

# Petkim 2022 Annual Report



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<b>Reporting period:</b>	01 January - 31 December 2022
<b>Company title:</b>	Petkim Petrokimya Holding A.Ş.
<b>Trade registry:</b>	314 - Aliğa Trade Registry Office
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# Stronger Together





# Corporate Profile

## Petkim is Türkiye'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 58 years of experience and knowledge. Petkim continues its activities with an annual average gross production capacity of 3.6 million tons and nearly 60 types of petrochemical products in its 15 main production facilities and 6 auxiliary facilities.

Meeting approximately 12% of Türkiye'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 Aliğa Complex was brought into operation in 1985 to produce with optimum capacity based on the latest technologies of the time.

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 2022, 49% of the shares of Petkim, which is a subsidiary of SOCAR Türkiye, were trading on Borsa İstanbul.

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 Türkiye 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.

In 2021, Petkim succeeded in becoming one of the top 10 companies in its own category in the Environmental, Social and Governance (ESG) rating, where Petkim demonstrated its sustainability performance through the ESH performance of its operations.

In 2022, Petkim's total investments exceeded TL 4 billion. Petkim accelerated its steps towards the future in the areas of sustainability and digitalization.

The Project Earth project is one of the largest SAP projects in the region and energy sector, not only in Türkiye but in the world. Upon completion of the first phase of the Project Earth project, all commercial processes started to be managed from a single hub. The ISCC (International Sustainability Carbon Certification) guarantees the transparent traceability of sustainable raw materials and the products produced with these raw materials along the supply chain. Petkim was awarded the ISCC for the first time.



# 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





 SCAR

## Message from the General Manager



Petkim turned these profit margins, which had been decreasing all over the world since the first quarter of the year, and the increasing petrochemical raw material prices to its advantage through its integration with the STAR Rafineri and its effective planning and optimization activities.

## Dear Stakeholders,

The war in the region, which dominated the headlines in 2022, and the resulting energy crisis demonstrated that the global economy and our sector will face challenging tests for some time to come.

Weakening demand for petrochemical products amid mounting concerns of recession paved the way for additional supply in the market, sending Naphtha prices lower. The contraction in demand in Europe and increased raw material costs squeezed margins for all petrochemical groups, except for aromatics.

Petkim turned these profit margins, which had been decreasing all over the world since the first quarter of the year, and the increasing petrochemical raw material prices to its advantage through its integration with the STAR Rafineri and its effective planning and optimization activities.

### A strong performance in a challenging year

Our total sales increased by 70% YoY to reach TL 48.9 billion in 2022. We also maintained our strong performance with a net profit of TL 6.5 billion.

Petkim also demonstrated a successful performance in commercial product sales, in addition to sales from production, thanks to its effective marketing strategies and wide range of products. The company minimized the effect of the decline in product profits experienced in global markets on the company's profitability.

Maintaining uninterrupted integrated production through the STAR Rafineri, Petkim met the domestic market's demands without disruption, selling 52% of its products to customers in the domestic market. The company also supported its sales from production with new products. Petkim increased the share of commercial products in the total sales to 42%, meeting customer requirements most appropriately with its commercial product portfolio, which expanded to a total of 39 products.

With our exports to European countries, we achieved a total of USD 1,449 million in foreign sales. With this success, we became the leading exporter in the Aegean region in 2022, ranking first in the chemical sector category and in all categories in the Aegean region, according to the records of the Aegean Exporters' Associations.

We further strengthened our cash position with the support of the financing methods and instruments we have used. Our disciplined and proactive operating capital management enabled us to achieve continuous and strengthening cash flows. Our strong cash position proved crucial in preparing ourselves for the Eurobond redemption, which we realized in January 2023.

At the same time, we successfully realized the Petkim planned maintenance turnaround, which is performed every four years. We completed the maintenance activities within budget in the space of about two months. Despite the production downtime, we optimized our capacity

ratio, performing the planned maintenance turnaround when the sector was in the midst of a recession with lower profit margins, thus positively affecting profitability.

In addition, our profitability was also supported by the earnings from the tax incentive provided and the exchange rate effect.

### Our focus on digitalization reinforces our achievements and our trust in the future

We have accelerated our work in the field of the digital transformation in our corporate and production processes, taking account of its contribution to Petkim's sustainability goals, in addition to the positive impact on efficiency and optimization.

In this vein, we have been taking important steps to bring new technologies such as Video/Image/Audio Processing, Process Mining, IoT, GIS, Self-Service Analytics to the company's portfolio at every point of the value chain. In 2022, we successfully completed a total of 11 integration projects of different sizes.

In 2022, we took an important initiative to prepare SOCAR Türkiye for the future. We completed the 1<sup>st</sup> Phase of our Project Earth by undertaking one of the biggest SAP projects not only in Türkiye, but also in the region and the energy sector. With the project, processes managed in distributed systems were redesigned and integrated into the SAP S/4HANA system, were blended with "Best Practices" and started to be managed from a single hub.

## Message from the General Manager

In this context, all commercial processes were reviewed and made ready for the digital transformation. A total of 38 out of a total of 42 projects were put into practice including the customer information system, orders, reporting and shipment management.

From the very outset, Project Earth was deemed to be one of the exemplary projects in Türkiye and in the world on the basis of its governance and internal and external participants. It was selected as "Türkiye's Largest Digital Transformation Project" at the "SAP Transformation Awards" event in 2022.

Another important development in the context of the digital transformation was SOCAR Wennovation, which was commissioned within the scope of digital ecosystem development work. This open innovation platform aims to meet the digital needs within the organization by collaborating with all potential stakeholders in the ecosystem such as companies, entrepreneurs and academia.

### **We adopt the Agile Work Model**

We implemented the Agile Business Model to on-site production and maintenance activities in 2021. We put the Agile Business Model into practice in all functions of the SOCAR Türkiye Refinery and Petrochemical Business Unit, including administrative units, in 2022. As the first and only company to implement the Agile Business Model on this scale, we also

switched to the OKR (Objective Key Results) performance evaluation system, which supports the agile transformation, in all our functions.

We began to see the effects of the model in the form of increased reliability, integrity, occupational health and safety, efficiency and employee motivation. With the transition to the Agile Business Model in the Refinery and Petrochemical Business Unit, the teams united around common goals that would enable the value added to the company to be optimized, rather than merely revolving around functional goals. In this way, Petkim achieved a capacity increase well in excess of its target, while also achieving a decrease in process parameter variability. The transition to the Agile Business Model paved the way for a rapid increase in motivation among the working teams.

### **We create more value for sustainability**

We act with a sustainability approach which aims to create value for our stakeholders and targets social development throughout our entire production and economic cycle.

With our continually broadening perspective, we unabatedly press ahead with our investments which will assist in managing the environmental impacts of our operations, promote energy efficiency and ensure occupational health and safety, process safety and sustainable production. In addition to these

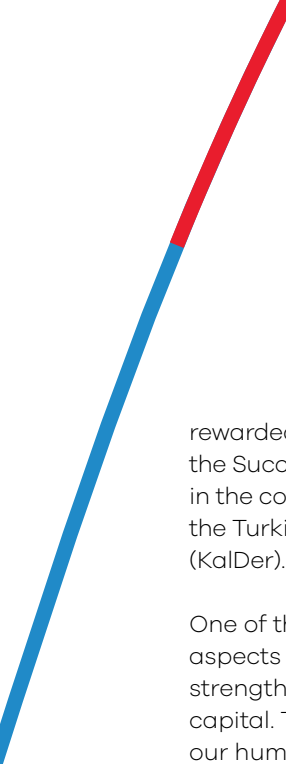
investments, we maintain our investments in areas outside our operations such as the projects classified as strategic as well as in the field of IT. Our total investment expenditures exceeded TL 4 billion in 2022.

We realized a number of firsts in 2022 thanks to the important initiatives we took in the context of sustainability.

We successfully completed the external audits by carrying out the ISO 55001 Asset Management System certification activities through our internal resources. This was a first at our Petkim and STAR Rafineri companies within the scope of the Refinery and Petrochemical Business Unit. The work was also the first of its kind in Türkiye in terms of scale and scope.

The ISCC (International Sustainability Carbon Certification) guarantees the transparent traceability of sustainable raw materials and products manufactured with these raw materials throughout the supply chain, while assuring stakeholders that the products meet the sustainability requirements. Petkim was awarded the ISCC for the first time.

Moreover, 5S methodology was comprehensively integrated in the sustainability work in 2022 in the Product Packaging and Storage Areas, the first time such an integration took place in Türkiye. Within the framework of the 5S Application Project, we implemented the Capacity Increase and Reduction of Carbon Foot Print Project, which were



rewarded with the Silver Award for the Successful Team of the Year in the competition organized by the Turkish Quality Association (KalDer).

One of the most important aspects of sustainability is the strengthening of intellectual capital. The value we attach to our human resources at Petkim returns as increased value to our intellectual capital. This is thanks to our work in the “I am the Value” (Değer Benim) Program, which has consistently taken place since 2017.

We continue to carry out the I am the Value program as one of the building blocks of our success. In the program, more than 45 initiatives have been designed in detail out of the approximately 156 project proposals submitted by our colleagues in 2022. Major projects were implemented in the Lean Six Sigma, Agile Transformation and Digitalization categories.

These projects also yielded significant positive contributions to Petkim’s financial results. The additional value created through the Platform amounted to USD 96.5 million in 2022.

In our Business Unit, we perform comprehensive and internationally comparative performance analysis in order to evaluate the current operational and financial performance, and to implement improvements in areas open to development.

We demonstrate our strategic orientation through the projects which enhance our Environmental, Social and Governance (ESG) performance. We continue to move forward with a focus on increasing our gains for the future.

We are aware that with our indispensable contribution to the economy comes a weight of responsibility. With this awareness, we take all measures regarding

sustainable and responsible production that will carry Petkim to the future. Meanwhile, we ramp up our steps to reduce our environmental impact and expand our social impact.

I would like to express my sincere thanks to all of our stakeholders, especially my esteemed colleagues, for their contribution and support for our strong performance in 2022.

Respectfully,

**Anar Mammadov**  
General Manager

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
- Ramani
- 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

SOCAR Türkiye is a leading energy company which works with state-of-the-art technology to provide benefit in the social, economic and environmental fields with the aim of bringing sustainable living.

SOCAR Türkiye, 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 Türkiye, which started operating in Türkiye in 2008, was involved in the bidding process of a block sale of 51% of the publicly held shares in Petkim Petrokimya Holding A.Ş.

On 30 May 2008, a comprehensive strategic partnership between Azerbaijan and Türkiye 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. In 2021, Sermaye Investments Limited (SIL), a subsidiary of the SOCAR Group, acquired the shares of Goldman Sachs International. Thus, the shareholding structure of SOCAR Turkey Enerji A.Ş. was restructured with 89.7% of the shares held by SOCAR and 10.3% by Sermaye Investments Limited (SIL).

As Türkiye's largest industrial conglomerate, SOCAR Türkiye maintains its activities in a wide range of sectors, primarily petrochemicals, refining, natural gas trading, transmission and

distribution. The company continuously increases its production capacity through its value chain extending from the source to the end user. SOCAR Türkiye realized the investment in the SOCAR Terminal, which is the largest integrated port in the Aegean Region after Petkim's port. SOCAR Türkiye also built the STAR Rafineri, the largest real sector investment ever undertaken at a single point in Türkiye and the Trans Anatolian Natural Gas Pipeline Project (TANAP), which forms the longest part of the Southern Gas Corridor and transports resources from the Caspian Sea to Türkiye and Europe.

SOCAR Türkiye became the first company in Türkiye to receive the title of "Special Industrial Zone" for the land in Aliğa, which includes all group companies. STAR Rafineri, one of the SOCAR Türkiye group companies, holds Türkiye's first "Strategic Investment Incentive Certificate".

Making Türkiye an investment base, SOCAR Türkiye acquired EWE Turkey Holding and its subsidiaries, which manage the operations of the German energy company EWE AG in Türkiye, 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 Türkiye. Having completed the integration process with the steps it took in 2020 after the strategic investments it carried out, SOCAR Türkiye continues its activities as Türkiye's largest industrial holding.

Directly employing more than 5,200 personnel, SOCAR Türkiye has created more than 10,000 jobs through its contractors. SOCAR has undertaken more than USD 18 billion of investments in Türkiye to date, a figure which will increase to USD 19.5 billion once SOCAR's investments are completed. This amount represents the biggest investment SOCAR has ever undertaken in a country outside Azerbaijan.

SOCAR Türkiye contributes to employment and production as the strongest representative of the economic cooperation between Azerbaijan and Türkiye, two countries joined in brotherhood. SOCAR Türkiye also provides an invaluable contribution towards reducing Türkiye's current account deficit. Believing in Türkiye's potential and its future, SOCAR Türkiye plays an important role in Türkiye becoming an effective player in the international energy arena.





Having completed the integration process with the steps it took in 2020 after the strategic investments it carried out, SOCAR Türkiye continues its activities as Türkiye's largest industrial holding.

### HEADQUARTERS

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<b>SOCAR TÜRKİYE</b>	The hub of petrochemical, refining and natural gas operations
<b>SOCAR TÜRKİYE AR-GE VE İNOVASYON</b>	Innovative, sustainable, environmentally friendly and market-oriented products and technologies
<b>SCR MÜŞAVİRLİK</b>	Real estate construction and consultancy

### REFINERY AND PETROCHEMICAL BUSINESS UNIT

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<b>PETKİM</b>	Türkiye's first and only integrated petrochemical producer
<b>STAR RAFİNERİ</b>	Diesel, jet fuel, LPG, reformat and naphtha producer
<b>SOCAR DEPOLAMA</b>	Storage and operation
<b>SOCAR TİCARET</b>	Wholesale and retail sale of fuel, aviation and marine fuels
<b>PETKİM RES</b>	Wind power plant

### NATURAL GAS BUSINESS UNIT

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<b>BURSAGAZ</b>	Natural gas distribution company
<b>KAYSERİGAZ</b>	Natural gas distribution company
<b>SOCAR ENERJİ TİCARET</b>	Natural gas and electricity, trade and sales activities
<b>ENERVİS</b>	Energy industry service provider

### PORTFOLIO MANAGEMENT BUSINESS UNIT

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<b>SOCAR FİBER</b>	Fiber optic line investment for electronic communication
<b>SOCAR TERMİNAL</b>	Aegean Region's largest container terminal
<b>MİLLENİCOM</b>	Telecommunications service supplier

### TANAP

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The biggest link of the Southern Gas Corridor that will carry Azerbaijan's natural gas to Europe



# Key Operational and Financial Highlights

While Petkim's EBITDA was 3,948 million TL, its net profit for 2022 increased by 18.6% to 6,545 million TL.

**54,662,952**  
TL thousand

In 2022, total assets amounted TL 54,662,952 thousand.

**79.6%**

In 2022, total assets increased by 79.6%.

**6,545,018**  
TL thousand

Net profit at the end of 2022 was TL 6,545,018 thousand.

**2.23**  
million tons

The production amount in 2022 was 2.23 million tons.

**1.10x**  
Current Ratio

**0.61x**  
Liquidity Ratio

Two-Year Key Indicators (TL thousand)	2021	2022
Total Assets	30,428,156	54,662,952
Net Sales	28,715,657	48,898,269
Net Profit	5,516,603	6,545,018
Exports (USD million)	1,315	1449
Issued Capital	2,534,400	2,534,400
Number of Employees (year-end)	2,377	2,328

Summary Balance Sheet (TL thousand)	2021	2022
Current Assets	19,623,291	34,404,853
Non-Current Assets	10,804,865	20,258,099
<b>Total Assets</b>	<b>30,428,156</b>	<b>54,662,952</b>

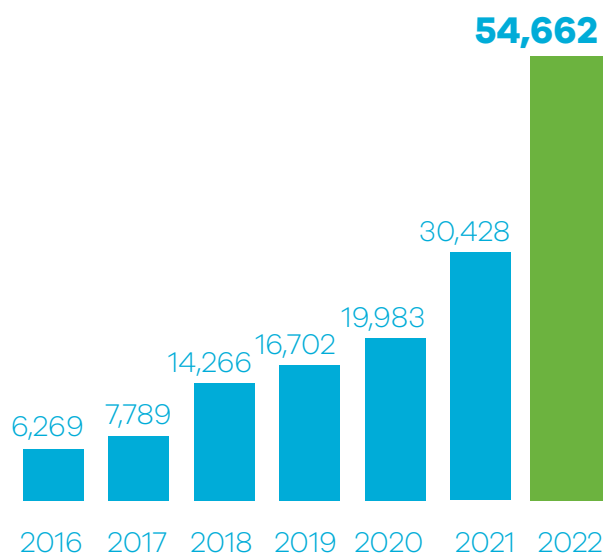
Short-term Liabilities	7,655,372	31,197,893
Long-term Liabilities	10,053,754	4,405,807
Shareholders' Equity	12,719,030	19,059,252
<b>Total Equity and Liabilities</b>	<b>30,428,156</b>	<b>54,662,952</b>

Summary Income Statement (TL thousand)	2021	2022
Net Sales	28,715,657	48,898,269
Gross Profit	6,417,248	4,118,883
Operating Profit	7,310,677	6,775,696
EBITDA	6,241,644	3,947,789
<b>Net Profit for the Year</b>	<b>5,516,603</b>	<b>6,545,018</b>

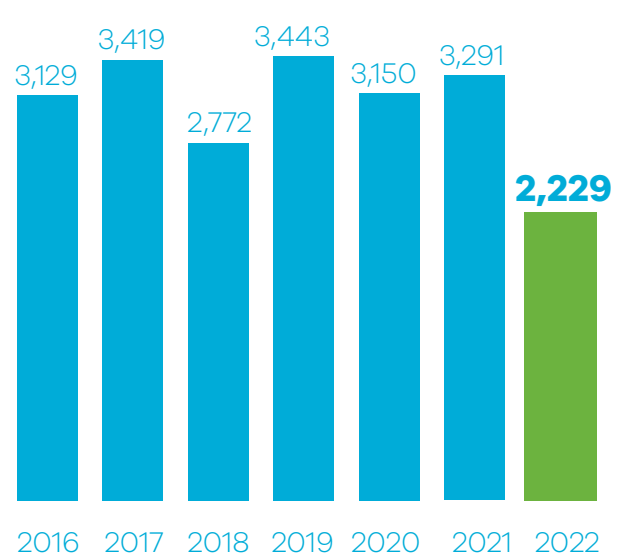
Key Ratios	2021	2022
Current Ratio	2.56X	1.10X
Liquidity Ratio	1.15X	0.61X
Financial Leverage Ratio	0.58X	0.65X
Debt Ratio (Total Debt/Equity)	1.39X	1.87X

Gross Profit Margin (%)	22.3	8.4
Operating Profit Margin (%)	25.5	13.9
EBITDA Margin (%)	21.7	8.1
Net Profit Margin (%)	19.2	13.4

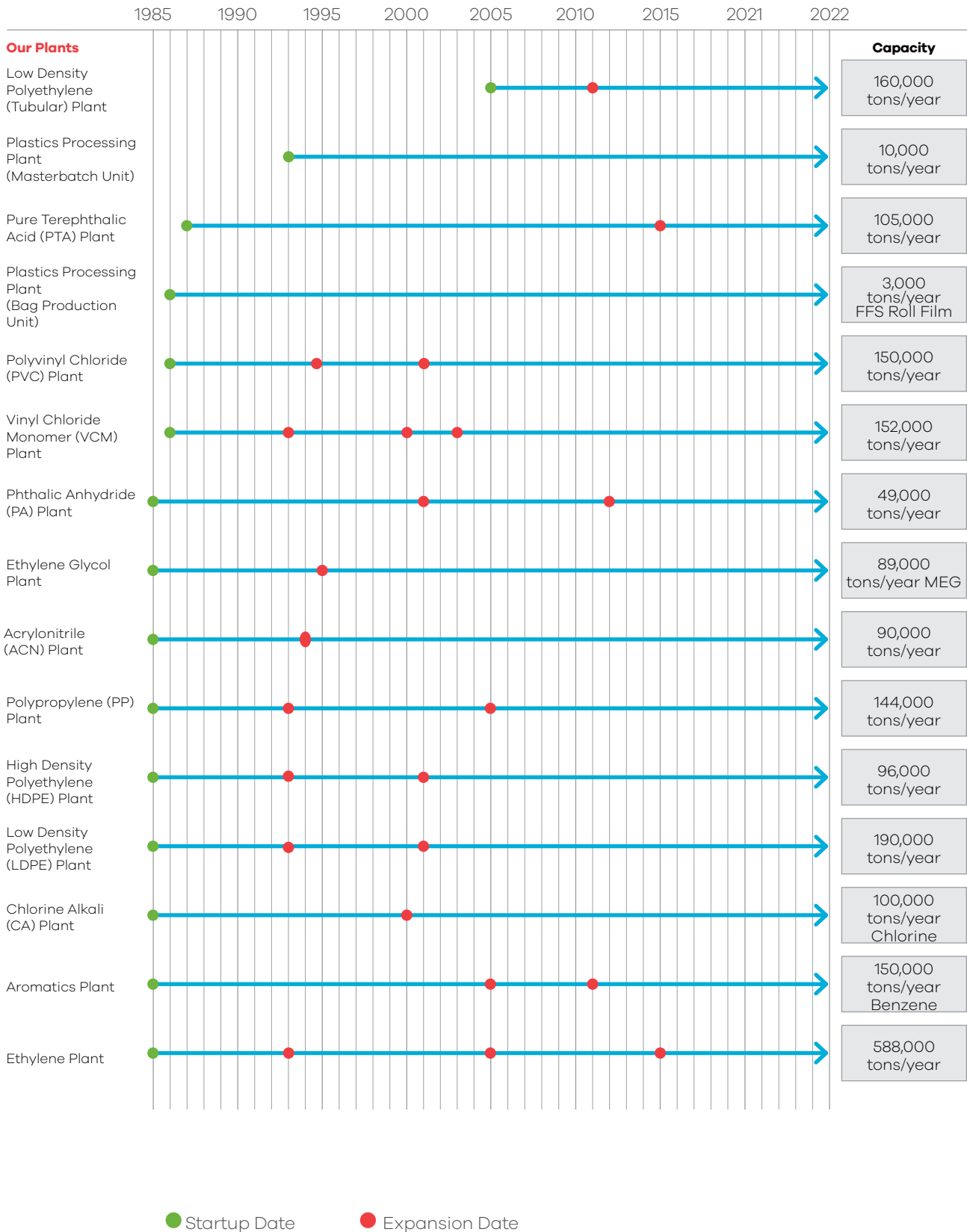
**Total Assets** (TL million)

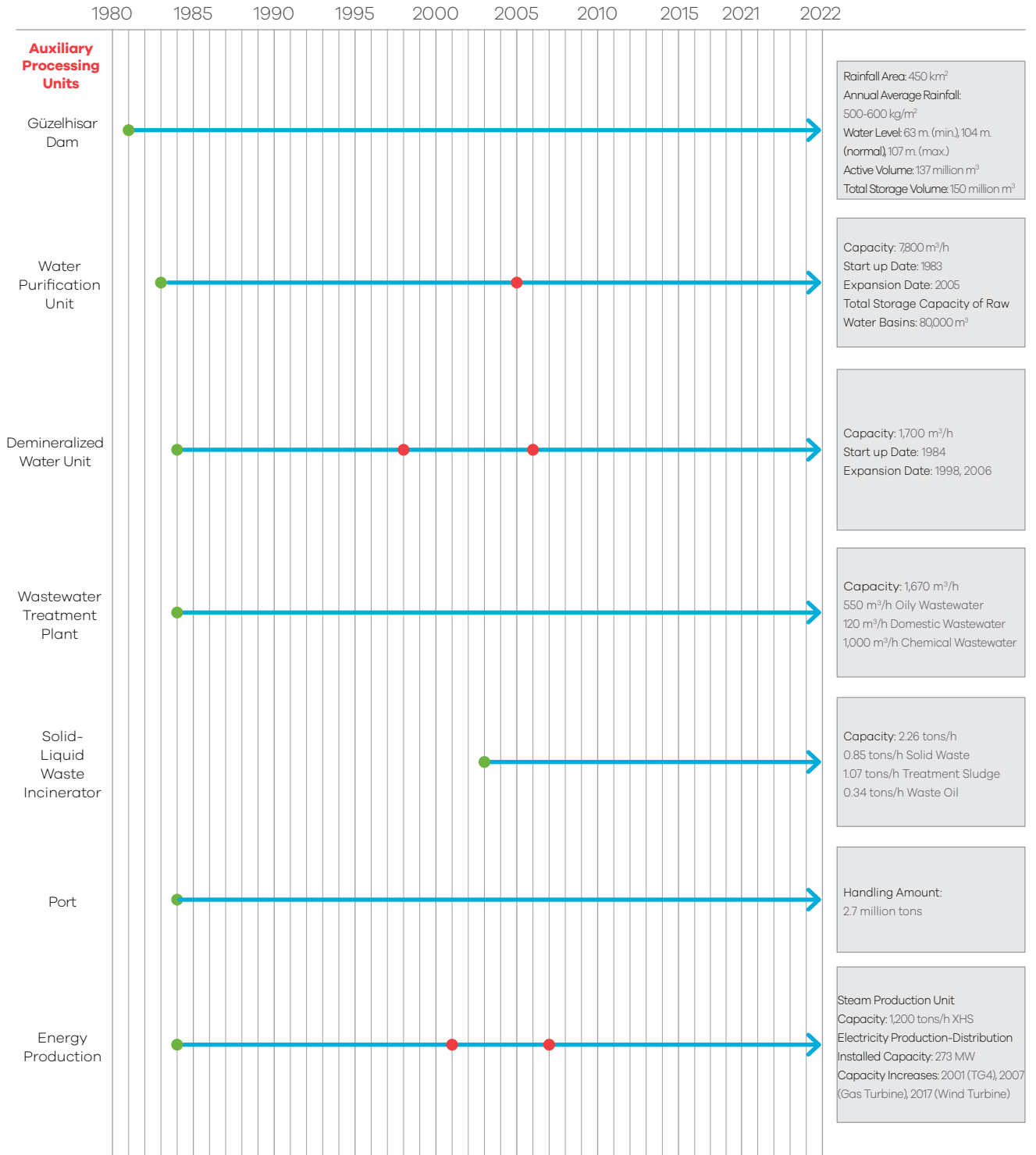


**Gross Production** (thousand tons)



# Petkim Plants





● Startup Date    ● Expansion Date

# Milestones from Petkim'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<sup>2</sup> 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 Petkim 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 Türkiye, 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/

## Milestones from Petkim's History

year profit and a reduction of 140,000 tons/year in CO<sub>2</sub> 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 Aliğa Directorate of National Education.

### 2013

- Petkim was awarded with the grand prize in the Efficiency in Industry category of The National Energy Prizes contest.
- Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrialists consuming energy more than 500,000 TEP.
- Petkim crowned its customer oriented efforts with TS ISO 10002 Customer Satisfaction Management System Certificate.
- In line with the integration targets, an operation agreement was signed on 22 February 2013 with APMT BV and APM Terminals for the operation of the Container Port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).
- Petkim Academy was established.
- Petkim was awarded with four prizes in Successful Industrial Enterprises Ceremony, which is held every year by the Aegean Region Chamber of Industry.
- Excavation works for the Petlim Container Port were begun.
- With exports worth USD 765,751,000, Petkim became the export leader of both the

Aegean Region and the overall chemical industry in the region.

### 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<sup>2</sup> consisting of 6 laboratories, a 400 m<sup>2</sup> pilot plant and offices, located at Petkim complex.

