to update the systems which form the backbone of corporate applications using global best examples, were completed and delivered on time, within specifications and within budget. Revisions were carried out regarding the projects which had been postponed or cancelled due to changing needs.

In the service quality surveys which we conducted throughout the year, the rate of those providing feedback stating that they were "Satisfied" or "Very Satisfied" was 94.04%.

FUNCTIONAL OVERVIEW OF IT PROJECTS

The development of the central HR system established in recent years and its rollout within the Group continued this year.

SOCAR Turkey was handed the "Financial Transformation of the Year" award, provided within the scope of the Transformation Awards of the year (2021), organized by SAP Turkey, with successful projects carried out in the field of finance by the Corporate Applications teams.

While supporting SOCAR Turkey's financial processes with developing digital functions, processes and systems were updated to meet changing regulatory requirements. The integration of the "Electronic Account Statement" with 24 different banks was completed, providing speed and efficiency in bank reconciliations, along with instant updating of customer limits for commercial operations and instant reflection of bank balances to cash flow.

The Accrual Engine structure was commissioned to meet Petkim's needs with the automatic accounting step at the end of every month, principally to reduce the manual workload and prevent errors which may occur due to manual operation. The Fixed Asset Revaluation structure planned to be realized within the scope of Law No. 7256 on the Restructuring Certain Receivables and Amending Certain Laws was established in the Petkim SAP system, bringing an estimated tax advantage of TL 325 million over the next 6 years. The Leasecockpit application was commissioned for the management and tracking of lease agreements in accordance with IFRS / TFRS 16 regulations, in line with RP BU requirements.

As part of the Refinery and Petrochemical Business Unit Rebranding Project, new logos for the Petkim and STAR Refinery companies were revised in all outputs on banking instructions, including E-Reconciliation and E-Solutions, allowing more accurate and effective management of budget control.

CORPORATE MEMORY IN ONE SYSTEM

The Enterprise Content Management (ECM) system was implemented where SOCAR Turkey and Group companies are able to access and archive all content from a single platform and as a priority, transfers of technical documents (177,388 units), engineering project documents (10,460 units) and Human Resources personnel files (53,528 units) in the Petkim units were carried out; company policies, procedures and instructions were published.

END-TO-END PURCHASING AND SUPPLY CHAIN

As part of the improvements regarding the purchasing processes, requests in the Refinery and Petrochemical business unit were collected by a single unit and the purchasing and stock management processes were optimized by granting authorization to open SAT on a commodity group basis. The study carried out jointly with the Financial Control team was aimed at ensuring that the purchasing processes in Petkim SAP systems could be monitored on an end-to-end basis and collected on a single report, while facilitating the visibility and follow-up of the process. Based on the report, planned orders from Material Requirements Planning (MRP) were converted to SAT or SAS, enabling the planning unit to complete its end-to-end function efficiently. The developed cockpit ensures that SAT-SAS data can be reported in different currencies at once. Supply chain processes and logistics activities carried out in the ASNAK application are now integrated simultaneously; data derived from the ASNAK system is taken to the SOCAR BW system and backed up with reports created which provide end-to-end follow-up of the process by blending it with SAP data.

Failures of communication between the Customs Services and Purchasing departments cause additional costs such as storage and demurrage costs as well as customs transfer and item transportation fees caused by the arrival of goods at the wrong customs office. With the Current Goods Tracking System, developed to closely monitor this process in the Petkim and STAR Refinery companies, communication between the departments was stepped up, helping to prevent other costs which may arise in the future as well as normal import costs, by enabling long-term tracking and enabling Companies to pre-emptively take action.

In the Değer Benim Project, samples of products manufactured in the Petkim LDPE and LDPE-T factories were systematically tracked in different warehouse locations by providing stock tracking and sales operations, reducing waste and increasing efficiency.

The improvements carried out in the Petkim system ensured that active customers could be identified and product-based price notifications could be carried out for all types of sales in accordance with the new pricing system.

Proforma invoices and company letters prepared manually as Excel/Word files for export operations by Petkim sales teams were moved to the system, with their control and tracking achieved through a confirmation cycle.

With the HES/PCR query software developed for use in SOCAR Group companies in order to support measures to combat the spread of the COVID-19 pandemic and ensure business continuity, an average of 14,000 inquiries are made every day from the Ministry of Health.

The Purchasing and Supply Chain Refinery and Petrochemical Business Unit and Corporate Center companies' purchasing processes were restructured and purchase approvals which had been carried out on different platforms in the past in scattered SAP systems were centralized and brought onto the SAP FIORI platform, paving the way for increased user satisfaction with the user-friendly approval flow system.

The same system started to be used in Petkim, which operated E-Solution processes with different providers before Project Earth, and in all E-Solution applications of SOCAR Turkey and Group companies.

DIGITAL TRANSFORMATION AND INFORMATION TECHNOLOGIES

DATA MANAGEMENT AND REPORTING

Data Management and Reporting processes have been restructured under a holistic perspective and firm steps have been taken towards becoming a Data-Driven company. A central data warehouse (BWonHANA) system was established for the centralized storage, rapid processing and modelling of data. SAP PO was positioned to ensure inter-system integrations were stable and traceable with the aim of providing the same customer experience across the entire SOCAR Turkey Group with the SAP Analytics Cloud (SAC).

CENTRAL IDENTITY MANAGEMENT (IDM)

Integrations planned within the scope of the first phase of the IDM project, initiated to provide corporate identity management and application integrations on all applications and computer networks within SOCAR Group companies and to manage Identity and Access processes from a central point, taking into account SOCAR Turkey standards were carried out.

INFRASTRUCTURE AND OPERATIONS

In spite of the pandemic, all projects and activities within the scope of the IT Roadmap were successfully completed in 2021. With the aim of continuous improvement and providing the most appropriate infrastructure, all work was carried out meticulously, with importance placed on both projects and operational continuity. Work continued diligently on up-to-date technologies for system and network security, vulnerability management, privileged accounts and network access, which are an indispensable element in SOCAR Turkey's activities.

Support is provided in determining the equipment to be used, the creation of the topology and the operation and maintenance processes within the scope of the Petkim process camera second phase project. With the completion of Phase 1 and Phase 2, camera systems were commissioned in most facilities. The third phase of the project will get underway in 2022 and camera systems will be installed in all facilities throughout the field at Petkim.

Digital signage devices located throughout the Petkim site and managed separately were included in the central structure. In addition, content management paved the way for increased efficiency in the corporate communication unit.

INFORMATION SECURITY

Within the scope of ISO 27001 Information Security Management System, the ISO/IEC 27001 certificates of the Petkim, STAR Refinery and SOCAR Joint Management Services companies were renewed with integrated external audits carried out on 2-6 August 2021; the ISO/IEC 27001 certificates for Bursagaz and Kayserigaz were renewed with integrated external audits carried out between 27-30 September 2021. With the Information Security Management System platform commissioned, ISO 27001 processes were managed through a single platform. A total of 47 documents were published on the ECM. Risk analysis was carried out for a total of 719 information assets (17,403 units) within the Refinery and Petrochemicals Integrated Business Center, and for 134 information assets (3,208 units) within the Natural Gas Business Unit. Three separate Information Security Management System (ISMS) Board and Management Review meetings were held for the SIBC, Refinery and Petrochemical Business Unit and Natural Gas Business Unit, which included reporting of the information security studies conducted over the past year.

Compliance studies for Petkim, STAR Refinery, Bursa Gas and Kayseri Gas were carried out within the scope of the "Information and Communication Security Guide" published by the Digital Transformation Directorate on 27th July, 2020. Of the 4,384 measures implemented for the 150 asset groups identified within the scope of the PDTO Compliance studies, 3,679 have been completed and the implementation process of the remaining measures is ongoing.

THE DIGITAL TRANSFORMATION

In line its vision, Petkim continued to press ahead with the digital transformation efforts and strategy which it started in 2018.

In 2021, Petkim continued to expand its Transformation Group Directorship team, a strategically vital part of the digital transformation journey which it embarked on with the goal of becoming the most digital company in both Turkey and Azerbaijan. Teams were formed to meet the digital transformation strategy and needs in all areas from idea generation, project design, digital architecture and digital portfolio management to corporate process digital transformation and organizational adaptation requirements. In 2020, Petkim was selected to be a part of the Global Lighthouse Network of the World Economic Forum (WEF) in recognition of the standards it had reached in digital applications and the systems led by these teams, and in 2021, the STAR Refinery was the only company to be selected from Turkey and the first and only refinery in the world to be accepted into the Global Lighthouse Network.

Petkim redoubled its efforts towards achieving its strategic goals in 2021 in the digital transformation process, which it continues with the responsibility bestowed upon it by its inclusion in the WEF - Global Lighthouse Network with the aim of being the most digital company in Turkey and Azerbaijan, and with the mission of taking the leading digital application standard in its sector to the next level. It has implemented projects to ensure the widespread use of digital technologies in a wide range of functions, especially in the production and corporate processes, to increase production and energy efficiency with machine learning algorithms, to improve processes and strengthen infrastructure for data-based decision-making mechanisms.

One of our projects which contributes greatly to the optimization of our production processes with advanced analytical modelling developments is our Diesel Pool T95 Optimization project. The Diesel T95 level is a very important measurement set as standard in the industry. In order to derive the highest commercial gain from diesel, this value must be at a level determined by the production instructions. Efficiency studies, which our production planning teams had tried to carry out with samples taken manually every 8 hours before the project, were improved thanks to the ability to estimate the T95 value with Machine Learning methods and to instantly show the optimal unit instructions to the planning specialist with Mathematical Optimization techniques, with the commissioning of the project. In this way, our production planning teams can intervene in the production process more rapidly and clearly when necessary. The system is operational, and its predictive and optimization models improve the diesel pool, contributing USD 2.4 million annually to the company.

Another important project is our Compressor and Pump Predictive Maintenance solution, which we perform according to the criticality of our equipment. In the project, we analyze historical and real-time data and alarm limits and create a hardware-based model in order to ensure our continuity in production, maintain our availability at the highest level and reduce our maintenance costs. Hardware alarms are continuously monitored and reported to field teams through this solution. Accordingly, the levels of alarms and field signals are monitored in real time, and the digital twin of the hardware is revealed by carrying out corrections. With this software, faults for critical equipment such as compressors and pumps can be predicted months in advance and our maintenance activities can be planned.

A reliable and sustainable architectural strategic plan was developed by conducting general architectural evaluations with the focus of Advanced Analytics and RPA infrastructure. Under this plan, Digital Architecture technology components and Cloud structures were determined. RPA Architecture hardware capacities have been increased and procurement processes initiated to create the state-of-the-art infrastructure necessary to strengthen our Advanced Analytical architecture.


SOCAR

DIGITAL TRANSFORMATION AND INFORMATION TECHNOLOGIES

IN 2021, DIGITAL ASSISTANTS WERE EXPANDED TO MANY BUSINESS UNITS, ALLOWING PETKİM EMPLOYEES TO WORK MORE EFFICIENTLY AND MORE STRATEGICALLY.

We have continued to implement our digital assistants created using Robotic Process Automation (RPA) technology in many different functions with the infrastructure laid down in 2019. Automating 25 processes at the end of 2020, our digital assistants reduced operational burdens in 30 processes by the end of 2021, saving 15,000 man-hours and helping to allocate more time to strategic work. In this area, which we refer to as the SOCAR Energy Digital Assistant (S.E.D.A.) and where we increase organizational awareness through communication activities, automation studies are planned to continue in the next year with new opportunities identified during the idea generation workshops held by our Corporate Digitalization team with our business units throughout the year.

The Citizen Developer Pilot program was launched in October 2021 in order to increase the rollout of Robotic Process Automation technology and equip our employees with competence in this field. Business unit employees included in the pilot were given extensive training on tools and technologies to create solutions for RPA needs, and were empowered to create their own digital assistants. In addition, our employees gained 350 man-hours of time in 7 processes with the digital assistants they developed. Petkim plans to expand the pilot program in 2022.

The IDEATHON program was created within the scope of our digital ecosystem development studies, with a total of 25 colleagues selected from different business lines and departments and levels. The program covers the determination of the right problem, producing concrete solutions for each problem and creating prototypes and testing them by applying the Design Thinking methodology. In the program, the colleagues came together to reveal their ideas for digital transformation opportunities in business processes over a period of 4 weeks. With this program, which was organized by the Digital Transformation and Information Technologies Directorate, five digital project ideas were added to our roadmap while improving the digital idea generation competencies of our employees.

WE WILL RAMP UP OUR EFFORTS TO SUSTAIN OUR DIGITAL TRANSFORMATION IN 2022

Petkim will pursue its digital transformation journey with a raft of new ideas and projects, with work to ensure full use of digital technologies and experience new approaches and technologies in order to increase efficiency in production activities, prevent unexpected halts and provide automation to more corporate processes.

In this direction, Petkim will continue to advance the level of digital maturity at its facility to worldwide levels, with the digital competencies it brings to its employees.

SUSTAINABILITY

PETKİM'S SUSTAINABILITY VISION

As an extension of SOCAR Global's management approach, sustainability has become an integral part of SOCAR Turkey's management approach with its mission to "operate and develop the entire value chain, from the source to the end user, in an efficient and sustainable manner with experienced, knowledgeable and committed human resources at all levels". Attaching importance to the management of the social, economic and environmental impacts as part of its business strategy, SOCAR Turkey presents an integrated sustainability perspective and management approach with a management approach covering all group companies.

The petrochemicals sector is one of main driving forces of sustainable development. Industrially developed countries are also the world's leading petrochemical producers. The products manufactured by Petkim are used as raw materials in the most important sectors of the Turkish manufacturing industry. This production and value-added chain is one of the key elements of sustainable development.

While increasing the high added value it provides to the economy, Petkim maintains its activities without compromising its ethical rules, transparency and honesty with an awareness of its responsibilities to its stakeholders as a corporate citizen, with the synergy it derives from SOCAR Turkey's sustainability vision.

RANKED 8TH AMONG 206 COMPANIES IN THE INTERNATIONAL ESG PERFORMANCE RATING

The company also sets itself apart with a corporate identity which has internalized the concept of sustainability in all aspects with dedication and determination, in order to minimize the environmental impacts arising from its activities and contribute to the environment with its vision for the future, always act with an approach which puts people at its heart, with a sensitivity to occupational safety and worker health and to demonstrate its maximum contribution to society through social responsibility projects. As a company which adopts the philosophy of creating value for a sustainable future by considering the economic, social and environmental dimensions of its activities, Petkim was ranked 8th among 206 companies evaluated in its sector in the ESG (Environmental, Social and Governance) risk rating assigned by the global rating company Sustainalytics in 2021. Each year, it aims to increase its performance in this rating, in which environmental, social and governance practices are evaluated.

Petkim is progressing towards its sustainability goals together with the international community, with comprehensive infrastructure and integration studies carried out for sustainable production, innovative practices integrated into business processes, international protocols signed and the global events attended.

With the Capital Markets Board's Communiqué on the Amendment of the Corporate Governance Communiqué, which was published in the Official Gazette dated 2 October 2020 and numbered 31262, the basic principles that public companies are expected to disclose while carrying out their Environmental, Social and Corporate Governance studies (Sustainability Principles Compliance Framework) has been published. These principles are implemented on a voluntary basis. The compliance of our sustainability reporting with the CMB legislation is evaluated and our reporting is prepared according to the GRI international standards. There is no sanction from the non-compliance with these principles.

HUMAN RESOURCES

HUMAN RESOURCES POLICY

The basis of Petkim's human resources policy is to provide a safe, fair and healthy working environment with strong ethical values, to offer practices which keep motivation and employee loyalty high and, going beyond ensuring a qualified workforce while maintaining corporate development, being the first choice for employees and maintaining this position. At the same time, the human resources policy aims to create the human resources of the future in the most efficient way with a global approach.

Believing that each of its employees has the impact and importance that will carry the company to the future within its growing structure, Petkim is aware that success is directly related to the high performance of its employees. The company offers opportunities for the development and high motivation of its employees, with the principle of right candidate for the right position being at the heart of its corporate values.

TALENT ACQUISITION PROCESS

Petkim regards human resources as its most important asset. The principle of the right candidate for the right position is at the focus of the Company's values. In this vein, while determining the critical roles for the business continuity, it attaches importance to creating a backup pool from both internal and external candidates for these roles and effectively uses different recruitment channels and internal reference system to reach external talent. One of the main priorities in the recruitment processes is to recruit a qualified workforce which abides by the Company's values and to help them develop their careers within the company.

Competence-based interviews, potential analysis, technical interviews, ability tests and, for certain positions case studies and foreign language tests are also used in the recruitment process.

Attaching tremendous importance to developing and recruiting young talent, Petkim aims to contribute to the personal and professional development of students by implementing internship programs for university interns each year. It seeks to meet all potential candidates through events such as career days and university activities.

The intern employment process is also seen as a social responsibility approach for Petkim. Digital tools are given priority in the recruitment processes for interns and new graduates, with candidates undergoing video interviews, case studies and technical interviews. During the internship programs, a mentor is assigned to the employees with the aim of providing them with experience of real business life, with employees carrying out a project presentation at the end of the process.

TALENT MANAGEMENT PROCESS

At Petkim, Talent Management is implemented with the active participation of our leaders in order to enable employees to realize their potential, support their career development and turn their potential into high performance.

In this process, critical roles in the organization are determined independently of the person. The future potential of employees is also brought under evaluation. This process, which was developed based on the needs of the employees and up-to-date approaches, is managed in a digital environment.

The Talent Management process is aimed to systematically provide and receive feedback from employees, to plan their careers accordingly, and to develop a solid back-up network that will enable employees maximize company performance, and a high level of business loyalty.

RETENTION PROCESS

One of the most important building blocks in the retention process is ensuring that employee loyalty is sustainable, something that is supported by Petkim's strong and long-lasting corporate culture which has been shared by all its employees since Petkim's foundation. Trends in remuneration and benefit packages in the sector, in the country and across the world are followed closely, and a remuneration policy which is in line with these trends is applied. A reward system is applied to reinforce employee behavior which creates added value and appreciates their professional endeavors.

For open positions, an assessment process for internal candidates is carried out. An inter-departmental rotation program is also implemented with the aim of promoting the development of employees.

For new recruitment and job changes, a work adjustment and orientation program is implemented, which is structured within the framework of the work adjustment program.

CHANGES IN THE NUMBER OF EMPLOYEES

Working to a principle of investing in qualified human resources, Petkim is adding new employees to its organization in line with its needs and growth targets. In 2021, the average number of people working at Petkim stood at 2,355 in total. At the end of the year, a total of 2,377 employees, including 568 white-collar employees and 1,809 blue-collar employees was working at Petkim.

TRAINING ACTIVITIES

Providing employees with different perspectives and expanding their visions are among the most important elements that make up the training and development plans at Petkim.

With Occupational Health and Safety training always being a priority, professional and personal development training programs are planned to provide training on use of equipment and skills which employees may need, in addition to legally mandated training. The training determined in line with the training needs analysis work carried out within the institution, the targets, performance evaluation results, career plans, sectoral developments and individual development plans are carried out through business partnerships that are experts in their fields. Due to the pandemic, an infrastructure and content pool was created to provide improvement to employees in every field, and synchronous training environments were organized with both domestic and international trainers. The orientation program, designed to accelerate the adaptation of new employees to the Company, their adaptation to the corporate culture and their adaptation processes, is carried out with the participation of employees with wide range of roles, locations and companies. The program also includes distance learning, field visits and buddy support. On-the-job training in the field is designed for employees who have a job change in the field or who have just started to work. All of Petkim's training investments are recorded and reported centrally after online processes run through the SOCAR Learning Center. In addition, all employees are offered the opportunity to monitor their own development goals and plans through this platform.

In a changing and digitalizing world, the share of digital tools in education activities is also increasing at Petkim. Training and development processes are being transformed from the classic 100% classroom environment to processes that start with e-learning, continue with virtual classrooms, digital assessments and exams, and are reinforced with face-to-face classroom training and workshops.

REPRESENTATIVE TO CONDUCT RELATIONS WITH EMPLOYEES

In line with Petkim's human resources policy, the Human Resources department carries out the processes related to determining the industrial relations policies at the Company, executing the relevant strategies, arranging the relations between the employee and employer within the framework of dialogue-based industrial relations and increasing the quality of working life by establishing a healthy communication environment on the basis of efficiency. Activities are carried out with relevant process leaders, internal and external stakeholders, senior managers, direct employees and employee representatives, depending on the area concerned.

Within the scope of Article 27, entitled "Assignment and Duties of the Trade Union Representative" of Law No: 6356, "Trade Unions and Collective Bargaining Agreement Law", there is a Chief Representative and Representatives in the workplace.