- Petkim celebrated its 50<sup>th</sup> year of operation with its employees, senior officials from Petkim and SOCAR, the business and media world and distinguished guests from Türkiye 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 Türkiye's most preeminent digital companies. Accenture Türkiye, 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 Petkim 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 Türkiye to acquire an 18% indirect stake in STAR Rafineri.
- The planned maintenance 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 Türkiye Aliğa 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 Türkiye's 1,453 hectare plot in İzmir Aliğa was declared as the first Special Industrial Region in Türkiye.
- 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 Türkiye.
- Petkim set an all-time production record with production of 3.44 million tons in 2019.
- The integration process of SOCAR Türkiye group companies was completed on 1 November 2019. With this integration, the subsidiaries of Petkim, STAR Rafineri, SOCAR Türkiye Akaryakıt Depolama and SOCAR Türkiye Enerji Dağıtım were brought under the umbrella of the SOCAR Türkiye Refinery and Petrochemicals Business Unit.
- Petkim's Cultural Transformation Program, "My Petkim", was expanded to companies in the SOCAR Türkiye Refinery and Petrochemicals Business Unit and started to be rolled out under the name "Değer Benim".
- Petkim was the only company from Türkiye 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

## Milestones from Petkim's History

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 3<sup>rd</sup> prize in category 3 (50,000 TEP and above) at the 20<sup>th</sup> 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 4<sup>th</sup> 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 8<sup>th</sup> 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 its area of activity and its 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 employees 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.

### In 2022

- In 2022, Petkim became the Aegean Region export champion ranking first in the chemical industry category and in all categories in the Aegean Region.
- The Değer Benim Transformation Program successfully completed its sixth year. At Petkim, the realization of the projects proposed by our colleagues yielded USD 96.5 million in 2022.
- The Green Belt Program, a part of the third wave of Lean Six Sigma activities at Petkim, was completed with 11 of our employees awarded green belts. With the completion of the 4<sup>th</sup> wave activities, which got underway 2022, a total of 44 employees will be awarded green belts.
- ISO 55001 Asset Management System certification activities were carried out with our internal resources. As a result, external audits were completed successfully. This was a first at our Petkim and STAR Rafineri companies within the scope of the Refinery and Petrochemical Business Unit. This work also represented a first in Türkiye in terms of its scale and scope.
- ISCC PLUS – International Sustainability Carbon Certification, which demonstrates the transparent traceability of sustainable raw materials and the products manufactured by throughout the supply chain, assuring our stakeholders that products meet the sustainability requirements, was achieved for the first time.



# 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, 8 Vice Presidents and 1 Director 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/Operations)
Ergün Binboğa	Vice President (Technical Services)
Ziya Kangarlı**	Vice President (Trading)
Levent Kocagül	Vice President (Human Resources)
İbrahim Kadioğlu	Vice President (Business Excellence)
Matin Khalilli	Vice President (Supply Chain and Procurement)
Seral Erkut***	Vice President (Occupational Health, Safety and Environment)
Khalig Mustafayev	Group Director (Aliğa Corporate Services)

\* As of 1 December 2022, the title of Mr. Haluk Urul was changed to Vice President of Operations instead of Vice President of Production.

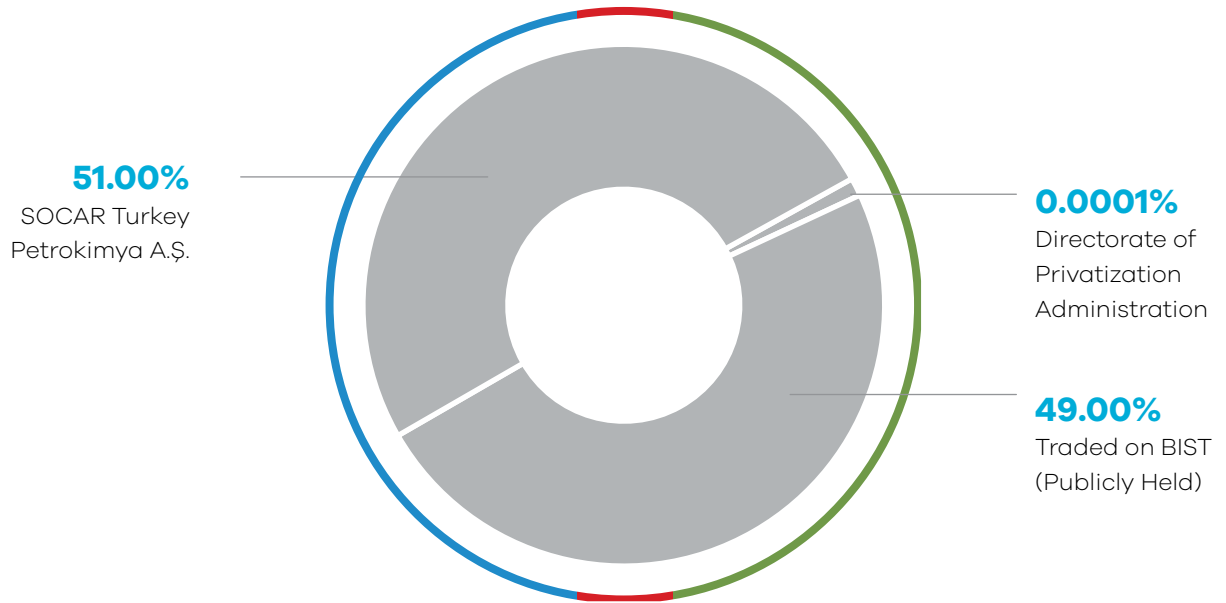
\*\* Due to the resignation of Mr. Agshin Salimov, Vice President of Trading, Mr. Javid Badalbaylı was appointed as of 1 December 2022. As of 2 January 2023, Mr. Ziya Kangarlı replaced Mr. Javid Badalbaylı.

\*\*\* Occupational Health, Safety and Environment Vice Presidency was established on 27 April 2022 and Seral Erkut, who was previously the Occupational Health, Safety and Environment Director, was appointed to this position.

## 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
<b>Total</b>	<b>2,534,400,000.00</b>	<b>100.00</b>



## 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

**Süleyman Gasimov**  
Chairman

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. He is also the Chairman of the Audit Committee reporting to the Board of Directors of SOCAR Turkey Enerji A.Ş.



SOCAR Turkey Enerji A.Ş.  
representative

**Kanan Najafov**  
Deputy Chairman of the Board of  
Directors

Kanan Najafov was born in 1975. He graduated from Baku State University with a degree in International Law and International Relations in 1997, from American University Washington College of Law in 1999, in International Business Law, and from the University of Wharton School of Pennsylvania in 2003 with a degree in Business Administration. He started his career as an operations specialist at the World Bank's Azerbaijan office in 1996 and worked in the Washington and Baku offices of Baker Botts global law firm in 1999. Najafov worked in the Business Analysis and Business Development department of BP PLC's London and Aberdeen offices between 2003 and 2008. Between 2008 and 2012, he worked as an Investment Analyst at Citigroup and Exane BNP Paribas, Vice President at Citigroup, and Chief Strategy Officer and Deputy CEO at NOBEL OIL between 2012-2015. He worked in the private sector for the next five years, and since 2020, he has served as the Chairman of the Board of Directors of the Business Development Fund of the Ministry of Economy of Azerbaijan. On 11 August 2021, by the decree of the President of the Republic of Azerbaijan, he was appointed as the Deputy Chairman of SOCAR.



**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.





**Teymur Abasgulyev**  
Board Member

Teymur Abasgulyev graduated from Baku State University, Department of International Relations and Law, with bachelor's and master's degrees. He started his professional career in 1994 at the Center for Strategic and International Studies. Between 1996 and 2013, as a senior manager and partner at PricewaterhouseCoopers (PwC), he managed projects for various multinationals and local market leaders in the central and Eastern Europe region. Abasgulyev, who has been working as the Chief Financial Officer of Group Companies at SOCAR Turkey Enerji A.Ş. since 2013, has been a member of the UK's Association of Certified Public Accountants (FCCA) since 2002.



**Mehmet Celal Savaş**  
Board Member

Mehmet Celal Savaş graduated from Istanbul University Faculty of Law. He worked as an assistant at the same faculty from 1989-1994 and as a freelance lawyer until 2000. Between 2000 and 2006, he worked as a Legal Counsel at BP Türkiye. At the same time, he represented BP Türkiye at the BP Europe Downstream Activities Council as a Member of the Board of Directors. In 2006, he served as the Chief Legal Counsel of Siemens Türkiye and then as a Management and Executive Board member. In 2016, he became a member of the Gebze Organized Industrial Zone Board of Directors on behalf of Siemens Türkiye. Savaş, who has been the Head of Law at SOCAR Turkey Enerji A.Ş. since 2018, also serves as a Member of the Board of Directors in some of the SOCAR Türkiye group companies.

## Board of Directors



**Sibel Uğur**  
Board Member

Starting her career as a psychological counselor, Uğur moved to the Human Resources (HR) field after three years. She received her HR Management Certificate from Istanbul Technical University (ITU) Continuing Education Center in 1999. She worked as Dışbank HR Manager between 2000-2005, Fortis Bank HR Director between 2005-2011, and as Compensation and Benefits Director at TEB between 2011-2015. She managed important human resources projects, especially in organizational development, performance management, remuneration, benefits, mergers, and acquisitions. Continuing her career at SOCAR Turkey Enerji A.Ş. as Compensation and Benefits Coordinator and Director since 2015, Uğur has been serving as the Chief HR & Corporate Services Officer since October 2020. Uğur is also a member of KIPLAS Board of Directors, SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. Board of Directors, Millenicom Board of Directors, and YASED Employment and Qualified Workforce Council.



**Murat Zaman\***  
Independent Board Member

He started his career as an investment consultant at EVG Menkul Değerler and worked in investment advisory and research units at Riva Menkul Değerler and Karon Menkul Değerler, respectively. He joined Ak Portfolio Management in 2002 and worked as the group manager responsible for managing retirement and investment funds and determining investment strategies until 2010. He joined EVG Menkul Değerler in 2011 as the assistant general manager responsible for individual portfolios and mutual funds. Between 2012 and 2019, he worked at Halk Portföy Yönetimi A.Ş. as assistant general manager responsible for investment strategies and management of investment/retirement funds. He joined Halk Yatırım Menkul Değerler A.Ş. at the beginning of 2019 as the assistant general manager responsible for the treasury, research, human resources, administrative and legal, financial affairs, operations, and information technologies units. Between 2019 and 2021, he served as the General Manager of Financial Markets and Foreign Exchange, responsible for strengthening the institutional framework for monitoring and managing systemic risks within the Ministry of Treasury and Finance. During this period, he carried out studies on the development of financial instruments and markets, the development of policies and mechanisms that will facilitate enterprises' access to finance, foreign exchange legislation, and the determination of the principles of foreign exchange policies. He also served as a Board Member in the TÜBİTAK Risk Venture Capital Support Program and Turkish Investment Initiative, which was established in partnership with the European Investment Fund and the Ministry of Treasury and Finance. Murat Zaman received his bachelor's degree from Istanbul University, Faculty of Political Sciences, Department of Public Administration, in 1997 and his master's degree from Marmara University in 2006. He is still continuing his doctoral studies.

\*Murat Zaman 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.



**Bekir Emre HAYKIR\***  
Independent Board Member

Bekir Emre Haykır started working as a professional staff member at the Capital Markets Board in 2003 after completing his law internship. During this period, he served as a specialist lawyer, auditor, and head of the market audit group. In 2013, he started to work as a manager in charge of financial law services at the PwC Istanbul office. Haykır has been working as the Vice President of the Privatization Board of Türkiye since 2016 and as the Head of the Privatization Board of Türkiye since February 2019. Bekir Emre Haykır graduated from Ankara University Faculty of Law in 2001 and completed his master's degree in International Finance Law at King's College London and European Union Studies at Bahçeşehir University. Born in Ankara in 1980, he is married with two children

\* Bekir Emre Haykır 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\***  
Independent 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 Istanbul (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 Türkiye since 2008 and currently serves as a member of Board of Directors at Tofaş, Petkim, Alarko Holding and Vakıfbank AG. 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 at Koç University Faculty of Economics and Administrative Sciences since 2017 as a faculty member.

She is a member of Board of Trustees at American Research Institute in Turkey (ARIT), Young Presidents Organization (YPO) and Educational Volunteers Foundation of Turkey (TEGV) and a founding member of Turkish-American Business Forum. 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.

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

\*\* Rövnag Abdullayev, Mehmet Ceylan, Mehmet Bostan and İlhami Özşahin served on our Company's Board of Directors until the general assembly meeting dated 5 September 2022. Fatih Kılınc resigned from his duty as an independent member of the Board of Directors as of 1 February 2022.

# 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-171) 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 Türkiye 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.

10 June 2022

Name/Surname: Murat Zaman

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 Türkiye 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.

4 August 2022

Name/Surname: Bekir Emre Haykır

## 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 Türkiye 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.

3 August 2022

Name/Surname: Neslihan Tonbul

# 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 Süleyman Gasimov)	Chairman	Non-executive	In-group / SOCAR Vice President for Economic Issues
SOCAR Turkey Enerji A.Ş. (Representative Kanan Najafov)	Vice Chairman	Non-executive	In-group /SOCAR Vice President
Zaur Gurbanov	Member	Non-executive	In-group /SOCAR Vice President
Teymur Abasgulyev	Member	Executive	In-group / SOCAR Türkiye Chief Financial Officer
Mehmet Celal Savaş	Member	Executive	In-group i/SOCAR Türkiye Head of Law
Sibel Uğur	Member	Executive	In-group /SOCAR Türkiye Head of Human Resources and Corporate Services
Murat Zaman	Member	Independent	T.R. Deputy Minister of Treasury and Finance
Bekir Emre Haykır	Member	Independent	Chairman of Privatization Administration
Neslihan Tonbul	Member	Independent	Lecturer at the University and Member of the Board of Directors in various companies

# Committees of Board of Directors

## AUDIT COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Murat Zaman	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	-
Neslihan Tonbul	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 2022 the Audit Committee convened four 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
Bekir Emre Haykır	Committee Chairman	Member of Board of Directors (Non-Executive)	Independent	-
Zaur Gurbanov	Committee Member	Member of Board of Directors (Non-Executive)	-	-
Teymur Abasguliyev	Committee Member	Member of Board of Directors (Executive)	-	-

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 2022 the Committee for Early Detection of Risk convened once and submitted six reports to the Board of Directors.



## CORPORATE GOVERNANCE COMMITTEE

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

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

Made up of five 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 2022 the Corporate Governance Committee convened once and submitted three decisions 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 2022 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 Türkiye Refinery and Petrochemical 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 Petrochemical 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 Chairman of Aliağa 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 Petrochemical 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 İzmir 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. Fluent in English, Ergun Binboğa is married and has a child.



**Ziya Kangarlı\***  
Trading Vice President

Ziya Kangarlı started his career in 2003 at the State Oil Fund of the Republic of Azerbaijan as a Senior Specialist in the Commercial Agreements Department and served as the Investment Department Trade Manager, Risk Management Department Deputy Director and CEO Management Office Chief Investment Advisor. After working as the Advisor to the Chairman of the Board of Directors in the Financial Monitoring and Control Service of the Republic of Azerbaijan in 2020, he served as the Deputy CEO of the Azerbaijan Investment Company between 2020 and 2021. Prior to joining SOCAR Türkiye in 2022, he was the Asset Management Director at the Republic of Azerbaijan Investment Holding.

\* Due to the resignation of Agshin Salimov, Vice President of Trade, Javid Badalbayli has been appointed as of December 1, 2022. As of January 2, 2023, Ziya Kangarlı replaced Javid Badalbayli.



**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 Türkiye family as Trade Control Manager in 2016. After working as STAR Rafineri Supply Chain Director between 2017 and 2019 and as the SOCAR Türkiye 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 Türkiye Refinery and Petrochemical Business Unit since November 2020. He successfully completed 23 training modules on Strategic Procurement and Supply Chain of the Chartered Institute of Procurement & Supply, based in the UK, and he earned the MCIPS title with the qualification method. Mr. Khalilli is married with two children. He is fluent in English, Azerbaijani, Russian and Turkish.

## Executive Management



**İbrahim Kadioğlu**  
**Business Excellence Vice President**

İbrahim Kadioğlu who was born in 1981, graduated from the Middle East Technical University, Department of Food Engineering, while simultaneously completing his minor in Biological Sciences Department and a 1-year intensive Enterprise program at the same university. Having completed his master's degree in Finance at Koç University and the General Management Program at Harvard Business School, Kadioğlu has attended various Senior Management programs at distinguished universities such as Harvard, Insead and IMD throughout his career. Kadioğlu worked as an internal and external management consultant in many international companies such as IBM, Danone, Türk Telekom and PPC in Australia, France and Türkiye. Mr. Kadioğlu, 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 Türkiye after serving as a System and Process Development Coordinator, Business Optimization and Business Intelligence Coordinator and then as a Digitalization Leader. Mr. Kadioğlu 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. As a result of the integration studies carried out in 2019, he was appointed as Vice President for Human Resources at Refinery and Petrochemical Business Unit. Additionally, he was appointed as the Chairman of the Board of Directors of Chemicals, Petroleum, Rubber and Plastics Industry Employers' Association of Türkiye as of 5 September 2018 where he had been serving as Vice President of the Board of Representatives of Aegean Region since 2016. He has been serving as the Chairman of KİPLAS Board of Directors since September 2022, when he was re-elected. Mr. Kocagül, who was elected as a member of the Board of Directors of the Turkish Confederation of Employer Associations (TİSK) in December 2019 and in 2022, has also been a member of the TİSK Executive Board. He has been member of Yunus Emre Foundation on behalf of TİSK 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 Vice President**

Born in Türkiye 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 Türkiye between 2019 and 2020. As of October 2020, Mr. Erkut was appointed as the "Occupational Health, Safety and Environment Director" in the Refinery and Petrochemical Business Unit. As of April 2022, he has been serving as the Occupational Health, Safety and Environment Vice President. 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, Incident Investigation and Root Cause Analysis. Erkut, who is married with two children, is fluent in English and Turkish.

\* On 27 April 2022, the Vice Presidency of Occupational Health, Safety and Environment was established and Mr. Seral Erkut, who was previously the Occupational Health, Safety and Environment Director, was appointed to this position.



**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 10<sup>th</sup> 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.

# Mega Trends and Market Outlook

## The Energy Crisis and Türkiye's Position

Countries in the EU have started to rapidly realign their energy policies and seek alternatives in the face of the supply crisis which has particularly affected natural gas, and the surge in energy prices.

### **The most significant outcome of the Russia-Ukraine war has been the energy crisis, which has disrupted the European economy.**

After Russia's attempt to invade Ukraine, the European Union (EU) and the United States (USA) began to impose stringent sanctions against Russia, a major energy producer and exporter. This situation led to interruptions in energy supply and increased prices.

Countries in the EU have urgently realigned their energy policies and sought alternatives amid the supply crisis, which has particularly affected natural gas, and the surge in all energy prices.

The World Energy Outlook 2022 report prepared by the International Energy Agency (IEA) and published in October highlighted that the global economy was undergoing global energy crisis which had caused a shock of unprecedented complexity. The crisis also laid bare the fragility of the global supply chains and the fact that Europe, which increased its liquefied natural gas (LNG) imports in the face of the sharp decline in gas coming from Russia through pipelines, lacked sufficient LNG storage capacity.

### **Europe's dependency on Russian energy**

In 2021, the European Union procured more than 40% of the gas it consumed, 27% of its oil and 46% of its coal from Russia. According to the IEA, the EU's natural gas supply-demand deficit may reach 27 billion m<sup>3</sup> in 2023, accounting for 6.8% of the bloc's base natural gas demand.

Beyond Europe, a global chain reaction has also been put in motion. Coal shipments to India have reached record levels, while countries such as Japan and South Korea have considered a return to nuclear power.

Developing and underdeveloped economies, whose economic cycles depend on imported energy, are forced to compete with developed economies in order to access high-priced energy. In this process, while energy exporters from the USA chalk up great profits, regions rich in natural gas reserves such as North Africa have focused on increasing their exports.

### **Energy prices to maintain their high course in the short term**

The tightness in supply has paved the way for significant volatility in international energy prices over the last year. Without a radical shift in geopolitical conditions

and the global supply/demand balance, energy prices look set to remain high in the short term with energy supply remaining limited.

The Petroleum Market Report released by the IEA in December warns of the possibility of a sharp supply shortage of crude oil in the third quarter of 2023, which would inevitably precipitate a new upward trend in prices.

According to the Commodity Markets Outlook Report published by the World Bank in October 2022, energy prices are estimated to decline by 11% in 2023 and by 12% in 2024, though remaining 50% higher than the last five-year average throughout 2024. High energy prices will affect businesses and production through secondary channels due to higher transportation and electricity costs, with inflationary pressure continuing.

Prices of natural gas, coal and crude oil are expected to decrease on average in 2023 according to the S&P Global Commodity Insights 2023 Energy Outlook Report. Despite this, the challenging conditions in the European gas and electricity markets look set to remain unless structural reforms are implemented to reduce dependency on natural gas.



## The Energy Crisis and Türkiye's Position

In the coming years, the diminished appetite for investment in fossil fuels due to the restrictions on Russia's oil and gas production and exports, an increased share of renewable energy, high carbon emissions and carbon neutral targets will result in more frequent medium-scale shortages in global energy supplies.

High energy costs may lead energy-intensive enterprises to cut production, shut down or undergo structural change in many European countries.

In addition to the ongoing geopolitical uncertainties, the outlook for the energy markets will remain murky in 2023 with the contribution of global warming and exchange rate volatility. In sum, this situation may even go beyond being an uncertainty and trigger a radical reshaping of the international energy outlook.

### **Global energy crisis injects strong momentum to renewable energy capacity investments**

High energy prices are putting pressure on European countries to ramp up the energy transition and increasingly switch to renewable energy. However, this transition alone will not solve the energy crisis.

The EU had launched the REPowerEU plan in March. As part of the REPowerEU plan which the EU announced in May 2022, the EU will invest an additional EUR 210 billion in the green transition by 2027. This will include the diversification of energy resources and accelerate investments in renewable energy to replace fossil fuels. The EU also proposed increasing the binding energy efficiency target from 9% to 13%, and increasing the share of renewable energy resources in the EU's energy mix from 40% to 45% by 2030.

Total renewable energy capacity worldwide is expected to almost double between 2022-2027, with wind and solar power capacity to account for more than 90% of the renewable energy capacity to be added to the portfolio over the next five years. Some experts are concerned that the current energy crisis may lead some countries to rely more on conventional energy, although increases in energy prices could go some way to accelerating the transition to renewable energy.

### **Could Türkiye capture a historic opportunity?**

While Türkiye was affected by the global repercussions of the energy crisis, it has also been presented with opportunities to benefit from the advantages of its geopolitical position.

European countries now need to seek new supply lines for natural gas supply security. As a result of the balancing policies it has adopted, Türkiye has recently gained importance when it comes to energy supply. Currently, natural gas flows uninterruptedly to Europe through the TANAP, Turkish Stream-2 and Blue Stream pipelines passing through Türkiye. There is no denying Türkiye's geopolitical importance for new supply lines which can be directed to Europe.

Türkiye ensures energy supply security with seven international natural gas pipelines, four LNG power plants, two of which are floating, and two underground natural gas storage facilities. Türkiye also stands in a position to play a key role in overcoming the crisis in Europe, which has a bottleneck in gas supply due to the Russia-Ukraine War.

After Azeri gas, work is continuing to transmit Turkmen gas first to Türkiye and then to Europe through the Trans-Anatolian Natural Gas Pipeline (TANAP) under the cooperation between Türkiye, Azerbaijan and Turkmenistan.

Transmitting Russian gas to Europe through this method is also one of the goals, and work is continuing on a multilateral basis.



In addition to the gas to be purchased through pipelines, Türkiye will serve as a global distribution hub where the natural gas reference price will be determined by means of supplying LNG from different countries and from the spot market.

This issue and the organization of related infrastructure will be hot topics in 2023. The relations with the Organization of Turkic Republics and agreements entered into regarding energy are important in this context. We could also see steps taken regarding the implementation of these agreements in 2023.

As well as Russia, Türkiye also purchases natural gas from Azerbaijan and Iran. There is also the prospect of Central Asian and Caspian energy resources, as well as energy resources from Northern Iraq, the Middle East and the Eastern Mediterranean being transferred to Europe through Türkiye. Work may also be taken in 2023 to bring Israeli gas to Anatolia.

In seeking a solution to the European energy crisis, the first thing that comes to mind is the full use of the existing energy pipelines in Türkiye and increasing their capacity. In fact, the President of the EU Commission signed an agreement with Azerbaijan in August 2022 to double the volume of gas entering the EU through the Southern Gas

Corridor, a significant part of which is formed by TANAP. With this agreement, the infrastructure work related to increasing the gas flow capacity from 16 billion m<sup>3</sup> to 32 billion m<sup>3</sup> will be completed through TANAP during 2023.

#### **Continued investments to raise natural gas storage capacity to 10 billion m<sup>3</sup>.**

The Silivri Natural Gas Storage Facility is one of Türkiye's major investments in the field of energy supply security. The Storage Facility entered service with a capacity of 4.6 billion m<sup>3</sup> following completion of the work to increase its capacity. With this capacity increase, the facility became Europe's largest underground natural gas storage facility at sea. The facility will single-handedly be able to meet 25% of Türkiye's daily gas needs with a 75 million m<sup>3</sup> back-production capacity.

Work is continuing on the expansion of the Tuz Lake Underground Natural Gas Storage Facility with the drilling of new wells. The facility's storage capacity is expected to increase from its current level of 1.2 billion m<sup>3</sup> to 5.4 billion m<sup>3</sup> with 52 wells, as well as the wells that have already

been commissioned. The work is planned to be completed within two years.

These projects are not only important developments in ensuring Türkiye's natural gas supply security, but also offer key value in terms of transforming Türkiye into an energy center and ensuring sustainable gas supply to the European countries.

Currently, 40 million m<sup>3</sup> of gas per day from the Egegaz Aliğa LNG Terminal, 37 million m<sup>3</sup> from the Marmara Ereğlisi LNG Terminal, 28 million m<sup>3</sup> from the Ertuğrul Gazi FSRU (Floating Storage Regasification Unit) facility and 20 million m<sup>3</sup> of gas per day from the Etki Liman FSRU facility can be supplied to the system in Türkiye. The Saros FSRU will be the third LNG Floating Storage and Regasification Unit. It is calculated that Türkiye's daily regasification capacity will exceed 150 million m<sup>3</sup> with the commissioning of the Saros FSRU, which will have a daily capacity of 28 million m<sup>3</sup>.

# The Climate Crisis

The UN's Intergovernmental Panel on Climate Change warned that greenhouse gas emissions would need to be cut by 45% by 2030 in order to limit global warming to 1.5°C.

## **The period up until 2030 is crucial in stopping global warming and re-stabilizing climate conditions**

The Paris Agreement was signed in 2015 and to which great importance has been attached to in finding a solution of the climate crisis after the Kyoto Protocol. The Paris Agreement brought a unity of language around this need, injecting momentum into the efforts to tackle the climate crisis. With the agreement, the parties set a "net zero" emission and carbon neutral target.

Work carried out in the context of tackling the climate crisis has been closely monitored at the COP (UN Conference of the Parties) meetings, which are repeated every year with the participation of governments. Gains in this area are achieved with new decisions. Although the Glasgow Climate Pact, ratified at the COP26 conference in 2021, reaffirmed the Paris Climate Agreement's goal of limiting global warming to 1.5°C, the current efforts are widely deemed to be insufficient. On the other hand, COP26 also included some important achievements, notably a historic step to end coal-based power generation globally.

The COP27 was held in Egypt in the autumn of 2022, hosting 45,000 delegates. It took place in the shadow of the negative geopolitical and economic global outlook, with limited results. The COP27 discussed solutions for issues such as food security, vulnerable communities and a just transition to zero carbon in tackling climate challenges. Discussions also centered around how to provide the funding, resources and tools needed to effectively take climate action on a large scale.

The most tangible result of COP27 was the historic decision of the parties to establish a Loss and Damage Fund for the countries most vulnerable to the climate crisis. This fund is intended to assist developing countries, which are most exposed to the adverse effects of climate change, in responding to loss and damage.