Workplace trade union representatives and the chief representative are responsible for listening to the requests of workers and resolving any complaints (limited to workplace issues), ensuring cooperation, a peaceful work environment and harmony between the worker and the employer, while upholding the rights and interests of the workers, assisting in the implementation of the working conditions set out in the labor laws and the collective labor agreements.

Trade union representatives are authorized to express their opinions on issues related to occupational health and safety, to submit offers, to implement new technologies and to consider the effects of selected work equipment, the working environment and the conditions concerning the health and safety of employees. Additionally, trade union representatives have the right to table suggestions to the employer and to ask the employer to take the necessary measures in order to eliminate the source of danger or reduce the risk arising from the danger.

Within the framework of legal regulations, the chief representative and foreman representative also participate in the relevant committees, whose duty is to assess the hazards and precautions related to occupational health and safety and to inform the employer.

OCCUPATIONAL HEALTH, SAFETY AND THE ENVIRONMENT

SOCAR Turkey has a culture that adopts the best OHS-E (Occupational Health & Safety-Environment) practices of the industry, which forms the basis for the provision of occupational health & safety and environmental excellence. SOCAR Turkey aims to ensure that its work is always safe, reliable and efficient wherever it operates. In this vein, the SAFE Management System consisting of four bases, 16 principles and 100 expectations was established by the SOCAR OHS-E Directorate. Petkim continues its activities under the SAFE Management System.

OCCUPATIONAL HEALTH AND SAFETY

Petkim ensures that all operations carried out by the Company are evaluated in terms of compliance with the legislation on occupational health and safety. The Company also ensures the constitution of occupational health and safety enforcement system, its registration, and association of these operations with integrated management systems and other processes.

Internal audits carried out within the scope of OHSAS 18001: 2007, which is the Occupational Health and Safety Quality Management System, were carried out within the scope of OHSAS 45001 with the update of the certificate this year, and Petkim successfully completed the audit process and obtained the OHSAS 45001 certificate. An external audit is carried out each and every year by an external auditor. In addition, necessary actions are planned through updating occupational safety risks in the processes by third-party inspections.

At the end of each year, a fire drill plan for the following year is prepared by OHS-E. In 2021, 13 Level-1 planned fire and rescue drills and 1 Level-3 planned fire drill were carried out.

Related plant managers and senior management representatives take part in the drills, ensuring continuous improvement.

The activities carried in 2021 regarding legal compliance, adaptation of the activities to the occupational health and safety systematics and recording and working in an integrated manner with other management systems are listed below:

- In order to protect health during the OHS-E training programs during the pandemic, 16 hours of compulsory Basic Occupational Health and Safety trainings were carried out in the form of distance learning within the scope of the Training Plan. In addition to the legal training issues created in this context, work authorization / work permit, OHS practices (rules) in maritime activities, process safety and working at height, etc. distance trainings were given to all relevant personnel. Furthermore, all contractor companies that will work at the Petkim site were provided with a 3-hour job entry training and related contractor personnel were provided with work management system trainings. Studies on the digitization of contractor trainings were carried out and it was commissioned as a pilot in 2021. OHS training repetitions for our contractors who received outdated training and the training process for our visitors were implemented.
- •As a result of the work carried out within the framework of Occupational Health and Safety, the Recordable Accident Frequency Rate was reduced by 53% compared to 2019.
- In 2021, OHS-E personnel issued approvals for 24,626 hot work activities, 8,573 closed area entrances, 10,113 removal operations, 176 excavation activities, 14,721 energy isolations, 1,123 rescue control forms and 1,126 radiographic work activities; no occupational accidents occurred within the scope of these activities.
- In 2021, 272 periodic inspections were carried out by blue-collar personnel at monthly intervals to factories, workshops, switching rooms, warehouses, laboratories and weekly inspections by white-collar personnel in different units. In 2021, five sense events were held in a bid to raise OHS awareness among personnel.
- Toolbox training sessions started to be provided on Mondays and Tuesdays in all Petkim plants.
- All OHS-E training was provided in accordance with the Regulation on the Procedures and Principles of the Occupational Health and Safety Training of Employees, within the framework of the Occupational Health and Safety Law No. 6331.
- The Risk Assessment Procedure was revised due to compliance with ISO 45001, integration and organizational change, and updating work in the field had been completed by the end of the year.
- In 2021, committee meetings continued to be held every month, where OHS issues, factory and maintenance management were discussed, workplace hazards and risks were proactively evaluated and risk-based solutions were generated.
- Collar type gas measuring devices and escape masks were distributed throughout the field.

- Awards were given for developing a safe working culture within the scope of SOCAR SAFE.
- Improvement (agile) work continued in the PTA, PVC, VCM, KA plants and daily meetings were held.
- The Petkim Work Management System, hazard analysis and risk management processes were prepared. After employees at Petkim and contractors received training on the subject, the Work Management System was brought into use at Petkim.
- Health and safety markings were placed and signage arrangements within the scope of safe driving were made in all factories in order to increase Occupational Health and Safety culture and awareness. Health and Safety Signboards were purchased and assembly work began on site. Within the scope of safe driving, checks started to be carried out on the compliance of personnel with the Company's rules on a daily basis through the vehicle tracking system, to ensure that employees were not endangering their own health or the health of other people.
- Among the SCR Projects, Occupational Health, Safety and Environmental processes have been carried out and continue to be carried out in a coordinated manner in various activities within the Hotel, Archive Building and the ongoing new Petkim refectory, COFOT and Jetty projects.
- In line with Petkim's policy on sustainability, the following activities were carried out to raise employees' awareness on occupational health and safety:
  - Site visits were organized.
  - HSE (Health Security Environment) training programs were provided.
  - Contests were held.
  - Occupational Health & Safety and Environment Boards were set up.
  - Occupational Health & Safety and Environment videos were broadcast on the corporate TV channel.
  - OHS-E Bulletin & On-the-job talk applications were carried out.
- Vehicles found to be a potential danger during entry and exit checks, to check for dangerous goods, were not permitted to enter through the PETKİM B Gate. The checks were conducted within the scope of the European Convention on the International Carriage of Dangerous Goods by Road in compliance with both ADR and OHS standards. No criminal proceedings were filed against the Company as a result of inspections carried out by the traffic police, gendarmerie or municipal police officers at roadside inspection stations. No accidents occurred during the filling and discharging operations.

HEALTH SERVICES

There was an increased need for Occupational Health and Safety in the activities carried out in our workplace due to the pandemic that has affected the whole world since 2020. Production sustainability was ensured with the rapid actions taken by closely following the directives and practices of the World Health Organization (WHO), Centers for Disease Control and Prevention (CDC) and the Ministry of Health of the Republic of Turkey. The follow-up audit of the "COVID-19 Safe Production Certificate" carried out by the TSE was successfully concluded thanks to the high-level measures taken by our Company.

The Company participated in the Refinery and Petrochemical Business Unit IMS external audit and ISO 22301 Business Continuity Management System Certification audit.

The isolation processes of COVID-19 cases in our Refinery and Petrochemical Business Unit SOCAR Turkey and our Contractor companies were monitored and reported on a daily basis.

In cooperation with the Aliağa District Health Directorate, COVID-19 vaccines for employees were administered on-site, and a total of 1,344 employees were vaccinated at our R&P BU Health Services during 2021. Fever checks were carried out with thermal imagining and thermometers at all door entrances.

The "COVID-19 Vaccine Information and Support Line" call-center service was provided to all SOCAR Turkey employees.

The dashboard created for instant tracking of COVID-19 cases won first prize in the "KİPLAS OHS Good Practice Awards" competition. Integration with the Ministry of Health's the HES (track and trace) system was ensured. Employees flagged as being high-risk on the basis of the HES code or unvaccinated were restricted from entering into the field.

Microbiological and chemical analysis of potable water was carried out at 120 different points in Petkim in 2021.

The Petkim First Aid Training Center provided first aid refresher training to 155 employees, while AED (Automatic External Defibrillator) certified training was provided to 527 employees.

A third party Food Safety and Hygiene Audit was conducted each quarter in all dining halls on our site. Any failures in conformity were reported and followed up.

OCCUPATIONAL HEALTH, SAFETY AND THE ENVIRONMENT

ENVIRONMENT AND WASTE MANAGEMENT ACTIVITIES

In line with sustainability principles, Petkim continues its production activities with approaches such as optimal use of resources, energy efficiency, an orientation to clean energy resources, minimizing environmental impacts with a holistic and preventive environmental strategy and stepping up environmental R&D projects and investments in the environment.

Petkim's environmental activities are carried out in line with the Integrated Management System, which includes the ISO 14001:2015 Environmental Management System and consists of a total of seven quality systems.

At Petkim, the environmental impact is checked with measurements and analysis on environmental issues, and our motivation to go beyond legal obligations by targeting continuous improvement with environmental performance indicators guides us in our work. Some of the studies carried out in this vein include water and wastewater analysis, emissions and emission measurements, waste management, control of marine pollution, constant reviews of the environmental impact dimension assessment analysis, efficient and effective operation of waste water treatment plant and hazardous waste incineration plant, development of a company-wide environmental culture, management of chemicals and monitoring of greenhouse gas emissions are.

In 2021;

- The Ministry of Environment and Urbanization in 2021 awarded Petkim a "Zero Waste Certificate" for the waste management system, which was renewed in 2020 to cover all areas of activity and contractors.
- In accordance with legislative obligations, six chimneys were monitored with Continuous Emission Measurement Systems, and data from the chimneys were transferred to the Ministry's online system. Integration was achieved with the changes to the data monitoring system carried out by the Ministry, and all online monitoring started to be performed through the Continuous Monitoring Centre.
- Measurements of 46 emission and 40 immission sources were carried out and reported on within the scope of the Industrial Air Pollution Control Regulation.
- Greenhouse gas emissions originating from our activities were calculated within the scope of the Regulation on the Monitoring of Greenhouse Gas Emissions, and a greenhouse gas emission report for 2020 was created in the "Greenhouse Gases Monitoring, Reporting and Verification" information system. The report was verified by the verification body authorized by the Ministry.
- In order to gauge the effect of our production activities on odor emissions, odor measurements were conducted at 20 emission points and reported in a manner which includes evaluation according to legal limits.
- The compliance of treated water quality with discharge standards was monitored.
- All Petkim employees were provided with online environmental training due to the pandemic measures.
- Toolboxes on the subjects of "Let's Reduce Our Carbon Footprint", Organization, Safety Data Sheets, Environmental Requirements in Chemical Use, The Environmental Dimension and Impact Assessment, Secondary Protection Measures, Preparedness for Rainfall, Waste Water Management and Monitoring and VOC Emissions, as well as bulletins on the issues such as World Water Day (the value of water), life cycle analysis, the management and monitoring of air emissions and environmental management systems were published in a bid to raise environmental awareness among employees.
- Internal and external audits were carried out in regard to compliance with the ISO 14001 Environmental Management Systems Standard, which is within the scope of the Integrated Management System. As a result of these audits, the decision was taken to extend the validity of the certification.
- The Petkim Port received the Green Port certificate from the General Directorate of Maritime Trade from the Ministry of Transport and Infrastructure for a 7th time. Necessary monitoring was carried out within the scope of the Green Port requirements.
- Deposit approval was obtained in 2020 for plastic pallets used as transportation packaging in the sales process of our products, with a focus on the circular economy approach. Deposit declarations were submitted for packages collected within the scope of the deposit scheme throughout 2021.
- Pre-MBDF and SEA records have been completed in the Chemical Registration System for all products produced in Petkim within the scope of chemical management.
- The environmental aspects and impacts of all our activities are evaluated, and action plans are created within the scope of

these evaluations to increase our environmental performance.

- Environmental Impact Assessment (EIA) processes are carried out in order to evaluate the environmental aspects of all planned improvements, capacity increases and new projects. Projects are only implemented when the evaluation of the EIA processes and environmental impacts of the projects are completed. In 2021, EIA processes were carried out for the Petkim Wastewater Treatment Plant and Petkim Pier Modernization projects, and the EIA exemption opinion was received for the Wastewater Treatment Plant Additional Balancing Pool project.

Demonstrating its determination to go beyond legal obligations, Petkim constantly monitors its environmental performance and implements the necessary improvement investments.

Within the scope of on-site waste management and waste disposal processes at all production units operating within the scope of Refinery and Petrochemical Business Unit in the SOCAR Turkey Special Industry Zone, we continued to work with a single company known in the sector and with an effective waste management system established by adopting the zero-waste principle. The Zero Waste Certificate was issued in due course.

PROCESS SAFETY

Process Safety Management (PSM) Project

Process safety is concerned with the prevention and control of incidents with the potential to release hazardous materials or energy, by managing proactive measures to ensure the integrity of the business and prevent the release of hazardous materials through the establishment of sound design principles, engineering, maintenance and operating practices. Such incidents can cause toxic effects, fire or explosion, resulting in loss of life, serious injury, damage to property, loss of production and harm to the environment.

Petkim has a culture that adopts the industry's best OHS-E practices, which forms the basis for excellence in Occupational Health, Safety and Environmental management. The work of the Petkim PSM Project, which started in August 2020, continued in 2021.

The Process Safety Management System carried out at Petkim, where the vision of being an innovative company which is reliable and demonstrates sensitivity to life and nature, consists of the following topics.

Process Safety Management and Organization

- Performance Management and Continuous improvement
- Operational Discipline
- Audits
- Process Safety Leadership Coaching
- Process Safety Culture and Talent Development Program
- Process Safety Information (such as Process and Equipment Design Information, P&ID)
- Process Hazard Analysis (What-if Analysis, HAZOP&LOPA etc.)
- Process Safety Change Management (Technology & Facilities)
- Pre-Commissioning Safety Review (PSSR)
- Operating Procedures
- Incident Investigation and Reporting
- Competency Development
- Emergency Response and Planning

Process Hazard Analysis Studies

Hazard Identification (HAZID) Studies

The progress of high-risk actions determined in the HAZID study carried out in 2020 to create a system-level hazard and risk assessment process and a comprehensive risk record list at all plants within the Petrochemical Business Unit were monitored and reported periodically in 2021.

Hazard and Operability Analysis (HAZOP) & Layer of Protection Analysis (LOPA) Studies

In line with the Petrochemical HAZOP Revalidation schedule, work continues on the Ethylene Factory HAZOP&LOPA work, which started in December 2020.

Within the scope of the projects developed with a need for integration and modernization for petrochemicals, and the changes to be made in 2022, the Petrochemicals Business Unit attended HAZOP & LOPA studies with What-if Analysis.

Process Safety Management of Change System (MOC) Studies

Work on implementing and manage the MOC process to the same standards in the Refinery and Petrochemical Business Unit has been completed. Training was provided for all relevant disciplines regarding the Process Safety Management of the Change System.

Within the scope of the changes made at our Petkim sites, MOC process hazard analysis studies were led.

ENERGY MANAGEMENT ACTIVITIES

Petrochemical processes in the world have among the highest energy needs and energy consumption of any of the industrial branches. As such, studies into energy efficiency have gained great importance in petrochemical processes. With the “Energy Efficiency” work carried out systematically within the scope of Energy Management in Petkim, various projects have been implemented every year and these projects have been spread across the field.

Energy Efficiency and Saving projects are carried out in facilities. On October 15, 2021, for the four EEPs (Efficiency-Enhancing Projects) that were completed in 2020, the people from Ministry of Energy and Natural Resources, Department of Energy Efficiency and Environment came for on-site inspection at the site and the projects were eligible for support. The final reports of the projects have been sent to the Ministry of Energy and Natural Resources and it is expected that TL 1.3 million in cash grant support will be deposited to our Company’s account.

Within the framework of Energy Management activities, studies are also carried out within the scope of ISO 5001: 2018 Energy Management System. The studies conducted in 2021 are summarized below:

The certificate renewal audit of Petkim ISO 50001:2018 Energy Management System took place between 15-23 November 2021, and the certificate was renewed following the successful completion of external audits.

The STAR Refinery ISO 50001:2018 Energy Management System certificate observation audit was completed on 15-23 November 2021, with the decision taken to extend the certification.

BUSINESS PROCESSES AND QUALITY MANAGEMENT SYSTEMS ON THE JOURNEY TO BUSINESS EXCELLENCE

PETKİM INTEGRATED MANAGEMENT SYSTEM

The Petkim Integrated Management System consists of the following systems;

- •ISO 9001: 2015 Quality Management System
- ISO 14001: 2015 Environmental Management System
- ISO 45001: 2018 Occupational Health and Safety Management System
- ISO 50001: 2018 Energy Management System
- ISO 27001: 2017 Information Technology Security Management System
- TS ISO 10002: 2018 Customer Satisfaction Management System
- TS ISO 31000: 2018 Risk Management Verification System
- TS ISO 22301: 2012 Social Security-Business Continuity Management System
- GreenPort Certificate
- ISO 17025 Laboratory Accreditation System
- TSE COVID-19 Safe Production Certificate

In 2021, management systems certification work continued in line with the objective of managing the processes and activities effectively and to a high level of quality.

On 30 June-2 July 2021, TSE COVID-19 Safe Production Certificate audits within the scope of Refinery and Petrochemical Business Unit Companies were successfully concluded, with the decision taken to carry on with the existing system.

ISO 27001:2017 Information Security Management System 1st surveillance audit, which was held on 3-6 August 2021, was successfully concluded.

The ISO 50001:2018 Energy Management System re-certification audit, which was held on 15-23 November 2021, was successfully concluded, with the decision taken to carry on with the existing system.

ISO 9001:2015 Quality Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System, ISO 31000 Risk Management Guide re-certification, ISO 10002:2018 Customer Satisfaction Management System first surveillance audits held on 15-23 November 2021 were successfully concluded, with the decision taken to carry on with the existing systems.

ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System first surveillance and certification audits, which were held with 3 auditors from the Turkish Standards Institute Izmir Region on 14 -17 December 2021 within the scope of Petkim port activities, were successfully concluded.

Within the scope of Refinery and Petrochemical Business Unit Companies, ISO 22301:2012 Social Security-Business Continuity Management System Certification Inspection, which was carried out by a total of 3 auditors from the Turkish Standards Institute on 25 October-1 November 2021, was concluded successfully and it was decided to certify the companies.

A process review project was carried out with a third-party consultant within the scope of Business Process Management between 22 April and 17 November 2021 where a total of 1,079 processes were reviewed, and performance indicators, RACI matrices and risk and control points for processes were created.

THE AGILE BUSINESS MODEL

THE BENEFITS OF THE VALUE CREATION CULTURE PAVED THE WAY FOR THE AGILE BUSINESS MODEL.

One of the biggest achievements of the “value creation journey”, which started in 2016, for our company has been the “culture of continuous development”. The Agile Business Model was designed with the aim of turning this achievement into a business model.

Agility is the ability to adapt to changing demands and conditions quickly and in a manner which will generate the greatest benefit. Agile work is a business model where different disciplines come together around a common goal and overcome obstacles together.

The Agile Business Model is widely recognized in organizations today, one of the trends which has gained momentum, especially during the pandemic. With our pioneering approach in Agile Transformation, as in other areas, we had already initiated the necessary work to make the Agile Working Model a part of our corporate culture back in 2018. As the pioneer in the industry, we at Petkim are proud to have started this journey some years ago.

We have achieved great success in our journey which started as a pilot scheme in the PTA factory in 2019. The improvement in the runtime factor at the factory, the completion of OHS-E notifications in a shorter space of time and the increase in employee motivation are among the achievements which this model has brought. As a result of the success observed in the pilot study, the study was expanded in 2020 with the decision taken to implement the Agile Business Model in three more facilities. At the end of a one-year process, the achievements of the pilot teams proved the benefits of the Agile Business Model at Petkim. As part of the SOCAR Turkey Refinery and Petrochemical Business Unit, design work was carried out to expand the Agile Business Model in all our facilities in the first quarter of 2021, and at the units located at the sites of operation in our Petkim, STAR Refinery and SOCAR Storage companies. In line with the design put forward, operation-oriented field teams were established and phased out during the year, enabling the transition to the Agile Business Model. Thus, in 2021, 24 operation-oriented teams were established in the SOCAR Turkey Refinery and Petrochemical Business Unit.

One of the most important advantages offered by the Agile Business Model is that strategic goals are traceable at the level of each team. Each agile team prepares its own job list in accordance with the company’s strategic goals and focuses on its activities in this direction as a team. The increase in interdepartmental communication, transparent follow-up of the job lists and the end-to-end tracking of the process has not only accelerated work in the organization but also positively affected our business outputs.