In addition, participating countries launched a package of 25 new collaborative actions in five key areas such as energy, road transport, steel, hydrogen and agriculture. Significant strides have been taken in forest conservation with the launch of the Forest and Climate Leaders' Partnership. This Partnership

aims to combine the actions of governments, businesses and community leaders to arrest the processes of deforestation and land degradation by 2030.

The UN's Intergovernmental Panel on Climate Change warned that greenhouse gas emissions would need to be scaled back by 45% by 2030 to limit global warming to 1.5°C.

The resolution taken at the conference demanded that participating governments reviewed and strengthened their 2030 targets in their national climate plans by the end of 2023. There was also a demand at the conference to step up efforts to reduce the use of coal in the energy mix and phase out subsidies for inefficient fossil fuels.

Meanwhile, with regard to transition finance, one of the most important issues in the process towards a carbon-neutral/low-carbon economy, it was agreed that the global transformation required at least USD 4 to 6 trillion in investment per year. At this point, the conference emphasized the importance of multilateral action with the participation of all national and international financial institutions.



## The Climate Crisis

### How is the transition process going?

At the end of 2019, only 67 countries had announced their net zero or carbon neutral commitments. A significant and rapid increase in stakeholder engagement was observed in the first quarter of 2022 including 136 countries, hundreds of cities and tens of thousands of companies.

Some countries with very high carbon emissions have officially started the transition process. India published its plans to reach net zero emissions by 2070 with China pledging to reach net zero by 2060. Brazil, which is one of the highest emitters of greenhouse gases, also formalized its commitment to reach the net zero target by 2050.

The EU Green Deal was presented in December 2019. The overarching goal of the EU Green Deal is for the European continent the first carbon neutral continent by 2050. The Green Deal also aims to provide a cleaner environment, more affordable energy, smarter transportation, new employment opportunities and an overall better quality of life.

The USA and China are the two countries responsible for the most carbon emissions in the world. They announced their commitments to reach the net zero target by 2050 and 2060, respectively. Despite the positive steps taken in political relations between the two countries, the lack of cooperation still poses an obstacle in seeking solutions to environmental problems.

On the other hand, many of the high emitting sectors such as oil and gas, cement, steel, shipping, aviation and mining are lines of businesses that the real economy will still need decades from now. Substitutes, low-carbon or no-carbon alternatives are not yet available on the required scale in these strategically important areas. Meanwhile, certain sectors have characteristics which either prevent or render decarbonization difficult from an economic, technological or other point of view. All sectors need to be included in the transition to a clean global economic order, although the fact remains that some cannot be completely decarbonized.

### Where does Türkiye stand in terms of tackling climate crisis?

After the UN Conference on Environment and Development held in Rio in 1992, Türkiye tangibly included the concept of sustainable development in all its Development Plans, starting with the 7<sup>th</sup> Development Plan. In addition, the sustainable development approach has been incorporated into many sectoral and thematic national policy and strategy documents.

Work in the field of sustainability has gained momentum and diversified with the widespread acceptance of the 2030 Agenda. The Agenda places responsibility not only on governments but also on the business world, NGOs and academia.

The Paris Climate Agreement was approved by Türkiye's Grand National Assembly on

6 October 2021 and became binding for our country. The decision regarding the approval of the agreement was published in the Official Gazette on 7 October 2021 and the UN Secretariat was notified of Türkiye's ratification of the Paris Agreement on 11 October. The Climate Agreement entered force in Türkiye on 10 November 2021 and our country became the 192<sup>nd</sup> party to the agreement. Türkiye reached a new threshold in sustainability with the ratification of the Paris Climate Agreement. Türkiye aims to observe the UN Sustainable Development Goals (SDGs) as part of its long-term vision and as one of the main inputs of the Development Plan.

Another important structural step was taken with the Presidential Decree No. 85 published in the Official Gazette dated 29 October 2021 and numbered 31643. With this decree, the name of the Ministry of the Environment and Urbanization was changed to the Ministry of the Environment, Urbanization and Climate Change.

The ratification of the Paris Agreement in Türkiye will have a significant bearing on all segments in the country. Attention will now turn to developing policies for the transition to a zero-carbon economy and setting forth regulations in accordance with the target of limiting the global rise in temperatures to 1.5°C in law. Under the Paris Agreement, the processes to prepare for Türkiye's Nationally Determined Contributions (NDC) for the 1.5-degree target were carried out by the Ministry of Environment,

Urbanization and Climate Change (EUCC) and the UNDP in a data based, scientific, inclusive and participatory manner. The results of the technical work were presented to the Climate Change and Adaptation Coordination Board (CCACB). Following evaluations, the new reduction target was approved by the CCACB.

Türkiye's target to reduce carbon emissions by 21% for 2030 was increased to 41% within the framework of the new Nationally Determined Contributions (NDC), and was announced in the High Level Ministerial Summit at COP27.

Türkiye will set out a net zero carbon roadmap in line with its target of achieving net zero emissions by 2053.

#### **Türkiye's Zero Waste Project**

The "Zero Waste Project" was implemented by the Ministry of Environment and Urbanization in 2017 with the aim of controlling waste and leaving a cleaner and more livable world to future generations. The project, under the patronage of Ms. Emine Erdoğan, achieved significant success and served as an example for many countries. The Project has been deemed worthy of awards on international platforms.

The Zero Waste Project is expected to be implemented gradually throughout Türkiye until 2023. The project will be implemented in a variety of areas including public institutions and organizations, shopping malls, hospitals, educational institutions, entertainment and recreation facilities and large workplaces in the initial stage.

In 2021, a new phase was reached and the Zero Waste Blue system was launched in order to systematically carry out practices to reduce marine litter and raise awareness and sensitivity in society. Within the scope of Zero Waste Blue, work is carried out to eliminate environmental pollution which directly threatens our sea and water assets. The efforts included activities to raise awareness as well as training on marine pollution. Considering that 80% of marine pollution originates

from the land, the Zero Waste Blue system is a system that should be carried out sensitively by coastal, port, beach operations and marinas, which are directly related to our sea and water assets.

#### **Petkim and the Climate Crisis**

Petkim's priority is to protect the environment in all of its operations. In this context, Petkim attaches special importance to tackling climate change, and manages the environmental impacts of its operations. SOCAR Türkiye shapes its approach in line with sustainability principles around the optimal use of resources, energy efficiency, the shift towards clean energy resources and minimizing environmental impacts with a holistic and preventive environmental strategy. In this context, Petkim focuses on R&D projects that will create added value, sustainable technologies and environmental investments.

# Digital Transformation

When the oil and gas sector's leading organizations are examined in the context of the digital transformation, the goals of creating value and business transformation are at the heart of the digital transformation.

In order to remain competitive, heavy industry and, in particular, energy companies set goals to transform their operations by increasing the reliability and availability of their assets, while reducing their costs and carbon emissions. In particular, the digital transformation is at the forefront of the methods adopted to reshape workflows, achieve higher efficiency and take advantage of increased cost savings.

Over the past decade, advances in data analytics, artificial intelligence (AI), and the Industrial Internet of Things (IIoT) have helped players in many industries optimize complex processes. With the Fourth Industrial Revolution, the new technologies that have emerged, especially in the field of production, along with the speed of innovation and the continuation of technological applications that will increase productivity, all supported by significant investments are among the trends that will continue in the coming period. This creates space for the implementation of a wide array of different technologies that are maturing rapidly,

including hyperautomation (intelligent automation), virtual and augmented reality (AR&VR), drones and blockchain based data exchange.

## **A focus on value generation through digital transformation**

An examination of the leading organizations of the oil and gas industry in terms of the digital transformation finds that the goals of creating value and business transformation are at the heart of the digital transformation. At this point, the digital transformation stands out as one of the most powerful and cost-effective methods of creating value in the sector. The digital optimization techniques applied in production and refining operations ensures that the yield, energy, throughput (YET) per unit energy consumed reaches the highest levels. This has a positive impact on sustainability targets by increasing profitability while reducing carbon emissions.

Some of the key opportunities to create value with the digital transformation in our sector are listed below.

- End-to-end hydrocarbon optimization focusing on YET (yield, energy, throughput) improvements by engaging analytical modelling and data-based decision-making.
- Reliability excellence with predictive to prescriptive maintenance and workflow management, which has the potential to reduce maintenance processes and unplanned downtimes by up to 30%.
- Digital transformation in the supply chain, including methods such as dynamic planning, resource optimization and commercial excellence.
- Improvement in B2B (Business to Business) processes with advanced analytical methods that can be used in pricing and margin management.



## Digital Transformation

### Transformation of work processes with Intelligent Automation

Intelligent automation (IA) is a set of technologies used to create end-to-end self-thinking, learning and adaptation of work processes and transformation by combining advanced technologies such as robotic process automation (RPA), artificial intelligence (AI), analytics, optical character recognition (OCR), intelligent character recognition (ICR) and process mining. Intelligent automation is a proven strategic lever that lowers costs and increases efficiency. It also allows for flexible, resilient and modern operating models.

Smart automation is used in the refinery and petrochemical industry in the following areas.

- **Increasing the efficiency of business processes with the automation of back-office processes:** With the use of intelligent automation technologies, complex back-office operations can be carried out by going beyond the rule-based automation approach, with AI and NLP competencies integrated to understand the context of documents, allowing for inference of data and decision-making based on such inferences. Back-office processes which can be handled this way include automation of payroll processing and reporting processes, management of recruitment processes with smart bots, production of different reports targeting

different stakeholders through SCADA and other production monitoring systems, and management of accounting processes.

- **Ensuring effectiveness of maintenance processes and asset management:** The management of various and complex assets, which are at the heart of the production processes in the industry, is crucial in preventing unplanned stoppages, increasing production, prolonging the useful life of assets and reducing costs. Studies carried out in this field found that 10-15% of the production costs of refinery and petrochemical companies were caused by issues related to asset management. These studies found opportunities to reduce these costs by up to 10% using smart management in these processes. Optimizing asset use, especially with the Industrial Internet of Things (IIOT), performing predictive maintenance forecasts with advanced analytics and machine learning methods and planning the necessary maintenance actions and performing system monitoring with data collected from pipes and pumps through smart bots and sensors, instead of manual controls, can play an important role in reducing costs.



- **Improvements to supply chain and logistics processes:** According to a study conducted by McKinsey, a consultancy firm, 10-15% of the costs incurred in the oil and gas industry are due to the logistics and delivery processes. The aim here is to optimize back-office processes such as inventory management and document processing, especially with the use of machine learning and NLP technologies, ensuring real-time traceability of supply chain data and increasing the accuracy of forecasting processes.

- **Ensuring compliance with regulations:** The oil and gas industry is subject to some of the strictest rules from a regulatory perspective of any sector. Unwavering compliance of regulations in the occupational health and safety processes and the realization of sustainability targets without exception is critical in the oil and gas industry. This field includes processes such as integrated compliance reports to be created with the data collected from different systems and the development of systems able to monitor carbon emission rates and which can improve processes by warning the relevant teams when necessary. Another vital component involves training of personnel and instant warning methods through the monitoring occupational health and safety violations with AI and visual data processing systems.

For transformation opportunities to reach their true potential, it is vital that the transformation is handled in all of its dimensions. In particular, taking the necessary steps with a focus on data, technology, process and people plays a role in reducing risks and increasing efficiency in terms of creating a real business transformation in the digital transformation. The creation of organizational digital awareness and dissemination of digital

competencies throughout the organization are also cited as critical success factors. At this juncture, SOCAR Türkiye and its group companies are rapidly taking advantage of the opportunities and technologies which stand out through pilot applications. They also assess business transformation in all its dimensions in coordination with all business units.

# Major Market Developments in 2022

Energy prices were highly volatile in 2022. After averaging USD 70/barrel in 2021, BRENT oil prices increased by approximately 45% to average USD 101/barrel in 2022.

## After the contraction in the global economy, a year marked by regional war and rising global inflation

After having contracted by 3.5% in 2020, which was a year marked by the fallout of the Covid-19 pandemic, the global economy recovered rapidly with 5.9% growth in 2021 as the impact of the pandemic receded. Rising energy and food prices on the back of the war in the region which broke out in February 2022 sparked a surge in global inflation. With high inflation affecting the whole world, the annual rate of inflation in the US soared to a 41-year high of 9%, while the annual rate of inflation in Germany broke a new record at 10% in November 2022, its highest level in the last 71 years.

At a global level, as central banks hiked interest rates, contractionary monetary policy and anti-inflationary policies caused economies to shrink. In the January 2023 version of the World Economic Outlook Report, the IMF revised its growth forecasts for the global economy and developed countries upwards, while lowering its growth forecasts for developing countries. While the global economy is estimated to have recorded 3.4% growth in 2022, the

growth expectations were revised to 2.7% for developed countries and 3.9% for emerging economies. With an estimated 5.5% growth in 2022, Türkiye is expected to have demonstrated a growth performance well above the world average.

## Europe bears the brunt of rising energy prices

As a result of the sanctions imposed on Russia due to the war, oil and especially natural gas prices rose. The increase in natural gas prices led to an energy crisis in European countries which were overly dependent on Russia for their energy. In order to reduce this excessive dependence on Russian energy, Europe had to limit its use of natural gas up to 15%.

Energy prices remained highly volatile in 2022. The price of a barrel of Brent crude oil, having averaged USD 70 in 2021, increased by around 45% to average USD 101 /barrel in 2022. Natural gas prices in Europe (EU Dutch TTF) surged from EUR 80/MWh at the end of 2021 to as high as EUR 340/MWh at the end of August 2022, before falling back to EUR 70/MWh at the end of the

year. Europe and Asia bore the brunt of the higher natural gas prices most. There were milder rises in natural gas prices in the USA than in Europe and Asia, with only a limited increase in the Middle East and Gulf countries.

In line with these developments, energy costs in the European petrochemical sector have increased with capacity utilization rates in production reduced. The manufacture of products such as urea and ammonia, which are particularly sensitive to natural gas prices, ground to a standstill. Some manufacturers were forced to pass on their increased energy costs to customers in a separate invoice. The increase in energy costs triggered the highest rates of inflation seen in recent years in Europe. Signs of recession which started at a global level became more evident in European economies.

European countries account for nearly half of Türkiye's exports. The economic stagnation in European countries was also reflected to the petrochemical industry, compromising demand for petrochemical products. The export performances of



## Market Developments in 2022

sectors that process and export petrochemical products started to decline in the last quarter of the year.

### **As supply bounced back in the petrochemical sector, demand slowed down**

As the fallout of the pandemic gradually receded in 2022, the production issues caused by the pandemic in the petrochemical sector were largely resolved. Although the winter storm to hit the USA in 2021 caused significant production losses in the petrochemical sector, the mild weather in 2022 ensured that production continued with little disruption. New capacity came on stream, especially in China and the USA, with the addition of 6.1 million tons of new capacity in China alone, while 1.6 million tons of newly installed ethylene capacity entered production in the USA. Reduced production losses and the introduction of new capacity paved the way for a glut of supply in the sector.

Despite these increases in supply, the slowdown in the global economy caused demand to weaken. The stagnation in demand in the petrochemical sector, which is highly sensitive to economic growth, was felt more keenly in the second half of the year. Globally high levels of inflation, the Russia-Ukraine conflict, the energy crisis in Europe, a resurgence of COVID-19 cases in China and the Chinese government's zero-COVID policy response accelerated the contraction in demand. Increasing production costs and slowing demand curtailed capacity utilization rates in Europe and China, with some move towards a balance in supply.

### **Freight costs decline thanks to easing in supply chain bottlenecks**

Freight costs, which had risen rapidly during the pandemic, started to ease from their 2022 peak. According to the Global Container Freight Index (Freight Baltic Index), freight prices for 40-foot containers dropped from USD 10,000 at the beginning of 2022 to USD 2,500 at the end of the year, approaching their pre-pandemic levels. The loading and unloading issues caused by the pandemic in the ports were eased and the problems in container flow started to resolve. These developments helped reduce freight costs. The acceleration in international trade with the elimination of supply chain bottlenecks helped close the wide price discrepancies between regions. Reduced freight prices put downward pressure on petrochemical product prices. Just as the global supply chain bottlenecks appeared to have been addressed, the Russia-Ukraine War struck, bringing whole new supply issues in the Black Sea region.

### **Margins narrow in the petrochemical sector.**

Margins in the petrochemical industry had reached historic highs in 2021 before falling back sharply in 2022. The decline in prices, which started in the second quarter of the year amid emerging supply gluts and demand weakness, continued with almost no interruption until the end of the year. However, as energy prices and input costs skyrocketed, sharp falls in product prices squeezed margins. Margins narrowed further in Asia and Europe, which mainly produce naphtha-based products. In Asia, margins narrowed and even on occasion fell to negative levels, causing cuts in production.

### **Petkim planned maintenance turnaround**

In the petrochemical industry, scheduled maintenance stops are usually carried out every four years in cracking processes and connected facilities. Petkim suspended production for such planned maintenance in the third quarter of 2022. During the planned maintenance turnaround period, Petkim sought to meet customer demands with commercial products. The timing of the planned maintenance halt at turned out to be advantageous for Petkim, as it took place at the bottom of the downturn in the sector.

### **Resumption of sector events, exhibitions and customer visits**

Customer visits, sector events and participations in exhibitions, which had been suspended due to the pandemic, have resumed. The K Plastic Fair is one of the largest international fairs in the sector, while the EPCA is one of the most important events in the sector. Petkim actively participated in both the K Plastic Fair and the EPCA, thus keeping its finger on the pulse of developments in the sector with mutual sharing of information. Visits were conducted to a total of 1,479 customers in 2022, of which 117 were visits abroad and 1,362 in Türkiye. Petkim contributed to public and non-governmental organizations which have a strong relationship with the Company by promoting both the petrochemical industry and Petkim.

### **The Digital Transformation and Sustainability**

Petkim achieved significant progress in the commercial field in terms of the digital and the sustainability transformation, which is defined as the twin transformation today. The Project Earth Phase I transformation project, which is one of the largest SAP projects in the energy sector, was commissioned. With the Project Earth within SOCAR Türkiye, various processes were integrated and could then be managed from a single hub. In this context, all commercial processes were reviewed and made ready for the digital transformation. A total of 38 out of a total of 42 projects were commissioned including the customer information system, orders, reporting and management of shipments.

In the ethylene facility, the preparation of technical conditions was completed for the production and sale of bio-based ethylene, propylene and polyethylene by using bio-

naphtha. Petkim obtained the International Sustainability and Carbon Certification (ISCC), which is required for the production process. With this project, all stakeholders in the value chain, from raw material suppliers to the final consumers, were included in the process and significant progress was achieved in the sustainability journey.

# Petkim in 2022

Petkim met customer requirements without interruption through its production capacity supported by the integration and its extensive product range in 2022, at a time when demand for petrochemical products was subdued. Thus, Petkim rounded off a successful and profitable year by obtaining high levels of commercial sales and export revenues.



**2.23**  
million tons  
Production

**2.44**  
million tons  
Total Sales

**887,141**  
tons  
Sales of Solid  
Products

**1,550,893**  
tons  
Other Product Sales  
(Liquid and Gas)

**4,108**  
TL million  
Investment  
Expenditures in 2022

**2,328**  
people  
Petkim's Human  
Resources

**48.9**  
TL billion  
Sales Revenue



# Operations

Petkim successfully realized the Petkim planned maintenance turnaround, which started on 7 September 2022 and continued for around 2 months at the Petkim plants.

## PRODUCTION

Petkim maintained its production activities in line with the production programs.

Petkim's capacity during the year in the Ethylene plant was curtailed as a result of its operation and maintenance activities. However, the design and installation of the inhibitor injection system, optimization of the C201 conditions and the ability to intervene in heat exchangers with pollution problems by using chemical injection enabled the plant to continue operating.

Operations at the two plants were suspended amid mounting integrity issues experienced in the Chlorine Alkali and VCM (Vinyl Chloride Monomer) plants in terms of quantity and quality. Petkim carried out maintenance in the PVC plant, and procured the imported VCM, and it continued its operation throughout the year to varying durations and levels of operation.

Operations at the EO/EG and PTA plants were suspended periodically for commercial reasons while the ACN facility operated periodically at a low capacity, also due to commercial reasons. The "Day Foreman" system was implemented, and with contributions from the maintenance groups, the backlog

of maintenance work was carried out and thus, progress was achieved.

The by-passes of the ESD systems at Petkim facilities were registered with the new software, thus ensuring that the work was carried out in accordance with the procedure.

Within the scope of the HAZID (Hazard Identification) activities, which cover all plants in Petkim, approximately 70% of the high-priority actions were completed. The HAZOP (Hazard and Operability) activities were completed for the Ethylene and LDPE-T plants while work continues in the Aromatics unit, which is aimed to be completed by the end of 2023. In addition, the work on overflow, prevention and emergency isolation systems of the protection systems, which were determined in the HAZID and HAZOP activities, was initiated during the year.

Emergency Isolation Valve (EIV) work got underway at designated process points at all plants. Work reached completion at a certain stage of the process in the ethylene plant, within the scope of the LPG spheres in the Aromatics unit. In addition, an emergency gas discharge system for process safety was established in two separate reactors in the Aromatics unit. The work on the Over Filling

and Emergency Isolation Valve was theoretically completed with a consultant firm. Field applications are planned to be carried out at the Ethylene plant in 2023.

Within the scope of SEVESO, Hazardous Equipment Grouping activities were carried out at all facilities in conjunction with the consultant firm. HAZOP activities were carried out for the specified equipment and FTA and ETA work was performed. Preparations for the Major Accident Scenario are ongoing.

Behavior Oriented Occupational Safety, emergency level 1 and 2 drill plans for the plants, PFI (Process Field Inspection) site inspections and Management of Change (MOC) activities also continued in 2022. In addition, a field development program was initiated for foremen and staff above the foremen level.

Monthly Safety Committee meetings were held at the facilities with the participation of all relevant employee groups.

At the PP plant, the mesh size was changed in the filter behind the die plate in the C extruder with the work carried out with the Agile Team and the extruder manufacturer. A capacity increase of approximately 1 ton/hour was achieved in the extruder.





## Operations

A new Extrusion Coating product was obtained for use in food and paper coating at the Plastics Processing Plant. Initial feedback from customers using the trial product was positive.

The Petkim planned maintenance turnaround, which started on 7 September 2022 and continued for approximately 2 months, was successfully realized at the Petkim plants. Equipment which had not been opened up for a long time was opened up during the maintenance activities carried out at the Aromatics, PP and PA units, particularly in the Ethylene plant. Accordingly, inspection and maintenance activities were carried out which also increased the reliability of the equipment. In addition, checks stipulated by legal regulations were completed. Necessary maintenance activities were carried out by performing B/L shut-downs at other plants during the approximately 15-day period, when auxiliary facilities were also halted for maintenance purposes.

Within the scope of digital transformation, the digital shift book application started to be rolled out at the LDPE-T, PTA, HDPE, EO/EG and ACN plants.

At the end of April, the site audit by Howden Insurance was carried out successfully at the Petkim plants and nine findings were resolved. All of the findings obtained as a result of the internal audit, which was carried out in 2022, were resolved.

### AUXILIARY FACILITIES

Petkim ensured 100% availability in the utilities provided by the Auxiliary Facilities in 2022. The utilities met the need for uninterrupted production throughout the year. There was no capacity decrease or production halt due to utilities.

The approval letter to increase the license capacity of the Petkim wind farm from 38 MW to 43.8 MW without investment and from 43.8 MW to 47.6 MW with investment was received from EMRA (Energy Markets Regulatory Authority). With the additional decree issued in April 2022, the capacity was extended to 51 MW. Electricity sales revenue increased on the back of the improvements and operational changes carried out. Major maintenance of the gas turbine and TG-2, a back pressure turbine, was completed. Within the scope of Petkim's planned maintenance turnaround, the steam system was completely halted for the first time in its history. Inspection and maintenance activities were carried out on the XHS lines, during which time four transformers were replaced and crucial busbar systems and switchgear systems were renewed. System reliability was increased by installing a fast bus transfer system between the E and F switchgears. Differential protection relay installations were largely completed such that they would include all plants. This system is scheduled to be brought into use in 2023.

An additional control valve was added to ensure safer operation of the HS line, which was installed between the Petkim Power Plant and the STAR Rafineri. The system software, including additional logics and tunings, was improved.

Modifications carried out to the water pre-treatment systems ensured that both water pre-treatment plants could feed water to the petrochemical and refinery facilities in the event of failure.

The modification to the Demineralized Water Unit paved the way for the necessary connection for the transfer of DEMI water between Petkim and the STAR Rafineri. Necessary preparations for the completion of the line continue.

The Waste Treatment and Disposal Unit started to employ industry best practices such as robotic pool cleaning and geotube sludge dewatering in its facilities.

The Water Production, Waste Treatment and Disposal Units met the utility needs of the plants, thus ensuring the continuity of production in the complex. In addition to meeting water needs of organizations within the area, the Petkim Waste Incineration Unit met external requirements for hazardous waste disposal under the current license.

Under the improvements in the Wastewater Treatment Plant, construction work on site has been continuing for the Holding Basin project, to improve the vacuum truck collection site and the treatment of PTA wastewater. In addition, engineering studies for the investment project, which will be carried out within the scope of online traceability of wastewater arriving from the plants have got underway. Engineering studies carried out to improve sludge management have been completed and the site application phase has got underway.

In view of the risk of potential drought in the world and in Türkiye, Petkim took the decision to produce process water or demineralized water by using the waste water treatment effluent. In this vein, in order to reduce the dependency on a single source, Petkim initiated studies with a focus on sustainability in the wastewater recovery project in order to increase the useful life of the Güzelhisar Dam. In addition, a joint emergency line protocol was signed with İZSU (the İzmir Water and Sewerage Administration General Directorate). Maintenance and commissioning works for the water line have got underway.

Within the scope of the work to reduce the use of natural resources, the volume of water

extracted from the Güzelhisar reservoir was reduced by 8.7% in 2022.

In the context of increasing alternative renewable energy sources, preliminary studies are continuing with regard to the solar power projects which may be implemented in Çayağzı, the Güzelhisar reservoir and raw water pools. Preliminary meetings were held with the relevant parties in order to evaluate the Güzelhisar reservoir as a carbon sink area.

#### **MOVEMENTS OF PRODUCE**

Superstructure work continued at Petkim Pier 3 within the scope of modernization. The filling arm, hose tree and measuring packages were assembled.

Loading and unloading operations of 512,047 tons of liquid chemical cargoes were managed with 158 ships arriving at the Petkim Port in 2022. Accordingly, 172 m<sup>3</sup> of waste was offloaded from the ships. A

total of 293,304 m<sup>3</sup> of inert gas was supplied, 40 hours of Flare service was provided and 1,192 m<sup>3</sup> of domestic water was provided.

Construction work on the TAS (Terminal Automation System) building got underway. As there are currently no DCS (Distributed Control Systems), the Company sought to monitor all operations safely with the control room which will be located in the TAS building.

Within the scope of the Pilotage and Tug activities, around the clock berthing and lifting services were provided to ships with five tugs, three mooring vessels and one pilot vessel in the service area.

Pilotage, tug and mooring services were provided to 712 ships arriving at the ports in 2022.

A total of 43,905 tons of loading was provided to 1,829 land tankers in 2022 through OBT (Oil and Bulk Transport) land loading.

### ASSET MANAGEMENT

The ISO 55001 Asset Management System certification was carried out for the first time at STAR Rafineri and Petkim. This is also marked a first in Türkiye on the basis of scale and scope. Work for the certification was successfully completed.

Within the scope of Project Earth Project, maintenance activities at the STAR Rafineri, SOCAR Depolama and SOCAR Dağıtım companies became manageable from a single SAP-PM server.

With the SAP-MRS and SAP-WM applications, it became possible to perform site maintenance activities at the STAR Rafineri and SOCAR Depolama companies through a mobile app and handheld terminal. These steps marked the realization of a highly important project the field of digitalization.