As a company which has stepped into the Agile Transformation process on this scale and progressed successfully in the Refining and Petrochemical sector, we are proud of our position of being the first in the world.

DEĞER BENİM PROGRAM

Within the scope of the Değer Benim Transformation Program implemented 5 years ago to improve efficiency and performance at Petkim, the realization of project proposals put forward by our colleagues in 2021 yielded USD 110 million.

In 2021, the Değer Benim Platform continued its success with major projects in the Lean Six Sigma, Kaizen, Agile Transformation and Digitalization categories. As in previous years, these projects brought significant positive contributions to Petkim's financial results in 2021, despite the impact of the pandemic.

During the year, more than 70 initiatives were turned into projects and preparatory work got underway, out of about 150 project proposals submitted by our colleagues.

As of 2021, more than 20 workshops have been held within the scope of SOCAR Turkey Refinery and Petrochemical Business Unit on a functional basis and new potential areas for improvement have been identified with project work getting underway.

Within the scope of the Değer Benim platform, optimization studies are carried out in the fields of the operational, commercial and supply chain. Work continues on energy and efficiency projects in the field of operation, and projects aimed at optimizing the domestic and international sales of petrochemical products and increasing profitability in the commercial field. Within the scope of supply chain activities, emphasis is placed on logistics optimization, inventory optimization and synergies which will be captured as a result of the integration.

Lean Six Sigma studies carried out under the Değer Benim Platform were continued with 3rd Wave Green Belt training in 2021. Within the scope of the training, 14 of our colleagues completed their Green Belt training and successfully advanced their projects.

The Employee Suggestion System "Fikrimce (In my opinion)" attracted a high level of participation also in 2021, more than 700 suggestions submitted into the system were examined. All the suggestions received were examined in detail by the Idea Evaluation Board and nearly 150 suggestions were brought to the implementation stage.

CUSTOMER SOLUTIONS ACTIVITIES

As one of the world's leading petrochemical companies, Petkim is aware of the importance of enabling its customers to reach their maximum potential. The Customer Solutions Team is constantly diversifying the ways it offers its global network of expertise in R&D, product design, quality control, safety and engineering applications. In this context, Petkim keeps the documents such as technical characteristics of its products, usage areas, processing conditions and statements of compliance with legal regulations available to its customers instantly through its website, and 128 documents were reviewed on its website in 2021 and kept up to date.

While the industry continues to evolve, simply maintaining the status quo in asset performance is not seen as an option. With this approach, innovation and long-term technical support commitments were made with a large number of customers in 2021. As an indication of the customer-oriented approach, Petkim responded to 365 customer requests, either orally or in writing, and direct meetings were conducted with 73 customers.

Today, more than ever, there is a need for activities within the scope of sustainability. In this vein, new projects focused on ensuring the circular economy are under development. One of these projects is the FFS Recycling Project, which is carried out throughout the year. The customer solutions team carried out activities which would contribute to the sustainability strategy with the "FFS Recycling" project and led processes such as formula design, prototype production and trial production in the project.

Petkim is constantly seeking ways to diversify the support it provides to its customers and to develop itself. In this context, in 2021, MB PPA 01A Process Auxiliary and MB AB 0503LL Anti-Block additives were developed. After the product trials were completed, the products were approved and moved to the commercial stage. Related products are included in the Petkim portfolio.

Aware of the importance of adding value to customers, Petkim establishes various collaborations within the scope of product improvement and development. In this framework, a wide range of root cause analysis, product design and process plans were created in 2021, with customer interviews also held on consultancy services in order to more accurately convey knowledge and experience to stakeholders.

PETKİM LABORATORIES DEPARTMENT ACTIVITIES

- In 2021, a total of 522,521 analytical studies were carried out in 214,933 samples within the scope of Input, Process, Product, Packaging, Technical Support and R&D activities in laboratories that provide services in accordance with TS EN ISO / IEC 17025 Laboratory Accreditation.
- Modern devices which meet world standards are used in the laboratory services, with the most advanced technological developments being followed continuously. As of 2021, a total of 422 devices were installed in the Petkim Laboratories, with the total investment amount for installed equipment being USD 15.8 million.
- Within the scope of TS EN ISO/IEC 17025 Laboratory Accreditation Standard, an internal audit was carried out on 10-11 June. In addition, on 5 November, the second surveillance audit was carried out by TÜRKAK. After the audit was completed, the decision was taken to continue the accreditation from 59 experiments with a total of 120 parameters in five matrices; waste water, water, natural gas, fuel gas and plastics/polymers.
- In regard to Petkim's first TSE certified product, Caustic, in accordance with the TS EN 896 and TS 1865 standards, the third inspection audit conducted by the TSE on November 11 was concluded successfully, with validity of the document duly extended.
- •Within the scope of the TS EN ISO / IEC 17025 laboratory accreditation standard, participation in international proficiency testing programs, which are indicators of the reliability and sustainability of the analysis carried out by the laboratories, was achieved in 2 different matrices (waste water, water, natural gas, LPG, diesel, mineral oil, gasoline, plastics) from 20 parameters. The achieved z score success rate was 94%.
- In the laboratories, 117 analysis requests from external customers, especially from the polymer and plastics industry including organizations such as TSE were met.
- Contributions were made to Value Creation projects with a value of USD 1.6 billion.
- Analytical support was provided on 243 ship transfers (export and import) on land tanks, first foot and closing samples.

CORPORATE SOCIAL RESPONSIBILITY

In addition to the employment and economic value which the Company creates with its activities and products, Petkim also supports social development in the regions where it operates, as well as on a national basis, through corporate social responsibility projects, donations and sponsorships. Accordingly, in 2021, a total of TL 5,303,720.75 in donations was provided with the funds allocated to corporate social responsibility activities.

At SOCAR Turkey group companies, corporate responsibility projects which support social and economic development with a multi-faceted approach are carried out which create added value for society. Playing a key role with its responsibility in the long-term studies carried out in this vein, Petkim supports its development in the fields of the environment, sport, education and health, and supports social projects by collaborating with public institutions, non-governmental organizations and local administrations in line with the needs.

HEALTH PROJECTS

Continuing to manufacture the strategic products which the country needed during the COVID-19 pandemic process, Petkim also played its part as a business partner in projects which contributed to efforts to reduce the pandemic risk and offered urgent solutions to reduce the effects of the pandemic in Aliağa, and has cooperated closely with public institutions and local governments in İzmir for public health. Petkim provided large-scale support to public institutions and local governments in the region with its donations, mainly coming in the form of preventive health materials and PCR devices.

In this context, Petkim cooperated with the District Health Directorates and related health institutions through İzmir Governorship, İzmir Metropolitan Municipality, Aliağa District Governorship, Aliağa Municipality, Aliağa District Health Directorate, Aliağa State Hospital, Aliağa District National Education Directorate and Aliağa Tüpraş Public Education Center. During the pandemic, material support was provided to mask production workshops at the Tüpraş Public Education Center for the production of masks, and these masks were distributed to all institutions in Aliağa free of charge by the relevant center. In this project, Petkim served as a “responsible corporate citizen”, providing voluntary support to meet the urgent needs of the society, while serving as an important example of the solidarity which exists between local institutions in Aliağa.

SPORTS PROJECTS

Petkimspor Raises the Stars of the Future

Petkim’s basketball team, Petkimspor, is competing in the Turkish Basketball Super League, while at the same time pressing ahead unwaveringly with its infrastructure work, continuing to bring successful athletes to Turkish basketball. Acting with a vision of bringing talented young athletes in the club into the world of sports as licensed players, Petkimspor signed professional contracts in 2021 with four players trained in its own facilities.

Free Volleyball and Basketball coaching offered at Petkimspor sports schools

With its sports schools, Petkimspor is able to discover children, who have the potential to become athletes at a professional level, and aims to bring happy individuals into the society who are physically, mentally and psychologically healthy, helping them developed self-confidence and life skills.

Reflecting the value Petkim attaches to the development of children and young people, the Petkimspor Club offers sport and education opportunities to fans of sport between the ages of 6 and 12. Under the umbrella of Petkimspor Sports Schools, hundreds of students received free training in the fields of volleyball, basketball and football during the 2019-2021 winter season.

Petkim supports the Boccia National Team

Petkim has supported the Boccia National Team in recent years with the aim of raising awareness of the participation of mobility impaired individuals in social life and in order to contribute to the further development of the Boccia disability sport. Petkim became the official sponsor of the Boccia National Team after signing an agreement covering the years 2019-2020 with the Turkish Sports Federation for the Physically Disabled. Petkim maintained its close dialogue with the Boccia National Team in 2021 and followed its activities closely.

Petkim believes that the level of integration of the severely disabled individuals into social life is one of the major indicators of the level of development of a country. It is with this understanding that Petkim is a sponsor of the Turkish Sports Federation for the Physically Disabled. The Boccia National Team has a special meaning for Petkim.

ENVIRONMENTAL PROJECTS

Support to tackle Forest Fires

Petkim has contributed to the relief efforts in the region by donating materials to disaster coordination centers in the Marmaris and Milas Municipalities in contact with the Marmaris Coordination Center of the Ministry of Internal Affairs, Disaster and Emergency Management Presidency (AFAD) in order to contribute to the efforts carried out to tackle the forest fires which have saddened us all so deeply.

SOCAR VOLUNTEERS

The SOCAR Volunteers volunteering program was initiated with the will of SOCAR Turkey's employees who are motivated to support society, the environment and all living things around it, and has adopted the motto of "Global Goals with Local Actions" with the focus of the United Nations Sustainable Development Goals. In addition to the economic contributions to our country, SOCAR Volunteers was established to realize projects and collaborations which provide social benefit to society with the voluntary participation and support of all group employees. This includes the active participation of 481 volunteer employees from all SOCAR Turkey group companies, including Petkim, with the aim of creating value in society by realizing social responsibility activities and projects in regard to education, the environment, health, sport, animal protection and social issues. Thirteen different social responsibility activities and projects were implemented throughout 2021 on the platform, in which Petkim employees were also actively involved.

INVESTOR RELATIONS

Petkim maintained its position in the Borsa İstanbul's Sustainability Index, in which it was first included in 2014, following reviews conducted in 2021 which recognized its production approach based on efficiency which respects the environment and society.

The interest payments of the 5-year bond, which was successfully sold abroad in January 2018 and provided long-term financing to our Company, were made in 2021 and disclosed at the KAP.

Despite the ongoing COVID-19 pandemic throughout the world in 2021, we have maintained our profitability. Petkim shares followed a course above the BIST 100 Index in 2021.

The General Assembly for 2020 was held on 17 September 2021. No amendments were made to the articles of association during the period.

Petkim's Investor Relations Department works diligently to increase customer satisfaction and shareholder value through social responsibility, corporate governance and investor relations practices at international standards. The fulfillment of the obligations set out in Capital Markets Legislation, ensuring coordination in corporate governance practices and carrying out relations with shareholders are also gathered under the roof of this department. The Investor Relations Department carries out a number of activities at Petkim, including ensuring compliance with the legislation, the articles of association and other in-house regulations regarding the use of shareholder rights, taking measures to ensure that rights are exercised, reporting to the Board of Directors within the scope of the defined duties and to strengthen the Company's compliance capacity with CMB legislation and the relations with investors, analysts and institutions that regulate capital markets.

A total of 31 material event disclosures were submitted to the KAP (Public Disclosure Platform) in 2021 within the framework of the CMB's "Communiqué on Principles Regarding Public Disclosure of Material Events".

The Investor Relations Department received a monthly average of 10 information requests by e-mail and telephone in 2021 and all requests were answered. In the same period, 27 teleconferences and investor information meetings, one of which was specially organized to discuss the impact of the coronavirus pandemic on business processes, were provided by the Senior Management to investors to inform them of the Company's financial situation, strategies and activities, and meetings were held with 205 investors.

The contact information of the Investor Relations Department is as follows:

INVESTOR RELATIONS DEPARTMENT

Tel +90 232 616 12 40 / 2844 - 3849
E-mail **yatirimci.iliskileri@socar.com.tr**

PETKİM'S 2021 SHARE PRICE PERFORMANCE

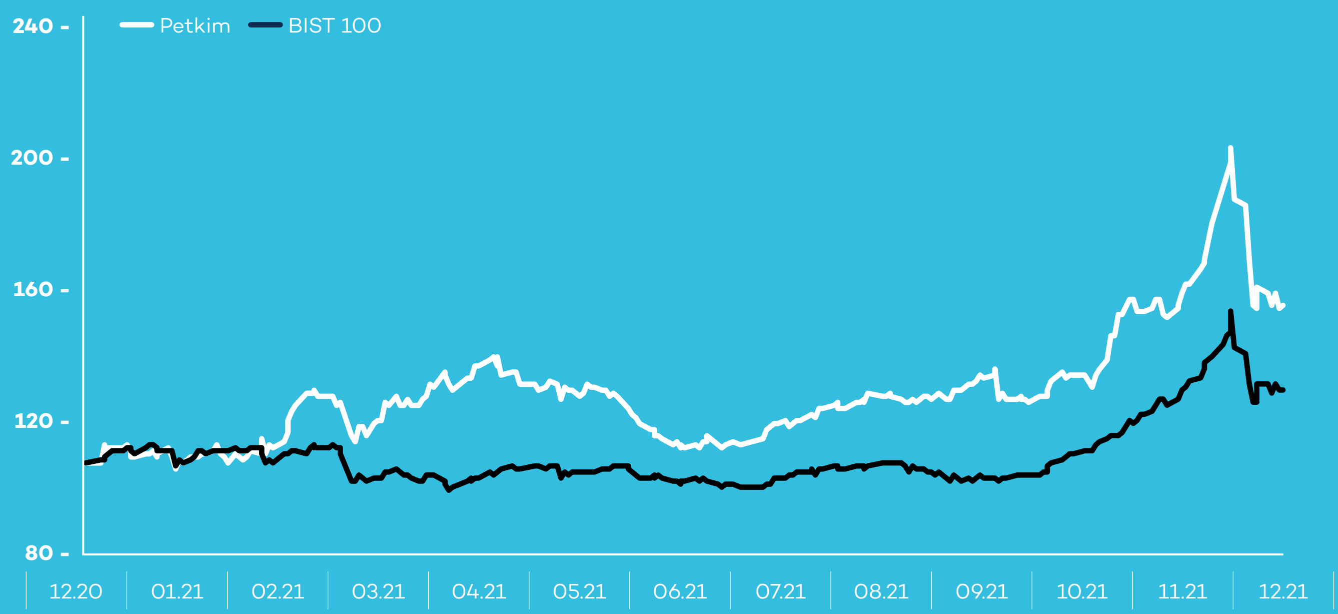
Petkim Petrokimya Holding A.Ş. shares have been trading under the PETKM ticker on the BIST Star Market since 9 July 1990.

As of the end of 2021, the Company was included in the BIST 30 and BIST Sustainability indices. Petkim maintained its position in the "BIST Sustainability Index" in 2021, which includes companies that are traded on the Borsa İstanbul and currently have a high corporate sustainability performance.

In 2021, the Company's share price fluctuated between a minimum of TL 4.87 and a maximum of TL 10.61. While the BIST 100 and BIST 30 indices increased by 26% and 24%, respectively, in value during 2021, Petkim's share price increased by 57% in the same period. Petkim's shares rose 25% relative to the BIST 100 Index and 27% to the BIST 30 Index.

Reuters Code	PETKM.IS
Bloomberg Code	PETKM.IT
Date of Public Offering	19.06.1990
Paid-in Capital	TL 2,534,400,000

"PETKİM'S 2021 SHARE PRICE PERFORMANCE"



INTERNAL AUDIT SYSTEMS

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

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

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

The corporate integrated management system is used in drawing up the Company's consolidated financial statements, and the Company's subsidiaries are also audited within the frame of the annual audit plan.

Information on the Company's Internal Control System and Internal Audit Activities and the Opinion of the Governing Body.

Risk management and internal control procedures in relation to the Company's financial and operational activities have been brought to completion, and their execution and efficiency in accordance with the applicable capital market legislation and regulations are being followed up by the Internal Audit Department.

INFORMATION ON ASSOCIATES

ASSOCIATES IN WHICH MORE THAN 5% OF THE CAPITAL IS DIRECTLY HELD

Subsidiaries, Financial Fixed Assets and Financial Investments

Company Name	Company's Field of Activity	Paid-in/Issued Capital (TL)	Share in Capital (%)
Petlim Limancılık Ticaret A.Ş.	Port operation services	150,000,000.00	70
Petkim Specialities Mühendislik Plastikleri San. ve Tic. A.Ş.	Engineering, plastics manufacturing	100,000.00	100
SOCAR Power Enerji Yatırımları A.Ş.	Energy	90,000,000.00	9.9

No changes occurred in the interests the Company owns in its associates and subsidiaries during 2021. The Company has no cross-shareholding relationship with any other company.

ADDITIONAL LEGAL EXPLANATIONS

REPURCHASED OWN SHARES BY THE COMPANY

The Company did not repurchase any of its own shares during 2021.

DISCLOSURE ON SPECIAL AUDIT AND PUBLIC AUDIT

Shareholders did not request a special audit under Article 438 of the Turkish Commercial Code. The Company undergoes independent audits for the full year at 12-month periods and interim independent audits at 6-month periods by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the independent audit firm appointed by the General Assembly.

LAWSUITS FILED AGAINST THE COMPANY AND POTENTIAL RESULTS

There were no lawsuits filed against the Company, which may affect the Company's financial standing and operations as at 31 December 2021.

ADDITIONAL LEGAL EXPLANATIONS

DISCLOSURE OF ADMINISTRATIVE OR JUDICIAL FINES AGAINST THE COMPANY AND/OR BOARD OF DIRECTORS MEMBERS

There were no fines of material nature imposed against the Company and/or members of its board due to practices that breach the provisions of legislation in 2021.

In 2014, the Group was issued with a demand for VAT and Custom Tax payments and fines by the Customs Administration on the basis that Pygas, which was imported in 2014, had a Customs Tariff Statistics Position ("GTIP") Number including SCT (Special Consumption Tax).

The Group appealed against the additional accruals and fines, and took the case to court as the appeal was rejected.

While these cases were continuing, a limited tax investigation into SCT was initiated by the Ministry of Finance in 2014 regarding the Pygas production based on the claims that Pygas has a GTIP number including SCT. Following the investigation, the Group was notified of a SCT penalty of TL 66 million and a tax loss penalty of TL 99 million on 25 August 2017. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. Legal action was taken on the matter on 6 February 2020. Rulings went in favor of the Group in the lawsuits filed regarding the stated tax base and tax loss penalties, with the removal of the penalty assessment subject to the lawsuit. The defendant Administration appealed against the said ruling. While the appeal process was ongoing, our Company made use of the provisions of the "Law on the Restructuring of Certain Receivables and the Amendment of Certain Laws" published in issue 31506 of the Official Gazette dated 9 June 2021, and decided to waive the aforementioned lawsuits by paying TL 6.7 million.

In the meantime, during 2017, two of the three ongoing objection cases filed against the Customs Authority for the additional VAT and Customs Tax Accruals and fines related to the imported Pygas were resolved in favor of the Group given that the product does not have a GTIP number with SCT, whereas in the third case it was ruled that the product did include SCT, but the fine was ruled to be unfair. Subsequently, on 28 September 2017, the Regional Administrative Court ("Court of Appeal") ruled that the product did not have a GTIP number with SCT, and all cases were resolved in favor of the Company. The case was then referred to the Council of State by the Tax Administration. The Council of State approved a decision in favor of our Company and the decisions were finalized in 2021.

ASSESSMENT OF PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY DECISIONS

A positive trend has been achieved within the scope of Petkim's sustainable profitability target in recent years. By prioritizing integration and operational efficiency, controllable variables were emphasized in a bid to achieve permanent profitability. Despite the negative effects of the coronavirus in 2021, this strategy pursued by Petkim has had a positive impact on its financial results, helping achieve a level of profitability which exceeded market expectations.

The actions as required by the decisions adopted in the Ordinary General Assembly meeting convened during 2021 have been carried out. There are no unfulfilled decisions.

INFORMATION ON EXTRAORDINARY GENERAL MEETINGS

The Company did not call any Extraordinary General Meeting in 2021.

RELATIONS WITH THE CONTROLLING COMPANY

The Company did not engage in any transactions apart from those on an arms' length basis with its principal shareholder SOCAR Turkey Enerji A.Ş. and other group companies at the direction of the group companies, which would be to the benefit of other group companies and which would require equalization.