In 2022, radio towers and infrastructure were installed to provide coverage to the entire peninsula. In accordance with the Ex-standards, a system allowing mutual communication throughout the peninsula in the event of an emergency was commissioned. The DMR radio system installed at the STAR Rafineri was made available to contractors during the planned maintenance turnaround. This eliminated the need for different types of communication between the contractor and Petkim, ensuring effective and reliable communication.

As a result of internal resistance measurements and capacity tests in all batteries, Petkim continued to work in accordance with the

replacement plan, which will take place over a total of 3 years. The technical control of the radiant coils in the NSC furnaces of the ethylene facility was conducted using a robot. The technical control results were also analyzed and critical stock studies of the coils were conducted. As a result, backup policy was determined, ensuring the process was carried out effectively.

The Maintenance Planning and Programming process, which was implemented in all advanced industrial facilities, continued to be implemented at all Petkim facilities in 2022 in combination with the Agile Business Model. Job requests were prioritized. Optimized resource management ensured planned, efficient, proactive work and continuous performance monitoring.

The increase in preventive maintenance, predictive maintenance and plannable corrective maintenance paved a way for an increase in "Proactive Working Rates", thus ensuring all maintenance resources became available at an optimal level, increasing the reliability of the equipment. This resulted in a 20.6% increase in the proactive work rate compared to 2021 and a 2% decrease in the urgent work rate.

The average time between incidences of failure of the pumps installed at Petkim increased from 31 months initially to 64 months, leading to lower costs and production losses due to malfunction. This was also reflected in the use of spare parts. There was no rise in the budget allocated to pumps despite the

procurement of spare parts from the original equipment manufacturer.

The establishment of a Lubrication Workshop ensured the use of correct oils. Equipment reliability was enhanced by performing periodic protective lubrication activities.

As part of the Construction Assets Risk Based Technical Inspection (RBI-Risk Based Inspection), all construction assets were categorized and inventoried and asset records were recorded in the SAP and Meridium system, and a tracking mechanism was developed. Proactive inspection work is still ongoing.

As part of the Asset Management Roll-out Project, Equipment Criticality Analysis (ACA- Asset Criticality Analysis), Reliability-Centered Maintenance (RCM) and Risk Based Technical Inspection (RBI) work continues under a determined schedule for Petkim.

The PSV (Pressure Safety Valve) harmonization and backup work has been initiated throughout the petrochemical plant.

Major maintenance work at the TG-2 and GT-5 Steam and Gas Turbines was carried out to ensure the continuity of electricity production. Conversions of the mechanical stuffing box were performed in order to increase reliability and reduce their

environmental impact. Steam trap detection work was initiated with the aim of increasing energy efficiency.

The maintenance of the 154 kV switchyard was carried out to ensure production continuity and safety.

An audit was initiated with the participation of all disciplines in order to ensure that all production facilities obtained facility conformity certification in accordance with the TS EN 60089 Standard.

After the successful completion of the planned maintenance turnaround implementation

period, the "Petkim 2022 Planned Maintenance Turnaround General Review Workshops" were carried out with the participation of the relevant units. "Lessons Learned" and action plans were issued, which will serve as a reference for the preparations of the next planned maintenance turnaround..

# Supply Chain and Procurement

The 5S methodology was comprehensively integrated into sustainability work in “Product Packaging and Storage Areas” for the first time in Türkiye. The 5S Application Project marked the first time the Capacity Increase and Reduction of Carbon Foot Print Project was implemented.

## SUPPLY CHAIN ACTIVITIES

A total of 1,501 import declarations were opened in 2022 with USD 755,192,383.83 in imports realized through CIF (Cost, Insurance, Freight). A total of 3,833 export declarations were opened with USD 898,578,990.61 of exports realized through FOB (Free On Board).

A total of 352,506 tons were transported domestically and 147,057 tons were exported to 38 different countries.

In 2022, a total of TL 515,760 in earnings were recorded within the scope of “direct representation” activities in customs transactions, an increase of 271% YoY.

Savings of TL 1,369,176 were realized in 2022 as a result of the reduction in the Proportional Dues payment to the Exporters’ Associations.

A pilot study was carried out in the Petkim product warehouses area by establishing an occupational health and safety platform through video analytic methods supported by artificial intelligence. More than 40 scenarios were designed and monitored in the study. This new generation technology paved the way for a 44% improvement in the number of violations per operation in the

relevant teams as well as the implementation of corrective actions. Work on the rollout of the technology is continuing.

Organized every year by the Izmir Branch of the Turkish Quality Association (KalDer), the “Successful Team of the Year Awards” were announced on 6 October 2022 at the 22<sup>nd</sup> “In Search of Excellence” Symposium. The 5S methodology was comprehensively integrated in sustainability work in the Product Packaging and Storage Areas for the first time in Türkiye. Petkim was awarded the silver award in recognition of its Capacity Increase and Carbon Foot Print Reduction Project through the 5S Application Project in the Product Packaging and Storage Areas.

Through digitalization projects, it was possible to track and control the return balances of plastic pallets with deposits through the CIS (Customer Information System). Thanks to the rollout of the plastic pallet with deposits, 4,938,928 kg of plastic pallets were returned by customers and recovered in 2022. This helped reduce the carbon footprint, contributing to SOCAR's sustainability strategy.

The practice of allowing customers to claim back deposits on plastic pallets continued in what was shown to be an example

of the zero-waste activities carried out by the Ministry of Environment and Urbanization. Under the newly implemented GEKAP\*, the pallet deposit system was meticulously implemented, avoiding an additional (legal) liability of TL 2,223,761 in 2022.

\*GEKAP (Recycling Participation Share Declaration) published by the Revenue Administration in the Official Gazette dated 4 April 2019

An average of 57,775 tons of solid product packaging was carried out on a monthly basis, including 693,303 tons of solid product packaging within the scope of packaging activities of the PVC, LDPE, HDPE, PP, PA, LDPE-T and PTA products.

A total of 845,483 tons of solid product loading from the product warehouses in Petkim's facilities and 20 different contracted external warehouses was carried out, with a monthly average of 70,457 tons of solid product loading.

Site performance tests were conducted for the use of electric forklifts instead of diesel forklifts, which are used in Product Packaging and Storage Areas, determining their contribution to sustainability and the value they create. A project was developed to be implemented in 2023.

With the "Verified Gross Weight (VGW)" authorization certificate, 4,862 VGW certificates were created at the sales weighbridges. This resulted in savings of TL 549,400 in export costs.

Projects were launched at the Petkim contracted external warehouses to open "free warehouses and bonded-warehouses" in regions of high potential in order to meet the increasing commercial capacity for imports.

During Petkim's planned maintenance turnaround, state-of-the-art stacking machines were added to the LDPE-2 and PP packaging lines. This improved product packaging quality and reduced energy consumption by 80%. The automatic weighbridge and metal detector devices on the LDPE-1, LDPE-2, LDPE-T and PP packaging lines were updated, thus improving weighing sensitivity to +/-50 grams.

Product traceability was ensured to the end user on a bag basis by switching to the use of new generation inkjet printers on solid product packaging lines. This paved the way for a 60% reduction in ink consumption.

In addition to Chemical Materials Planning, in which Robotic Process Automation (RPA) applications are used, RPA technology was

extended to three different processes of Materials Planning. The follow-up of the procurement processes of materials under the Petkim planned maintenance turnaround, which lasted for 68 days, was carried out with the RPA.

During the Petkim planned maintenance turnaround, approximately 165,000 materials were flawlessly delivered to the site by providing a 24/7 uninterrupted service from the material warehouses.

The project to ensure the use of unused materials continued by performing the aged stock report in the software for the materials registered in the inventory.

#### **PROCUREMENT ACTIVITIES**

The Corporate Center and the Refinery and Petrochemical Business Unit (RPBU) Procurement teams were integrated with the aim of rolling out process

optimization, one-stop purchasing and post award practices. Supplier performance stood at 89% in 2022.

Applications in e-tender and e-auction solutions for purchasing tenders continued with their usage areas expanded. Robotic process automation continued to be used in invoice pre-registrations. Integration workshops were completed for the Smart Materials software to be commissioned for the digitalization of purchasing processes.

In 2021, the SAP Central Procurement Module and the SAP S4 Hana project, which will increase the efficiency of integrated processes, were brought into use. Work on the Earth Phase-2 project, in which Petkim's SAP version will be upgraded, has got underway.

The Smart supplier portal is part of the Smart Materials project and works in integration with the

## Supply Chain and Procurement

SAP MDG program. The portal was expanded in a way to include compliance processes.

During the pandemic, the local supplier pool was further expanded and the process of supporting the domestic market was advanced. The supplier stock-managed contracts for purchasing tube, piping and valves secured companies' 3-year needs for tubing and valves and their needs for piping for a year and a half, with supply assurance achieved for the aforementioned materials, which had faced serious supply issues on a global scale. Moreover, the company saved around EUR 5 million by avoiding the impact of increasing raw material prices.

As of the end of 2022, the materials' catalogue content in the fast-moving consumption group and which can be mostly considered as hardware was expanded further. Framework agreement processes were initiated with the majority of the product groups such as hardware, laboratory materials, HSE materials, stationery, food, simple consumption products, kitchen and household appliances.

At the beginning of 2023, the design phase of web-based e/v MTF processes was initiated, including the scope of CC and GAS BU, which are integrated into the RPBU.

Work was carried out to ensure that the market place formation of the third-party companies, whose roadmap had been also specified in the 2022 strategy plan, would be provided in May 2023. With the commissioning of this

web-based site, their needs will be largely automated. Omnichannel distribution will be established with the BPM app by the first quarter of 2024, thus enabling the entire supply chain to be viewed starting from the request all the way to the warehouse.

Approximately 100 selected contracts were analyzed for trends within the scope of post-contract management (Post Award). Accordingly, prices and scopes were reviewed, bringing approximately USD 3 million in additional benefits. In order to increase the benefit provided, a team was formed to focus on post-contract management work. The merger between the management of Corporate Procurement processes and the RPBU purchasing team in 2023 and the fact that the post award process will be newly constructed here increases the potential benefit that the relevant team will be able to bring in the coming period.

The Engineering Framework Contracts with the Tekfen and Çimtaş companies, the Electro-Mechanical Construction Works Contract with ENKA and the Electrical-Instrument Construction Works contract with Siemens were signed within the framework of the vision of more agile procurement and smart contract management in project works. This was used efficiently, resulting in a discount with the effect of the consolidation. Moreover, the efficient use of human resources of all stakeholders paved the way for the creation of added value.

More than 80 service scopes were completed on time within the scope of Petkim's planned

maintenance turnaround by remaining within the budget defined by the agreements entered into with key contractors, most of which have already been serving Petkim.

The P part of the PC processes followed up by the Projects Directorate were taken over by the SOCAR Procurement teams, paving the way for significant improvements, especially in the Post Order processes. In addition, additional financial benefits were obtained in material purchasing processes.

Within the scope of work distribution, robotic processes were put into use, and an annual improvement of approximately 100 person hours was achieved. Work on development areas was accelerated.

Core teams were established for work within the scope of the planned maintenance turnaround. A 100% success rate was achieved in the process, contributing to the completion of the downtime on schedule.

Cooperation with new suppliers was developed in order to eliminate supply issues due to the increase in prices of energy and raw materials in the global market and the rise in demand after the pandemic.

The switch to the Agile Business Model allowed bottlenecks in the processes to be detected more rapidly and improvements made by working on areas in the processes needing improvement.



# Sales & Marketing

Petkim recorded total sales of USD 3,017 million in 2022, with total exports of USD 1,449 million.

Petkim realized 1,274,000 tons of sales from production in 2022, while commercial product sales stood at 1,164,000 tons. Total sales volumes stood at 2.44 million tons with sales revenue of USD 3,017 million.

Petkim realized 52% of its sales to 1,520 customers in the domestic market in 2022.

Commercial product sales volumes were recorded at 949,000 tons with 39 commercial products in 2021. Petkim maintained its commercial product sales with 39 products in 2022 with its sales volume increasing by 23% to 1,164 tons. Sales from commercial product sales stood at USD 1,254 million, accounting 42% of total revenue from all products.

## TOTAL EXPORTS OF USD 1,449 MILLION IN 2022

Petkim recorded USD 1,449 million in total exports, with USD 899 million of this amount consisting of direct exports and USD 551 million being as transit exports.

# 3,017

USD million  
Total sales

# 1,254

USD million  
Sales of commercial products

# 1,449

USD million  
Total exports

# Investments

In 2022, Petkim prioritized sustainable investments that would ensure the continuity of Occupational Health and Safety, Process Safety and the production plants in its investment strategy.

## **PETKIM CONTINUES TO SHAPE ITS FUTURE, FOLLOW UP NEW DEVELOPMENTS AND SUPPORT CHANGES THROUGH ITS INVESTMENTS IN AN INTEGRATED MANNER WITH SOCAR TÜRKİYE GROUP COMPANIES.**

In 2022, Petkim prioritized sustainable investments that would ensure the continuity of Occupational Health and Safety, Process Safety and the production plants in its investment strategy.

The planned maintenance turnaround continued for approximately two months in the Petkim facilities. Within the scope of this maintenance work, the maintenance of the related Monomer/Polymer plants and Auxiliary Facilities, which needed to be shut down in line with the maintenance schedule and which require a joint facility shut down for their maintenance, were carried out. In addition to these investments, investments continued in non-operational areas such as projects classified

as strategic as well as in IT. Petkim's investment expenditures totaled TL 4,108 million (USD 214.6 million) in 2022.

The investment committees were convened on a bimonthly and monthly basis during the year. In addition to the investment committee meetings, regular reporting was carried out and an agile approach used to address any issues identified. As a result of these activities, projects were implemented quickly and decisions made more rapidly. While preparing the investment budget work for the following year, all technical analyses were carried out in accordance with the investment process. Financial analyses of the investments were carried out where deemed necessary. The investment projects were managed in an optimized way by selecting projects offering the highest added value and sustainability. Accordingly,

while allowing ideas to mature, resources were transferred to the most appropriate option. Post-feasibility studies of the realized projects were carried out and their realizations followed up on a monthly basis. In carrying out these studies, Petkim's short and medium-term investment strategy was determined by taking its cash flow into account.

There are projects involving replacement and modernization of critical equipment that will ensure continuity of the plants and increase capacity utilization rates. In addition to these projects, projects to increase Petkim's profitability, provide synergy in the Aliğa peninsula and which offer short payback periods and are carried out under the I am the Value (Değer Benim) Program were also included in its investment schedule.



# R&D and Innovation Activities

With its open innovation model, SOCAR Ar-Ge ve İnovasyon implements collaboration between industry and academia in a target-oriented and determined manner.

SOCAR Turkey Ar-Ge ve İnovasyon 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 54 years of R&D experience in the petrochemical field of the R&D Center, which was 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 Türkiye's vision of being an integrated energy company with economic and social responsibility, the founding purpose of SOCAR Turkey Ar-Ge ve İnovasyon 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.

With its open innovation model, SOCAR Ar-Ge ve İnovasyon implements collaboration between industry and academia in a target-oriented and determined manner.

The SOCAR R&D Center, located in the complex of the Aliğa Refinery and Petrochemical Business Unit, was established on an area of 1,200 m<sup>2</sup> and consists of six laboratories (Rheology, Catalysts, Polymer Characterization, Environmental and Biotechnology, Chemical Analysis and Chromatography), a 400 m<sup>2</sup> 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 16 order-based R&D projects were carried out with Petkim and four with the STAR Rafineri in 2020-2021-2022. In addition, four

project services are 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 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 Europe, which supports the transition of the European Union to a carbon-free economy by 2050. SOCAR is currently involved as a partner in five European Union projects in the fields of Carbon Capture, Storage and Utilization (CCSU), solar panels, sustainable production with Artificial Intelligence and alternative energy sources in the R&D, Horizon 2020 and Horizon Europe Programs. In addition, there are 2 projects in total that are entitled to be funded by TÜBİTAK and SAYEM.

**100%**

Partnership Structure  
SOCAR Turkey Enerji A.Ş.

**1,200 m<sup>2</sup>**

Installed Area

**34**

Number of  
Researchers

**19**

Patents



# Information Technologies and the Digital Transformation

Considered as an exemplary project in Türkiye and in the world, the Project Earth was selected as “Türkiye’s Biggest Digital Transformation Project” in the “SAP Transformation Awards 2022” event.

## INFORMATION TECHNOLOGIES

In line with SOCAR Türkiye’s strategic goals, many IT projects were carried out in order to achieve the targets on an annual basis and to shine a guiding light on the digital transformation journey in 2022. In addition, a number of projects added to the IT roadmap were successfully completed.

The standing rate of systems stood at 99.84%, well above the industry average of 95%. Thanks to the devoted work of the SOCAR IT team, all requests and problems were resolved at the determined service levels. A satisfaction rate of 95% was achieved in the satisfaction surveys conducted.

The first phase of “Project Earth” was completed with the intensive support of SOCAR Türkiye’s senior management and work units. Aiming to completely update the systems that form the backbone of corporate applications using the best examples in the world, a total of 11 integration projects of different sizes, including the “Project Earth”, were completed and delivered on time, within the scope and within budget. Revisions were conducted regarding the projects that had been postponed and cancelled due to changing requirements.

## INCREASING FUNCTIONALITY OF IT PROJECTS

The scope of Project Earth was determined with the aim of preparing the necessary infrastructure to bring the operations of the structures, whose processes have become harmonized with integration but which are run in different systems and in different ways, under a single system with the ability of running common processes. With Project Earth, the processes managed in distributed systems were redesigned in the central S4 HANA system. They were then blended with the “Best Practices” and brought into use. At all stages of the process, Project Earth was accepted as one of the exemplary projects in Türkiye and in the world with its governance and internal and external participants. It was selected as “Türkiye’s Biggest Digital Transformation Project” at the “SAP Transformation Awards 2022” event.

## IT CONTINUITY

Work on removing the machinery parks of both technologies on which the work units depend, as well as the infrastructures and systems which are transparent to the work units but which IT teams are required to operate and maintain, establishment predecessor/successor relations with each other and determining the continuity needs had started

in 2021, and the work was completed in 2022. This paved the way for a comprehensive hardware/application inventory regarding the background dependencies of all services and services provided by the IT department, their owners and their connections with each other. By re-examining all updated and ongoing IT processes, the criticality and dependencies of each process were highlighted and the IT Business Impact Analysis was completed. Business impact analyses, which were updated by all work units for the Refinery-Petrochemical units and the Gas Business Units were reviewed and reinforced.

Consensus meetings were held with the work units responsible for their own processes regarding recovery times of the relevant critical systems within the disaster recovery scenarios. Expectations regarding the RTO (Recovery Time Objective) / the RPO (Recovery Point Objective) periods were reviewed and a consensus was reached. Risks which threatened interruption to the IT services were investigated. Additional actions were reviewed if deemed necessary after having taken existing measures. The process-based risk assessment approach applied in previous years continued.



## Information Technologies and the Digital Transformation

In order to ensure that the data of critical systems included the IT infrastructure is recoverable in the event of a possible disaster, the accepted downtime and acceptable data losses were minimized. Accordingly, the IT infrastructure was made ready within the scope of the business continuity program.

### PROCUREMENT AND SUPPLY CHAIN APPLICATIONS

The Central Procurement application, which is a part of the Project Earth program launched in 2022, handles the procurement processes of the Refinery and Petrochemical Business Unit and Corporate Center companies. The management of the process from purchase request to invoice registration was transferred to a single platform, thus eliminating any confusion and duplicate workloads arising from operations carried out in distributed systems. In addition, purchase approvals, which had been carried out in distributed systems on different platforms in the past, were singularized and centralized and moved to a single platform. As a result, user satisfaction improved thanks to the user-friendly approval flow system.

The MasterDataGovernance (MDG) system was brought into use under Project Earth. The MDG system entered operation order to establish a single master data structure at SOCAR Türkiye, to create a single right source and common master data dictionary for the Material, Customer and Vendor codes. With the MDG system, Petkim and other SOCAR Türkiye group companies were able to speak the same language and comply with corporate data standards. The system allowed

stock information to be tracked and reported on a single platform.

Thanks to the developed Bonded Goods Tracking System (BGTS), it was possible for those requiring materials to track their purchase requests instantly through the system and track which stage they were in the procurement process. In this way, it is possible to follow up the location of the materials and what stage they are in, along with all process dates and comments on a single screen without needing to ask the relevant functional departments on the supply chain.

With the chemical tracking cockpit developed in the Petkim system for the planning of plant chemicals, the chemical planning team was able to follow up and plan product information such as SAT, SAS number and the consumption amount. In addition, it became possible for the tracking of the current status of the orders and planning of orders to take place in a digital environment over the same system. The cockpit also allowed the simultaneous viewing of order status and product information by stakeholders including those working in the purchasing, production and logistics units. This simultaneous viewing paved the way for increased efficiency while minimizing the need for communication by e-mail and telephone.

With the integration between the ASNAK platform, which is used for logistics transportation, and the relevant ERP system for import shipments, logistics work orders from the Sales are automatically flowed from this

system to the ASNAK system, thus eliminating the risk from human error factor and potential delays in communication and coordination with the courier.

### DATA MANAGEMENT AND REPORTING

SOCAR Türkiye's Data Management and Reporting processes were restructured with a holistic perspective. Data governance, data ownership, KPI (key performance indicator) management and data visualizations were reviewed in the work carried out with all functional departments.

By measuring the maturity levels of data architecture, steps were taken towards becoming a data-oriented company with the projects carried out at the data source, integration, modelling and data visualization layers.

A data transformation platform was designed to improve all ways of collecting, storing, managing, sharing and using data according to desired business results and transforming the data into value. With accurate data, these dashboards enable better decision making with accurate data, at anytime and anywhere, reducing data management/storage costs and increasing the value of available data.

In addition, the Single Source of Truth approach and integration with the third-party service provider applications used by work units ensures automatic access to up-to-date and approved data, preventing potential time and data loss.



## TRADE, PRODUCTION AND ASSET MANAGEMENT

As stipulated by decision No 32 issued by the Central Bank of the Republic of Türkiye within the scope of the Law on the Protection of the Value of Turkish Currency, in order to collect the foreign currency from future sales in TL, debit records sent to the Direct Debit System (DDS) in foreign currency could be converted to TL one day before the due date with the funds reloaded to the DDS in TL. This transaction can now be performed automatically by the system.

The necessary infrastructure was established to systematically track and ship products which are packaged in the FFS (form-fill-seal) bags produced with recycled raw materials to certain customers.

Preparatory work for the Petkim ERP transformation project, which was due to begin in the first quarter of 2023, was completed. Technical support activities continued to ensure that Petkim's production and maintenance activities were able to continue without interruption. Work continues on the Export Cockpit project, which is required by the Trade team for use in export operations. With this project, the application, which will automate the sending of offers to customers,

including the features of the products and basic information such as pricing, will be put into use in the product groups determined within the scope of sales activities.

## FINANCE

The Fixed Asset Revaluation structure is planned to be realized within the scope of Law No. 7326 on Restructuring of Certain Receivables. This structure was established in the Petkim SAP system, and revaluation records were created at desired periods.

The daily bank balance report used in the Project Earth system was moved to the Petkim system. It was thus possible to monitor the daily bank balances.

With the amendment to the Export Circular, export fees tied to the Export Value Acceptance Certificate (EVAC) are sold to the Central Bank at the foreign exchange purchase rate announced by the CBRT and which is valid at the time of the transaction. Reporting of the EVACs was made possible in the Petkim system.

Work was completed so that records can be kept with the desired exchange rates in the Petkim IFRS (International Financial Reporting Standards) valuation records in the TRM (Treasury and Risk Management) system. Accordingly, the IFRS

## Information Technologies and the Digital Transformation

records coming through the TRM were created according to reporting needs and the IFRS reporting processes were improved upon.

A number of actions were taken to improve consistency in the Cash Flow reports; relevant work units are informed in the event of any error received in the system, notification e-mails are sent to work units for the assignment of LP items when a new account is opened, and work units are informed in the event of there being any unassigned item in the LP, preventing any disruption that may occur in the reports.

### THE GRC PLATFORM: GOVERNANCE, RISK AND COMPLIANCE

**THE ORBIT-GRC ACCESS CONTROL PROJECT:** This project aims to carry out authorization requests through the GRC system for the Central SAP S4 Hana and Central Hub T4 processes. In this project, employees' authorization requests were created through the system with the guidance of the Internal Control and Enterprise Applications team. Requests were sent to the relevant managers for approval. It is also possible to view the compliance of the authorization requested from the risk report with SOD or critical access rules.

**MIDDLE OFFICE PROJECT:** Analysis based on statistical models can be carried out in this project, where the frequency of calculations and checks will increase with some being automated, so the Middle Office

can perform its basic tasks more efficiently. Additional control practices may be implemented in areas such as Trader Performance, Derivatives Reconciliations, Credit Risk Analysis and Operational Risk Analysis. Risk management practices will be implemented to international standards, including Basel III-IV. Work carried out under the financial and commodity risk controls will be centralized, with reductions in the risk of error and savings in terms of man power. Institutional authorization limit approvals and Senior Management Dashboard Reporting will be digitally executed through the program.

### RISK MANAGEMENT AND PUBLIC RELATIONS LEGISLATION MANAGEMENT PROJECT:

A single common platform will be brought into use in order to fulfil the obligations required by the legislation which SOCAR Türkiye and Group companies are subject to, and to prevent the risk of exposures to possible sanctions and financial losses.

### INFRASTRUCTURE AND OPERATIONS

**CENTRAL IDENTITY MANAGEMENT (IDM):** The second phase of the project was completed with the integration of 23 different applications. With this comprehensive integration, 4.5 million transactions were realized in the IDM system in 2022, benefiting 850 people per day.

**5G INFRASTRUCTURE SPECIFIC TO ALIAĞA PENINSULA:** Within the scope of the strategy of providing the most accurate infrastructure for increasing connection diversity, line capacity needs and developing digitalization projects, the mobile network (MPN-Mobile Private Network) project specific to the Aliağa Peninsula was launched. With the project, the entire peninsula will be covered with a 4.5G network, and access to business applications from mobile devices will be rendered more secure and uninterrupted. In addition, ready infrastructure will be established for digitalization projects. The infrastructure will be implemented as 5G ready. The infrastructure will work to 5G following the 5G frequency allocations in the coming years.

**PROCESS CAMERA INFRASTRUCTURE BACK-UP:** The Data redundancy and business continuity project carried out in the Petkim and STAR Rafineri Process camera infrastructure has been completed. Within the scope of the project, the physical camera recording server infrastructure was moved to the redundant server virtualization environment and upgraded to the current software versions. With this virtualization process, location redundancy was also provided in the data centers located in the Aliağa Administration Building and STAR Rafineri Main Control Center. The project brings advantages such as ease of management, reductions in maintenance costs, simplification of license control and business continuity by using central infrastructure. In addition, call management operations were carried out more efficiently, thus reducing the operational load.

### SOCAR INFRASTRUCTURE

**OPERATION CENTER (SIOC):** The SIOC project was implemented with the aim of operating critical infrastructure and ensuring operational continuity. The project ensured that information technology infrastructure was monitored 24 hours a day, 7 days a week by professional teams, alarms were monitored and communicated to the relevant teams, necessary actions were taken, operational processes were improved and business losses were reduced.

**PHYSICAL SECURITY PROJECT:** Within the scope of this project, which consists of many sub-projects, Phase 1 of the Anti-Drone Project was carried out to protect the Aliağa peninsula from drone threats. This project has dramatically increased the safety of the Aliağa peninsula. The project will continue with other sub-projects in 2023 with its second phase. In this context, the License Plate Recognition System Project, which has become a legal obligation, was also completed. The project was implemented in order to monitor vehicles entering the Aliağa facilities. The established system was integrated with the General Directorate of

Security to detect suspicious vehicles with the aim of increasing the security of the facilities by ensuring that all vehicles entering the Aliağa facilities are safe. In addition, in case of any incident, it became possible to track vehicle movements before and after the incident.