Risk management, oversight and audit activities are carried out taking into consideration the legislation provisions governing the Board of Directors and the committees set up thereunder. The report drawn up pursuant to Article 199 of the TCC in relation to 2021 activities within this context concluded as follows: "According to the conditions and circumstances known to us, a commensurate counter-performance was provided in all legal transactions Petkim Petrokimya Holding A.Ş. realized in 2021 with the controlling company or the subsidiaries specified in Article 199 of the TCC; there were no actions taken or avoided, nor the Company sustained any loss due to an action taken or avoided."

CONFLICTS OF INTEREST BETWEEN THE COMPANY AND FIRMS FROM WHICH SERVICES ARE PROCURED SUCH AS INVESTMENT ADVISORY AND RATING AND MEASURES ADOPTED BY THE COMPANY TO PREVENT SUCH CONFLICTS OF INTEREST

No conflicts of interest arose between the Company and the firms from which services are procured such as investment advisory and rating.

MAIN FACTORS AFFECTING THE COMPANY'S PERFORMANCE, MATERIAL CHANGES IN THE ENVIRONMENT WHERE THE COMPANY OPERATES, MEASURES ADOPTED BY THE COMPANY IN RELATION TO SUCH CHANGES

Material changes in the environment where the Company operates and main factors affecting its performance are addressed in risk management activities, and controls are added as deemed necessary.

EXPENSES INCURRED IN RELATION TO DONATIONS AND GRANTS AND SOCIAL RESPONSIBILITY PROJECTS (TL)

Donations made to Tüpraş Public Education Center for educational activities	25,690.00
Social support donation to a relative of an employee	170,000.00
Donations made within the scope of "One rent, one home"	10,000.00
Donation made to Aliağa District Health Directorate	304,254.05
Donation to Academy K9	120,000.00
Donation to Aliağa Forestry Operations Directorate	523,559.33
Donation made for the cost of meals distributed to teachers working in Izmir Social Loyalty Support Group	74,257.43
Donations made to the Provincial Directorate of National Education	275,423.73
Food package card donation to İzmir Governorate and Aliağa District Governorate	299,975.00
Social support donation to a deceased employee's relative	100,000.00
Donation to Aliağa District Directorate of National Education	319.30
Donation to Martyr Sebahattin Karakaplan Secondary School	20,459.39
Donations to Milas and Marmaris disaster coordination points	281,429.89
Vehicle donation to Aliağa District Police Department	460,000.00
Vehicle donation to Izmir Provincial Police Department	460,000.00
Donation to Aliağa State Hospital	2,178,352.63
TOTAL	**TL 5,303,720.75**

AN ASSESSMENT OF THE FINANCIAL STANDING BY THE MANAGEMENT

a) The increased need for hygiene in 2021, as in 2020, ensured demand for packaging materials remained buoyant. With the contribution of uninterrupted production from the STAR Refinery, Petkim's capacity utilization rate increased from 87.9% in 2020 to 92.6% in 2021, again reaffirming that the STAR Refinery was an astute investment. Despite the restrictions presented by the pandemic, we continued to provide products so production of domestic producers, especially exporters, would not be disrupted.

The share of commercial sales in total sales at Petkim, which increased its commercial sales as well as sales from production when compared to the previous period, exceeded 33%, with commercial sales generating a profit of USD 65 million. We spent 2020 as a year of keeping liquidity strong in order to be prepared for the uncertainties about the effects of the pandemic at that time, and in 2021, we opted to reduce financial expenses by optimizing liquidity, thus reducing debt by USD 460 million when compared to the previous year. In 2021, we also reduced our net interest expenses by demonstrating effective financial risk management. Another factor contributing to this success was our continued value creation and optimization initiatives program, which we started in 2016. We continued to strengthen the program in 2021.

The balance sheet composition, which is formed so as to minimize the effects of the economic conjuncture, was preserved and our risks were maintained at the minimum level thanks to our conservative and value-creating approach to our financial risks.

b) KEY FINANCIAL HIGHLIGHTS

	2020	2021
Turnover (TL million)	12,134	28,716
Gross Profit Margin	16%	22%
EBITDA (TL million)	1,916	6,242
Debt/Equity	1.644	1.392

c) The Company's capital did not remain uncovered during the fiscal year. The Company enjoys a solid financial standing on the back of its profitability generated on its operations. Therefore, the Company did not see any need to improve its financial standing. Our Company has exhibited that it is capable of attaining maximum profitability levels by making optimum use of current market conditions.

PROFIT DISTRIBUTION POLICY

With our Board of Directors' decision no: 2020/7 taken on 04/03/2020, our Company's Profit Distribution Policy was determined as follows:

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

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, it is aimed to distribute at least 50% of the Company's annual distributable profit in cash and / or share and / or in installments. This rate is determined annually by the Board of Directors depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies and cash needs.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

RISKS AND AN ASSESSMENT BY THE GOVERNING BODY

CORPORATE RISK MANAGEMENT PRACTICES

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

The Early Detection of Risk Committee makes proposals and suggestions to the Board of Directors regarding early detection and assessment of all kind of risks such as strategic, financial, operational project-related and external risks that might affect the Company, regarding calculation of their impact and probability, management and reporting of these risks in accordance with the corporate risk appetite profile of the Company; taking necessary actions in relation to identified risks, their consideration in decision-making mechanisms creation of efficient internal control systems along this line. In 2021, the Early Detection of Risk Committee presented six reports to the Board of Directors.

As a result of analyses and assessments made in risk evaluation process, the decisions are taken among four different risk attitudes: Accept, mitigate, transfer and avoid. In order to systematically manage corporate risk management activities, the Company has gathered risks under six main categories based on the "SOCAR Turkey Risk Appetite Statement" document. The OHS-E risks include compliance risks, reputation risks, operational risks, financial risks and strategic risks.

OHS-E RISKS

As the Company conducts highly dangerous operations and activities, OHS-E specific risks have been prioritized separately by the Board of Directors. The risks in this category principally include risks to human life, health, but also the environment, biodiversity, society, operational safety and other similar issues.

The OHS-E risk management approach has been created by using many local legislation and global standards as a basis. There is no risk appetite for any decisions or activities which may risk compliance with the specified legislation and standards.

Under the pandemic, human health has assumed critical importance. For this reason, different governance models have been developed in the pandemic and the health of personnel has always been the highest priority while ensuring operational continuity.

As required by its fields of activity, the Company is required to address environmental, climate and biodiversity risks separately. In this context, a risk management process has been developed specifically for ESG areas. According to global standards, PETKİM was given the highest rating by the evaluation firm, with its risk management activities rated highly.

COMPLIANCE RISKS

With the Board of Directors committed to compliance with local legislation, regulations and other regulatory items, initiatives have been taken to establish a number of governance structures within the Company.

In order to ensure compliance with the Competition Law, the decision was taken by members of the Board of Directors to approve the "Competition Compliance Policy" in the final risk committee meeting of 2021. In the next step of the process, annual compliance programs shall be implemented in which various competency, analysis and awareness activities will be carried out.

Another important aspect is to ensure compliance with internal regulations, policies and procedures. Different governance mechanisms, control environments and organizational structures have been developed to create this assurance. The created approaches are planned to be expanded and deepened over time.

REPUTATION RISKS

As a publicly traded Company, reputational risks are inherently included in the main risk categories. It is clearly stated by the Board of Directors, as the highest level of reputation risk management, that no decisions, activities or steps may be taken which would cause damage to the Company's brand value. Brand value is always considered to be a priority issue while implementing any process within the company.

In addition, necessary governance mechanisms have been established in order to prevent any incidences of bribery, misconduct, abuse or human rights violations which would have a negative impact on the reputation of the Company as a result of the Company's activities.

Finally, in what is one of the most important issues in respect to reputation risk, the Company shall always prioritize the protection of the rights of large and small investors and shall not permit any unjust treatment.

RISKS AND AN ASSESSMENT BY THE GOVERNING BODY

OPERATIONAL RISKS

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

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

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

The Company uninterruptedly invests in information technologies. The risks that may arise in this field are managed either by its own employees or through external consultancy services received when required. During the periods of program changes and revisions, the advices of consultants are immediately put into practice. Backups are taken periodically and measures are taken to prevent loss of company information.

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

FINANCIAL RISKS

Within the scope of financial risks, the Company manages interest rate, currency, credit and liquidity risks. Closely monitoring the economic developments at national and international level, the Company takes necessary actions considering the possible impacts of economic developments on its assets and liabilities. In addition, specific metrics and policies have been developed to ensure financial sustainability in the face of the economic effects of the pandemic.

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

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

The approach to the management of credit risk is not to undertake any unmanaged transactions. Full assurance is provided in this regard by avoiding all risks.

The Company attaches importance to asset-liability balance in the management of liquidity risk and monitors liquidity on daily basis to avoid maturity mismatch and payment problems. Systems that ensure facility of payment are actively used to make the collections easier through credit risk management policies. With this method, the Company guarantees its collections and increases the liquidity.

STRATEGIC RISKS

Strategic risks consist of risks in different categories which may hinder the Company's short, medium and long-term strategies.

The risk management process has been developed specifically for strategic risk management. The process is basically based on the analytical model that enables the calculation and forecasting of the collective impact of strategic risks on the relevant target. The aim of strategic risk management is to ensure the success of the strategy and to ensure data-based decision making.

The aforementioned approach supports the management of strategy to develop and successfully implement plans and tactics suitable for the corporate governance structure and business processes, by using the Company's resources effectively and efficiently.

In addition, by adding a risk management perspective to investment decisions within the framework of specific demands, the Company aims to ensure alignment with existing strategic priorities and enhance the value chain.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

During the year 2021, 31 material event disclosures were made to Public Disclosure Platform (KAP) in accordance with the CMB's Communiqué on Public Disclosure of Material Events. No additional information was requested by the Capital Markets Board and BIST for the announcements made for material events. The Capital Markets Board has not imposed any sanctions on the Company caused by any non-compliance to material event disclosures. All of the Company's material event disclosures were made in a timely fashion.

There are no principles, which the Company is granted an exemption for and/or which the Company does not implement by reason of having obtained a clearance from the CMB.

a) COMPULSORY PRINCIPLES THAT WE FAIL TO IMPLEMENT

None.

b) NON-COMPULSORY PRINCIPLES

The Company does not comply with the following principle: "1.4.2. Concession of the right to vote is avoided. In the event of concession of right to vote, it is essential to abate concessions which may restrain the representation of public shareholders.

C group share has the concession of 1 nomination for the Board of Directors.

The validity of the resolutions taken by the Board of Directors on the following subjects depends on the affirmative vote of the Board Member selected from C group of the Privatization Administration.

a) Amendments to the articles of association which may have an impact on the concessions for C group,

b) Registering the nominative shares in the share ledger,

c) Determining the form of power of attorney quoted in the Item 31 of the articles of association herein,

ç) Decisions which propose a minimum of 10% capacity reduction for any plant owned by the Company,

d) Establishment or acquirement of a new company or joint enterprise, association or merger with an existing company, demerger, change in the legal form, dissolution and liquidation of the Company.

There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

- The Company does not comply with the following principle: "1.5.2. Minority rights may be defined in the articles of association for shareholders holding less than one twentieth of the capital of the corporation. The scope of minority rights may be enlarged in the articles of association."
- Our Company's articles of association do not incorporate a provision granting minority rights also to shareholders holding less than one twentieth of the capital, or a provision enlarging the scope of minority rights. The requests of all shareholders are received via our Investor Relations Unit. In addition, information requests by all shareholders are fulfilled within the frame of the principle of equal information and in a manner to exclude insider information to the extent necessary. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.2.8. Corporation's damage that may be caused due to the faults of the board of directors during the charge of their duties shall be insured for an amount exceeding 25% of the corporation's capital and this matter shall be disclosed at the KAP."

- The Company has obtained a Directors' and Officers' Liability policy for the losses that the Board of Directors members may cause to the Company by reason of their faults during the performance of their duties; however, the insured amount does not exceed 25% of the Company's capital. The Company has considered an amount lower than the one stipulated in the said principle to be adequate in view of the existing risks, the Company's corporate structure and its business procedures. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company does not comply with the following principle: "4.3.9. Corporation shall determine a target rate provided that it is not less than 25% and a target time for membership of women in the board of directors and form a policy for this target. The Board of directors shall annually evaluate the progress in respect to achieving this target."
- The Company did not establish a policy in this context. A woman member has been appointed to the Company's Board of Directors in 2018. A major step has been taken with respect to the representation of women on the Board of Directors with this appointment. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.4.7. Members of the board of directors shall allocate a reasonable time for the business of the corporation. In cases where the member of the board of directors is a manager or board member in another corporation or renders consultancy services to another corporation, in principal this situation should not cause a conflict of interest and the member shall not hinder his/her duty in the corporation. Within this context, external duties that the member conducts shall be conditional on certain rules or become limited. The external duties conducted by the member of the board of directors and the grounds thereof shall be submitted for the shareholders' information, by distinguishing either such corporation is intragroup or out of the group, together with the agenda item regarding election, at the general assembly meeting in which the election is discussed."
- No restrictions are applied to external positions to be undertaken by the Board of Directors in other corporations. The investors are informed about the external duties undertaken by the Board members, primarily through annual reports. Board members allocate sufficient time to the Company's affairs as required by their respective duties. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.5.5. It shall be noted that any member of the board of directors shall not have a duty in more than one committee."
- Each Board member cannot be assigned to one committee only, due to the requirement that all committees should include an independent Board member and that the Audit Committee must consist exclusively of independent members under the Principles. Committee members are able to allocate sufficient time for the duties and activities of the respective committees. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- "4.5.7. Committees may benefit from the opinions of the independent specialists on matters that they find necessary with regard to their activities. The fee of the consultancy services required by the committees shall be paid by the corporation. However in this case, information as to the person/institution that the service is purchased and as to whether this person/institution has any relation with the corporation shall be stated in the annual report."
- The Committees did not receive consultancy service from third parties in 2021. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

- The Company partially complies with the following principle: "4.6.1. The Board of directors shall be responsible for the corporation's achievement of its targets on operational and financial performance designated and disclosed to the public. Evaluation as to whether the corporation has achieved its targets on operational and financial performance disclosed to public or not, and if not achieved, reasoning thereof shall be included in the annual report. The board of directors shall undertake self-criticism and performance evaluation on the basis of both the board, the member and the executive. Members of the board of director and executives shall be either awarded or discharged subject to these evaluations."
- The Board of Directors evaluated whether the Company has achieved its targets on operational and financial performance. These assessments are covered in the annual reports. The Board of Directors does not undertake any specific activity with respect to self-assessment of its own performance. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.6.5. Remunerations provided for members of the board of directors and executives and all other benefits provided shall be disclosed via the annual report to the public. Principally, public disclosure shall be made on the basis of the persons."
- Remunerations provided to the members of the Board of Directors and executives with administrative responsibility are disclosed not individually but collectively in the financial statement footnote: 29. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

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

There are no plans to make any changes in the Company's future management practices within the frame of the said principles. The matter shall be considered if and when there is such a plan.

CORPORATE GOVERNANCE PRACTICES

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

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

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

Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) templates that our Company has drawn up in accordance with the principles and procedures set out in the CMB's resolution no. 2/49 dated 10 January 2019 have been sent to the address www.kap.org.tr

PRINCIPLES OF THE BOARD OF DIRECTORS' ACTIVITIES

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

The Board of Directors is formed of nine members, three of which are independent members. One woman member serves on the Board of Directors.

The procedures for the Board meetings are defined in Article 15 of the articles of association. The Board of Directors does not utilize electronic portal.

Meetings of the Board of Directors in which there is physical participation are held at the Company headquarters or at another suitable location. Board of Directors convenes -with the attendance of at least 5 (five) members- The Board of Directors of the Company convened 4 times in 2021 with physical participation.

Average attendance ratio in meetings is 94%. The Board of Directors resolves with the affirmative vote of five members. Pursuant to the articles of association, information and documents relevant to the Board meetings are made available to the members three days in advance of the related meeting.

In 2021, there were no administrative and/or judicial sanctions of a material nature imposed against the members of the governing body on account of practices that are contradictory to the provisions of the legislation.

There is a Directors' and Officers' Liability policy for the losses that the Board of Directors members may cause to the Company by reason of their faults during the performance of their duties; the insured amount does not exceed 25% of the capital.

Remunerations provided to the members of the Board of Directors and executives with administrative responsibility are disclosed not individually but collectively in the related footnote of the financial statements.

CHANGES TO THE ARTICLES OF ASSOCIATION

None.

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
DECISION DATE: 11 MARCH 2022
DECISION NO: 2022/5

11 MARCH 2022

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

WE HEREBY DECLARE THAT;

a) We have examined the consolidated balance sheet, statement of profit or loss, statement of cash flows and statement of changes in equity and notes to the consolidated financial statements for the period ended 31 December 2021;

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

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

Sincerely,

Anar MAMMADOV General Manager	Mehmet CEYLAN Chairman of the Audit Committee	Mehmet BOSTAN Member of the Audit Committee

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT
DECISION DATE: 28 FEBRUARY 2022
DECISION NO: 2022/3

28 FEBRUARY 2022

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

WE HEREBY DECLARE THAT;

a) We have examined the Board of Directors' Annual Report for the period ended 31 December 2021, the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) stated in the CMB Resolution no. 2/39 dated 10 January 2019;

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

c) CRF and CGIF present a true and fair view, and the Annual Report drawn up pursuant to the CMB Communiqué Serial: II-14.1 presents a fair view of the development and performance of the business and the financial position, major risk exposure and uncertainties of the organization, including those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

Anar MAMMADOV General Manager	Mehmet CEYLAN Chairman of the Audit Committee	Mehmet BOSTAN Member of the Audit Committee

AUDIT COMMITTEE REPORT

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

01.01.2021-31.12.2021 Accounting Period Financial Statements

The independently audited comparative consolidated financial statements, (in comparison with previous period's financials) prepared for the accounting period of 01.01.2021-31.12.2021, in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards ("TAS" and "TFRS") published by the Public Oversight Authority and the Turkish Accounting and Auditing Standards Board within the scope of the Communiqué (Serial: II, No: 14.1) of Capital Markets Board ("CMB"), and prepared in compliance with the presentation principles that were determined with the Decision (dated 07.06.2013, No: 20/670) of CMB and announced in the weekly CMB Bulletin (dated 07.06.2013, No: 2013/19), was audited by getting the opinions of the executives who are responsible for the preparation of the Company's financial statements.

Limited within the scope of the information we have and we have been given, our opinion relating to this financial statements, were presented to the executives who have responsibility in the preparation of the financial statements. Within the framework of this opinion, we have reached a conclusion that this financial statements; truly reflects the facts regarding the Company's activity results and does not contain any significant deficiency that may cause misleading results, and complies with the CMB regulations.

Sincerely,

Audit Committee

Mehmet CEYLAN
Chairman of the Audit Committee

Mehmet BOSTAN
Member of the Audit Committee

AUDIT COMMITTEE REPORT

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

01.01.2021-31.12.2021 Accounting Period Annual Activity Report

The independently audited comparative consolidated annual report, (in comparison with previous period's annual report) prepared for the accounting period of 01.01.2021-31.12.2021, in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards ("TAS" and "TFRS") published by the Public Oversight Authority and the Turkish Accounting and Auditing Standards Board within the scope of the Communiqué (Serial: II, No: 14.1) of Capital Markets Board ("CMB"), and prepared in compliance with the presentation principles that were determined with the Decision (dated 07.06.2013, No: 20/670) of CMB and announced in the weekly CMB Bulletin (dated 07.06.2013, No: 2013/19), was audited by getting the opinions of the executives who are responsible for the preparation of the Company's financial statements.

Limited within the scope of the information we have and we have been given, our opinion relating to this financial statements, were presented to the executives who have responsibility in the preparation of the financial statements. Within the framework of this opinion, we have reached a conclusion that this financial statements; truly reflects the facts regarding the Company's activity results and does not contain any significant deficiency that may cause misleading results, and complies with the CMB regulations.