#### **INFORMATION SECURITY**

The ISO/IEC 27001 documents of Petkim Petrokimya Holding A.Ş., STAR Rafineri and SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. within the scope of the ISO 27001 Information Security Management System, were renewed following external audits carried out on 27-30 June 2022 in an integrated format. SIBC\*, the Refinery and Petrochemical Business Unit Information Security Management System (ISMS) Board and Management Review (YGG) meetings were held and information security activities carried out in the last one year were reported on.

SIBC: SIBC Sigorta Aracılık Hizmetleri A.Ş.

The Petkim and STAR Rafineri compliance work was completed within the scope of the "Information and Communication Security Guide" published by the Presidency's Digital Transformation Office on 27 July 2020, with the implementation of the measures determined in line with the guideline implementation roadmap. Afterwards, Information and Communication Security Guide Compliance audits were carried out by independent bodies in November.

Regarding the network security of SOCAR Türkiye and Group companies, the network traffic monitoring detection and response system was put into use in order to increase the capability of detecting and responding to cyber-attacks at all locations. This aims to increase network situational awareness and detect cyber-attacks in real time.

Efforts to develop the information security culture continued with various activities to raise information security awareness.

## Information Technologies and the Digital Transformation

### DIGITAL TRANSFORMATION

The Digital transformation is one of the three main strategic factors determined by SOCAR Türkiye to realize its vision. Digital transformation is also one of the critical success factors for Petkim. Due to its impact on efficiency and optimization and its contribution to Petkim's sustainability goals, work in the field of digital transformation continued unabated in 2022.

#### End-to-End Digital Transformation:

Petkim presses forth in its digital transformation journey under the leadership of the Transformation Group Directorate team. Petkim has formed the team in order to meet its needs in every field from idea generation, project design and digital architecture to digital portfolio management, corporate process digital transformation and organizational adaptation. Petkim continued to implement projects which increase production and energy efficiency in many functions, particularly production, occupational health and safety and corporate processes, as well as projects which support zero-accident targets, improve processes, increase customer satisfaction and create data-based decision-making mechanisms.

A perspective that focuses on business transformation with digital power is taken into account at every point of corporate and production processes. Efforts to bring new technologies to the company portfolio have gained momentum. Among these technologies, project studies were carried out on Video/Image/Audio Processing, Process Mining, Chatbot, IoT (Internet of Things), GIS (Geographical Information

System), Self-Service Analytics and Drones (Unmanned Aerial Vehicles).

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*PETKİM CONTINUES TO IMPLEMENT NEW TECHNOLOGIES AT EVERY POINT OF VALUE CHAIN THROUGH ITS PROJECTS CARRIED OUT IN THE FIELDS OF OCCUPATIONAL HEALTH AND SAFETY, PRODUCTION AND SUSTAINABILITY.*

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The uninterrupted continuation of production processes and the creation of predictive maintenance plans based on data are critical for the optimization of field activities. Periodic vibration analysis, performed manually only for accessible motors, results in failures being detected upfront, resulting in production and cost losses due to these delays. The online monitoring system was put into use with the Predictive Maintenance Engine Fault Discovery project, which was set out to perform periodic vibration analyses and enable early detection and intervention of machine failures. In addition, early detection of possible malfunctions allowed predictive maintenance, prevention of unplanned downtime and extended the useful life of equipment. With the implementation of the project, online tracking devices installed on selected rotating equipment at Petkim instantly detect malfunctions and evaluate the severity and type of the situation. In addition, the devices constantly take measurements and compare them with reference readings, instantly informing personnel who follow the process. The commissioning of the project led to an increase in the reliability metrics of the relevant units.

### OHS-E Work with Artificial Intelligence

The Video Analytics for the HSE project uses video analysis technology which combines image processing, machine learning and artificial intelligence solutions. The project was put into operation in 2022 in order to achieve the target of zero-accidents in the field of Occupational Health and Safety, a vital requirement in all field operations, and to ensure the safety of employees with more effective methods. With Video analysis technology, images coming from multiple cameras are simultaneously processed with a signal processing system that digitally analyses video images to detect and identify threats, suspicious events or real-time behavior. Moreover, purpose-oriented alarms are defined through artificial intelligence software running in the background, and when a violation occurs, reporting processes are carried out in the determined methods. The platform commissioned by Petkim allows simultaneous numerical and visual analyses to be carried out on more than 40 scenarios. The purpose of the platform is to achieve the objectives of better fulfilling Petkim's responsibility to protect its most valuable capital, its human resources, providing a safe working environment for its employees and realizing proactive risk management at the highest level. Corrective actions were determined with the commissioning of the system which defined personal protective equipment checks, restricted area entrances and area-based checks, mobile equipment and vehicle controls, vehicle driving safety and speed limit scenarios. Awareness

and communication activities were carried out within the scope of occupational health and safety procedures. A 44% reduction in violations was recorded in areas where the application was deployed. Work will continue on the rolling out of video analysis technology in 2023.

#### The Aliağa Energy Optimization (AEO) Project

Another important project which establishes a fusion between the sustainability goals and the digital transformation strategy is the Aliağa Energy Optimization (AEO) project. With the AEO, steam transfer takes place from Petkim to the STAR Refineri. Thanks to the AEO, external electricity exchange of the facilities including the Petkim wind farm, increasing or decreasing electricity generation inside, the amount of steam to be produced and at which pressure level, or how much and how steam will be converted through which channel between different pressure levels are all optimized. This project enabled the management of the balance between all energy sources and consumption, including the amount of electricity and steam available in the Aliağa Peninsula and automatic optimization of the production and sales combinations from the wind farm and TEİAŞ (Türkiye Elektrik İletim A.Ş.) in four-hour periods with the steam and the electricity generation or consumption parameters of the units in different capacities and combinations. Commissioned in May 2022, the Aliağa Energy Optimization project yielded USD 1.67 million in savings with respect to energy expenditures in its first 8 months.

In the survey conducted by FastCompany, SOCAR Türkiye was ranked as one of the “50 Most Innovative Companies of Türkiye” with the Aliağa Energy Optimization project.

*INVESTMENT IN THE AUTOMATION OF CORPORATE PROCESSES, EMPLOYEES' DIGITAL COMPETENCIES AND THE DEVELOPMENT OF THE ECOSYSTEM WERE RAMPED UP IN 2022, WITH STEPS TAKEN TO ENSURE THAT EMPLOYEE SATISFACTION INCREASED WHILE TRANSFORMING THE PROCESSES.*

The Citizen Developer Pilot program, which started in October 2021, maintained its success. The aim of the project is to speed up the rollout of Robotic Process Automation technology and attract employees with competency in this field. Based on the potential demonstrated by the pilot study, two more phases were carried out in 2022, bringing the total number of active Citizen Developers to 38. A total of 63 different business processes were transformed with the power of automation within the program, saving more than 8,500 man hours of time. The program, now in its fourth wave, continues to attract intense interest and motivation from various units seeking automation opportunities.

#### Technology and People:

With the GENERATION D program, SOCAR Türkiye set out with the aim of creating the new digital generation. A learning journey was designed for 40 participants selected from

different departments to develop their digital competencies. The employees, who digitalize themselves, their environment and their work, attended training in a range of areas including the digital transformation, machine learning and artificial intelligence, hyperautomation, data visualization and decision making with data and design-oriented thinking, with a focus on energy and petrochemicals. Project ideas were developed for evaluation in the digital roadmap.

#### Ecosystem Collaborations:

The SOCAR Wennovation open innovation platform was brought into use in March 2022 as part of the digital ecosystem development efforts. With this platform, members of the ecosystem are encouraged to cooperate and contribute to achieve common goals by pursuing different perspectives and different ideas. With the SOCAR Wennovation platform, academics, entrepreneurs and companies able to provide solutions to meet the digital needs in SOCAR Türkiye were called upon to become business partners, contribute to digital innovation together and develop projects accordingly. Among the suppliers who responded to the call, interviews were conducted with 215 suppliers with the potential to add value to the digital transformation roadmap. Demo / pilot / PoC / project studies were carried out with 19 suppliers.

# Sustainability

## Petkim's Sustainability Vision

SOCAR Türkiye presents an integrated sustainability perspective and management approach covering all group companies.

As an extension of SOCAR Global's management approach, sustainability has become an integral part of SOCAR Türkiye'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 Türkiye presents an integrated sustainability perspective and 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.

Increasing the high added value it provides to the economy, Petkim maintains its activities in line with SOCAR Türkiye's sustainability vision, which it has internalized. Petkim maintained its activities with an awareness of its responsibilities to its stakeholders as a corporate citizen, without compromising on ethical rules, transparency and honesty.

The ISCC (International Sustainability Carbon Certification) demonstrates the transparent traceability of sustainable raw materials and products produced with these raw materials along the supply chain, providing stakeholders with a guarantee that the products meet the sustainability requirements. Petkim was awarded the ISCC for the first time.

In addition, in line with SOCAR Türkiye's sustainability vision, the "Product Life Cycle Analysis" (LCA) study was conducted for the first time at Petkim in 2022. With these studies carried out as international good practice, environmental impact analyses of products and units are carried out with a holistic perspective,

meeting the expectations and demands of customers regarding these issues.

With the Capital Markets Board's Communiqué on the Amendment of the Corporate Governance, published in Issue 31262 of the Official Gazette on 2 October 2020, the basic principles that public companies are expected to disclose while carrying out their Environmental, Social and Corporate Governance activities (Sustainability Principles Compliance Framework) was published. The implementation of compliance with the sustainability principles is voluntary. The status of compliance is included as an appendix at the end of our annual report with the Sustainability Report template in accordance with the Board's Decision dated 23 June 2022 and numbered 34/977. In addition, within the framework of SOCAR Türkiye and all group companies, sustainability reporting regarding compliance is carried out in accordance with the GRI international standard. There is no effect of non-compliance with these principles.



# Human Resources

Petkim 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.

## 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





## Human Resources

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 vacant positions, priority is given to the internal candidate evaluation process. 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 2022, the average number of people working at Petkim stood at 2,335 in total. At the end of the year, a total of 2,328 employees, including 595 white-collar employees and 1,733 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. At Petkim, development programs covering leaders of all levels are designed by considering the corporate culture and the needs of the leaders, and are carried out with the aim of creating a common leadership culture. Leadership development programs are supported by measurement, evaluation and feedback. 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

The SAFE Management System, consisting of four core principles, 16 principles and 100 expectations, was established throughout the Refinery and Petrochemical Business Unit. Petkim continues to conduct its activities within the scope of the SAFE Management System.

SOCAR Türkiye has a culture that adopts the industry's best OHS-E practices, which form the basis for ensuring occupational safety, health and environmental excellence. SOCAR Türkiye aims to ensure that its operations are always safe, reliable and efficient wherever it operates. Accordingly, the SAFE Management System, consisting of four core principles, 16 principles and 100 expectations was established throughout the Refinery and Petrochemical Business Unit. Petkim continues to conduct its activities within the scope of the SAFE Management System.

## OCCUPATIONAL HEALTH AND SAFETY

Compliance of all activities carried out at Petkim with occupational health and safety legislation is evaluated by establishing and recording the occupational health and safety practices systematic of the activities within this scope, and associating them with the SAFE Management System, integrated management systems and other processes.

External audits within the scope of ISO 45001, which covers Occupational Health and Safety Management System, were completed successfully in 2022. According to the requirements

of the ISO 45001 Occupational Health and Safety Management System and the SOCAR SAFE, the OHS-E risks in the processes are periodically updated, and necessary actions are planned and followed up.

The activities carried out for legal compliance, adaptation of activities to the occupational health and safety system and their recording and integration with other management systems in 2022 are listed below:

- In accordance with the Regulation on the Procedures and Principles of Occupational Health and Safety Training of Employees within the framework of the Occupational Health and Safety Law No. 6331, all planned OHS-E training was provided. In addition, monthly mandatory OHS Board Meetings continued to take place with the attendance of employee representatives. Within the scope of the OHS-E Training Plan, the 16-hour compulsory Basic Occupational Health and Safety training was carried out as distance learning in line with the pandemic measures in place. In addition to the legally required training, distance learning was provided to all relevant personnel in areas such as work authorization/work permits,

OHS practices in maritime operations, process safety and working at height. In addition, all contractor company employees who would work at the Petkim site received a half-day on-boarding training session with 2 full-day management system training provided to relevant contractor employees. Work on the digitalization of contractor training was completed in 2022. Contractor repeat training began to be carried out in the form of distance learning. A distance learning process was also implemented for visitors. Behavior-oriented occupational safety training (BOS) and root cause analysis training (RCA) started to be provided to Petkim employees in 2022.

- Within the scope of the Road Safety Program, which had got underway in 2022, training on Safe Driving Techniques began to be provided to all employees, including contractors. Within the scope of safe driving practices, daily checks were carried out from the vehicle tracking system (GPS) to monitor the compliance with the rules established by the Company to ensure that personnel do not endanger their own health and the health of other employees. Work to install sign boards and signage on-site continued.



## Occupational Health, Safety and the Environment

- As a result of the work carried out within the framework Occupational Health and Safety, the Recordable Accident Frequency Rate was reduced by 5% compared to 2021. A total of 386 periodical inspections were carried out by blue-collar employees in various areas including the facilities, workshops, switchgear rooms, warehouses and laboratories on a monthly basis in 2022. A total of 448 periodic site checks were carried out on a weekly basis in different units and areas by white-collar employees and 1,425 work authorization system audits were carried out.
- On-the-job HSE issues (toolbox) continued to be shared in directorates throughout the entire Petkim site. All on-the-job talks, bulletins and lessons learned in 2021 were compiled into a booklet which was distributed to Petkim and contractor employees. In 2022, "A Minute on OHS-E" was put into practice in order to raise OHS-E awareness among employees.
- The Risk Assessment Procedure was reviewed to ensure compliance with ISO 45001, integration and organizational changes. Work to update the relevant activities continued throughout the entire site.
- Committee meetings continued to be held in 2022, where OHS issues were discussed every month in the facility and maintenance directorates. Workplace hazards and risks were proactively evaluated at the meetings, and risk-based solutions were provided.
- Calibration of collar type gas measuring devices continued throughout the field.
- Within the scope of the OHS-E Incentive and Reward Program, monthly awards aimed at enhancing the safe working culture, including for contractors, continued during 2022.
- Work on the Agile Business Model (agile) continued in all facilities with attendance at daily meetings.
- In May 2022, various activities were held within the scope of OHS-E Week in order to support the OHS-E culture as the effects of the pandemic receded.
- Preparations for the OHS-E Plan were completed as part of the Petkim planned maintenance turnaround. All work within the scope of the downtime was considered in the work authorization system and continued within the plan prepared.
- Within the scope of the OHS-E Awareness Program launched in 2021, the "All Accidents Can Be Prevented" program was carried out in 2022 with various activities and actions, including video messages from the management and employees.
- Contractor OHS-E audits and external audits of Contractor Personal Protective Equipment were carried out within the scope of the plans set out in 2022. Plans were put in place to continue inspections in 2023.
- The Occupational Health, Safety and Environmental processes were carried out in a coordinated manner in various activities in the COFOT, Jetty and Holding Basin projects. The COFOT Project was commissioned and entered operation in the STAR Refineri.
- Work continued on the completion of the Synergi OHS-E software project for the management of OHS-E incidents, the of recording risk assessments, OHS-E audits, relevant actions taken and the reporting and tracking of key performance indicators.
- All scaffolding work was inspected and checked by an accredited company.

In line with Petkim's sustainability policy, the following activities were carried to raise awareness of occupational health and safety among employees:

- Facility visits
- OHS-E training
- Incentive Reward Program
- Video Analysis Program
- Forklift Safety Program
- Updating Occupational Health, Safety and Environmental Information Boards
- Occupational Health, Safety and Environment videos on Corporate TV
- OHS-E Bulletin & On-the-job talk practices
- Checks of dangerous goods at entrance and exit within the scope of the ADR (the European Agreement concerning the International Carriage of Dangerous Goods by Road) from the Petkim B Gate, both in the framework of ADR and the OHS, prevented the passage of inappropriate vehicles.

## HEALTH SERVICES

### COVID-19

- The contact tracing of newly detected COVID-19 cases, potential or already contacted company and contractor employees were followed up and reported.
- Fever checks were carried out with thermal imaging devices and thermometers at all door entrances.
- In cooperation with the Aliğa District Health Directorate, employees were given COVID-19 vaccines on-site. A total of 306 employees were vaccinated in the Refinery and Petrochemical Business Unit Health Services in 2022.

### Periodical activities

- Weekly healthy nutrition and dietician services were provided.
- Periodic health checks for 2022 were completed.
- Six toolboxes related to health were published.
- Advanced cardiological health examinations were performed on employees working in the Facility Security Department.
- In 2022, microbiological and chemical analyses of potable water were carried out at 120 different points at Petkim.
- Monthly hygiene and quarterly third-party Food Safety and Hygiene Inspections were

carried out in the cafeterias. Any non-conformities were reported and followed up.

- The conformity of the health documents for Petkim entry cards for all contractor employees was checked and approved.
- External health reports of Petkim employees were checked, approved and entered into the SGK (Social Security Institution) system.
- Monthly common areas were checked for hygiene as well as first aid kits.
- Our ambulances participated in the drills together with the fire and search and rescue teams.

### Programs

- The "Nutrition-Friendly Workplace Program to Support Physical Activity" was completed and the certificate was provided.

- The "Chemical Risk Assessment Program Based on Toxicological Analysis" was completed. The "Dashboard Program for Periodic Health Checks" was completed.
- Work on the "Legionella Risk Analysis and Process Management Program" got underway.

### Other activities

- Health support was provided for the Petkim planned maintenance turnaround activities with additional services from one doctor, one ambulance and four health personnel.
- The Petkim First Aid Training Center provided Basic First Aid Training to 26 people, First Aid Update to 176 employees, and AED (Automatic External Defibrillator) certified training to 92 employees.

## Occupational Health, Safety and the Environment

### 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 2022. 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 2022.



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

In line with the Petrochemical HAZOP Revalidation schedule, HAZOP&LOPA work which started in December 2020 on the Ethylene Factory, completed as of 2022. HAZOP&LOPA works on Aromatics and PTA factories started in April 2022.

Within the scope of the projects developed with a need for integration and modernization for petrochemicals, and the changes to be made in 2022 during the planned maintenance turnaround, 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.

### FACILITY SECURITY

Emergency preparedness, fire-fighting and tackling gas leaks, execution of rescue activities and Facility Operation Authorization (Work Permit) systems were

established in the Refinery and Petrochemical Business Unit. Strategies, goals and business plans were determined for the implementation, control and improvement of the system. Resource planning, practices and key performance indicators required to achieve these goals were constantly monitored to ensure that legal requirements, national and international standards and industrial best practices were taken into account.

Key performance indicators of the Facility Security unit were followed up for the year 2022. Internal and external fire and rescue drills were conducted throughout Petkim within the scope of

emergency preparedness and legal regulations. High-capacity monitors, foam trailers and fire engines were used in these exercises. Fire and gas detection equipment calibration work continued throughout 2022 and periodic controls of Fire Fighting and Emergency equipment continued. Maintenance and tests of fire and gas detection systems were carried out jointly with the Operations and Maintenance teams.

## Occupational Health, Safety and the Environment

Sprinkler systems and foam systems at the COFOT site were tested and commissioned and hydrostatic testing of all portable fire extinguishers was completed while work on the digital work permit project continued. The WORKS application was set up and put into use as part of the digitalization of the monitoring system of emergency response equipment.

Employees participated in the Industrial Fire Brigade Incident Commander (IFBIC), Industrial Firefighter Level-3 and AFAD Search and Rescue training. Emergency Response Teams training was provided to employees. H2S and Toxic Gas Measurement Devices Authorized Gas Measurement Personnel Training was organized and participation was ensured. Within the scope of the Petkim 2022 planned maintenance turnaround, Facility Security personnel work permits within the scope of work authorization system and all work within the scope of emergency response were successfully completed. Observer and fire training was provided to 347 contractor employees. Contractor employees continue to receive training on a periodic basis. Employees throughout Petkim received training on the Use of Fire Fighting Systems.

Within the scope of 2022 emergency and rescue drills, 17 level-1 and 5 in-house drills were carried out. The drill plan and all the preparations for the level 3 drill, which is planned in coordination with the Senior Management, were completed and the planning process continues. A total of 9,000 man

hours of firefighting supervision was carried out. The Rescue of Injured persons from Sea drill, which had been postponed due to the COVID-19 pandemic, was held on 20 October.

The number of work permits granted within the scope of EMS (Environmental Management System) in 2022 are as follows;

- 26,986 hot work permits
- 12,184 closed container permits
- 21,214 powered systems work permits
- 10,371 lifting operation permits
- 944 radiography permits
- 174 excavation permits
- 80,763 HARM (work permit system)
- Rescue control forms of 1994 permits were prepared.

### ENVIRONMENTAL ACTIVITIES

In line with sustainability principles, Petkim maintains its production activities with approaches including the optimal use of resources, energy efficiency, use of clean energy sources, minimizing environmental impacts with a holistic and preventive environmental strategy, increasing environmental R&D projects and investments in the environment.

Petkim's activities in the field of environment are carried out in line with the Integrated Management System, which includes the ISO 14001:2015 Environmental Management System and that consists of nine quality systems in total. In addition, the SAFE (SOCAR Aims For Efficiency) Management System consists of four core principles, 16 principles and 100 expectations related to the

OHS-E issues and is used by the SOCAR Türkiye Group Companies. SAFE also covers environmental activities and forms the basis of the activities.

At Petkim, the impact on the receiving environment is checked by measurements and analysis of environmental issues. The work is guided by a motivation to go beyond legal obligations by targeting continuous improvement with environmental performance indicators. Some of the work carried out in this vein includes water and wastewater analysis, emission/immission measurements, waste management, control of marine pollution, continuous reviews of environmental impact assessment analyses, efficient and effective operation of the wastewater treatment plant and hazardous waste incineration plant, the development of an environmental culture within the company, management of chemicals and monitoring greenhouse gas emissions.

In 2022;

- Biodiversity assessment studies were carried out by working with an internationally recognized company specialized in its field, on the Refinery and Petrochemical Business Unit complex site, with Petkim also involved in these studies.
- Field and desk studies were carried out as a pilot facility in the Project of Determining Türkiye's Industrial Emissions Strategy within the Scope of Integrated Pollution Prevention and Control, which is carried out by the Ministry of

Environment, Urbanization and Climate Change. Best Available Techniques (BAT) checklists for the chemical sector were prepared in cooperation with the Ministry and project specialists.

- In accordance with the legislative obligations, six flues were monitored with Continuous Emission Measurement Systems (CEMS). The data of the flues were transferred to the Ministry's online system. Integration was achieved with the data monitoring system changes carried out by the Ministry. All online monitoring started to be carried out through the SIM (Continuous Monitoring Center) operated by the Ministry of Environment, Urbanization and Climate Change.
- Within the scope of the Industrial Air Pollution Control Regulation, measurements were carried out at 48 emission and 40 immission sources, and the results were reported.
- Within the scope of the Regulation on the Monitoring of Greenhouse Gas Emissions, greenhouse gas emissions originating from activities were calculated and a greenhouse gas emission report for 2021 was created in the "Greenhouse Gases Monitoring, Reporting and Verification" information system. The report was verified by the verification body authorized by the Ministry.
- The compliance of treated water quality with discharge standards was monitored online with the Continuous Wastewater Monitoring Systems (CWMS).
- All employees were given training on environmental management and zero waste.
- In order to improve and increase environmental awareness among employees, toolbox talks were given on the topics of Resource Efficiency, Waste Prevention and Separation, Spill Management, Impacts of Dust Emissions on Air Quality, Management of Insulation Wastes, Why Should Correct Waste Labelling be Done?, How is it Done?, Waste Management and Benefits and Gains of the Environmental Management System throughout the year. In addition, bulletins on Biological Diversity, Climate Change as well as the OHS-E Rules within the Scope of the planned maintenance turnaround were published.
- Internal and external audits were carried out for the ISO 14001 Environmental Management Systems Standard within the scope of the Integrated Management System. These audits found no major non-conformities.
- With the focus on the circular economy, within the scope of the deposit approval, which had been received in 2020 for plastic pallets used as transportation packaging in the sales process of Petkim products, deposit statements were made for the packaging collected throughout 2022.
- Assessment of the environmental aspects and impacts of all activities, and the creation of action plans to increase environmental performance within the scope of these assessments continued.
- Implementation does not start before the completion of Environmental Impact Assessment (EIA) processes, which are carried out to assess the environmental aspects of all planned improvements, capacity increases and new projects, and the assessment of environmental impacts. In 2022, the EIA resulted in a positive decision to go ahead with the Petkim Pier Modernization and Dredging project and the Petkim Wastewater Treatment Plant Revision Project. The addition of a Turbine to the Petkim Wind Farm in the 5.8 MWm project was exempt from the EIA.
- Within the scope of on-site waste management and waste disposal processes at all production units, which operate within the scope of the Refinery and Petrochemical Business Unit in the SOCAR Türkiye Special Industrial Zone, Petkim continued to work with a single company which is recognized in the sector.

Determined to go beyond legal obligations, Petkim constantly monitors its environmental performance and continues to implement the necessary improvement investments.

# Energy Management Activities

Various projects are implemented every year at Petkim through the “Energy Efficiency and Savings” activities carried out systematically within the scope of Energy Management.

Petrochemical processes are among the most energy-hungry industries in the world. It is therefore crucial to perform energy efficiency activities in petrochemical processes. With the “Energy Efficiency and Savings” activities carried out systematically within the scope of Energy Management at Petkim, various projects are implemented every year, and these projects are rolled out across the site.

In 2022, the Ministry of Energy and Natural Resources provided a cash grant of approximately TL 900,000 to Petkim for four Efficiency Increasing Projects (EIP) implemented in the facilities within the scope of Energy Efficiency and Savings activities. Petkim applied to the Ministry of Energy and Natural Resources for two new EIPs on 31 March 2022 and a preliminary on-site inspection of these new projects was carried out

by the Ministry on 27 July 2022. The inspection reported that it would be appropriate to move on to the site implementation phase in the projects. With the execution of the relevant projects, it is anticipated that Petkim will receive a cash grant of TL 2.8 million.

Implementation activities are also carried out within the scope of Energy Management, the ISO 50001:2018 Energy Management System.

The certification observation external audit of the Petkim ISO 50001:2018 Energy Management System was successfully completed between 12 and 16 December 2022 with the decision taken to extend the certification.



# Business Processes and the Quality Management Systems on the journey of Business Excellence

Management systems certification and sustainability work continued in 2022 in line with the goal of effective and high-quality management of processes and activities.

## THE 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
- TS ISO 55001:2014 Asset Management System
- GreenPort Certificate
- ISO 17025 Laboratory Accreditation System
- TSE COVID-19 Safe Production Certificate

Management systems certification and sustainability work continued in 2022 in line with the goal of effective and high quality management of processes and activities.

On 13-14 January 2022, the TSE COVID-19 Safe Production Certificate audits were successfully concluded within the scope of Refinery and Petrochemical Business Unit companies, with the decision taken to maintain the existing system.

The ISO 27001:2017 Information Security Management System audits covering the SOCAR Gas Business Unit and Refinery and Petrochemical Business Unit were carried out in an integrated manner on 27-30 June 2022, and were concluded successfully.

The 1<sup>st</sup> surveillance audits of the ISO 22301:2012 Social Security-Business Continuity Management System were carried out by the Turkish Standards Institute with a total of three auditors on 2-4 November 2022 within the scope of Refinery and Petrochemical Business Unit companies. They were concluded successfully with the decision taken to certify the companies.

The ISO 55001:2014 Asset Management System initial certification audits covering the STAR Rafineri and Petkim were carried out between 28 November and 1 December 2022, and were completed successfully, thus adding a new system to the Integrated Management Systems of Petkim and STAR Rafineri.

The 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 and ISO 50001 Energy Management System surveillance audits were held on 12-16 December 2022 and concluded successfully, with the

decision taken that the existing systems continue.

Integrated Management System internal audits were carried out in 94 areas on 23 May and 24 June, identifying areas open for improvement and opportunities. The systematic follow-up process for improvement actions was completed successfully.

The Integrated QDMS Project, an important tool of the SOCAR R&P Integration, was carried out between 10 January and 2 August, permitting operations, documents, customer complaints and non-conformities to be managed efficiently and effectively in a single system.

The 5S methodology was comprehensively integrated into sustainability work in the "Capacity Increase and Reduction of Carbon Footprint Project with the 5S Application in Product Packaging and Storage Areas Project" for the first time in Türkiye. The Quality Management Systems and Product Packaging Storage Directorate teams won the Silver Award in the Successful Team of the Year Award competition organized by the Turkish Quality Association (KalDer).

The Process Management Software Installation Project got underway on 20 June 2022 and system infrastructure installation work was completed. Activities for modelling business processes in the software continue. The project aims to build a model of 829 L4 level processes in this context.



# Agile Business Model

All facilities and units located on operational sites at the Petkim, STAR Rafineri and SOCAR Depolama companies switched to the Agile Business Model under the SOCAR Türkiye Refinery and Petrochemical Business Unit.

## **PETKIM SUCCEEDED IN BEING THE FIRST AND ONLY COMPANY TO IMPLEMENT THE AGILE BUSINESS MODEL ON SUCH A SCALE IN THE REFINING AND PETROCHEMICAL SECTOR.**

The Agile Business Model is a way of working in which teams of interdepartmental functions come together around a common goal, prioritize together and work on their processes together from start to finish. Together with the agile approach, end-to-end responsibility, rapid decision-making, cooperation, authorized employees are reflected in the transparent way of working and all business processes.

At Petkim, tremendous successes were achieved on the Agile Business Model journey which had started as a pilot study at the PTA factory in 2019. The model has brought an array of improvements, including the factor for the factory's uptime, more rapid completion of OHS-E notifications and increased in employee motivation. As a result of the success achieved in the pilot study, the decision was

taken to roll out the study and implement the Agile Business Model at three more facilities in 2020. At the end of the one-year period, the achievements of the pilot teams stood as testament to the benefits of the Agile Business Model at Petkim. Within the scope of the SOCAR Türkiye Refinery and Petrochemical Business Unit, all facilities and units located on the operation sites at the Petkim, STAR Rafineri and SOCAR Depolama companies transitioned to the Agile Business Model.

## **THE AGILE BUSINESS MODEL IS NOW THE WAY OF DOING BUSINESS AT THE REFINERY AND PETROCHEMICAL BUSINESS UNIT**

The SOCAR Türkiye Refinery and Petrochemical Business Unit aims to quickly adapt to the changing new conditions and ensure efficiency is sustainable in operations. The transition to the Agile Business Model at the Unit was carried out in all facilities and units involved in production. After the positive results obtained in the production, the model was rolled out to all functions of the related

group companies, including administrative departments such as Finance, Procurement, Trade and Human Resources in 2022, in order to achieve the same culture throughout the organization. As a result, SOCAR Türkiye achieved a significant success in its sector as the first and only Refinery and Petrochemical complex to implement the Agile Business Model on a large scale, thanks to its usual pioneering approach.

The transition to the Agile Business Model was supported with more than 300 hours of training in preparation for this transformation process involving more than 1,000 employees. The training consists of comprehensive programs covering areas such as the Basic Agile Working Model, Advanced Product Owner Training, Discipline Leaders Training, JIRA Training (Jira Software is an agile project management tool which supports any agile methodology) to be used in business management and follow-up processes.





## Agile Business Model

Agile Transformation is a journey where the way of working, organizational structure, governance, practices, behaviors, mindset and ultimately culture are reshaped. With this awareness, the transformation journey is addressed and supported with a Change Management perspective in order to render the Agile Business Model sustainable. The purpose of each team is clearly defined and integrated with the relevant mechanisms of the Company to ensure the sustainability of this mentality. In this context, the transition from KPIs (Key Performance Indicators) to OKRs (Objectives and Key Results) was completed. OKRs are a framework in which measurable goals are assigned to teams and used to align with the strategy. Getting Objectives and Key Results (OKRs) right is a simple and transparent way to cascade down goals from leadership directions to teams. The company strategy is broken down in a manner specific to job lists and followed up through OKRs.

Agility is an organization's ability to adapt to new conditions and change direction to create

new opportunities. In order to dynamically manage the work list of 101 agile teams and to take team-specific approaches, digital tools were deployed to support the Agile Transformation. Job lists started to be managed from JIRA, which commands wide usage around the world. With its launch, JIRA has turned into an active platform where over 1,000 of our colleagues in the Agile Business Model within the Refinery and Petrochemical Business Unit can follow up their work. JIRA records every task performed on the platform and facilitates the follow-up of the work. It includes a wide array of useful functions and features which support the Agile Business Model. At the same time, corporate memory is formed by following user stories through JIRA. Information sharing to support the Agile Culture continued in the organization through the communication channels used within the company.

As the pioneer in the sector, Petkim started this journey many years ago. In this way, an efficient work environment was created which is more purpose oriented where cooperation was at the forefront, and competencies grew.



 **SOCAR**

 **SOCAR**

# Değer Benim Program

The Değer Benim Program continued its success thanks to a series of major projects implemented in the Lean Six Sigma, Agile Transformation and Digitalization categories in 2022.

## THE SIXTH YEAR OF THE DEĞER BENİM

The Değer Benim Transformation Program was implemented six years ago at Petkim to increase efficiency and performance. Significant added value was generated within the scope of the program thanks to the project suggestions from our colleagues in 2022.

In 2022, the Değer Benim Transformation Program continued to be successful through the major projects implemented in the Lean Six Sigma, Agile Transformation and Digitalization categories. These projects brought significant positive contributions to Petkim's financial results.

More than 45 initiatives out of approximately 156 project proposals submitted by our colleagues throughout the year were designed in detail.

Nine different workshops were held at Petkim in 2022, with over 60 participants. More than 35 new project ideas were generated in the workshops.

Within the scope of the Değer Benim Program, 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 operations, and projects are carried out 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 achieved as a result of the integration.

In the Lean Six Sigma work carried out under the Değer Benim Program, the third wave Green Belt Program was completed in 2022 and work on the fourth wave got underway. Within the scope of the training, 11 of our colleagues in the third wave completed their Green Belt training and successfully progressed in their projects. In addition, work was carried out to ensure that the Lean Six Sigma program reached more people with the Basic Statistical Information Training provided for the first time in 2022.

Fikrimce, an employee suggestion system, attracted wide participation from Petkim personnel in 2022 with approximately 485 suggestions submitted to the system, which were examined in detail by the Idea Evaluation Board. Around 110 ideas were deemed to have "suggestion quality".

Extensive international comparative performance analysis work is carried out with Solomon Associates within the scope of SOCAR Türkiye Refinery and Petrochemical Business Unit in order to evaluate the current operational and financial performance and identify areas for improvement. The aim of this work is to determine areas requiring improvement for the short, medium and long term in the main areas of potential such as Energy and Process Efficiency, Capacity Utilization of Facilities and Operating Expenses. In this vein, the results of the Olefin 2021 benchmark work at Petkim's Ethylene Plant were shared with the stakeholders and senior management in 2022.



# Customer Solutions Activities

Petkim received International Sustainability & Carbon Certification (ISCC) PLUS certification, recognizing implementation of environmentally, socially and economically sustainable production requirements.

Petkim always focuses on maximizing customer satisfaction, therefore generates solutions that reflect customers' expectations. Petkim publishes documentation setting out details including the technical specification of its products, areas of use and processing conditions on its website, and offers customers instant access to these documents. Around 150 documents were reviewed and updated on Petkim website in 2022.

In a year when the needs of demands oriented around the circular economy continued to increase, new activities were carried out within the scope of sustainability. As a result of these efforts, Petkim was awarded the ISCC PLUS certificate for the first time in its history in October. This certificate assures usage of sustainable raw material in production; draws a fully transparent framework for mass balance and provides traceability throughout all links of the supply chain. Correspondingly surveys were carrying out to collect data for sustainable needs of domestic and international customers regarding product type and quantity.

For contributing to the circular economy and sustainability; reduction of printing inks and using simplified light colors made the FFS bags and big-bags more convenient for recycling.

Petkim constantly follows up current developments in the sector. Technical support has been provided to a wide range of customers in 2022. Around 300 customer requests have been responded written and verbally. In addition, as an indicator of Petkim's customer-oriented approach, technical meetings were held with approximately 100 customers.

Products developed and launched in 2022 such as Petilen G08-21TA and Petoplen EH122 have been monitored thorough customer trials. Technical data sheets have been prepared and published on Petkim website to instant access of customers.

A number of root cause analyses were carried out in 2022 within the scope of improvement and development work. In addition, customer interviews were held regarding consultancy services in order to transfer knowledge and experience to stakeholders in a more targeted manner.



# Activities of the Petkim Laboratories Directorate

There were 422 devices installed in the Petkim Laboratories as of 2022, with a total of USD 15.9 million having been invested in these devices.

The Petkim laboratories operate in accordance with the TS EN ISO/IEC 17025 Laboratory Accreditation standard. A total of 400,389 analytical studies were performed on 158,872 samples at the Petkim laboratories in 2022 within the scope of the analysis requests from the Input, Process, Product, Packaging and Technical Support departments and the R&D Center.

The most cutting-edge technological developments are followed within the Petkim Laboratories and modern devices complying with world standards are used. There were a total of 422 installed devices at the Petkim laboratories in 2022, with a total of USD 15.9 million having been invested in these devices.

An internal audit was carried out on 23-24 August within the scope of TS EN ISO/IEC 17025 Laboratory Accreditation Standard and a certificate renewal inspection was carried out by TÜRKAK on 10-11 November. Following the audit, the decision was taken to continue the accreditation

scope from 59 experiments and 120 parameters in a total of five matrices (Wastewater, Water, Natural Gas, Fuel Gas and Plastic/Polymer), ensuring the continuity of the Laboratory Accreditation Standard.

Within the scope of the TS EN ISO/IEC 17025 Laboratory Accreditation Standard, Petkim participated in international Proficiency Testing Programs (PTP), an indicator of the reliability and sustainability of the analyses conducted in laboratories, with 86 parameters in 6 different matrices (waste water, natural gas, LPG, diesel oil, mineral oil and gasoline). The z-score success rate obtained was 91%.

The laboratories responded to 163 analysis requests, primarily from the polymer and plastics industry, including external customers and organizations such as the TSE (Turkish Standards Institute). Analytical support was provided for land tanks, first foot and closing samples for 160 ship transfers (export and import).

In addition to meeting the analysis requests coming to the laboratories within the scope of quality plans and customer technical support, the Petkim Laboratories Directorate continues to contribute to activities such as characterization and special impurity analysis of samples with uncertain content coming from the processes and operations, the investigation of components and impurities which may affect product quality, the determination of product specification conformity in new product trials, meeting requests for analysis in the Value Creation projects and meeting the requests for analysis related to proposal evaluations from input chemicals suppliers.





# Corporate Social Responsibility

Petkim supports social development in the regions where it operates and on a national scale through its corporate social responsibility projects, donations and sponsorships.

In addition to the employment and the economic value it creates with its activities and products, Petkim also supports social development in the regions where it operates and on a national scale through corporate social responsibility projects, donations and sponsorships.

In this vein, Petkim donated a total of TL 2,794,311.19 and spent TL 3,000,000 on sponsorships in 2022. The company allocated resources to its corporate social responsibility activities in line with the United Nations Sustainable Development Goals.

SOCAR Türkiye carries out corporate responsibility projects, which support social and economic development with a multi-faceted approach and create added value for the society on the basis of the group companies. Playing a key role with its responsibility in the long-term work carried out in this vein, Petkim provides support for social projects by collaborating with public institutions, non-governmental organizations and local administrations in line with their requirements in order to contribute to the development of the environment, sports, education and health.

## **PETKIM'S SPONSORSHIP FOR THE TURKISH FEDERATION OF THE PHYSICALLY DISABLED – The Boccia National Team Main Sponsorship**

Petkim has been the leading sponsor of the Boccia National Team, which is under the Turkish Physically Disabled Federation, since 2018. The Boccia National Team successfully represented our country by participating in the Veldoven 2022 World Boccia Tournament, the Poznan 2022 World Boccia Tournament and the Rome 2022 World Boccia Tournament, which were included in the Boccia branch activity program of the Turkish Federation of the Physically Disabled for 2022.

In 2022, Petkim spent TL 3,000,000 in social funding for this project.

## **THE EGE UNIVERSITY ALIĞA 2-YEAR VOCATIONAL HIGHER EDUCATION SCHOOL – Donation for Sports Fields Renovation**

The Ege University Aliğa 2-year Vocational Higher Education School trains qualified technical staff for the sector and is located in Petkim's social impact area. Petkim contributed to the renovation and expansion of the sports fields in the garden of the school so young people could

enjoy sport activity in better physical conditions.

Petkim allocated TL 549,113 in social funds to this project in 2022.

## **THE FOUNDATION FOR STRENGTHENING THE TURKISH POLICE FORCE - Support Within the Scope of Vehicle Aid Campaign of the Izmir Provincial Police Department**

Petkim donated to the Foundation for Strengthening the Turkish Police Force in order to support the vehicle aid campaign initiated by the Izmir Provincial Police Department, which plays a key role in ensuring the continuous security of the (Aegean) region.

Petkim allocated TL 2,100,000 in social funds to this project in 2022.

## **ALIĞA DISTRICT HEALTH DIRECTORATE Vehicle Allocation Donation**

Petkim allocated three vehicles with drivers to the Aliğa District Health Directorate during the COVID-19 pandemic. This donation support continued in 2022.

Petkim allocated a total of TL 145,198.19 in social funds to this project in 2022.



PATİ

Petkim

SOCAR  
SOCAR TİCARET VE SİGORTA A.Ş.  
HATİRA DEĞERİNDEN  
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# Corporate Social Responsibility Activities at SOCAR Türkiye

Social responsibility activities carried out by the SOCAR Türkiye group, of which Petkim is a subsidiary, also cover Petkim's social sphere of influence, and provide significant contributions to social development.

## EDUCATION ACTIVITIES

### Being a Stakeholder in the Engineer Girls of Türkiye Project and Technical Field Trip

Within the scope of the Engineer Girls of Türkiye Project, scholarships were provided to ten students and English education support to five students with the support continuing in 2022. Petkim and SOCAR Türkiye's other group companies hosted the successful women chemical engineer candidates of the future at their production facilities in Aliğa in 2022. Having the opportunity to closely examine the production processes, the students also met their mentors consisting of SOCAR Türkiye Volunteers.

### Business Acumen Simulation Project with Ege University

The study in business simulation was launched at Ege University. As part of the project to bring business simulation to a state university, two business simulation usage rights in the fields of "Global Competition" and "Marketing" were purchased from an international software house for two classes involving 60 students in the Department of Business Administration, and the usage rights were presented to

the university. In 2022, the scope of the project was expanded in cooperation with the 9 Eylül University, and a total of 95 students received support to develop usage of their theoretical knowledge and decision-making skills.

### The "Science Wonderland" Festival with the Science Virus Social Initiative

Realized in cooperation with the Science Virus Social Initiative, the Science Wonderland Festival was held in İzmir (Aliğa), Bursa and Kayseri, where the SOCAR Türkiye group companies are located. The event hosted 120 children between the ages of 12-14 and took them on a trip to the magical world of science and fairy tales. At the same time, chemistry, energy workshops and many other workshops, which were supported by our colleagues with their presentations, were brought to children to help them develop their scientific thinking and imagination.

### The "You go for it, SOCAR!" Donation Campaign

With the "You go for it, SOCAR!" competition organized under the motto of "Live Well, Feel Good", TL 1,000 was matched for every 1 million steps taken by SOCAR Türkiye employees. The steps taken were converted into donations given to Non-Governmental Organizations operating in the field of education.

### Cooperation with the Birge and Sağlam Social Union Tohum Autism Foundation (TAF)

With the support of SOCAR Türkiye, the Tohum Autism Foundation (TAF) and the Birge and Sağlam Social Union, which provides services for children with autism in Azerbaijan, reached an important agreement of cooperation in 2022 where the TAF would share its experience with the Birge and Sağlam Social Union by providing supervision so children with autism in Azerbaijan would be able to receive science-based education.

### The "Pocketbook Project" in cooperation with the Azerbaijan Ministry of the Economy

With the support of Azerbaijan's Ministry of Economy and in cooperation with AZPROMO, the "Pocketbook" project translated popular career books in the UK into Azeri language, which were then offered to the service of all Azeri citizens seeking to advance in their professional working life. The project received a great deal of attention from readers in many subjects ranging from technical to personal development, with the series of "Management Books" being made available to users free of charge in digital format at [www.pocketbook.az](http://www.pocketbook.az).

## ENVIRONMENTAL ACTIVITIES

### The SOCAR Terminal "Blue Climate Ambassadors" Project with TURMEPA

The Blue Climate Ambassadors Project aims to carry out work on achieving Zero Waste and tackling Climate Change. In cooperation

with TURMEPA, Wista Türkiye and Türklım, a total of TL 30,000 in support was provided to the Blue Climate Ambassadors project. The project is carried out with the aim of increasing the number of women working in ports, to implement the zero-waste blue transformation and to offer solutions on issues related to climate change. Zero Waste training was given to port workers with the support of SOCAR Terminal, which is one of the SOCAR Türkiye group companies, in Aliağa, which is the third stop of the project. In addition, coastal cleaning work was carried out on Saturday 15<sup>th</sup> October at Aliağa Public Beach within the scope of the Blue Climate Ambassadors Project.

### “Lifelong Sustainability Transformation Workshops for the Future of the World” in cooperation with the Ege Contemporary Education Foundation (ECEP)

Sensitive to the importance of conveying an awareness of sustainability to children at the basic stages of education, “Lifelong Sustainability Transformation Workshops for the Future of the World” were implemented in cooperation with the Ege Contemporary Education Foundation (ECEP). With this project, the importance of sustainability was discussed in detail with the participation of a total of 187 pupils and 60 parents in the workshops which lasted for 2 days with the aim of bringing the issue of sustainability to the

home, adopting sustainability and learning about sustainability with their families.

### The Republic of Azerbaijan 100<sup>th</sup> Year Primary School Solar Energy Project

Within the scope of the project of installing Solar Energy Panels with a power of 32.8 kWp, a solar power plant was installed on the roof of the Azerbaijan People’s Republic 100<sup>th</sup> year Primary School located in the İzmir Bayraklı district. With this project, which is in line with SOCAR Türkiye’s sustainability strategy, the electricity consumption needs of the school will be met from renewable energy.





# SOCAR TÜRKİYE Gönüllüleri

## SOCAR TÜRKİYE VOLUNTEERS

In addition to corporate responsibility projects, donations and sponsorship activities of all group companies, SOCAR Türkiye launched the SOCAR Türkiye Volunteers platform in 2021, a volunteering program initiated on the initiative of SOCAR Türkiye employees. SOCAR Türkiye Volunteers was designed as a volunteer movement in which Petkim and employees of all group companies could table their own suggestions and ideas. It contributes to the development of social responsibility awareness among employees and helps them internalize such awareness by actively participating in the activities. With the voluntary participation of more than 500 SOCAR Türkiye employees from all group companies, the SOCAR Türkiye Volunteers, consisting of a total of six teams working in areas such as education, the environment, health, sport, animal protection and social issues, created value in society by implementing social responsibility activities and projects.

## ACTIVITIES FOR DISADVANTAGED GROUPS

### SOCAR Türkiye Volunteers & ECEF "Make a Wish" Campaign for 2022

The project was implemented within the scope of cooperation between the SOCAR Türkiye Volunteers and the Ege Contemporary Education Foundation (ECEF), to realize the New Year's wishes of disadvantaged children. The project contributed to the making the dreams of 605 children come true. SOCAR Türkiye Volunteers handed presents to the children in need during the visit to the Yamanlar Training Center in December.

### "Turning bottle tops of All Colors into Hope" Campaign with the Spinal Cord Paralysis Foundation

SOCAR Türkiye Volunteers collaborated with the Turkish Spinal Cord Paralysis Association (TSCA) for "one hope, one happiness". A total of 647.1 kg of plastic bottle tops were collected in the boxes labelled "Turning Bottle Tops of All Colors into Hope" placed in the offices in Kayseri, Bursa and Istanbul, as well as the

offices and sites in Aliğa, Izmir in order to support the supply of wheelchairs those suffering from spinal cord paralysis.

## EDUCATION ACTIVITIES

### SOCAR Volunteers Education Activities

The training program on "Safe and Efficient use of Natural Gas" was planned jointly with the Bursa Provincial Directorate of National Education. SOCAR Türkiye Volunteers successfully realized the training sessions in the second semester of the 2021-2022 academic year and the first semester of the 2022-2023 academic year with the participation of pupils and teachers of 374 schools in Bursa. A total of 53,487 pupils and teachers participated in the presentation, which was held by connecting 1,790 classes over the online platform.

### Aliğa Petrochemical Secondary School Library Book Collection Campaign

A book collection campaign was organized for the newly opened library of SOCAR Türkiye

Volunteers Aliğa Petrochemical Secondary School, helping the company contribute to the renovation work at the school. A total of 365 books were collected with the contribution of the volunteers and delivered to the authorities.

## ENVIRONMENTAL ACTIVITIES

### 11<sup>th</sup> November National Afforestation Day Donation and OGEM-VAK Sapling Donation Campaign

Within the scope of National Afforestation Day on 11<sup>th</sup> November, 964 saplings were donated to the Support for Forest Fire Fighting Services Foundation (OGEM-VAK) in the campaign supported by SOCAR Türkiye Volunteers. SOCAR Türkiye donated to OGEM-VAK, planting twice as many saplings as SOCAR Türkiye Volunteers donated.

### Ege Forest Foundation Tree Planting Event at the SOCAR Türkiye Volunteers Memorial Forest

SOCAR Türkiye, together with its group companies, recycled 62 tons of paper which had passed its storage period, saving 1,056 trees from the chop. A total of 10,000 saplings were donated to the Ege Forest Foundation with the income obtained. The SOCAR Türkiye Volunteers Memorial Forest was established in Menemen, with a tree planting event organized with the participation of SOCAR Türkiye Volunteers who work, produce and think for our future.

## ANIMAL PROTECTION ACTIVITIES

### SOCAR Türkiye Volunteers Bursa Animal Feeding Event

Not forgetting our four-legged friends, SOCAR Türkiye Volunteers visited eleven shelters caring for stray cats and dogs located in Bursa and Kayseri and areas far from the city. As well as offering the animals some time and attention, 500 kg of food was distributed to feed the stray animals.

### SOCAR Türkiye Volunteers Aliğa PatiPark Visit

SOCAR Türkiye Volunteers visited the stray animals at the PatiPark Temporary Animal Care Center of Aliğa Municipality. The volunteers, who delivered the food they bought for their four-legged friends, enjoyed a pleasant day taking care of the animals. Established with the support of Petkim, PatiPark also includes Türkiye's largest dog park.

## SPORTS ACTIVITIES

### SOCAR Türkiye Volunteers Izmir Marathon Run with the TEF Foundation

SOCAR Türkiye Volunteers supported the "Turkish Education Foundation" in Marathon Izmir, which took place on Sunday, 17 April 2022. The donations collected were used to provide equal opportunity in the educational lives of 38 successful young people through TEF's "Don't Drop It (Yarıda Kalmasın)" project.

### World Run for Life with SOCAR Türkiye Volunteers Spinal Cord Paralysis Association

At the Wings for Life World Run Izmir, which took place on 8 May, 85 SOCAR Türkiye Volunteers ran for those who could not run, raising funds for spinal cord paralysis treatment research.

### 44<sup>th</sup> Istanbul Marathon Community Volunteers Foundation Campaign

SOCAR Türkiye Volunteers ran for the Community Volunteers Foundation (CVF) in the 44<sup>th</sup> Istanbul Marathon, raising funds to support the provision of shelter, food and cultural activities for 76 young people.

### International Turkcell Granfondo Izmir Cycling Competition

36 volunteers participated in Turkcell Granfondo, held under the main sponsorship of SOCAR Türkiye, and shared in their excitement.

# Investor Relations

The interest payments of the 5-year bond in the amount of USD 500 million, which was successfully sold abroad in January 2018 and provided long-term financing to our Company, were paid during the year and the principal repayment was made in 2023, and disclosed at the KAP.

Despite the Russia-Ukraine war during 2022, we have maintained our profitability. However, Petkim shares followed a course below the BIST 100 Index in 2022.

The General Assembly for 2021 was held on 5 September 2022. 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 33 material event disclosures were submitted to the KAP (Public Disclosure Platform) in 2022 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 40 information requests by e-mail and telephone in 2022 and all requests were answered. In the same period, 4 teleconferences in which the Senior Management informed investors on the Company's financial situation, strategies and activities were organized, and meetings were held with 330 investors.

## PETKİM'S SHARE PRICE PERFORMANCE IN 2022

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 2022, the Company was included in the BIST 30.

In 2022, the Company's share price fluctuated between a minimum of TL 7.32 and a maximum of TL 20.48. While the BIST 100 and BIST 30 indices increased by 197% and 182%, respectively, in value during 2022, Petkim's share price increased by 147% in the same period.

**Reuters Code:** PETKM.IS

**Bloomberg Code:** PETKM.IT

**Date of Public Offering:** 19.06.1990

**Paid-in Capital:** TL 2,534,400,000

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

## INVESTOR RELATIONS DEPARTMENT

**Tel** +90 232 616 12 40 / 2844 - +90 212 305 00 59

**E-mail** [yatirimci.iliskileri@socar.com.tr](mailto:yatirimci.iliskileri@socar.com.tr)



# 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

<b>Company Name</b>	<b>Company's Field of Activity</b>	<b>Capital (TL)</b>	<b>Share in Capital (%)</b>
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	500,000.00	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 2022. 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 2022.

## **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 2022.

## **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 2022.

## **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 Russia-Ukraine war in 2022, 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 2022 have been carried out. There are no unfulfilled decisions.

## **INFORMATION ON EXTRAORDINARY GENERAL MEETINGS**

The Company did not call any Extraordinary General Meeting in 2022.

## **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 2022 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 2022 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.

## Additional Legal Explanations

### EXPENSES INCURRED IN RELATION TO DONATIONS AND GRANTS (TL)

<b>Company</b>	<b>Amount (TL)</b>
Donation made to Aliğa District Health Directorate	145,198.19
Turkish Police Force Strengthening Foundation	2,100,000.00
Ege University Aliğa Vocational School	549,113.00
<b>TOTAL</b>	<b>2,794,311.19</b>

# An Assessment of the Financial Standing by the Management

a) Profit margins in the petrochemical industry narrowed significantly during this year. However, Petkim achieved successful financial results in 2022 thanks to its competent human resources, strong management approach, strategies to strengthen its cash position, credibility in the market and its integration with the STAR Rafineri. We managed to increase our net profitability with the contribution of our value creation and optimization initiatives program, which has been ongoing since 2016 and which we strengthened in 2022, and the contribution of our effective balance sheet management. Despite falling product prices and profit margins all over the world since the first quarter of the year, Petkim increased its net profit to TL 6.5 billion for 2022.

The planned maintenance turnaround are crucial for sustainability and efficiency and are carried out every four years. The planned maintenance turnaround at Petkim was completed in a shorter space of time than the target with highly successful OHS realizations and at a lower cost than anticipated. This was achieved thanks to the operational efficiency and the strategic management approach. The Company planned to compensate the extent of the fall of production during the planned maintenance turnaround with increased in commercial sales. The share of commercial sales in total sales stood at 42%.

At the same time, our company performed successful cash management in 2022. Thanks to the strong liquidity provided in this way, the EUR USD 500 million Eurobond redemption, due in January 2023, was paid through our internal resources. At the end of January 2023, USD 300 million in new long-term funds were obtained from abroad. Thus, while the Eurobond payment was completed successfully in 2023, the Company's long-term debt was reduced by USD 200 million.