Sincerely,

Audit Committee

Mehmet CEYLAN
Chairman of the Audit Committee

Mehmet BOSTAN
Member of the Audit Committee

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Petkim Petrokimya Holding A.Ş.,

1. Opinion

We have audited the annual report of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2021 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2022 on the full set consolidated financial statements for the 1 January - 31 December 2021 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual re
port according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:
– events of particular importance that occurred in the Company after the operating year,
– the Group's research and development activities,
– financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Çağlar Sürücü, SMMM
Partner

Istanbul, 11 March 2022


SOCAR TERMINAL

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

To the General Assembly of Petkim Petrokimya Holding A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the key audit matter was addressed in the audit
Fair value measurement of investment properties	
At 31 December 2021, the Group's consolidated financial statements include investment properties measured at fair value, amounting TRY 2,872,594 thousand. Changes in fair values of investment properties amounting TRY 793,813 thousand are recognized in the consolidated statement of profit or loss, as part of "income from investing activities". We considered the fair value determination of investment properties as a key audit matter since the total amount of those assets has a significant share in the Group's assets as of 31 December 2021 and due to the significant assumptions and judgements, such as determination of benchmark m² sales prices, made in the market comparison valuation technique applied and the susceptibility of the fair value directly to market conditions, specifications of each land, their physical conditions and geographic locations. Please refer to notes 2.5, 2.6 and 10 to the accompanying consolidated financial statements for the accounting policies and relevant disclosures regarding the investment properties.	The following audit procedures were addressed in our audit work on the fair value measurement of investment properties: • The competence, capabilities, and objectivity of the independent professional valuation company appointed by the Group management has been evaluated in accordance with the relevant audit standards. • The consistency of the data used by the independent professional valuation company appointed by the Group management has been tested with the accounting and title deed records of the Group on a sample basis. • The appropriateness of the market reference comparison method used in the valuation of the relevant lands has been evaluated with the involvement of our external expert. • In the market comparison method, the assessment of whether the lands which are used as benchmark for fair value determination are comparable with the Group's lands, has been made with the involvement of our external expert. • The reconciliation of the fair values of the lands determined by the valuation reports with the values recognized in the consolidated financial statements has been performed. • The appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to fair value determination of investment properties has been assessed in accordance with the related accounting standards.

4. Responsibilities of management and those charged with governance for the consolidated financial statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5. Auditor's responsibilities for the audit of the consolidated financial statements

Responsibilities of independent auditors in an independent audit are as follows:
Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2022.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Çağlar Sürücü, SMMM
Partner

Istanbul, 28 February 2022

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CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2021	Audited 31 December 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3,665,331	5,502,010
Financial investments		48,654	5,198
Trade receivables		5,106,588	1,717,125
- Trade receivables from related parties	28	746,142	424,304
- Trade receivables from third parties	7	4,360,446	1,292,821
Other receivables		26,899	3,805
- Other receivables from related parties	28	8,331	239
- Other receivables from third parties	8	18,568	3,566
Inventories	5	3,539,843	958,453
Prepaid expenses		6,816,363	3,571,412
- Prepaid expenses to third parties	15	398,195	38,859
- Prepaid expenses to related parties	28	6,418,168	3,532,553
Derivative financial instruments	18	8,534	-
Other current assets		411,079	101,733
- Other current assets to third parties	17	411,079	101,733
TOTAL CURRENT ASSETS		**19,623,291**	**11,859,736**
NON-CURRENT ASSETS			
Financial investments	6	8,910	8,910
Other receivables		10,412	8,355
- Other receivables from related parties	28	10,345	8,288
- Other receivables from third parties		67	67
Investment properties	10	2,872,594	2,078,781
Property, plant and equipment	11	7,303,218	5,429,067
Right of use assets	11	207,823	200,053
Intangible assets	12	91,381	41,894
Prepaid expenses		139,427	77,480
- Prepaid expenses to related parties	28	27,815	24,020
- Prepaid expenses to third parties	15	111,612	53,460
Deferred income tax assets	20	150,311	263,844
Other non-current assets		20,789	15,319
- Other non-current assets related to third parties	17	20,789	15,319
TOTAL NON - CURRENT ASSETS		**10,804,865**	**8,123,703**
TOTAL ASSETS		**30,428,156**	**19,983,439**

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2021	Audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		1,606,310	4,110,551
- Short-term borrowings to third parties		1,561,217	4,076,014
- Bank borrowings	9	64,952	2,014,320
- Short term lease liabilities	9	21,245	40,753
- Other financial liabilities	9	1,475,020	2,020,941
- Short-term borrowings to related parties		45,093	34,537
- Short term lease liabilities to related parties	28	45,093	34,537
Short-term portion of long-term borrowings		1,270,454	320,839
- Short-term portion of long-term borrowings to third parties		1,270,454	320,839
- Bank borrowings	9	1,103,565	229,994
- Bonds issued	9	166,889	90,845
Derivative financial instruments	18	23,760	16,185
Trade payables		3,835,847	1,186,629
- Trade payables to related parties	28	1,966,500	659,947
- Trade payables to third parties	7	1,869,347	526,682
Payables related to employee benefits	16	13,580	12,713
Other payables		10,905	7,808
- Other payables to related parties	28	87	87
- Other payables to third parties	8	10,818	7,721
Deferred revenue		288,734	196,093
- Deferred revenue from related parties	28	28,219	14,019
- Deferred revenue from third parties	14	260,515	182,074
Short term provisions		283,783	32,844
- Provision for employee benefits	16	281,186	30,252
- Other short term provisions	30	2,597	2,592
Other current liabilities		50,562	23,149
- Other current liabilities related to third parties	17	50,562	23,149
Current income tax liabilities	20	271,437	27,369
TOTAL CURRENT LIABILITIES		**7,655,372**	**5,934,180**
NON-CURRENT LIABITIES			
Long term financial liabilities		9,223,820	5,719,422
- Long term financial liabilities to third parties		9,018,998	5,582,327
- Bank borrowings	9	2,291,409	1,876,387
- Long-term lease liabilities to third parties	9	58,458	42,851
- Bonds issued	9	6,669,131	3,663,089
- Long-term borrowings to related parties		204,822	137,095
- Long term lease liabilities to related parties	28	204,822	137,095
Derivative financial instruments	18	30,419	47,488
Deferred revenue		608,081	364,536
- Deferred revenue from related parties	28	607,331	359,386
- Deferred revenue from third parties	14	750	5,150
Long term provisions		191,434	131,312
- Provision for employee termination benefits	16	191,434	131,312
Deferred income tax liabilities	20	-	227,876
TOTAL NON - CURRENT LIABILITIES		**10,053,754**	**6,490,634**
TOTAL LIABILITIES		**17,709,126**	**12,424,814**

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2021	Audited 31 December 2020
EQUITY			
Equity attributable to owners of the parent company		**12,722,324**	**7,592,629**
Share capital	19	2,534,400	2,534,400
Adjustment to share capital	19	238,988	238,988
Share premium		64,188	64,188
Other comprehensive (expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(46,542)	(28,079)
Other comprehensive (expense/income to be reclassified to profit or loss		(456,604)	(153,056)
- Currency translation differences		(433,091)	(117,397)
- Loss on cash flow hedges		(23,513)	(35,659)
Restricted reserves		417,325	371,941
Retained earnings		4,518,863	3,476,572
Net profit for the year		5,451,706	1,087,675
Non-controlling interest		**(3,294)**	**(34,004)**
TOTAL EQUITY		**12,719,030**	**7,558,625**
TOTAL LIABILITIES AND EQUITY		**30,428,156**	**19,983,439**

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

1 OCAK - 31 ARALIK 2021 VE 2020 HESAP DÖNEMLERİNE AİT KONSOLİDE KÂR VEYA ZARAR VE DİĞER KAPSAMLI GELİR TABLOSU

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
PROFIT OR LOSS			
Revenue	21	28,715,657	12,134,076
Cost of sales	21	(22,298,409)	(10,280,311)
GROSS PROFIT		**6,417,248**	**1,853,765**
General administrative expenses	22	(586,300)	(344,195)
Selling, marketing and distribution expenses	23	(280,963)	(123,061)
Other operating income	24	2,351,697	405,693
Other operating expense	24	(1,428,773)	(313,769)
OPERATING PROFIT		**6,472,909**	**1,478,433**
Income from investing activities	25	838,064	216,444
Expense from investing activities	25	(296)	(751)
OPERATING PROFIT BEFORE FINANCIAL (EXPENSE)/INCOME		**7,310,677**	**1,694,126**
Financial income	26	7,628,145	2,580,228
Financial expenses	26	(8,286,614)	(3,003,939)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**6,652,208**	**1,270,415**
Tax expense from continuing operations		**(1,135,605)**	**(199,219)**
- Current tax expense	20	(1,136,880)	(102,783)
- Deferred tax income/(expense)	20	1,275	(96,436)
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**5,516,603**	**1,071,196**
DISTRIBUTION OF INCOME FOR THE PERIOD			
- Non-controlling interest		64,897	(16,479)
- Owners of the parent company		5,451,706	1,087,675
Earnings Per Share			
- Earnings per Kr 1 number of 1 shares from continued operations	27	2.1511	0.4292
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss		**(337,735)**	**(84,569)**
Currency translation differences		(352,157)	(52,925)
Other comprehensive gain/(loss) related to cash flow hedges		18,028	(39,555)
Tax relating to gain on cash flow hedge		(3,606)	7,911
Items not to be reclassified to profit or loss		**(18,463)**	**9,782**
Defined benefit plans remeasurement earnings/(losses)		(23,079)	12,227
Taxes relating to remeasurements of defined benefit plans		4,616	(2,445)
OTHER COMPREHENSIVE EXPENSE		**(356,198)**	**(74,787)**
TOTAL COMPREHENSIVE INCOME		**5,160,405**	**996,409**
Attributable to:			
Non-controlling interests		30,710	(23,049)
Owners of parent company		5,129,695	1,019,458

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

1 OCAK - 31 ARALIK 2021 VE 2020 HESAP DÖNEMLERİNE AİT KONSOLİDE ÖZKAYNAKLAR DEĞİŞİM TABLOLARI

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

			Other comprehensive (expense)/income not to be reclassified to profit or loss	Other comprehensive (expense)/income to be reclassified to profit or (loss)	
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	(Loss)/gain on cash flow hedges	Currency translation differences
1 January 2020	**2,112,000**	**238,988**	**(37,861)**	**(13,508)**	**(61,549)**
Transfers	422,400	-	-	-	-
Total comprehensive income	-	-	9,782	(22,151)	(55,848)
- Other comprehensive income/(expense)	-	-	9,782	(22,151)	(55,848)
- Net profit for the period	-	-	-	-	-
31 December 2020	**2,534,400**	**238,988**	**(28,079)**	**(35,659)**	**(117,397)**
1 January 2021	**2,534,400**	**238,988**	**(28,079)**	**(35,659)**	**(117,397)**
Transfers	-	-	-	-	-
Total comprehensive income	-	-	(18,463)	12,146	(315,694)
- Other comprehensive income/(expense)	-	-	(18,463)	12,146	(315,694)
- Net profit for the period	-	-	-	-	-
31 December 2021	**2,534,400**	**238,988**	**(46,542)**	**(23,513)**	**(433,091)**

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

	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	64,188	**330,000**	**984,739**	**2,956,174**	**6,573,171**	**(10,955)**	**6,562,216**
	-	41,941	(984,739)	520,398	-	-	-
	-	-	1,087,675	-	1,019,458	(23,049)	996,409
	-	-	-	-	(68,217)	(6,570)	(74,787)
	-	-	1,087,675	-	1,087,675	(16,479)	1,071,196
	64,188	**371,941**	**1,087,675**	**3,476,572**	**7,592,629**	**(34,004)**	**7,558,625**
	64,188	**371,941**	**1,087,675**	**3,476,572**	**7,592,629**	**(34,004)**	**7,558,625**
	-	45,384	(1,087,675)	1,042,291	-	-	-
	-	-	5,451,706	-	5,129,695	30,710	5,160,405
	-	-	-	-	(322,011)	(34,187)	(356,198)
	-	-	5,451,706	-	5,451,706	64,897	5,516,603
	64,188	**417,325**	**5,451,706**	**4,518,863**	**12,722,324**	**(3,294)**	**12,719,030**

1 OCAK - 31 ARALIK 2021 VE 2020 HESAP DÖNEMLERİNE AİT KONSOLİDE NAKİT AKIŞ TABLOSU

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2021	Auidited 1 January - 31 December 2020
A. Cash flows from operating activities:		**2,627,958**	**2,547,147**
Net profit for the year (I)		5,516,603	1,071,196
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**1,449,828**	**1,221,982**
Adjustments for depreciation and amortization	11	539,812	423,756
Adjustments for impairments/reversals			
- Adjustments for impairment of inventories	5	494	(7,238)
Adjustments for provisions			
- Adjustments for provision employee benefits		320,076	65,777
- Adjustments for provision legal cases		5	(43)
- Adjustments for other provisions		(154)	(3,211)
Adjustments for interest income/(expense)			
- Adjustments for interest income	26	(331,882)	(152,132)
- Adjustments for interest expense	26	509,519	401,514
Adjustments for unrealized foreign currency translation differences		83,119	489,237
Adjustments for tax income/(losses) 20		1,135,605	199,219
Adjustments for gain/(losses) on sale of property, plant and equipment	25	(1,746)	(9,577)
Adjustments for income from government incentives	13	(11,207)	(11,721)
Adjustments for fair value increase in investment property	25	(793,813)	(173,599)
Changes in working capital (III)		**(3,413,561)**	**376,717**
Adjustments related to (increase)/decrease in trade receivables		(2,800,711)	(42,252)
Adjustments related to (increase)/decrease in other receivables		(22,771)	7,522
Adjustments related to (increase)/decrease in inventory		(2,535,409)	(7,968)
(Increase)/decrease in prepaid expenses		(370,690)	3,839
Adjustments for increase/(decrease) in trade payables		2,553,710	272,942
Adjustments for increase/(decrease) in other payables from operating activities		2,190	(5,197)
Increase/(decrease) in payables related to employee benefits		5,484	(7,227)
Adjustments for increase/(decrease) in deferred revenue		61,721	147,438
Changes in derivative financial instruments		(19,682)	(10,461)
Adjustments related to other increases/(decreases) in working capital		(287,403)	18,081
Cash flows from operating activities (I+II+III)		**3,552,870**	**2,669,895**
Employee benefits paid		(32,100)	(47,334)
Income taxes paid	20	(892,812)	(75,414)
B. Cash flows from investing activıties		**(1,141,901)**	**(783,830)**
Cash outflows from purchases of property, plant and equipment	11	(1,087,787)	(782,365)
Proceeds from sale of property, plant and equipment		1,746	12,614
Other cash advances and payables given		(55,860)	(14,079)
C. Cash flows from financing activities		**(3,485,547)**	**15,099**
Proceeds from borrowings	9	1,175,461	2,978,541
Repayments of borrowings	9	(3,376,547)	(3,000,266)
Proceeds from other financial liabilities	9	1,575,687	1,689,351
Repayments of other financial liabilities	9	(2,679,412)	(1,357,451)
Interest received		315,897	137,704
Interest paid		(389,177)	(373,534)
Cash outflow related to lease agreements		(65,939)	(54,246)
Other cash inflows/(outflows)		(41,517)	(5,000)
D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**(1,999,490)**	**1,778,416**
E. Effect of currency translation differences on cash and cash equivalents		**162,811**	**(313,576)**
Net (decrease)/increase in cash and cash equivalents (D+E)		**(1,836,679)**	**1,464,840**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**5,502,010**	**4,037,170**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**3,665,331**	**5,502,010**

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

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, Aliağa 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.

On 22 June 2012, the listed shares of 10.32% in the Company, which belonged to Prime Ministry Privatisation Administration, was sold to SOCAR İzmir Petrokimya A.Ş. ("SİPAŞ"), the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ"). STEAŞ and SİPAŞ merged on 22 September 2014 under STEAŞ.

As of 31 December 2021 and 31 December 2020 the ultimate controlling party 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 ("BIST") since 9 July 1990.

These consolidated financial statements were approved to be issued by the Board of Directors on 28 February 2022 and signed by Mr. Anar Mammadov, General Manager and Mr. Elchin İbadov, Chief Financial Officer, on behalf of the Board of Directors. The General Assembly has the authority to amend/modify the financial statements.

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

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

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

Siteler Mh. Necmettin Giritlioğlu Cd.

SOCAR Türkiye Aliağa Administration Building No: 6/1 Aliağa/İZMİR

As of 31 December 2021, 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

As of 31 December 2021, the average number of employees working for the Group is 2,355 (31 December 2020: 2,448). The details of the employees as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Union (*)	1,809	1,859
Non - union (**)	568	520
	2,377	**2,379**

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POAASA and the format and mandatory information recommended by CMB.

The Group and its subsidiaries registered in Turkey 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 accounts issued by the Ministry of Finance. The consolidated financial statements, except for investment properties and derivatives, are maintained under historical cost conventions and presented in TRY which is the functional and reporting currency of the Group.

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2021:

- **Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2** amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Group's risk, which is directly affected by the interest rate reform, TRY equivalent is 3,260,094 for floating rate loans. After Phase-2 published in August 2020, the Group makes the necessary assessments with the relevant financial institutions so that the variability in the cash flows of the debt does not create a cash flow risk due to the changes in the current benchmark interest EURIBOR and USD LIBOR.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

- **Amendment to TFRS 16, "Leases" - Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **Amendments to TAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to TAS 1, "Presentation of financial statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the "settlement" of a liability.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to TFRS 3,** "Business combinations" update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to TAS 16,** "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **o Amendments to TAS 37,** "Provisions, contingent liabilities and contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making.
  - **o Annual improvements make minor amendments to TFRS 1,** "First-time Adoption of TFRS", TFRS 9, "Financial instruments", TAS 41, "Agriculture" and the Illustrative Examples accompanying TFRS 16, "Leases".

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 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 TAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

2.3 Basis of consolidation

The consolidated 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.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.3. Basis of consolidation (Continued)

a) Subsidiaries

The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The non-controlling share in the net assets and results of subsidiaries for the period are separately classified as "non-controlling interest" in the consolidated balance sheet and statement of income.

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 31 December 2021 and 2020:

	Direct or Indirect Control Shareholding Rates of the Group (%)	
Subsidiaries	**31 December 2021**	**31 December 2020**
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 consolidated 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.

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

2.3. Basis of consolidation (Continued)

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

Assets in the consolidated balance sheet as of 31 December 2021 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 TRY 13,3290 = 1 US Dollar, and liabilities are translated into TRY from the foreign exchange selling rates announced by the Central Bank of the Republic of Turkey as TRY 13,3530 = 1 USD (31 December 2020: TRY 7,3405 = 1 USD).

Due to the significant fluctuations in the exchange rate in 2021, the profit or loss statements for the year ended 31 December 2021 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.

2.4. Comparative information and correction of prior period financial statements

The Group prepared its consolıdated 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 31 December 2021 on a comparative basis with balance sheet at 31 December 2020; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2021 on a comparative basis with financial statements for the period of 1 January - 31 December 2020**.**

The effects of the classifications are summarized below:

- As of 31 December 2021, expenses amounting to TRY 29,025 included in research and development expenses in the profit or loss statement for the accounting period 1 January - 31 December 2020 are reclassified as cost of sales.

2.5. Significant accounting policies

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

a. Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less cost of cornpletion and selling expenses (Note 5).

Spare parts in the forms of operating supplies are presented in the other inventory. These inventories are valued at the lower of cost and net realizable value Spare parts and material inventory are valued at the lower of cost and net recoverable value. The cost af spare parts and material inventory consist of purchase materials and other costs that are necessary to bring them to their present location and condition. The costs of spare parts and material stocks are determined on a weighted average basis by the Group (Note 5).

b. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses if any. Historical costs include the costs directly related to the acquisition of property plant and equipment. Land is not depreciated as it is deemed to have an indefinite useful life.

Buildings, machinery and equipment are capitalized and depreciated when they are in the condition necessary for operations in the manner intended by the management. Residual values of property, plant and equipment are deemed as insignificant. Expected useful life, residual value and depreciation method are reviewed annually to determine the probable effects of changes in estimates.

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

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

2.5. Significant accounting policies (Continued)

b. Property, plant and equipment (Continued)

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

	Useful lifes
Land improvements	4-50 years
Buildings	18-50 years
Machinery and equipment	4-50 years
Motor vehicles	5 years
Furniture and fixtures	3-20 years
Other fixed assets	5 years
Leasehold Improvements	at the lower of 3 years or lease term
Assets subject to operating lease (*)	32-50 years

(*) The Group determines useful lives of property, plant and equipment and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petlim in via operator agreement dated 22 February 2013.

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Tangible assets are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment. Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

Maintenance and repair expenses are recorded as expense to the income statement of the related period. The Company omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

Advances paid related to purchasing of tangible assets are monitored in prepaid expenses under fixed assets until the related asset is capitalized or recognized under on-going investments. Advances paid in foreign currency are evaluated based on being monetary or non-monetary items and measured accordingly. It is evaluated that a significant part of advances paid in foreign currency are in nature of non-monetary item and tracked over exchange rate on the date of advance payment. Impairment regarding advances given is evaluated in accordance with the impairment of non-financial assets policy and recognized on profit and loss statement of the related period.