By maintaining a conservative and value-creating approach to our financial risks, the balance sheet structure, which is geared to ensuring the minimum impact from the global economic conjuncture, was preserved, and our risks were kept to a minimum.

## b) Major Financial Indicators

	2019	2020	2021	2022
Turnover (TL million)	11,672	12,134	28,716	48,898
Gross Profit Margin	14%	16%	22%	8%
EBITDA (TL million)	1,589	1,916	6,242	3,948
Debt/Equity	2.053	1.644	1.392	1.868

c) There were no cases of unrequited capital of the Company during the accounting period. Our company commands a strong financial position with the profitability it derives from its main activities. Therefore, there was no need to take action to improve the financial position of the Company. The Company has demonstrated its ability to maintain maximum profitability levels under the current conditions by taking advantage of the market conditions in the sector.

# 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, that can manage the impacts and possibilities of risks that may affect 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 timely detection and assessment of all kind of risks such as OHS-E, strategic, financial, operational, compliance and reputation risks that might affect the Company, regarding measurement 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 2022, the Early Detection of Risk Committee presented six reports to the Board of Directors. The meeting, where the results of the Annual Committee Performance and risk management activities were evaluated, was put into practice.

As a result of analyses and assessments made in risk evaluation process, the decisions are taken among five different risk attitudes: Accept, mitigate, sustain, 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 Türkiye 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, process 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 (environmental, social and governance) areas. According to global standards, PETKİM was given the highest rating by the evaluation firm, with its risk management activities rated highly.

## COMPLIANCE RISKS

Given the lack of risk appetite for any actions which would be contrary to local legislation, regulations or other regulatory provisions, initiatives were taken regarding the establishment of a range of governance structures within the Company.

In order to ensure compliance with the Law on the Protection of Competition, the "Competition Compliance Framework" document, which defines the executive action to be taken in order to fulfil the demands of the Competition Compliance Policy in 2022, was approved by the Risk Committee. As stipulated in the framework, an annual compliance plan was implemented to plan all activities on an annual basis. In this context, various awareness activities, risk assessment work, additions to internal control and process development opportunities and needs, and finally, the internal audit process for the implementation of the internal program were implemented. The development potential will continue to be evaluated in order to establish the necessary governance structure.

## Risks and an Assessment by the Governing Body

Another important issue is to ensure compliance with the internal regulations, policies and procedures. In order to establish this assurance, work was taken to ensure that different governance mechanisms, effective control environments and organizational structures were developed. The established approaches are planned to be developed, deepened and expanded 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.

### OPERATIONAL RISKS

Production activities, 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 threaten 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 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. Actions that can be taken continuously to retain talent, ensure critical personnel redundancy and manage employee loyalty risks were evaluated and implemented.

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. During the year, necessary improvements and additions were made within the scope of the regular review of these measurement criteria. Within the scope of financial risk management, an annual risk plan focused on financial sustainability is approved and all activities of the Company are implemented within the framework of this plan.

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 credit risk is based on not undertaking any unmanageable transactions. In this regard, full assurance is provided 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.

## **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 2022, 33 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."

# Corporate Governance Principles Compliance Report

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. Two women members serve on the Board of Directors. 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 2022. 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

# Corporate Governance Principles Compliance Report

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](http://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. Two women members serve 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 twice in 2022. Average attendance ratio in meetings is 95%. 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 2022, 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 THE ANNUAL REPORT**

DECISION DATE: 10 MARCH 2023  
DECISION NO: 2023/7  
10 MARCH 2023

## **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 2022, the Corporate Governance Compliance Report (CRF), the Corporate Governance Information Form (CGIF) stated in the CMB Resolution no. 2/39 dated 10 January 2019, and the explanations in accordance with the Sustainability Principles Compliance Framework (SPCF);

b) The Annual Report, CRF, CGIF and SPCF 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, CGIF and SPCF 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

Murat Zaman  
Chairman of the Audit Committee

Neslihan Tonbul  
Member of the Audit Committee

### **BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS**

DECISION DATE: 2 MARCH 2023  
DECISION NO: 2023/6  
2 MARCH 2023

### **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 2022;

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

Murat Zaman  
Chairman of the Audit Committee

Neslihan Tonbul  
Member of the Audit Committee

# Audit Committee Report

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

## **01.01.2022-31.12.2022 Accounting Period Financial Statements**

The independently audited comparative consolidated financial statements, (in comparison with previous period's financials) prepared for the accounting period of 01.01.2022-31.12.2022, 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

Murat Zaman  
Chairman of the Audit Committee

Neslihan Tonbul  
Member of the Audit Committee



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

### **01.01.2022-31.12.2022 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 01.01.2022-31.12.2022, 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

Murat Zaman  
Chairman of the Audit Committee

Neslihan Tonbul  
Member of the Audit Committee

# Independent Auditor's Report on the Board of Directors' Annual Report Originally Issued in Turkish

CONVENIENCE TRANSLATION INTO ENGLISH OF 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 2022 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 (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. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 2 March 2023 on the full set consolidated financial statements for the 1 January - 31 December 2022 period.

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

Group management's responsibilities related to the annual report 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.

Selma Canbul Çorum, SMMM  
Partner

Istanbul, 10 March 2023

Convenience translation into English of financial statements originally issued in Turkish

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# **Consolidated Financial Statements as at 31 December 2022 Together with Independent Auditors' Report**

# Independent Auditor's Report

## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

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 2022, 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 2022, 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.

# Independent Auditor's Report

## 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
<p><b>Fair value measurement of investment properties</b></p> <p>At 31 December 2022, the Group's consolidated financial statements include investment properties measured at fair value, amounting TRY 5,626,240 thousand. Changes in fair values of investment properties amounting TRY 2,753,646 thousand are recognized in the consolidated statement of profit or loss, as part of "income from investing activities".</p> <p>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 2022 and due to the significant assumptions and judgements, such as determination of benchmark m<sup>2</sup> sales prices, made in the market comparison valuation method applied and the susceptibility of the fair value directly to market conditions, specifications of each land, their physical conditions and geographic locations.</p> <p>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.</p>	<p>The following audit procedures were addressed in our audit work on the fair value measurement of investment properties:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>

#### **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.

# Independent Auditor's Report

- 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 2022 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 2 March 2023.

### *Additional explanation for convenience translation into English*

Turkish Financial Reporting Standards differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position and results of operations of the Group in accordance with IFRS.

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

Selma Canbul Çorum, SMMM  
Partner  
Istanbul, 2 March 2023



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

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**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Consolidated Balance Sheet as at 31 December 2022

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

	Notes	Audited 31 December 2022	Audited 31 December 2021
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	13,251,675	3,665,331
Financial investments	6	1,176,533	48,654
Trade receivables		4,734,939	5,106,588
- Trade receivables from related parties	28	1,189,048	746,142
- Trade receivables from third parties	7	3,545,891	4,360,446
Other receivables		24,649	26,899
- Other receivables from related parties		-	8,331
- Other receivables from third parties	8	24,649	18,568
Inventories	5	4,383,080	3,539,843
Prepaid expenses		9,590,879	6,816,363
- Prepaid expenses to third parties	15	550,196	398,195
- Prepaid expenses to related parties	28	9,040,683	6,418,168
Derivative financial instruments	18	35,067	8,534
Other current assets		932,231	411,079
- Other current assets to third parties	17	932,231	411,079
Current tax assets	20	275,800	-
<b>TOTAL CURRENT ASSETS</b>		<b>34,404,853</b>	<b>19,623,291</b>
<b>NON-CURRENT ASSETS</b>			
Financial investments	6	8,910	8,910
Derivative financial assets	18	31,660	-
Other receivables		13,257	10,412
- Other receivables from related parties	28	13,190	10,345
- Other receivables from third parties		67	67
Investment properties	10	5,626,240	2,872,594
Property, plant and equipment	11	11,946,193	7,303,218
Right of use assets	11	256,466	207,823
Intangible assets	12	90,119	91,381
Prepaid expenses		150,936	139,427
- Prepaid expenses to related parties	28	27,590	27,815
- Prepaid expenses to third parties	15	123,346	111,612
Deferred tax assets	20	2,113,631	150,311
Other non-current assets		20,687	20,789
- Other non-current assets related to third parties	17	20,687	20,789
<b>TOTAL NON - CURRENT ASSETS</b>		<b>20,258,099</b>	<b>10,804,865</b>
<b>TOTAL ASSETS</b>		<b>54,662,952</b>	<b>30,428,156</b>

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Consolidated Balance Sheet as at 31 December 2022

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

	Notes	Audited 31 December 2022	Audited 31 December 2021
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Short-term borrowings		15,582,657	1,606,310
- Short-term borrowings to third parties		15,516,181	1,561,217
- Bank borrowings	9	3,143,887	64,952
- Short term lease liabilities	9	23,618	21,245
- Other financial liabilities	9	12,348,676	1,475,020
- Short-term borrowings to related parties		66,476	45,093
- Short term lease liabilities to related parties	28	66,476	45,093
Short-term portion of long-term borrowings		10,143,918	1,270,454
- Short-term portion of long-term borrowings to third parties		10,143,918	1,270,454
- Bank borrowings	9	543,418	1,103,565
- Bonds issued	9	9,600,500	166,889
Derivative financial instruments	18	8,239	23,760
Trade payables		4,407,481	3,835,847
- Trade payables to related parties	28	1,624,900	1,966,500
- Trade payables to third parties	7	2,782,581	1,869,347
Payables related to employee benefits	16	65,256	13,580
Other payables		17,922	10,905
- Other payables to related parties	28	87	87
- Other payables to third parties	8	17,835	10,818
Deferred revenue		322,491	288,734
- Deferred revenue from related parties	28	41,692	28,219
- Deferred revenue from third parties	14	280,799	260,515
Short term provisions		552,458	283,783
- Provision for employee benefits	16	545,020	281,186
- Other short term provisions	30	7,438	2,597
Other current liabilities		97,471	50,562
- Other current liabilities related to third parties	17	97,471	50,562
Current income tax liabilities	20	-	271,437
<b>TOTAL CURRENT LIABILITIES</b>		<b>31,197,893</b>	<b>7,655,372</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financial liabilities		2,997,055	9,223,820
- Long term financial liabilities to third parties		2,736,793	9,018,998
- Bank borrowings	9	2,665,083	2,291,409
- Long-term lease liabilities to third parties	9	71,710	58,458
- Bonds issued	9	-	6,669,131
- Long-term borrowings to related parties		260,262	204,822
- Long term lease liabilities to related parties	28	260,262	204,822
Derivative financial instruments	18	-	30,419
Deferred revenue		837,688	608,081
- Deferred revenue from related parties	28	837,688	607,331
- Deferred revenue from third parties	14	-	750
Long term provisions		517,708	191,434
- Provision for employee termination benefits	16	517,708	191,434
Deferred income tax liabilities	20	53,356	-
<b>TOTAL NON - CURRENT LIABILITIES</b>		<b>4,405,807</b>	<b>10,053,754</b>
<b>TOTAL LIABILITIES</b>		<b>35,603,700</b>	<b>17,709,126</b>

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Consolidated Balance Sheet as at 31 December 2022

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

	Notes	Audited 31 December 2022	Audited 31 December 2021
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent company</b>			
		<b>19,024,747</b>	<b>12,722,324</b>
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		(247,450)	(46,542)
- Actuarial loss arising from defined benefit plan		(247,450)	(46,542)
Other comprehensive (expense/income) to be reclassified to profit or loss		(533,526)	(456,604)
- Currency translation differences		(569,211)	(433,091)
- (Loss)/Gain on hedge reserves		35,685	(23,513)
- (Loss)/Gain on cash flow hedges		35,685	(23,513)
Restricted reserves		642,300	417,325
Retained earnings		9,745,594	4,518,863
Net profit for the year		6,580,253	5,451,706
<b>Non-controlling interest</b>		<b>34,505</b>	<b>(3,294)</b>
<b>TOTAL EQUITY</b>		<b>19,059,252</b>	<b>12,719,030</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>54,662,952</b>	<b>30,428,156</b>

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Consolidated Statement of Profit or Loss

## 1 January- 31 December 2022 and 2021

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
<b>PROFIT OR LOSS</b>			
Revenue	21	48,898,269	28,715,657
Cost of sales	21	(44,779,386)	(22,298,409)
<b>GROSS PROFIT</b>		<b>4,118,883</b>	<b>6,417,248</b>
General administrative expenses	22	(1,116,324)	(586,300)
Selling, marketing and distribution expenses	23	(518,584)	(280,963)
Other operating income	24	1,982,512	2,351,697
Other operating expense	24	(1,060,176)	(1,428,773)
<b>OPERATING PROFIT</b>		<b>3,406,311</b>	<b>6,472,909</b>
Income from investing activities	25	3,369,504	838,064
Expense from investing activities	25	(119)	(296)
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME</b>		<b>6,775,696</b>	<b>7,310,677</b>
Financial income	26	5,573,532	7,628,145
Financial expenses	26	(7,671,370)	(8,286,614)
<b>PROFIT BEFORE TAX FROM CONTINUED OPERATIONS</b>		<b>4,677,858</b>	<b>6,652,208</b>
<b>Tax expense from continuing operations</b>		<b>1,867,160</b>	<b>(1,135,605)</b>
- Current tax expense	20	-	(1,136,880)
- Deferred tax income/(expense)	20	1,867,160	1,275
<b>PROFIT FOR THE PERIOD CONTINUED OPERATIONS</b>		<b>6,545,018</b>	<b>5,516,603</b>
<b>DISTRIBUTION OF INCOME FOR THE PERIOD</b>			
- Non-controlling interest		(35,235)	64,897
- Owners of the parent company		6,580,253	5,451,706
<b>Earnings Per Share</b>			
- Earnings per Kr1 number of 1 shares from continued operations	27	2,5964	2,1511

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Consolidated Other Comprehensive Income for the Periods 1 January- 31 December 2022 and 2021

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
<b>PROFIT FOR THE PERIOD</b>	<b>6,545,018</b>	<b>5,516,603</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items to be reclassified to profit or loss</b>	<b>(3,888)</b>	<b>(337,735)</b>
Currency translation differences	(94,208)	(352,157)
Other comprehensive gain/(loss) related to cash flow hedges	112,900	18,028
Tax relating to gain on cash flow hedge	(22,580)	(3,606)
<b>Items not to be reclassified to profit or loss</b>	<b>(200,908)</b>	<b>(18,463)</b>
Defined benefit plans remeasurement earnings/(losses)	(251,138)	(23,079)
Taxes relating to remeasurements of defined benefit plans	50,230	4,616
<b>OTHER COMPREHENSIVE EXPENSE</b>	<b>(204,796)</b>	<b>(356,198)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>6,340,222</b>	<b>5,160,405</b>
<b>Attributable to:</b>		
Non-controlling interests	37,799	30,710
Owners of parent company	6,302,423	5,129,695

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Consolidated Statements of Changes in Shareholders' Equity for the Periods 1 January - 31 December 2022 and 2021

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

	Share capital	Adjustment to share capital	Other comprehensive (expense)/ income not to be reclassified to profit or loss	Actuarial arising from defined benefit plan	(Loss)/ gain flow on cash flow hedges	Other comprehensive (expense)/income to be reclassified to profit or (loss)	Currency translation differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
<b>1 January 2021</b>	<b>2,534,400</b>	<b>238,988</b>	<b>(28,079)</b>	<b>(35,659)</b>	<b>(117,397)</b>	<b>64,188</b>	<b>371,941</b>	<b>1,087,675</b>	<b>3,476,572</b>	<b>7,592,629</b>	<b>(34,004)</b>	<b>7,558,625</b>		
Transfers	-	-	-	-	-	-	-	45,384	(1,087,675)	1,042,291	-	-	-	-
Total comprehensive income	-	-	(18,463)	12,146	(315,694)	-	-	5,451,706	-	5,129,695	30,710	5,160,405		
- Other comprehensive income/ (expense)	-	-	(18,463)	12,146	(315,694)	-	-	-	-	(322,011)	(34,187)	(356,198)		
- Net profit for the period	-	-	-	-	-	-	-	5,451,706	-	5,451,706	64,897	5,516,603		
<b>31 December 2021</b>	<b>2,534,400</b>	<b>238,988</b>	<b>(46,542)</b>	<b>(23,513)</b>	<b>(433,091)</b>	<b>64,188</b>	<b>417,325</b>	<b>5,451,706</b>	<b>4,518,863</b>	<b>12,722,324</b>	<b>(3,294)</b>	<b>12,719,030</b>		
<b>1 January 2022</b>	<b>2,534,400</b>	<b>238,988</b>	<b>(46,542)</b>	<b>(23,513)</b>	<b>(433,091)</b>	<b>64,188</b>	<b>417,325</b>	<b>5,451,706</b>	<b>4,518,863</b>	<b>12,722,324</b>	<b>(3,294)</b>	<b>12,719,030</b>		
Transfers	-	-	-	-	-	-	-	224,975	(5,451,706)	5,226,731	-	-	-	-
Total comprehensive income	-	-	(200,908)	59,198	(136,120)	-	-	6,580,253	-	6,302,423	37,799	6,340,222		
- Other comprehensive income/ (expense)	-	-	(200,908)	59,198	(136,120)	-	-	-	-	(277,830)	73,034	(204,796)		
- Net profit for the period	-	-	-	-	-	-	-	6,580,253	-	6,580,253	(35,235)	6,545,018		
<b>31 December 2022</b>	<b>2,534,400</b>	<b>238,988</b>	<b>(247,450)</b>	<b>35,685</b>	<b>(569,211)</b>	<b>64,188</b>	<b>642,300</b>	<b>6,580,253</b>	<b>9,745,594</b>	<b>19,024,747</b>	<b>34,505</b>	<b>19,059,252</b>		

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Consolidated Statements of Cash Flows for The Periods 1 January- 31 December 2022 and 2021

(Tutarlar aksi belirtilmedikçe, bin Türk Lirası ('TL') olarak gösterilmiştir.)

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
<b>A. Cash flows from operating activities:</b>		<b>4,488,924</b>	<b>2,627,958</b>
Net profit for the year (I)		6,545,018	5,516,603
<b>Adjustments related to reconciliation of (II) net profit (loss) for the year:</b>		<b>(1,034,531)</b>	<b>1,449,828</b>
Adjustments for depreciation and amortization	11,12	906,113	539,812
Adjustments for impairments/reversals			
- Adjustments for impairment of inventories	5	83,956	494
Adjustments for provisions			
- Adjustments for provision employee benefits		576,202	320,076
- Adjustments for provision legal cases		-	5
- Adjustments for other provisions		4,272	(154)
Adjustments for interest income/(expense)			
- Adjustments for interest income	26	(301,857)	(331,882)
- Adjustments for interest expense	26	1,568,654	509,519
Adjustments for unrealized foreign currency translation differences		906,734	83,119
Adjustments for tax income/(losses)	20	(1,867,160)	1,135,605
Adjustments for gain/(losses) on sale of property, plant and equipment	25	(1,782)	(1,746)
Adjustments for income from government incentives	13	(9,802)	(11,207)
Adjustments for fair value increase			
- Adjustments for fair value increase in financial assets		(146,215)	-
- Adjustments for fair value increase in investment property	25	(2,753,646)	(793,813)
<b>Changes in working capital (III)</b>		<b>(274,202)</b>	<b>(3,413,561)</b>
Adjustments related to decrease/(increase) in trade receivables		637,165	(2,800,711)
Adjustments related to increase in other receivables		(124)	(22,771)
Adjustments related to increase in inventory		(874,933)	(2,535,409)
Increase in prepaid expenses		(181,226)	(370,690)
Adjustments for increase in trade payables		506,693	2,553,710
Adjustments for increase in other payables from operating activities		5,941	2,190
Increase in payables related to employee benefits		101,916	5,484
Adjustments for increase/(decrease) in deferred revenue		14,137	61,721
Changes in derivative financial instruments		(9,629)	(19,682)
Adjustments related to other decreases in working capital		(474,142)	(287,403)
<b>Cash flows from operating activities (I+II+III)</b>		<b>5,236,285</b>	<b>3,552,870</b>
Employee benefits paid		(237,242)	(32,100)
Income taxes paid	20	(510,119)	(892,812)
<b>B Cash flows from investing activities</b>		<b>(5,098,807)</b>	<b>(1,141,901)</b>
Cash outflows from purchases of property, plant and equipment	11	(4,107,526)	(1,087,787)
Proceeds from sale of property, plant and equipment		2,062	1,746
Other cash advances and payables given		(11,857)	(55,860)
Other cash inflows (outflows)		(981,486)	-
<b>C. Cash flows from financing activities</b>		<b>10,143,258</b>	<b>(3,485,547)</b>
Proceeds from borrowings	9	4,350,082	1,175,461
Repayments of borrowings	9	(2,501,635)	(3,376,547)
Proceeds from other financial liabilities	9	12,353,100	1,575,687
Repayments of other financial liabilities	9	(3,257,707)	(2,679,412)
Interest received		286,001	315,897
Interest paid		(964,441)	(389,177)
Cash outflow related to lease agreements		(122,142)	(65,939)
Other cash inflows/(outflows)		-	(41,517)
<b>D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)</b>		<b>9,533,375</b>	<b>(1,999,490)</b>
<b>E. Effect of currency translation differences on cash and cash equivalents</b>		<b>52,969</b>	<b>162,811</b>
<b>Net (decrease)/increase in cash and cash equivalents (D+E)</b>		<b>9,586,344</b>	<b>(1,836,679)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>4</b>	<b>3,665,331</b>	<b>5,502,010</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>13,251,675</b>	<b>3,665,331</b>

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



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

### **NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS**

Petkim Petrokimya Holding A.Ş. ("Petkim" or "the Company") was established on 3 April 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex and in the following years, construction of other plants continued. In 1985, 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

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

As of 31 December 2022 and 31 December 2021 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 2 March 2023 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.

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 2022, 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 2022, the average number of employees working for the Group is 2,335 (31 December 2021: 2,355). The details of the employees as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Union (*)	1,733	1,809
Non - union (**)	595	568
	<b>2,328</b>	<b>2,377</b>

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

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

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

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.

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

### 2.2 Amendments in Turkish Financial Reporting Standards

#### **a) Standards, amendments and interpretations applicable as at 31 December 2022:**

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.2. Amendments in Turkish Financial Reporting Standards (Continued)

#### *a) Standards, amendments and interpretations applicable as at 31 December 2022 (Continued)*

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
- **Amendments to IFRS 3,** 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 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.
- **Amendments to IAS 37,** 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

#### *b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:*

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.2. Amendments in Turkish Financial Reporting Standards (Continued)

#### ***b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022 (Continued)***

- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **IFRS 17, 'Insurance Contracts', as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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.

#### **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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

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

#### 2.3. Basis of consolidation (Continued)

##### a) Subsidiaries (Continued)

The non-controlling share in the net assets and results of subsidiaries for the period are 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 2022 and 2021:

<u>Subsidiaries</u>	Direct or Indirect Control Shareholding Rates of the Group (%)	
	31 December 2022	31 December 2021
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.

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

Assets in the consolidated balance sheet as of 31 December 2022 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 18.6983 TRY = 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 18.7320 TRY = 1 USD (31 December 2021: buying rate as 13.3290 TRY = 1 USD, selling rate as 13.3530 TRY = 1 USD).

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

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

#### **2.3. Basis of consolidation (Continued)**

The profit or loss statements of Petlim for the year ended 31 December 2022 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. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in 'currency translation differences' in other comprehensive income.

#### **2.4. Comparative information and correction of prior period financial statements**

The Group prepared its consolidated 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 2022 on a comparative basis with balance sheet at 31 December 2021; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2022 on a comparative basis with financial statements for the period of 1 January - 31 December 2021.

#### **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 completion 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 of 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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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:

	<u>Useful lives</u>
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 depreciation 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.



## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

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.

##### **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:

	<u>Useful life</u>
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:

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **d. Leases (Continued)**

- 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.

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to assess 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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **d. Leases (Continued)**

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.

##### **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 2022, 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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)

#### e. Investment property (Continued)

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 cash-generating unit.

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

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

#### 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.

#### 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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

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

#### **2.4. Significant accounting policies (Continued)**

##### **h. Financial assets carried at amortized cost (Continued)**

###### *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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **i) Financial assets carried at fair value (Continued)**

*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.

##### **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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **i) Financial assets carried at fair value (Continued)**

###### *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).

###### *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 the relevant 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.

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## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **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 these funds.

##### **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.

(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).
- (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



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(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)**

##### **m) Related parties (Continued)**

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

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

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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **n) Taxation and deferred income taxes (Continued)**

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 measurement of 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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **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.

##### **q. 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.

##### **r. 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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **r. Revenue recognition (Continued)**

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.

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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **s) 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.

##### **v) 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.

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# **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

#### **w) 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.

#### **x) 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 2022.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

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

#### **2.6 Significant accounting estimates, judgments and assumptions (Continued)**

##### **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)

##### **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 foreign currency denominated advances given to related parties in accordance with share purchase of Rafineri Holding A.Ş.**

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (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 transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 December 2022 and have been subjected to exchange rate valuation (Note 28). The Group recognized the foreign exchange gains as financial income which is in line with the financing and cash management policies of the Group management (Note 26).

##### **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 as of 31 December 2022.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

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

#### **2.6 Significant accounting estimates, judgments and assumptions (Continued)**

##### **f) Fair value of determination of investment properties (Continued)**

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<sup>2</sup> sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the real estate market, also, current information and experience of the professional valuation company was utilized.

### **NOTE 3 - SEGMENT REPORTING**

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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



## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 3 - SEGMENT REPORTING (Continued)

#### a) Revenue

	1 January - 31 December 2022	1 January - 31 December 2021
Petrochemical	48,534,341	28,528,832
Port	363,928	186,825
<b>Total before eliminations and adjustments</b>	<b>48,898,269</b>	<b>28,715,657</b>
Consolidation eliminations and adjustments	-	-
	<b>48,898,269</b>	<b>28,715,657</b>

#### b) Operating profit

	1 January - 31 December 2022	1 January - 31 December 2021
Petrochemical	3,112,314	6,106,804
Port	262,474	351,852
<b>Total before eliminations and adjustments</b>	<b>3,374,788</b>	<b>6,458,656</b>
Consolidation eliminations and adjustments	31,523	14,253
<b>Operating profit</b>	<b>3,406,311</b>	<b>6,472,909</b>
Financial (expenses)/income, net	(1,993,940)	(658,469)
Income from investing activities, net	3,265,487	837,768
<b>Profit before tax from continued operations</b>	<b>4,677,858</b>	<b>6,652,208</b>
Tax expense	1,867,160	(1,135,605)
<b>Profit for the period</b>	<b>6,545,018</b>	<b>5,516,603</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 3 - SEGMENT REPORTING (Continued)

#### Total assets

	31 December 2022	31 December 2021
Petrochemical	51,237,408	27,897,269
Port	6,071,131	4,474,972
<b>Total before eliminations and adjustments</b>	<b>57,308,539</b>	<b>32,372,241</b>
Consolidation eliminations and adjustments	(2,645,587)	(1,944,085)
	<b>54,662,952</b>	<b>30,428,156</b>

#### d) Total liabilities

Petrochemical	31,432,113	14,518,117
Port	5,965,483	4,495,321
<b>Total before eliminations and adjustments</b>	<b>37,397,596</b>	<b>19,013,438</b>
Consolidation eliminations and adjustments	(1,793,896)	(1,304,312)
	<b>35,603,700</b>	<b>17,709,126</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Banks	13,251,635	3,665,121
- Demand deposits	39,901	4,861
- Turkish Liras	2,319	908
- Foreign currency	37,582	3,953
- Time deposits	13,211,734	3,660,260
- Turkish Liras	1,389,311	622,890
- Foreign currency	11,822,423	3,037,370
Other	40	210
	<b>13,251,675</b>	<b>3,665,331</b>

The weighted average effective interest rates of USD and Euro time deposits are 2.92% and 1.50% per annum (31 December 2021: USD 1.32% and 0.71% per annum).