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

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

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

2.5. Significant accounting policies (Continued)

c) Intangible assets

Rights and software

Intangible assets comprise acquired rights, information systems and software and capitalized development costs. Intangible assets are amortized on a straight-line basis over their estimated useful lives from the date of acquisition. In case of impairment, the carrying values of the intangible assets are written-down to their recoverable amounts (Note 12).

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

d. Leases

The Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

- The contract involved the use of an identified asset - this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
  i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or,
  ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability,
b) Any lease payments made at or before the commencement date, less any lease incentives received,
c) Any initial direct costs incurred by the Group; and an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset.
b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

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

2.5 Significant accounting policies (Continued)

d. Leases (Continued)

***Right of use asset* (Continued)**

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

TAS 36 Impairment on assets standard is applied to determine whether the right of use asset has been impaired to account any impairment loss.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments,
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option. and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period.

The Group - as a lessor

Rental income from operating leases that the group is lessor is recorded as income by linear method during the lease period. The relevant leased asset is included in the statement of financial position according to its nature. The direct costs incurred during the operating lease are added to the book value of the asset and are accounted as expense during the lease term in the same manner as the rental income. These leased assets are included in the balance sheet according to their qualifications. As a lessor as a result of applying the new lease standard, the group did not have to make any adjustments to the accounting of the assets.

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

2.5 Significant accounting policies (Continued)

e. Investment property

In accordance with the provisions of TAS 40 "Investment Properties", land that are held to earn rent or for capital appreciation or both rather than for use in the ordinary course of business are classified as "investment property" and carried at fair value in the financial statements. Fair value changes on investment properties are recognized in the statement of comprehensive income in the relevant period. As of 31 December 2021, 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 derecognition, disposal of investment property, or the withdrawal of an investment property and its disposal occurs when no future economic benefits are expected. Profit or loss resulting from the disposal of investment properties is recognized in the relevant income and expense accounts in the period in which the disposal process takes place.

f. Impairment of assets

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

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

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

When the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying value, the asset's (or cash-generating unit's) carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income.
An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized in the consolidated statement of comprehensive income.

g. Financial investments

The Group classifies its financial assets into the following specified categories: those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and those to be measured at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

2.5 Significant accounting policies (Continued)

h. Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position.

Impairment

Group has applied simplified approach and used provision matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component.

In accordance with this method, if any provision to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected loss is performed based on the past experience of the Group and its expectations for the future indications.

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Trade receivables net of deferred finance income are calculated using the effective interest method based on the collection amount in the subsequent period instead on the amount at the invoice date. Short term trade receivables with no determined interest rate are measured at the original invoice amount if the effect of interest accrual is not significant. In accordance with TFRS 9, if no provision provided to the trade receivables because of a specific event, Group measures expected credit loss from these receivables by the lifetime expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications. Calculated expected credit losses are not recognized in the consolidated financial statements within the scope of materiality principle.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three-months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

i. Financial assets carried at fair value

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments consist of currency swaps.

Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold fair value gain or loss classified in other comprehensive income is classified to retained earnings.

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

2.5 Significant accounting policies (Continued)

i. Financial assets carried at fair value (Continued)

Cash flow hedge

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

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

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

Financial liabilities

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities' at fair value through profit or loss' or other financial liabilities.

Borrowings

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

If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more than 12 months, they are classified under non-current liabilities (Note 9).

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

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

2.5 Significant accounting policies (Continued)

Other financial liabilities

Other financial liabilities are initially accounted at fair value, net of transaction costs. Subsequently other financial liabilities are accounted at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense to therelevant period. The effective interest rate is the rate that exactly discounts the estimated cash flows.

j. Borrowing costs

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

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

k. Government grants

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

l Statement of cash flow

Cash flows during the period are classified and reported as operating, investing and financing activities in the consolidated statement of cash flows.

Cash flows from operating activities represent the Group's cash flows from the sale of petrochemical products and port operations.

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities of the Group.

Cash flows arising from financing activities represent the cash proceeds from the financing activities and financial investments of the Group and the repayments of thesefunds.

m. Related parties

Parties are considered related to the Group if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

2.5 Significant accounting policies (Continued)

m. Related parties (Continued)

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

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

Key management personnel are identified as Board of Directors, general manager and vice general managers (Note 28).

n. Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in future and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is determined by calculating the temporary differences between the carrying amounts of assets/ liabilities in the financial statements and the corresponding tax bases, used in the computation of the taxable profit, using currently enacted tax rates. Deferred tax liabilities are generally recognized for all taxable temporary differences where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2.5 Significant accounting policies (Continued)

n. Taxation and deferred income taxes (Continued)

Deferred tax (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized if it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurementof deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

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

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements. (Note 20)

o. Employee benefits

Defined benefit plans

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

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

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

2.5 Significant accounting policies (Continued)

o. Employee benefits (Continued)

Defined contribution plan

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

Unused vacation

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

p. Provisions

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

r. Contingent assets and liabilities

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 30).

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

s. Revenue recognition

Group recognizes revenue in accordance with TFRS 15 "Revenue from contracts with customers" standard when the goods or services is transferred to the customer and when performance obligation is fulfilled based on the following main principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue when the performance obligations are fulfilled.

The Group assess the goods or services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer.

For each performance obligation identified, the entity determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. If the Group transfers control of a good or service over time and therefore satisfies a performance obligation and recognises revenue over time. However, almost all of the Group's sales of goods and services include a single performance obligation.

The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer. An asset is transferred when the customer obtains control of that asset or service.

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

2.5 Significant accounting policies (Continued)

s. Revenue recognition (Continued)

Group recognized revenue from its customers only when all of the following criteria are met:

a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
b) Group can identify each party's rights regarding the goods or services to be transferred,
c) Group can identify the payment terms for the goods or services to be transferred,
d) The contract has commercial substance,
e) is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component since the Group expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period.

Revenue from port operation

The port operations of the Group have started on 1 January 2017. The fixed revenue to be generated by the Group based on the contract is updated annually by considering the related inflation coefficient stated in the contract and recognized as revenue within the contractual period on a straight line basis. The variable revenue to be generated over the port operator's revenue, at amount exceeding the minimum revenue limits stated in the contract, will be recognized when incurred. The Group's rent income from port operations is accounted for in accordance with TFRS 15.

ş. The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date.

Transactions realized in foreign currency (currencies other than TRY) are recorded through based on the exchange rate on date of the transaction during the preparation of financial statements of each entity. Foreign exchange indexed monetary assets and liabilities included in the balance sheet are converted by using the exchange rates effective on balance sheet date. Those recorded in foreign currency from the non-monetary items followed-up with fair value are converted through based on the exchange rates on date when the fair value is determined. Nonmonetary items in foreign currency measured in type of historical cost may not be subjected to conversion again.

Exchange differences are recognized in the profit or loss of the period when they occur except for below stated circumstances:

- Exchange differences considered as the correction item in the interest costs on the debts associated with the assets built for the purpose of future use and indicated in foreign currency and included in the cost of such assets,
- Exchange differences resulted from the transactions realized for the purpose of financial protection against the risks rising from foreign currency.

t. Share capital and dividends

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

u. Share premiums

Share premium represents differences resulting from the sale of the Company's subsidiaries and associates' shares at a price exceeding the face values of those shares or differences between the face values and the fair value of shares issued for acquired companies.

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

2.5. Significant accounting policies (Continued)

ü. Subsequent events

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

In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements. Post period end events that are not adjusting events are disclosed in the notes when material.

v. Earnings per share

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

y. Segment reporting

Reporting of operating segments is arranged in a manner consistent with reporting to the competent boards of the operating decision-makers. It is the responsibility of the business operator to make decisions on the decision-making mechanisms related to the activities or on the resources to be allocated to the competent division in this regard and to evaluate the performance of the division. The Board of Directors of the Company has been designated as the competent authority to decide on the activities of the company.

z. Offsetting

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

2.6. Significant accounting estimates, judgments and assumptions

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 30.

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

The Group determines useful lives of tangible and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 December 2021.

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 20)

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

2.6 Significant accounting estimates, judgments and assumptions (Continued)

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 16.

e) Exchange rate valuation of foreing 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. (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 consideration of USD 720 million. Rafineri Holding is owner of 60% shares of SOCAR Turkey Yatırım A.Ş. which is owner of the whole shares of STAR Rafineri A.Ş.(STAR).

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 finalisation of the share transafer 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 31 December 2021 and have been subjected to exchange rate valuation (Note 28).

f) Fair value of determination of investment properties

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued investment properties do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of investment properties. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of investment properties and equipment with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

In this context, 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.

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 m^2 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.

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

NOTE 3 - SEGMENT REPORTING (Continued)

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

a) Revenue

	1 January - 31 December 2021	1 January - 31 December 2020
Petrochemical	28,528,832	11,992,699
Port	186,825	141,377
Total before eliminations and adjustments	**28,715,657**	**12,134,076**
Consolidation eliminations and adjustments	-	-
	28,715,657	**12,134,076**

b) Operating profit/(loss)

Petrochemical	6,106,804	1,418,144
Port	351,852	48,421
Total before eliminations and adjustments	**6,458,656**	**1,466,565**
Consolidation eliminations and adjustments	14,253	11,868
Operating profit	**6,472,909**	**1,478,433**
Financial (expenses)/income, net	(658,469)	(423,711)
Income from investing activities, net	837,768	215,693
Profit before tax from continued operations	**6,652,208**	**1,270,415**
Tax expense	(1,135,605)	(199,219)
Profit for the period	**5,516,603**	**1,071,196**

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	31 December 2021	31 December 2020
Petrochemical	27,897,269	18,615,441
Port	4,474,972	2,824,859
Total before eliminations and adjustments	**32,372,241**	**21,440,300**
Consolidation eliminations and adjustments	(1,944,086)	(1,456,861)
	30,428,156	**19,983,439**

d) Total liabilities

Petrochemical	14,518,117	10,513,775
Port	4,495,321	2,949,953
Total before eliminations and adjustments	**19,013,438**	**13,463,728**
Consolidation eliminations and adjustments	(1,304,312)	(1,038,912)
	17,709,126	**12,424,814**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Banks	3,665,121	5,496,779
- Demand deposits	4,861	5,506
- Turkish Liras	908	985
- Foreign currency	3,953	4,521
- Time deposits	3,660,260	5,491,274
- Turkish Liras	622,890	900,978
- Foreign currency	3,037,370	4,590,296
Other	210	5,231
	3,665,331	**5,502,010**

The weighted average effective interest rates of USD and Euro time deposits are 1.32% and 0.71% per annum (31 December 2020: USD 3.06% and 1.70% per annum).

As of 31 December 2021, the TRY dominated time deposits consist of monthly and daily deposits and the weighted average effective interest rate is 18.12% and 24.99% per annum. (31 December 2020: 17.45% per annum). The Group has no blocked deposits as of 31 December 2021 (31 December 2020: None).

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

NOTE 5 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials	946,058	319,582
Work-in-progress	537,905	324,248
Finished goods	1,045,919	129,244
Trade goods	257,182	70,009
Goods in transit	659,342	34,111
Other inventories	99,581	86,909
Less: Provision for impairment on inventories	(6,144)	(5,650)
	3,539,843	**958,453**

Movements of provision for impairment on inventory for the periods ended 31 December 2021 and 2020 were as follows:

	2021	2020
1 January	**(5,650)**	**(12,888)**
Realized due to sales of inventory	5,650	12,888
Current year additions	(6,144)	(5,650)
31 December	**(6,144)**	**(5,650)**

Cost of the raw materials and trade goods included in the cost of sales for the period 1 January - 31 December 2021 amounts to TRY 20,637,413 (1 January - 31 December 2020: TRY 8,388,287).

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2021		31 December 2020	
	Amount	Shareholding rate (%)	Amount	Shareholding rate (%)
SOCAR Power Enerji Yatırımları A.Ş.	8,910	9.90	8,910	9.90
	8,910		**8,910**	

8,910,000 shares having a nominal price of TRY 0,001 per share corresponding to 9.9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TRY 8,910) 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.

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	31 December 2021	31 December 2020
Trade receivables	4,381,578	1,314,107
Provision for doubtful trade receivables (-)	(21,132)	(21,286)
	4,360,446	**1,292,821**

Average maturity for trade receivables is 43 days as of 31 December 2021 (31 December 2020: 44 days).

Other information related with the Group's credit risk is explained in Note 31. Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains guarantees for 100% of total outstanding TRY trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables and expectations for the future indications. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided.

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December 2021, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TRY 7,057,322 (31 December 2020: TRY 2,953,517) (Note 30).

	2021	2020
1 January	**(21,286)**	**(24,497)**
Write-offs	154	3,211
31 December	**(21,132)**	**(21,286)**

b) Trade payables

	31 December 2021	31 December 2020
Trade payables	1,869,347	526,682
	1,869,347	**526,682**

Average maturity for trade payables other is 14 days as of 31 December 2021 (31 December 2020: 18 days).

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables:

	31 December 2021	31 December 2020
Receivables from third parties	17,508	5,265
Other	2,773	14
	20,281	**5,279**
Provision for other doubtful receivables (-)	(1,713)	(1,713)
	18,568	**3,566**

b) Other short-term payables:

Deposits and guarantees received	5,455	4,758
Other	5,363	2,963
	10,818	**7,721**

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2021	31 December 2020
Short-term borrowings	64,952	2,014,320
Short-term portions of long-term borrowings	1,103,565	229,994
Bond issued (**)	166,889	90,845
Short-term lease liabilities (***)	21,245	40,753
Other financial liabilities (*)	1,475,020	2,020,941
Short-term financial liabilities	**2,831,671**	**4,396,853**
Long-term borrowings	2,291,409	1,876,387
Long-term lease liabilities (***)	58,458	42,851
Bonds issued (**)	6,669,131	3,663,089
Long-term borrowings	**9,018,998**	**5,582,327**
	11,850,669	**9,979,180**

(*) Other financial liabilities consist of letters of credits, naphta financing and murabaha loans arising from naphtha purchases. The average remaining maturity of other financial liabilitiesis 110 days as of 31 December 2021 (31 December 2020: Average remaining maturity is 164 days).

(**) Petkim issued bonds listed on Ireland Stock Exchange and release of these bonds were finalized on 26 January 2018. Total amount of these issued bonds 500 million USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5.875%.

(***) The weighted average of the Group's incremental borrowing rates for US Dollar, EUR and TRY are 8%, 6% and 19%, are respectively.

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

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bonds issued:

	Weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Short-term borrowings:						
TRY borrowings	-	-	-	8,711	-	8,711
USD borrowings	Libor + 0.20 - 0.70 - 0.75	Libor + 0.30 - 0.60	4,864	273,225	64,952	2,005,609
Short-term portions of long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 4.67 - 4.26	72,004	17,148	961,464	125,872
Euro borrowings	Euribor + 0.72 - 3.00 - 1.64	Euribor + 0.72 + 3.00 - 1.64	9,402	11,559	142,101	104,122
Bond issued	5.88	5.88	12,948	12,376	166,889	90,845
Total short-term borrowings					**1,335,406**	**2,335,159**
Long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 0.75 + 4.67 - 4.26	164,533	236,441	2,197,008	1,735,594
Euro borrowings	Euribor + 3.00 - 1.64	Euribor + 3.00- 1.64	6,246	15,630	94,401	140,793
Bond issued	5.88	5.88	499,448	499,025	6,669,131	3,663,089
Total long-term borrowings					**8,960,540**	**5,539,476**
Total borrowings					**10,295,946**	**7,874,635**

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

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021
2023	7,060,766
2024	438,780
2025	552,013
2026	537,859
2027 and over	371,122
	8,960,540

	31 December 2020
2022	611,682
2023	3,883,438
2024	241,209
2025	303,456
2026	295,675
2027 and over	204,016
	5,539,476

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 31 December 2021, the fair value of bonds issued is TRY 6,836,020, which are in fixed interest rate financial liabilities and whose carrying value is TRY 7,223,433.

As of 31 December 2021, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 30. The Group is subject to some key performance indicators to for the long-term borrowings and bonds issued and the Group has met those indicators as of 31 December 2021.

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2021 and 31 December 2020 as follows:

	2021	**2020**
1 January	**4,393,566**	**4,296,599**
Proceeds from financial liabilities	2,751,148	4,667,892
Repayments of financial liabilities	(6,055,959)	(4,357,717)
Changes in foreign exchange	5,103,167	1,244,697
Changes in interest accrual	77,034	6,935
Less: Change in cash and cash equivalents	1,836,679	(1,464,840)
31 December	**8,105,635**	**4,393,566**

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

NOTE 10 - INVESTMENT PROPERTIES

Fair value	1 January 2021	Fair value increase	Transfers	31 December 2021
Land	2,078,781	793,813	-	2,872,594
	2,078,781			**2,872,594**

Fair value	1 January 2020	Fair value increase	Transfers	31 December 2020
Land	1,905,182	173,599	-	2,078,781
	1,905,182			**2,078,781**

30 years right of construction of the land, that is 2,076,506 m^2, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual rent income from the land, that is located in Aliağa district, is USD 4.6 million and the annual rent income will be increased at the rate of Libor + 1% each year. As of 31 December 2021, the annual rent income is USD 5.8 million.

As of 31 December 2021, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

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

As of 31 December 2021, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs (Note 32).

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2021
Cost:						
Land	123,896	-	-	(32)	1,199	125,063
Land improvements	412,073	-	54,168	-	2,906	469,147
Buildings	194,272	-	2,166	-	910	197,348
Machinery and equipment	8,047,394	-	653,037	(1,309)	-	8,699,122
Motor vehicles	11,144	-	66,621	(853)	-	76,912
Furniture and fixtures	153,858	-	47,132	(1,712)	597	199,875
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	2,219,152	-	-	-	1,610,417	3,829,569
Construction in progress (*)	1,011,804	1,087,787	(895,633)	-	961	1,204,919
	12,175,260	**1,087,787**	**(72,509)**	**(3,906)**	**1,616,990**	**14,803,622**
Accumulated depreciation (-):						
Land improvements	(123,496)	(35,931)	-	-	(1,576)	(161,003)
Buildings	(120,291)	(4,921)	-	-	(685)	(125,897)
Machinery and equipment	(6,150,223)	(384,884)	-	1,191	-	(6,533,916)
Motor vehicles	(10,175)	(3,787)	-	848	-	(13,114)
Furniture and fixtures	(89,386)	(17,040)	-	1,519	(561)	(105,468)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(250,955)	(86,183)	-	-	(222,201)	(559,339)
	(6,746,193)	**(532,746)**	**-**	**3,558**	**(225,023)**	**(7,500,404)**
Net book value	**5,429,067**					**7,303,218**

(*) Construction in progress mainly consist of investments related to facility improvements.

(**) Assets subject to operating lease consists of port investment.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2020
Cost:						
Land	123,896	-	-	-	-	123,896
Land improvements	225,088	-	186,263	-	722	412,073
Buildings	189,637	-	4,409	-	226	194,272
Machinery and equipment	7,660,869	-	388,410	(1,885)	-	8,047,394
Motor vehicles	11,628	-	698	(1,182)	-	11,144
Furniture and fixtures	144,586	-	12,167	(3,050)	155	153,858
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	1,818,385	-	892	-	399,875	2,219,152
Construction in progress (*)	838,492	782,365	(609,224)	-	171	1,011,804
	11,014,248	**782,365**	**(16,385)**	**(6,117)**	**401,149**	**12,175,260**
Accumulated depreciation (-):						
Land improvements	(106,454)	(16,771)	-	-	(271)	(123,496)
Buildings	(115,453)	(4,701)	-	-	(137)	(120,291)
Machinery and equipment	(5,865,400)	(284,969)	-	146	-	(6,150,223)
Motor vehicles	(10,618)	(734)	-	1,177	-	(10,175)
Furniture and fixtures	(77,103)	(14,100)	-	1,947	(130)	(89,386)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(146,406)	(68,703)	-	-	(35,846)	(250,955)
	(6,323,101)	**(389,978)**	**-**	**3,270**	**(36,384)**	**(6,746,193)**
Net book value	**4,691,147**					**5,429,067**

(*) Construction in progress mainly consist of investments related to facility improvements.

(**) Assets subject to operating lease consists of port investment.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

In 2021, the Group has not borrowing cost, that are eligible for capitalization related with its investments. (31 December 2020: TRY 6.865).

Tangible and intangible assets depreciation charges amounting to TRY 547,879 (31 December 2020: TRY 398,823) were allocated to cost of sales by TRY 446,480 (31 December 2020: TRY 358,001), to inventories by TRY 46,468 (31 December 2020: TRY 14,091), to general administrative expenses by TRY 48,010 (31 December 2020: TRY 21,507), to marketing, selling and distribution expenses by TRY 6,921 (31 December 2020: TRY 4,874).

As of 31 December 2021, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD 350 million on the date of 20 November 2015 (31 December 2020: USD 350 million).

As of 31 December 2021 and 2020 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	31 December 2021	31 December 2020
Land	103,507	66,096
Buildings	88,963	120,590
Motor vehicles	15,353	13,367
Total right of use assets	**207,823**	**200,053**

As of 31 December 2021, there is no additions to rights use of assets, depreciation expenses amounting to TRY 38,403 (2020: TRY 37,288).

NOTE 12 - INTANGIBLE ASSETS

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2021
Cost:						
Rights and software	73,863	-	72,509	-	3,113	149,485
Capitalized development costs	10,330	-	-	(10,927)	-	(597)
	84,193	**-**	**72,509**	**(10,927)**	**3,113**	**148,888**
Accumulated amortization (-):						
Rights and software	(33,361)	(12,631)	-	114	(378)	(46,256)
Capitalized development costs	(8,938)	(2,502)	-	189	-	(11,251)
	(42,299)	**(15,133)**	**-**	**303**	**(378)**	**(57,507)**
Net book value	**41,894**					**91,381**

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

NOTE 12 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2020
Rights and software	56,865	-	16,385	-	613	73,863
Capitalized development costs	10,709	-	-	(379)	-	10,330
	67,574	**-**	**16,385**	**(379)**	**613**	**84,193**
Accumulated amortization (-):						
Rights and software	(25,247)	(8,079)	-	-	(35)	(33,361)
Capitalized development costs	(6,625)	(2,502)	-	189	-	(8,938)
	(31,872)	**(10,581)**	-	**189**	**(35)**	**(42,299)**
Net book value	**35,702**					**41,894**

NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2021, government grants incentives granted from Turquality and other institutions amounting to TRY 11,207 includes incentives and aid (31 December 2020: TRY 11,721) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

NOTE 14 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 December 2021	31 December 2020
Advances received	255,429	177,384
Deferred revenue	5,086	4,690
	260,515	**182,074**

b) Long-term deferred revenue

Deferred revenue	750	5,150
	750	5,150

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

NOTE 15 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 December 2021	31 December 2020
Advances given for inventory	363,590	28,149
Prepaid insurance and other expenses	33,969	10,626
Advances given for customs procedures	636	84
	398,195	**38,859**

b) Long-term prepaid expenses

Advances given for property, plant and equipment	109,815	51,677
Prepaid insurance and other expenses	1,797	1,783
	111,612	**53,460**

NOTE 16 - EMPLOYEE BENEFITS

a) Liabilities for employee benefits:

	31 December 2021	31 December 2020
Social security contribution	13,351	12,435
Due to personnel	229	278
	13,580	**12,713**

b) Short-term employee benefits:

Provision for bonus premium	272,091	20,823
Provision for seniority incentive bonus	9,095	9,429
	281,186	**30,252**

c) Long-term employee benefits:

Provision for employment termination benefits	129,202	93,109
Provision for unused vacation rights	49,183	29,849
Provision for seniority incentive bonus	13,049	8,354
	191,434	**131,312**

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation

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

	2021	2020
1 January	**29,849**	**19,196**
Changes in the period, net	19,334	10,653
31 December	**49,183**	**29,849**

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 ceiling of TRY 8,284.51 for each year of service as of 31 December 2021 (31 December 2020: TRY 7,117.17).

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:

	31 December 2021	31 December 2020
Net discount rate (%)	4.40	4.60
Probability of retirement (%)	97.62	100.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 10,848.59 which is effective from 1 January 2022, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2021: TRY 7,638.96).

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits (Continued):

Movements of the employment termination benefits are as follows:

	2021	2020
1 January	**93,109**	**94,821**
Interest cost	12,103	10,221
Payments during the period (-)	(12,928)	(9,751)
Service cost	16,151	7,364
Actuarial (gain)/loss	20,767	(9,546)
31 December	**129,202**	**93,109**

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2021 and 2020 are follows:

	31 December 2021 Net discount rate		31 December 2020 Net discount rate	
Sensitivity analysis	**100 Basis point increase**	**100 Basis point increase**	**100 Basis point increase**	**100 Basis point increase**
Rate	5.40	3.40	5.60	3.60
Change in liability of employment termination benefit	(13,162)	16,132	(9,729)	12,055

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

NOTE 16 - 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 and 100 days of gross salary for 30, 35 and 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 Group, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 35 and 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.

TAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	31 December 2021	**31 December 2020**
Net discount rate (%)	4.40	4.60
Used rate related to retirement probability (%)	97.62	100.00

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

	2021	**2020**
1 January	**17,783**	**14,386**
Interest cost	1,778	1,551
Payments during the period (-)	(10,031)	(9,736)
Service cost	10,302	11,818
Actuarial (gain)/loss	2,312	(236)
31 December	**22,144**	**17,783**

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

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2021	31 December 2020
Value added tax ("VAT") receivable	407,249	100,409
Other	3,830	1,324
	411,079	**101,733**

b) Other non-current assets

	31 December 2021	31 December 2020
Spare parts	20,673	15,204
Other	116	115
	20,789	**15,319**

c) Other liabilities

	31 December 2021	31 December 2020
Taxes and funds payable and other deductions	50,364	22,384
Other	198	765
	50,562	**23,149**

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2021			31 December 2020		
	Fair value (TRY)			Fair value (TRY)		
	Nominal contract amount (TRY)	Assets	(Liabilities)	Nominal contract amount (TRY)	Assets	(Liabilities)
Foreign currency forward transactions	166,913	8,534	-	-	-	-
Interest rate swap transactions (*)	1,157,048	-	(54,179)	684,810	-	(63,673)
	1,323,961	**8,534**	**(54,179)**	**684,810**	**-**	**(63,673)**

(*) The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2021, TRY 12,146 of (31 December 2020: TRY 22,151) interest expense that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement.

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

NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2021 and 31 December 2020:

		31 December 2021		31 December 2020	
Group:	**Shareholder:**	**Amount (TRY)**	**Share (%)**	**Amount (TRY)**	**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 in 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.

With General Assembly meeting decision dated 9 October 2020, within the maximum registered capital of TRY 4,000,000, a bonus share of 20% of the issued capital and a bonus share of TRY 422,400 was increased from TRY 2,112,000 to TRY 2,534,400. Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1 Kr, and 1 Group C preferred stock belonging to Management (31 December 2020: - Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1 Kr, and 1 Group C preferred stock belonging to Management).

Capital of the Company is composed of all registered shares.

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company,
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

NOTE 19 - EQUITY (Continued)

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from 1 February 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long-term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with the relevant communiqués; within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, at least 50% of the annual distributable profit of the Company is aimed to be distributed in cash and/or shares and/or in installments. This rate is determined each year by the Board of Directors, depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies, and cash requirements.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

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

NOTE 19 - EQUITY (Continued)

Dividend distribution (Continued)

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1, January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 31 December 2021 and 31 December 2020 are summarized below:

	31 December 2021	31 December 2020
Calculated corporation tax	1,136,880	102,783
Less: Prepaid taxes (-)	(865,443)	(75,414)
Total corporation tax asset	**271,437**	**27,369**

Tax expenses included in the income statement for the consolidated periods ended 31 December 2021 and 2020 are summarized below:

	1 January - 31 December 2021	1 January - 31 December 2020
Deferred tax income/(expense)	1,275	(96,436)
Current year tax expense	(1,136,880)	(102,783)
Total tax expense	**(1,135,605)**	**(199,219)**

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

a) Corporate tax (Continued):

Turkish tax legislation does not permit a parent company, its subsidiaries and its subsidiaries to file a tax return on its consolidated financial statements. For this reason, the tax provisions reflected in the financial statements in this consolidated are separately calculated for the subsidiaries.

In Turkey, the corporate tax rate is 25% for 2021 (2020: 22%). In Turkey, the corporate tax rate is 23% for 2022. 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 20 January 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 2021 and 2022 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. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

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 TAS and the statutory tax financial statements prepared in accordance with Corporate Tax Law.

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, "Law on Collection Procedure of Public Receivables", in the provisional tax return declarations to be submitted atfer 1 July 2021, corporate tax rate has increased from 20% to 25% and to 23% for the year 2022, it will be applied as 20% from 2023.

The exemption to be applied on the capital gains obtained from the sales of the real estates held by the corporate taxpayers for at least two years has been reduced from 75% to 50% with the regulation published in the Official Gazette dated 5 December 2017.

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2021 and 31 December 2020 are as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	330,291	(451,410)	53,725	(90,282)
Fair value increase in investment properties	(2,862,514)	(2,077,305)	(286,251)	(207,731)
Deferred revenue related to the port rental agreement	(7,847)	(6,014)	(1,569)	(1,203)
Deferred income tax liabilities	**(2,540,070)**	**(2,534,729)**	**(234,095)**	**(299,216)**
Unused investment incentives	787,664	831,699	200,558	220,088
Provision for employee benefits	472,620	161,564	94,524	32,313
Carry forward tax losses	277,881	279,374	56,440	55,875
Fair value difference of derivative financial instruments	45,645	63,673	9,129	12,735
Inventory provision	6,144	5,650	1,229	1,130
Rent allowance fee	3,807	3,974	761	795
Provision for legal cases	2,597	2,592	516	518
Other	106,237	58,650	21,249	11,730
Deferred income tax assets	**1,702,595**	**1,407,176**	**384,406**	**335,184**
Deferred tax assets/(liabilities) - net			**150,311**	**35,968**

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY 120,439 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2021. In this context, as of 31 December 2021 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY 7,284.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY 773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2021, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY 193,274.

As a result of projections made as of 31 December 2021, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY 787.664 (31 December 2020: TRY 831,699).

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The reconciliations of the taxation on income for the years ended 31 December 2021 and 2020 were as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	**6,652,208**	**1,270,415**
Statutory tax rate	25%	22%
Calculated tax expense based on effective tax rate	(1,663,052)	(279,491)
Reconciliation between the tax provision and calculated tax:		
Effect of unused tax losses for which no deferred tax asset was recognized	(93,522)	2,928
Effect on revaluation of immovables and other economic assets subject to depreciation (*)	336,987	-
Utilised investment incentives during the year	165,095	81,311
Income exempt from tax	21,413	2,163
Non-deductible expense	(82,300)	(20,826)
Tax rate difference	161,826	20,843
Other	17,948	(6,147)
Total tax expense reported in the profit or loss statement	**(1,135,605)**	**(199,219)**

(*) In accordance with the regulation numbered 7326, published in Official Gazette on 9 June 2021, the opportunity to revalue the immovables registered in assets and the economic assets subject to depreciation on the effective date of the law. The covered assets will be valued with the D-PPI ("Domestic producer price index") rate and tax will be paid in 3 installments (at two-month intervals) at the rate of 2% over the amount of valuation increase. For the revalued assets, the valuation difference can be depreciated and recognized as taxable expense. Within the scope of the amendment, deferred income tax asset has been recognized in the statement of financial position based on the revaluation records for property, plant, equipment in the tax books, and the deferred income tax related to this asset has been recognized in the consolidated statement of profit or loss.

The movement of deferred income tax is as follows:

	2021	2020
1 January	**35,968**	**71,055**
Recognized in the profit or loss statement	1,275	(96,436)
Recognized in other comprehensive income	1,010	5,466
Foreign currency translation differences	112,058	55,883
31 December	**150,311**	**35,968**

As a result of projections made as of 31 December 2021, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY 787,664 (31 December 2020: TRY 831,699).

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

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	17,046,044	8,112,618
Export sales	12,393,797	4,553,679
Other sales	92,335	114,280
Sales discounts (-)	(816,519)	(646,501)
Net sales	**28,715,657**	**12,134,076**
Direct raw materials and supplies	(11,662,459)	(5,256,631)
Cost of trade goods sold	(8,974,954)	(3,131,656)
Energy	(1,335,064)	(767,555)
Labour costs	(667,440)	(534,371)
Depreciation and amortization	(462,425)	(374,931)
Changes in work in progress and finished goods	1,162,710	(59,100)
Other	(358,777)	(156,067)
Cost of sales	**(22,298,409)**	**(10,280,311)**

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expense	(264,001)	(170,564)
Outsourced services	(161,146)	(80,614)
Depreciation and amortization	(66,532)	(40,856)
Energy expenses	(28,492)	(13,618)
Taxes, funds and fees	(12,288)	(8,828)
Other	(53,841)	(29,715)
	(586,300)	**(344,195)**

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Independent audit fee for the reporting period	646	435
Fees for tax advisory services	162	276
Fee for other services	1,312	42
	2,120	**753**

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

NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expense	(149,827)	(38,362)
Outsourced services	(86,616)	(61,492)
Depreciation and amortization	(10,855)	(7,969)
Other	(33,665)	(15,238)
	(280,963)	**(123,061)**

NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	2,298,814	372,917
Rent income	12,012	12,893
Term sales income	5,486	4,236
Other	35,385	15,647
	2,351,697	**405,693**

b) Other operating expenses:

Foreign exchange losses	(1,290,609)	(236,240)
Consultancy expenses	(38,133)	(16,277)
Term purchase expense	(38,558)	(7,243)
Other	(61,473)	(54,009)
	(1,428,773)	**(313,769)**

NOTE 25 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2021	1 January - 31 December 2020
Fair value increase in investment properties	793,813	173,599
Rent income	42,209	32,517
Gain on sale of property, plant and equipment	2,042	10,328
	838,064	**216,444**

b) Expenses from investment activities

Loss on sale of property, plant and equipment	(296)	(751)
	(296)	**(751)**

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

NOTE 26 - FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	7,240,483	2,421,710
Interest income	331,882	152,132
Other	55,780	6,386
	7,628,145	**2,580,228**

b) Finance expense

Foreign exchange loss	(7,719,617)	(2,547,223)
Interest expense	(476,568)	(377,594)
Commission expense	(43,596)	(43,423)
Interest expense from lease liabilities	(32,951)	(23,920)
Interest expense on employee benefits	(13,882)	(11,772)
Other	-	(7)
	(8,286,614)	**(3,003,939)**

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Net profit for the period of the equity holders of the parent	5,451,706	1,087,675
Weighted average number of shares with nominal value of Kr I each (thousand)	253,440	253,440
Earnings per share (Kr)	**2.1511**	**0.4292**

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2021 and 31 December 2020 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Short-term trade receivables from related parties:

	31 December 2021	31 December 2020
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	595,669	332,376
STAR (2)	129,485	25,753
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	20,692	752
SCR Müşavirlik ve İnşaat A.Ş. (2)	185	-
STEAŞ (1)	13	44
SOCAR Azerikimya Production Union (2)	59	36
SOCAR Turkey Petrol Ticaret A.Ş. (2) (formerly named "SOCAR Turkey Petrol Enerji Dağıtım A.Ş.") (2)	-	65,343
Other (2)	39	-
	746,142	**424,304**

b) Short-term other receivables from related parties:

STAR (2)	7,390	92
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	941	-
SOCAR Logistics DMCC (2)	-	82
STEAŞ (1)	-	65
	8,331	**239**

c) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. (2)	10,345	8,288
	10,345	**8,288**

(1) Shareholders of the Company.

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

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

d) Short-term trade payables to related parties:

	31 December 2021	31 December 2020
STAR [(2)]	1,819,648	452,624
STEAŞ [(1)]	116,655	124,524
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [(2)]	8,163	5,481
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	7,187	5,096
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [(2)]	5,791	1,776
SOCAR Turkey Petrol Ticaret A.Ş. [(2)]	4,856	1,103
SOCAR Logistics DMCC [(2)]	3,568	-
Azoil Petrolcülük A.Ş. [(2)]	680	398
SOCAR Turkey Fiber Optik A.Ş. [(2)]	10	124
SOCAR Enerji Ticaret A.Ş. [(2)]	-	67,912
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	-	901
Other [(2)]	42	8
	1,966,500	**659,947**

Short-term trade payables to related parties are mainly consist of consultancy, service and goods purchases. Average maturity of short-term trade payables is 7 days (31 December 2020: 10 days).

e) Other payables to related parties:

Due to shareholder [(1)]	87	87
	87	**87**

f) Short-term deferred revenue from related parties:

SOCAR Aliağa Liman İşletmeciliği A.Ş. [(2)]	24,268	13,720
STAR [(2)]	3,942	289
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	9	10
	28,219	**14,019**

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

g) Long-term deferred revenue from related parties:

SOCAR Aliağa Liman İşletmeciliği A.Ş. (2) (*)	602,498	354,441
STAR (2)	4,735	4,945
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	98	-
	607,331	**359,386**

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

(1) Shareholders of the Company.

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

h) Short-term prepaid expense to related parties:

Short-term prepaid expense

	31 December 2021	31 December 2020
STEAŞ (1) (*)	6,413,869	3,530,058
SOCAR Logistics DMCC (2)	2,156	-
STAR (2)	1,812	1,929
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	145	475
SCR Müşavirlik ve İnşaat A.Ş. (2)	76	91
Other (2)	110	-
	6,418,168	**3,532,553**

(*) 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 USD 720 million. Rafineri Holding owns 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 and 30 June 2020 at the latest, with the second amendment protocol signed on 15 May 2020 and the third amendment signed on 25 June 2021, with the latest on 30 June 2021. It has been amended to be 3 January 2022 at the latest with the amendment protocol and to 31 December 2022 at the latest with the fourth amendment protocol signed on 27 December 2021. As the aformentioned 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 31 December 2021 and have been subject to exchange rate valuation. The first two installment amounting to USD 480 million has been paid by the Company and remaining USD 240 million will be paid with the closing date.

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

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

Long-term prepaid expense to related parties

	31 December 2021	31 December 2020
STAR [2]	18,306	20,119
STEAŞ [1]	9,509	3,901
	27,815	**24,020**

i) Short-term leasing payables to related parties:

	31 December 2021	31 December 2020
SCR Müşavirlik ve İnşaat A.Ş. [2]	40,868	31,154
STEAŞ [1]	4,225	3,383
	45,093	**34,537**

j) Long-term leasing payables to related parties:

	31 December 2021	31 December 2020
SCR Müşavirlik ve İnşaat A.Ş. [2]	186,787	133,212
STEAŞ [1]	18,035	3,883
	204,822	**137,095**

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries.

ii) Transactions with related parties

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

	1 January - 31 December 2021	1 January - 31 December 2020
STEAŞ [1]	2,893,425	667,747
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	10,332	7,702
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	4,459	1,302
SOCAR Power Enerji Yatırımları A.Ş. [2]	1,744	1,554
SOCAR Azerikimya Production Union [2]	28	69
STAR [2]	(396,370)	(38,258)
SCR Müşavirlik ve İnşaat A.Ş. [2]	(126,366)	(57,741)
SOCAR Turkey Petrol Ticaret A.Ş. [2]	(14,290)	(4,175)
SOCAR Enerji Ticaret A.Ş. [2]	(14,290)	-
SOCAR Logistics DMCC [2]	(6,137)	60
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	(723)	832
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. [2]	(221)	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	(119)	2,732
SOCAR Turkey Fiber Optik A.Ş. [2]	(113)	(5)
Other	(1,626)	-
	2,349,733	**581,819**

The breakdown of income from STAR is as follows; TRY 387,189 is foreing exchange loss, TRY 9,181 other income and the breakdown of income from STEAŞ is as follows; TRY 2,911,261 foreing exchange gain and TRY 17,836 other expense.

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries.

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

b) Service and rent purchases from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	78,801	40,109
STEAŞ (1)	68,908	28,137
SCR Müşavirlik ve İnşaat A.Ş. (2)	14,753	10,186
STAR (2)	13,863	8,737
SOCAR Turkey Petrol Ticaret A.Ş. (2)	2,348	1,798
SOCAR Tarding SA (2)	1,802	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	726	503
SOCAR Turkey Fiber Optik A.Ş. (2)	-	99
Other (2)	58	298
	181,259	**89,867**

The purchases from SCR Müşavirlik ve İnşaat A.Ş., STAR and STEAŞ mainly consist of rent and other services purchases.

c) Product purchase from related parties:

STAR (2)	9,732,870	3,175,654
SOCAR Enerji Ticaret A.Ş. (2)	977,261	701,722
SOCAR Logistics DMCC (2)	167,840	134,940
Azoil Petrolcülük A.Ş. (2)	3,046	2,195
SOCAR Turkey Petrokimya A.Ş. (1)	1,349	-
	10,882,366	**4,014,511**

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 1,507,097 tons of TRY 8,722,403 naphtha purchases, TRY 1,010,467 other purchases.

d) Product and service sales to related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
STAR (2)	383,016	212,484
SOCAR Enerji Ticaret A.Ş. (2)	230,701	-
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	193,402	145,583
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	14,606	3,091
SOCAR Turkey Petrol Ticaret A.Ş. (2)	6,013	292,881
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	932	17
SCR Müşavirlik ve İnşaat A.Ş. (2)	430	216
Azoil Petrolcülük A.Ş. (2)	50	-
SOCAR Azerikimya Production Union (2)	-	2,394
STEAŞ (1)	-	47
	829,150	**656,713**

(1) Shareholders of the Company.

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

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

e) Rent income from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
STAR [2]	43,808	34,065
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	3,025	1,803
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	1,003	799
SCR Müşavirlik ve İnşaat A.Ş. [2]	475	234
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	343	221
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	140	68
STEAŞ [1]	-	3
	48,794	**37,193**

f) Fixed assets purchases from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
STEAŞ [1]	78,615	65,543
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	9,223	4,797
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	2,104	1,689
SCR Müşavirlik ve İnşaat A.Ş. [2]	840	716
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	-	1,001
STAR [2]	-	(441)
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	-	21
	90,782	**73,326**

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries.

g) Key management compensation:

	1 January - 31 December 2021	1 January - 31 December 2020
Payments for salary and seniority incentives	32,472	36,061
	32,472	**36,061**

h) Key management compensation - long-term:

	1 January - 31 December 2021	1 January - 31 December 2020
Provision for unused vacation	2,757	(385)
Provision for employment termination benefits	1,484	163
Provision for seniority incentives	98	(42)
	4,339	**(264)**
	36,881	**35,797**

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management. Key management compensation consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

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

NOTE 29 - COMMITMENTS

a) Commitments

As of 25 July, 2014, the Group has signed a contract with STAR whose main shareholder is SOCAR Turkey Enerji A.Ş. which is main shareholder of Petkim in the direction of purchasing naphtha approximately amounting to 1,600,000 tons per year and xysilen amounting to 270,000 tons per year for 20 years from STAR which will be landed at Petkim Peninsula in order to ensure supply security and reduce costs. In addition, the Group has signed a cooperation contract with STAR at the mentioned date and accordance with that contract the Group is going to sell steam for 20 years and serve solid and hazardous waste disposal, supply of workers on temporary duty and security services to STAR which will be established by STAR at Petkim Peninsula.

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 December 2021	31 December 2020
Provision for legal cases	2,597	2,592
	2,597	**2,592**

b) Guarantees received:		
Receivable insurance	2,781,298	771,274
Bank guarantees within the context of DOCS	2,510,499	1,347,712
Letters of guarantee received from customers	1,511,716	692,303
Letters of guarantee received from suppliers	503,580	270,224
Letters of credit	251,809	140,228
Mortgages	2,000	2,000
	7,560,902	**3,223,741**

c) Guarantees given:		
Mortgages given to banks (*)	2,381,025	2,874,603
Guarantees given to banks	973,821	1,369,604
Custom offices	116,228	104,347
Other	28,409	26,615
	3,499,483	**4,375,169**

(*) Mortgage amounting to USD 350 million is related with the borrowing for port investment amounting to USD 178 million as of 31 December 2021.

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

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2021	31 December 2020
A. Total amount of CPMs given for the Company's own legal personality	1,118,458	3,005,565
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	2,381,025	1,369,604
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	-	-
	3,499,483	**4,375,169**

(*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD 212 million which Petlim has remaining loan balance amounting to TRY 2,381,025 as of 31 December 2021. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TRY 105,000 has been pledged. On 20 November 2015, a mortgage amounting to USD 350 million was established on Petlim's land which was sold by Petkim at a price of TRY 5,650. In terms of the risk occured by the given mortgage, it is considered that it would be appropriate to consider the land amount instead of the mortgage amount.

d) Ongoing cases and investigations:

The Customs Administration levied an incremental VAT charge and fine to Group in, with the claim that the customs tariff statistical position of Pygas, which was imported by the group in 2014, requires Special Consumption Tax ("SCT"). The Group objected to the VAT charge and fine, then started legal proceedings when its objection was rejected by the Customs Administration.

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT with the claim that the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was notified on 25 August 2017 of the imposition of a tax charge amounting TRY 66 thousand and penalty of TRY 99 thousand. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. The case was filed on 22 January 2020 regarding the issue.

Meanwhile, in 2017, two of the three ongoing lawsuits against the additional VAT and Customs Duty Accrual regarding imported Pygas before the Customs Administration were decided in favor of the Group in the local tax courts, that the product did not have a GTIP number with SCT. It was upheld before the District Administrative Court (Court of Appeal). In the third case, it was decided that the product was with SCT, but the penalty was found to be unfair. Then, on 28 September 2017, in the relevant case, it was decided in the Regional Administrative Court ("Court of Appeal") that the product did not have a GTIP number with SCT. The 7th Chamber of the Council of State approved the decisions of the Regional Administrative Courts in 2021 and decided in favor of the Group.

Furthermore, the Turkish Ministry of Finance started a new tax inspection for 2013, 2015 and 2016 regarding our use of Pygas, following the tax loss and late payment interest notification about SCT for 2014. As a result of this inspection, an SCT loss and late payment penalty of 0.75% of the total amount was calculated by the Turkish Ministry of Finance for the relevant years, considering that the Group is entitled to receive a tax refund of 99.25%. This result is different from the result of the inspection conducted in 2014, and the tax principal and tax losses for 2013, 2015 and 2016 were accrued and the Group was informed that the sum of such losses were TRY 937 and TRY 1,405, respectively. In accordance with 7143 numbered Law regarding restruction, a fine amounting TRY 479 was levied to the Group. Group has paid TRY 479 and these inspections has been closed.

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

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations: (Continued)

The tax principal and the tax loss calculated for 2013, 2015 and 2016 according to the Turkish Ministry of Finance resulted to be 99.25% less than the tax principal and tax loss calculated according to the previous methodology in 2014. The tax calculation method applied by the Turkish Ministry of Finance for 2013, 2015 and 2016 is considered to be applicable and exemplary to the tax principle and tax loss calculation for 2014, which supports the estimation that the tax principal and tax penalty regarding the Group's SCT for 2014 will be concluded with a reconciliation and/or litigation, without creating a material financial risk

The Group management and the Group legal consultants estimated that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded with a settlement and/or litigation in a way that does not constitute any material financial risk.

In support of these predictions, as of 16 December 2020 and 24 December 2020, the ongoing lawsuits regarding the SCT of TRY 66 thousand and the tax loss penalty of TRY 99 thousand in total, which are being heard by the İzmir 3rd and 2nd Tax Courts, are accepted in favor of the Company and the lawsuit is filed. It was decided to abolish the tax assessment.

However, pursuant to the decision taken by the Group Management, the provisions of the "Law No. 7326 on Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette dated 9 June 2021 and numbered 31506 will be utilized and after a payment of TRY 6.7 thousand was made, all of the aforementioned lawsuits were waived.

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
0-5 years	1,705,251	876,036
5-10 years	1,758,151	890,376
10 years and more	5,865,111	3,225,437
Total	**9,328,513**	**4,991,849**

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS

a) Credit risk:

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompany) in every agreement. As part of its sales policy, the Group obtains collateral at an amount of 100% of total outstanding TRY trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits.

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2021:

	31 December 2021			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables [1]	Cash and cash equivalents
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	**18,676**	**746,142**	**4,360,446**	**3,665,331**
- The part of maximum credit risk covered with guarantees etc	-	-	3,595,376	-
A. Net book value of financial assets neither past due nor impaired [3]	18,676	746,142	4,340,054	3,665,331
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired [3]	-	-	-	-
C. Net book value of assets past due but not impaired [4]	-	-	20,392	-
- The part covered by guarantee etc.	-	-	13,015	-
D. Net book value of assets impaired				
- Past due (gross book value)	-	-	22,967	-
- Impairment amount	-	-	(21,132)	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

[1] Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

[2] Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

[3] Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

[4] Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows:

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2020:

	31 December 2020			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables [1]	Cash and cash equivalents
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	**8,527**	**424,304**	**1,292,821**	**5,502,010**
- The part of maximum credit risk covered with guarantees etc			(1,127,369)	
A. Net book value of financial assets neither past due nor impaired [3]	8,527	424,304	1,269,854	5,502,010
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired [3]	-	-	-	-
C. Net book value of assets past due but not impaired [4]			22,967	-
- The part covered by guarantee etc.	-	-	(16,267)	-
D. Net book value of assets impaired				
- Past due (gross book value)	-	-	21,823	-
- Impairment amount	-	-	(21,286)	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

[1] Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

[2] Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

[3] Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

[4] Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows:

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

31 December 2021	Receivables		
	Related parties	Third parties	Total
1-30 days overdue	-	16,329	16,329
1-3 months overdue	-	1,196	1,196
3 months and over	-	2,867	2,867
The part covered by the guarantees	-	(13,015)	(13,015)
	-	**7,377**	**7,377**

31 December 2020	Receivables		
	Related parties	Third parties	Total
1-30 days overdue	-	15,882	15,882
1-3 months overdue	-	3,147	3,147
3 months and over	-	3,939	3,939
The part covered by the guarantees	-	(16,267)	(16,267)
	-	**6,701**	**6,701**

b) Liquidity Risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December, 2021 and 2020 are as follows:

	31 December 2021				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 years above (III)
Contract due date:					
Bank credits	3,459,926	3,877,125	124,751	1,167,335	2,585,039
Other financial liabilities	1,475,020	1,481,708	397,811	1,083,897	-
Bond issued	6,836,020	7,068,744	196,122	196,122	6,676,500
Trade payables	1,869,347	1,869,347	1,869,347	-	-
Due to related parties	1,966,587	1,966,587	1,966,641	-	-
Lease liabilities	329,618	658,912	24,983	45,873	588,056
	15,936,518	**16,922,477**	**4,579,655**	**2,493,227**	**9,849,595**

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk (Continued)

	31 December 2020				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months-1 year (II)**	**1 - 5 years above (III)**
Contract due date:					
Bank credits	4,120,701	4,433,644	477,321	1,848,423	2,107,900
Other financial liabilities	2,020,941	2,036,966	391,558	1,645,408	-
Bond issued	3,753,934	4,209,319	107,814	107,814	3,993,691
Trade payables	526,682	526,682	526,682	-	-
Due to related parties	660,034	660,086	660,086	-	-
Lease liabilities	255,236	536,129	10,841	37,086	488,202
	11,337,528	**12,402,826**	**2,174,302**	**3,638,731**	**6,589,793**

The following table analyzes the Group's derivative financial instruments as of balance sheet date. Amounts shown in the table are undiscounted cash movements related to the contract. Amounts that will arrive within 12 months. the amount that would have been discounted would have been insignificant.

	31 December 2021				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months-1 year (II)**	**1 - 5 year above (III)**
Contract due date:					
Derivative financial instruments	(45,645)	(1,319,267)	(182,853)	(68,781)	(1,067,633)

	31 December 2020				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months-1 year (II)**	**1 - 5 year above (III)**
Contract due date:					
Derivative financial instruments	(63,673)	(684,810)	(7,781)	(22,565)	(654,464)

c) Market risk:

i) Foreign exchange risk

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange denominated cost items, such exposure is limited with the sales prices impacted by foreign currencies.

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk: (Continued)

i) Foreign exchange risk (Continued)

Foreign currency position

		31 December 2021			
		TRY equivalent	US Dollar	Euro	Other TRY Equivalent
1.	Trade receivables	3,681,865	240,126	31,897	-
2a.	Monetary financial assets (Cash, bank accounts included)	9,448,092	596,799	98,982	4
2b.	Non-monetary financial assets	-	-	-	-
3.	**Current assets (1+2)**	**13,129,957**	**836,925**	**130,879**	**4**
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)**	**13,129,957**	**836,925**	**130,879**	**4**
9.	Trade payables	3,122,093	221,129	10,642	9,997
10.	Financial liabilities	2,628,386	186,196	9,402	-
11a.	Monetary other liabilities	823,241	3,377	-	778,148
11b.	Non-monetary other liabilities	-	-	-	-
12.	**Short term liabilities (9+10+11)**	**6,573,720**	**410,702**	**20,044**	**788,145**
13.	Trade payables	-	-	-	-
14.	Financial liabilities	6,763,528	499,448	6,246	-
15a.	Monetary other liabilities	204,822	15,339	-	29,608
15b.	Non-monetary other liabilities	-	-	-	-
16.	**Long term liabilities (13+14+15a+15b)**	**6,968,350**	**514,787**	**6,246**	**29,608**
17.	**Total liabilities (12+16)**	**13,542,070**	**925,489**	**26,290**	**817,753**
18.	**Net (liability)/asset contract value of derivative instruments (18a-18b)**	**166,913**	**12,500**		-
18a.	**Amount of asset contract value of derivative İnstruments**	-	-	-	-
18b.	**Amount of liability contract value of derivative İnstruments**	**166,913**	**12,500**		
19.	**Net foreign (liability)/asset position (8-17+18)**	**(245,200)**	**(76,064)**	**104,589**	**(817,749)**
20.	**Net foreign currency (liability)/asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)**	**(412,113)**	**(88,564)**	**104,589**	**(817,749)**
21.	**Total fair value of financial instruments used for foreign currency hedging**	**8,534**	**658**	-	-
22.	**Hedged amount for foreign currency assets**	-	-	-	-
23.	**Hedged amount for foreign currency liabilities**	**166,913**	**12,500**	-	-
24.	**Export**	**11,773,755**	**891,897**	**354,851**	**74,582**
25.	**Import**	**9,113,020**	**925,177**	**77,958**	**80,831**

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

31 December 2020			
TRY equivalent	**US Dollar**	**Euro**	**Other TRY Equivalent**
933,137	114,686	10,134	-
8,107,614	1,077,212	22,212	254
-	-	-	-
9,040,751	**1,191,898**	**32,346**	**254**
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,040,751	**1,191,898**	**32,346**	**254**
1,076,872	99,411	8,393	271,546
4,288,686	570,066	11,559	-
799,577	4,705	-	765,040
	-	-	-
6,165,135	**674,182**	**19,952**	**1,036,586**
-	-	-	-
4,232,699	557,443	-	-
137,095	18,677	-	-
-	-	-	-
4,369,794	**576,120**	**15,630**	**-**
10,534,929		**1,250,302**	**35,582**
-	-	-	-
-	-	-	-
-	-	-	-
(1,494,178)	**(58,404)**	**(3,236)**	**(1,029,944)**
(1,494,178)	**(58,404)**	**(3,236)**	**(1,029,944)**
-	-	-	-
-	-	-	-
-	-	-	-
4,035,794	**410,930**	**133,910**	**111,673**
4,154,432	**536,613**	**60,137**	**93,767**

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk: (Continued)

i) Foreign exchange risk (Continued)

Table of sensitivity analysis for foreign currency risk

31 December 2021

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/(Liability) denominated in USD - net	(118,047)	118,047	(118,047)	118,047
2- The part hedged for USD risk (-)	-	-	16,661	(16,661)
3- USD effect - net (1+2)	**(118,047)**	**118,047**	**(101,386)**	**101,386**
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	157,790	(157,790)	157,790	(157,790)
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	**157,790**	**(157,790)**	**157,790**	**(157,790)**
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in othe foreign currencies - net	79,933	(79,933)	79,933	(79,933)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**79,933**	**(79,933)**	**79,933**	**(79,933)**
Total (3+6+9)	**119,676**	**(119,676)**	**136,337**	**(136,337)**

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk: (Continued)

i) Foreign exchange risk (Continued)

31 December 2020

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/(Liability) denominated in USD - net	(42,871)	42,871	(42,871)	42,871
2- The part hedged for USD risk (-)				
3- USD effect - net (1+2)	**(42,871)**	**42,871**	**(42,871)**	**42,871**
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	(2,915)	2,915	(2,915)	2,915
5- The part hedged for EUR risk (-)				
6- Avro effect - net (4+5)	**(2,915)**	**2,915**	**(2,915)**	**2,915**
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	102,995	(102,995)	102,995	(102,995)
8- The part hedged for other foreign currency risk (-)				
9- Other foreign currency effect - net (7+8)	**102,995**	**(102,995)**	**102,995**	**(102,995)**
Total (3+6+9)	**57,208**	**(57,208)**	**57,208**	**(57,208)**

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk: (Continued)

i) Foreign exchange risk (Continued)

The Group's interest rate position as of 31 December 2021 and 2020 is presented below:

	31 December 2021	31 December 2020
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	8,419,024	5,899,715
EUR Financial liabilities	91,848	84,158
TRY Financial liabilities	-	8,711
Financial instruments with variable interest rate		
USD Financial liabilities	3,115,440	3,742,238
EUR Financial liabilities	144,654	160,754

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/(-) TRY 20,705 (31 December 2020: TRY 15,275).

ii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphtha prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Turkey. While the Group determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sector publications and Group's production levels, stock levels and order amounts received.

The Group also uses some derivative financial instruments, mainly Naphtha, to hedge cash flow risk arising from raw material price risk.

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management (Continued)

ii) Price risk (Continued)

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including short-term financial liabilities, current portion of long-term financial liabilities, long-term financial liabilities, less cash and cash equivalents).

	31 December 2021	31 December 2020
Total financial debt	11,770,966	9,895,576
Less: Cash and cash equivalents (Note 4)	(3,665,331)	(5,502,010)
Net debt (Note 9)	8,105,635	4,393,566
Total equity	12,719,030	7,558,625
Net debt/equity ratio	**64%**	**58%**

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

d) Capital risk management (Continued)

ii) Price risk (Continued)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts, they are considered to approximate to their fair values, and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

Fair values of short-term bank borrowings and other financial liabilities are assumed to approximate their carrying values due to their short-term. Long-term floating rate bank loans' interest rates are updated according to the changing market conditions, it is assumed to represent the value of the fair value is the carrying value of these loans. Long-term fixed-rate loan, when evaluated with a fixed interest rate as of the balance sheet date, it is observed its fair value is close to the carrying value.

Fair value estimation

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Depend on registered price (unadjusted) in the active market.

Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.

Level 3: Not depend on observable market data.

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

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

d) Capital risk management (Continued)

ii) Price risk (Continued)

Fair value estimation (Continued)

31 December 2021 and 2020, fair value and book value of financial statement were as follows:

31 December 2021	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	8,534	-	8,534
Investment properties- Land	-	2,872,594	-	2,872,594
Total assets	**-**	**2,881,128**	**-**	**2,881,128**
Derivative financial liabilities	-	(54,179)	-	(54,179)
Total liabilities		**(54,179)**		**(54,179)**

31 December 2020	Level 1	Level 2	Level 3	Total
Investment properties- Land	-	2,078,781	-	2,078,781
Total assets	**-**	**2,078,781**	**-**	**2,078,781**
Derivative financial liabilities	-	(63,673)	-	(63,673)
Total liabilities	**-**	**(63,673)**	**-**	**(63,673)**

NOTE 33 - EVENTS AFTER BALANCE SHEET DATE

None.

OTHER MATTERS

EVENTS OF SPECIAL IMPORTANCE THAT TOOK PLACE AFTER THE END OF THE OPERATION YEAR

None.

ANNUAL REPORTS OF THE PARENT COMPANY WITHIN THE GROUP OF COMPANIES

Whether the Company holds an interest representing five percent, ten, twenty, twenty-five, thirty-three, fifty, sixty, seven or one hundred percent of the shares in the capital of an equity company or whether its interest falls below these percentages, and the reasons therefore.

In 2021 the Company did not hold an interest representing five percent, ten, twenty, twenty-five, thirty-three, fifty, sixty, seven or one hundred percent of the shares in the capital of an equity company nor its interest in the capital of an equity company fell below these percentages.

PETKİM PETROKİMYA HOLDİNG A.Ş. SHAREHOLDER STRUCTURE

	31.12.2021		31.12.2020	
Shareholders	**Paid-in Capital (TL)**	**%**	**Paid-in Capital (TL)**	**%**
SOCAR Turkey Petrokimya A.Ş.	1,292,544,000	51.00	1,292,544,000	51.00
Directorate of Privatization Administration	0.01	0.00	0.01	0.00
Traded on BİST (Publicly Held)	1,241,855,999.99	49.00	1,241,855,999.99	49.00
Total	2,534,400,000.00	100.00	2,534,400,000.00	100.00

The conclusion part of the report stipulated in Article 199 (4) of the Law upon request of a member of the governing body.

Provided under the heading Relations with the Controlling Company.

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