As of 31 December 2022, the TRY dominated time deposits consist of monthly and daily deposits and the weighted average effective interest rate is 23.89% and 10.27% per annum. (31 December 2021: 18.12% and 24.99% per annum). The Group has no blocked deposits as of 31 December 2022 (31 December 2021: None).

### NOTE 5 - INVENTORIES

	31 December 2022	31 December 2021
Raw materials	1,061,292	946,058
Work-in-progress	1,155,436	537,905
Finished goods	1,175,257	1,045,919
Trade goods	335,613	257,182
Goods in transit	528,470	659,342
Other inventories	217,112	99,581
	<b>4,383,080</b>	<b>3,539,843</b>
Less: Provision for impairment on inventories	(90,100)	(6,144)
	<b>4,292,980</b>	<b>3,533,699</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 5 – INVENTORIES (Continued)

Movements of provision for impairment on inventory for the periods ended 31 December 2022 and 2021 were as follows:

	2022	2021
<b>1 January</b>	<b>(6,144)</b>	<b>(5,650)</b>
Realized due to sales of inventory	6,144	5,650
Current year additions	(90,100)	(6,144)
31 December	(90,100)	(6,144)

Cost of the raw materials and trade goods included in the cost of sales for the period 1 January- 31 December 2022 amounts to TRY40,073,679 (1 January- 31 December 2021: TRY20,637,413).

### NOTE 6 - FINANCIAL INVESTMENTS

#### a) Short-term financial investments

	31 December 2022	31 December 2021
Exchange rate-protected TRY time deposits <sup>(*)</sup>	975,731	-
Marketable securities	200,802	48,654
	<b>1,176,533</b>	<b>48,654</b>

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

As of 31 December 2022, the nominal and fair value amounts of exchange rate-protected TRY time deposit accounts:

Currency	31 December 2022		Fair value Maturity
	Nominal amount (original currency)	(in TRY)	
TL	932,979	975,731	March 2023
		<b>975,731</b>	

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries****Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

**NOTE 6 - FINANCIAL INVESTMENTS (Continued)****b) Long-term financial investments**

	31 December 2022		31 December 2021	
	Shareholding Amount	Shareholding rate (%)	Amount	rate (%)
SOCAR Power Enerji Yatırımları A.Ş.	8,910	9.90	8,910	9.90
	<b>8,910</b>		<b>8,910</b>	

8,910,000 shares having a nominal price of TRY0,001 per share corresponding to 9.9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TRY8,910) owned by SOCAR Turkey Elektrik Yatırımları Holding A.Ş (Power Holding), which is a subsidiary of controlling shareholder of the Group, SOCAR Turkey Enerji A.Ş., in SOCAR Power are purchased by the Group on 26 January 2015.

**NOTE 7 - TRADE RECEIVABLES AND PAYABLES****a) Short-term trade receivables from third parties:**

	31 December 2022	31 December 2021
Trade receivables	3,566,454	4,381,578
Provision for doubtful trade receivables (-)	(20,563)	(21,132)
	<b>3,545,891</b>	<b>4,360,446</b>

Average maturity for trade receivables is 31 days as of 31 December 2022 (31 December 2021: 43 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

#### Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December 2022, 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 TRY12,320,032 (31 December 2021: TRY7,057,322) (Note 30).

	2022	2021
<b>1 January</b>	<b>(21,132)</b>	<b>(21,286)</b>
Write-offs	569	154
31 December	(20,563)	(21,132)

#### b) Trade payables

	31 December 2022	31 December 2021
Trade payables	2,782,581	1,869,347
	<b>2,782,581</b>	<b>1,869,347</b>

Average maturity for trade payables other is 32 days as of 31 December 2022 (31 December 2021: 14 days).

### NOTE 8 - OTHER RECEIVABLES AND PAYABLES

#### a) Other short-term receivables:

	31 December 2022	31 December 2021
Receivables from third parties	26,240	17,508
Other	-	2,773
	<b>26,240</b>	<b>20,281</b>
Provision for other doubtful receivables (-)	(1,591)	(1,713)
	<b>24,649</b>	<b>18,568</b>

#### b) Other short-term payables:

Deposits and guarantees received	9,538	5,455
Other	8,297	5,363
	<b>17,835</b>	<b>10,818</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2022	31 December 2021
Short-term borrowings	3,143,887	64,952
Short-term portions of long-term borrowings	543,418	1,103,565
Bond issued (**)	9,600,500	166,889
Short-term lease liabilities (***)	23,618	21,245
Other financial liabilities (**)	12,348,676	1,475,020
<b>Short-term financial liabilities</b>	<b>25,660,099</b>	<b>2,831,671</b>
Long-term borrowings	2,665,083	2,291,409
Long-term lease liabilities (***)	71,710	58,458
Bonds issued (**)	-	6,669,131
<b>Long-term borrowings</b>	<b>2,736,793</b>	<b>9,018,998</b>
	<b>28,396,892</b>	<b>11,850,669</b>

(\*) Other financial liabilities consist of letters of credits, naphta financing, murabaha loans and trade goods financing arising from naphtha and other goods purchases. The average remaining maturity of other financial liabilities is 109 days as of 31 December 2022 (31 December 2021: Average remaining maturity is 110 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<b>Short-term borrowings:</b>						
TRY borrowings	18.25	-	220,627	-	220,627	-
USD borrowings	5.90 -9.75	Libor + 0.20 - 0.70 - 0.75	156,057	4,864	2,923,260	64,952
<b>Short-term portions of long-term borrowings and bond issued:</b>						
USD borrowings	Libor + 4.67	Libor + 4.67 - 4.26	22,247	72,004	416,723	961,464
Euro borrowings	Euribor + 0.72 -1.64	Euribor + 0.72 - 3.00 - 1.64	6,344	9,402	126,695	142,101
Bond issued	5.88	5.88	512,519	12,498	9,600,500	166,889
<b>Total short-term borrowings</b>					<b>13,287,805</b>	<b>1,335,406</b>
<b>Long-term borrowings and bond issued:</b>						
USD borrowings	Libor + 4.67	Libor + 4.67	142,274	164,533	2,665,083	2,197,008
Euro borrowings	-	Euribor + 0.72 - 1.64	-	6,246	-	94,401
Bond issued	-	5.88	-	499,448	-	6,669,131
<b>Total long-term borrowings</b>					<b>2,665,083</b>	<b>8,960,540</b>
<b>Total borrowings</b>					<b>15,952,888</b>	<b>10,295,946</b>



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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 2022 and 31 December 2021 is as follows:

	<b>31 December 2022</b>
2024	615,555
2025	774,381
2026	754,525
2027	476,542
2028	44,080
	<b>2,665,083</b>
	<b>31 December 2021</b>
2023	7,060,766
2024	438,780
2025	552,013
2026	537,859
2027 and over	371,122
	<b>8,960,540</b>

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 2022, the fair value of bonds issued is TRY9,563,865, which are in fixed interest rate financial liabilities and whose carrying value is TRY9,600,500. Group made a bond payment of USD 500 million for the principal payment of the bond with a nominal value of USD 500 million and USD 14,687,500 for the payment of coupons 10 on 26 January 2023.

As of 31 December 2022, 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 2022.

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## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2022 and 31 December 2021 as follows:

	2022	2021
<b>1 January</b>	<b>8,105,635</b>	<b>4,393,566</b>
Proceeds from financial liabilities	16,703,182	2,751,148
Repayments of financial liabilities	(5,759,342)	(6,055,959)
Changes in foreign exchange	5,023,222	5,103,167
Changes in interest accrual	563,536	77,034
Less: Change in cash and cash equivalents and financial investments <sup>(*)</sup>	(10,525,457)	1,836,679
<b>31 December</b>	<b>14,110,776</b>	<b>8,105,635</b>

(\*) The change in financial investments excludes fair value changes of Exchange rate-protected TRY time deposits as of 31 December 2022.

### NOTE 10 - INVESTMENT PROPERTIES

Fair value	1 January 2022	Fair value increase	Transfers	31 December 2022
Land	2,872,594	2,753,646	-	5,626,240
	<b>2,872,594</b>			<b>5,626,240</b>
Fair value	1 January 2021	Fair value increase	Transfers	31 December 2021
Land	2,078,781	793,813	-	2,872,594
	<b>2,078,781</b>			<b>2,872,594</b>

30 years right of construction of the land, that is 2,076,506 m<sup>2</sup>, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual rent income from the land, that is located in Aliğa district, is USD4.6 million and the annual rent income will be increased at the rate of Libor + 1% each year. As of 31 December 2022, the annual rent income is USD5.9 million.

As of 31 December 2022, 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 2022, 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).

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2022
<b>Cost:</b>						
Land	125,063	-	-	(18)	1,127	126,262
Land improvements	469,147	-	16,706	-	2,949	488,802
Buildings	197,348	-	1,221	-	924	199,493
Machinery and equipment	8,699,122	-	2,486,868	-	-	11,185,990
Motor vehicles	76,912	-	17,272	-	-	94,184
Furniture and fixtures	199,875	-	39,074	(761)	592	238,780
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease <sup>(*)</sup>	3,829,569	-	-	-	1,634,353	5,463,922
Construction in progress <sup>(*)</sup>	1,204,919	4,107,526	(2,561,141)	-	697	2,752,001
	<b>14,803,622</b>	<b>4,107,526</b>	<b>-</b>	<b>(779)</b>	<b>1,640,732</b>	<b>20,551,101</b>
<b>Accumulated depreciation (-):</b>						
Land improvements	(161,003)	(38,696)	-	-	(1,816)	(201,515)
Buildings	(125,897)	(5,081)	-	-	(755)	(131,733)
Machinery and equipment	(6,533,916)	(600,291)	-	-	-	(7,134,207)
Motor vehicles	(13,114)	(15,960)	-	-	-	(29,074)
Furniture and fixtures	(105,468)	(22,632)	-	499	(568)	(128,169)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(559,339)	(156,609)	-	-	(262,595)	(978,543)
	<b>(7,500,404)</b>	<b>(839,269)</b>	<b>-</b>	<b>499</b>	<b>(265,734)</b>	<b>(8,604,908)</b>
<b>Net book value</b>	<b>7,303,218</b>					<b>11,946,193</b>

<sup>(\*)</sup> Construction in progress mainly consist of investments related to facility improvements.

<sup>(\*\*)</sup> Assets subject to operating lease consists of port investment.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2021
<b>Cost:</b>						
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
	<b>12,175,260</b>	<b>1,087,787</b>	<b>(72,509)</b>	<b>(3,906)</b>	<b>1,616,990</b>	<b>14,803,622</b>
<b>Accumulated depreciation (-):</b>						
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)
	<b>(6,746,193)</b>	<b>(532,746)</b>	<b>-</b>	<b>3,558</b>	<b>(225,023)</b>	<b>(7,500,404)</b>
<b>Net book value</b>	<b>5,429,067</b>					<b>7,303,218</b>

(\*) Construction in progress mainly consist of investments related to facility improvements.

(\*\*) Assets subject to operating lease consists of port investment.

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## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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### **NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

In 2022, the Group has not borrowing cost, that are eligible for capitalization related with its investments. (31 December 2021: None).

Tangible and intangible assets depreciation charges amounting to TRY864,470 (31 December 2021: TRY547,879) were allocated to cost of sales by TRY726,601 (31 December 2021: TRY446,480), to inventories by TRY52,260 (31 December 2021: TRY46,468), to general administrative expenses by TRY75,716 (31 December 2021: TRY48,010), to marketing, selling and distribution expenses by TRY9,893 (31 December 2021: TRY6,921).

As of 31 December 2022, Petlim Limancılık Ticaret A.Ş. has given 1<sup>st</sup> degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD350 million on the date of 20 November 2015 (31 December 2021: USD350 million).

As of 31 December 2022 and 2021 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Land	159,584	103,507
Buildings	86,654	88,963
Motor vehicles	10,228	15,353
<b>Total right of use assets</b>	<b>256,466</b>	<b>207,823</b>

As of 31 December 2022, there is no additions to rights use of assets, depreciation expenses amounting to TRY41,643 (2021: TRY38,403).

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## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 12 - INTANGIBLE ASSETS

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2022
<b>Cost:</b>						
Rights and software	118,594	-	8,806	-	3,159	130,559
Capitalized development costs	30,294	-	12,530	-	-	42,824
	<b>148,888</b>	<b>-</b>	<b>21,336</b>	<b>-</b>	<b>3,159</b>	<b>173,383</b>
<b>Accumulated amortization (-):</b>						
Rights and software	(39,590)	(20,762)	-	-	(556)	(60,908)
Capitalized development costs	(17,917)	(4,439)	-	-	-	(22,356)
	<b>(57,507)</b>	<b>(25,201)</b>	<b>-</b>	<b>-</b>	<b>(556)</b>	<b>(83,264)</b>
<b>Net book value</b>	<b>91,381</b>					<b>90,119</b>

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2021
<b>Cost:</b>						
Rights and software	57,573	-	68,836	(10,927)	3,112	118,594
Capitalized development costs	26,620	-	3,674	-	-	30,294
	<b>84,193</b>	<b>-</b>	<b>72,510</b>	<b>(10,927)</b>	<b>3,112</b>	<b>148,888</b>
<b>Accumulated amortization (-):</b>						
Rights and software	(29,249)	(10,266)	-	304	(379)	(39,590)
Capitalized development costs	(13,050)	(4,867)	-	-	-	(17,917)
	<b>(42,299)</b>	<b>(15,133)</b>	<b>-</b>	<b>304</b>	<b>(379)</b>	<b>(57,507)</b>
<b>Net book value</b>	<b>41,894</b>					<b>91,381</b>

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2022, government grants incentives granted from Turquality and other institutions amounting to TRY9,802 includes incentives and aid (31 December 2021: TRY11,207) 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 2022	31 December 2021
Advances received	279,137	255,429
Deferred revenue	1,662	5,086
	280,799	260,515

Advances received include the payments received by the Group from its customers for the sales to be made in the following periods, and it is anticipated that these advances will be closed within one year (31 December 2021: It is expected to be closed within one year). The fair values of the advances received are estimated to approximate their carrying values.

#### b) Long-term deferred revenue

Deferred revenue	-	750
	-	750

### NOTE 15 - PREPAID EXPENSES

#### a) Short-term prepaid expenses

	31 December 2022	31 December 2021
Advances given for inventory	500,716	363,590
Prepaid insurance and other expenses	48,408	33,969
Advances given for customs procedures	1,072	636
	550,196	398,195

#### b) Long-term prepaid expenses

Advances given for property, plant and equipment	121,671	109,815
Prepaid insurance and other expenses	1,675	1,797
	123,346	111,612

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## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 16 - EMPLOYEE BENEFITS

#### a) Liabilities for employee benefits:

	31 December 2022	31 December 2021
Social security contribution	64,559	13,351
Due to personnel	697	229
	<b>65,256</b>	<b>13,580</b>

#### b) Short-term employee benefits:

Provision for bonus Premium <sup>(*)</sup>	524,746	272,091
Provision for seniority incentive bonus	20,274	9,095
	<b>545,020</b>	<b>281,186</b>

<sup>(\*)</sup> Group has been paid TRY 210,669 of the 272,091 provision for bonus Premium in 2022.

#### c) Long-term employee benefits:

Provision for employment termination benefits	398,080	129,202
Provision for unused vacation rights	92,404	49,183
Provision for seniority incentive bonus	27,224	13,049
	<b>517,708</b>	<b>191,434</b>

#### Provision for unused vacation

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

	2022	2021
<b>1 January</b>	<b>49,183</b>	<b>29,849</b>
Changes in the period, net	43,221	19,334
<b>31 December</b>	<b>92,404</b>	<b>49,183</b>



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## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 16 - EMPLOYEE BENEFITS (Continued)

#### 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 15,371.40 for each year of service as of 31 December 2022 (31 December 2021: TRY 8,284.51).

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 2022	31 December 2021
Net discount rate (%)	0.50	4.40
Probability of retirement (%)	97.8	97.62

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 19,982.83 which is effective from 1 January 2023, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2022: TRY 10,848.59).

Movements of the employment termination benefits are as follows:

	2022	2021
<b>1 January</b>	<b>129,202</b>	<b>93,109</b>
Interest cost	16,011	12,103
Payments during the period (-)	(5,722)	(12,928)
Service cost	10,853	16,151
Actuarial (gain)/loss	247,736	20,767
<b>31 December</b>	<b>398,080</b>	<b>129,202</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries****Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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**NOTE 16 - EMPLOYEE BENEFITS (Continued)**

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2022 and 2021 are follows:

Sensitivity analysis	31 December 2022 Net discount rate		31 December 2021 Net discount rate	
	100 Basis point increase	100 Basis point increase	100 Basis point increase	100 Basis point increase
Rate	1.50	1.50	5.40	3.40
Change in liability of employment termination benefit	(58,299)	70,062	(13,162)	16,132

**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, 105 days of gross salary for 35 and 110 days of gross salary for 40 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the 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, 105 days of gross salary for 35 and 110 days of gross salary for 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

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**NOTE 16 - EMPLOYEE BENEFITS (Continued)**

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:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Net discount rate (%)	0.50	4.40
Used rate related to retirement probability (%)	97.8	97.62
The movements of the provision for seniority incentive bonus are as follows:		
	<b>2022</b>	<b>2021</b>
<b>1 January</b>	<b>22,144</b>	<b>17,783</b>
Interest cost	2,347	1,778
Payments during the period (-)	(15,197)	(10,031)
Service cost	34,802	10,302
Actuarial loss	3,402	2,312
<b>31 December</b>	<b>47,498</b>	<b>22,144</b>

**NOTE 17 - OTHER ASSETS AND LIABILITIES****a) Other current assets**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Value added tax ("VAT") receivable	930,723	407,249
Other	1,508	3,830
	<b>932,231</b>	<b>411,079</b>

**b) Other non-current assets**

Spare parts	20,572	20,673
Other	115	116
	<b>20,687</b>	<b>20,789</b>

**c) Other liabilities**

Taxes and funds payable and other deductions	97,372	50,364
Other	99	198
	<b>97,471</b>	<b>50,562</b>

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## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2022			31 December 2021		
	Nominal contract amount (TRY)	Fair value (TRY)		Nominal contract amount (TRY)	Fair value (TRY)	
		Assets	(Liabilities)		Assets	(Liabilities)
Foreign currency forward transactions	1,164,413	-	(8,239)	166,913	8,534	-
Interest rate swap transactions <sup>(*)</sup>	1,577,912	66,727	-	1,157,048	-	(54,179)
	<b>2,742,325</b>	<b>66,727</b>	<b>(8,239)</b>	<b>1,323,961</b>	<b>8,534</b>	<b>(54,179)</b>

<sup>(\*)</sup> 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 2022, TRY59198 of (31 December 2021: TRY12,146) 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.

### NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2022 and 31 December 2021:

Group:	Shareholder:	31 December 2022		31 December 2021	
		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
	<b>Total paid in share capital</b>	<b>2,534,400</b>	<b>100</b>	<b>2,534,400</b>	<b>100</b>
	Adjustment to share capital	238,988		238,988	
	<b>Total share capital</b>	<b>2,773,388</b>		<b>2,773,388</b>	

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## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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### **NOTE 19 - EQUITY (Continued)**

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.

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 1Kr, and 1 Group C preferred stock belonging to Management (31 December 2021: - 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 1Kr, 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 31<sup>st</sup> clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company,
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

### **Dividend distribution**

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from 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.

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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### **NOTE 19 - EQUITY (Continued)**

#### **Dividend distribution (Continued)**

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.

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.

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**NOTE 20 - TAX ASSETS AND LIABILITIES****a) Corporate tax:**

Current tax liabilities at 31 December 2022 and 31 December 2021 are summarized below:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Calculated corporation tax	-	1,136,880
Less: Prepaid taxes (-)	(275,800)	(865,443)
<b>Total corporation tax (asset) liabilities</b>	<b>(275,800)</b>	<b>271,437</b>

Group has an exemption for gains arising from exchange rate-protected TRY time deposits of TL37,118 for the period of 31 December 2021.

Tax expenses included in the income statement for the consolidated periods ended 31 December 2022 and 2021 are summarized below:

	<b>1 January - 31 December 2022</b>	<b>1 January - 31 December 2021</b>
Deferred tax income/(expense)	1,867,160	1,275
Current year tax expense	-	(1,136,880)
<b>Total tax income (expense)</b>	<b>1,867,160</b>	<b>(1,135,605)</b>

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 23% for 2022 (2021: 25%). 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 January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 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.

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### **NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)**

#### **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 after July 1, 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.



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**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 2022 and 31 December 2021 are as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Fair value increase in investment properties	(5,553,396)	(2,862,514)	(555,340)	(286,251)
Fair value difference of derivative financial instruments	(66,727)	-	(13,345)	-
Deferred revenue related to the port rental agreement	-	(7,847)	-	(1,569)
<b>Deferred income tax liabilities</b>	<b>(5,620,123)</b>	<b>(2,870,361)</b>	<b>(568,685)</b>	<b>(287,820)</b>
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	5,727,482	330,291	1,152,354	53,725
Unused investment incentives	2,585,060	787,664	1,072,634	200,558
Provision for employee benefits	1,062,728	472,620	212,546	94,524
Carry forward tax losses	483,453	277,881	97,554	56,440
Deferred revenue related to the port rental agreement	132,666	-	26,533	-
Fair value difference of derivative financial instruments	8,239	45,645	1,648	9,129
Inventory provision	90,100	6,144	18,020	1,229
Rent allowance fee	3,598	3,807	720	761
Provision for legal cases	2,597	2,597	519	519
Other	232,166	106,237	46,432	21,246
<b>Deferred income tax assets</b>	<b>10,328,089</b>	<b>2,032,886</b>	<b>2,628,960</b>	<b>438,131</b>
<b>Deferred tax assets- net</b>			<b>2,060,275</b>	<b>150,311</b>

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 TRY19,901 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2022. In this context, as of 31 December 2022 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY9,951.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

### **NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)**

#### **b) Deferred taxes (Continued)**

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of June 15, 2012. The Group will be able to deduct 30% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 70% deduction from corporate tax. The group has TL 1,792,063 unused investment incentive within the scope of strategic investment incentive certificate as of December 31, 2022. In this context, as of December 31, 2022, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 869,409.

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 TRY773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2022, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY193,274.

As a result of projections made as of 31 December 2022, 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 2,585,060 (31 December 2021: TRY787,664).

The expiration date of the carry forward tax losses on which the Group has accounted deferred tax assets is 2027.

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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 2022 and 2021 were as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Profit before tax</b>	<b>4,667,858</b>	<b>6,652,208</b>
Statutory tax rate	23%	25%
Calculated tax expense based on effective tax rate	(1,075,907)	(1,663,052)
<b>Reconciliation between the tax provision and calculated tax:</b>		
Effect of unused tax losses for which no deferred tax asset was recognized	(36,633)	(93,522)
Effect on revaluation of immovables and other economic assets subject to depreciation <sup>(*)</sup>	1,683,333	336,987
Utilised investment incentives during the year	796,524	165,095
Income exempt from tax	139,677	21,413
Non-deductible expense	(150,721)	(82,300)
Tax rate difference	457,691	161,826
Other	53,196	17,948
<b>Total tax expense reported in the profit or loss statement</b>	<b>1,867,160</b>	<b>(1,135,605)</b>

<sup>(\*)</sup> 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

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### NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

#### b) Deferred taxes (Continued)

The movement of deferred income tax is as follows:

	2022	2021
<b>1 January</b>	<b>150,311</b>	<b>35,968</b>
Recognized in the profit or loss statement	1,867,160	1,275
Recognized in other comprehensive income	27,650	1,010
Foreign currency translation differences	15,154	112,058
<b>31 December</b>	<b>2,060,275</b>	<b>150,311</b>

### NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	25,486,325	17,046,044
Export sales	24,761,891	12,393,797
Other sales	180,199	92,335
Sales discounts (-)	(1,530,146)	(816,519)
<b>Net sales</b>	<b>48,898,269</b>	<b>28,715,657</b>
Direct raw materials and supplies	(20,315,277)	(11,662,459)
Cost of trade goods sold	(19,758,402)	(8,974,954)
Energy	(3,046,758)	(1,335,064)
Labour costs	(1,117,129)	(667,440)
Depreciation and amortization	(742,893)	(462,425)
Changes in work in progress and finished goods	751,466	1,162,710
Other	(550,393)	(358,777)
<b>Cost of sales</b>	<b>(44,779,386)</b>	<b>(22,298,409)</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

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### NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expense	(527,662)	(264,001)
Outsourced services	(329,243)	(161,146)
Depreciation and amortization	(95,388)	(66,532)
Energy expenses	(56,315)	(28,492)
Taxes, funds and fees	(16,962)	(12,288)
Other	(90,754)	(53,841)
	<b>(1,116,324)</b>	<b>(586,300)</b>

#### *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 2022	1 January - 31 December 2021
Independent audit fee for the reporting period	1,555	646
Fees for tax advisory services	247	162
Fee for other services	561	1,312
	<b>2,363</b>	<b>2,120</b>

### NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expense	(237,483)	(149,827)
Outsourced services	(195,668)	(86,616)
Depreciation and amortization	(15,572)	(10,855)
Other	(69,861)	(33,665)
	<b>(518,584)</b>	<b>(280,963)</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

#### a) Other operating income:

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	1,913,689	2,298,814
Rent income	25,598	12,012
Term sales income	8,819	5,486
Other	34,406	35,385
	<b>1,982,512</b>	<b>2,351,697</b>

#### b) Other operating expenses:

Foreign exchange losses	(884,582)	(1,290,609)
Consultancy expenses	(44,874)	(38,133)
Term purchase expense	(37,900)	(38,558)
Other	(92,820)	(61,473)
	<b>(1,060,176)</b>	<b>(1,428,773)</b>

### NOTE 25 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

#### a) Income from investment activities

	1 January - 31 December 2022	1 January - 31 December 2021
Fair value increase in investment properties	2,753,646	793,813
Fair value of exchange rate-protected TRY time deposits <sup>(*)</sup>	430,641	-
Fair value of marketable securities	103,898	-
Rent income	79,537	42,209
Gain on sale of property, plant and equipment	1,782	2,042
	<b>3,369,504</b>	<b>838,064</b>

<sup>(\*)</sup> As of 31 December 2022, the fair value difference of exchange rate-protected TRY time deposits is TRY42,752 while the remaining TRY 387,889 is the realized amount.

#### b) Expenses from investment activities

Loss on sale of property, plant and equipment	(119)	(296)
	<b>(119)</b>	<b>(296)</b>

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### NOTE 26 - FINANCIAL INCOME/EXPENSES

#### a) Finance income

	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains	5,267,151	7,240,483
Interest income	301,857	331,882
Other	4,524	55,780
	<b>5,573,532</b>	<b>7,628,145</b>

#### b) Finance expense

Foreign exchange loss	(5,939,561)	(7,719,617)
Interest expense	(1,527,143)	(476,568)
Commission expense	(125,000)	(43,596)
Interest expense from lease liabilities	(41,511)	(32,951)
Interest expense on employee benefits	(18,359)	(13,882)
Other	(19,796)	-
	<b>(7,671,370)</b>	<b>(8,286,614)</b>

### NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2022	1 January - 31 December 2021
Net profit for the period of the equity holders of the parent	6,580,253	5,451,706
Weighted average number of shares with nominal value of Kr l each (thousand)	253,440	253,440
<b>Earnings per share (Kr)</b>	<b>2.5964</b>	<b>2.1511</b>

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## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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### NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2022 and 31 December 2021 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 2022	31 December 2021
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	702,133	595,669
STAR <sup>(2)</sup>	241,289	129,485
SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>	223,587	-
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	21,404	20,692
SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>	103	-
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	30	185
STEAŞ <sup>(1)</sup>	5	13
SOCAR Azerikimya Production Union <sup>(2)</sup>	-	59
Other <sup>(2)</sup>	497	39
	<b>1,189,048</b>	<b>746,142</b>

##### b) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup>	13,190	10,345
	<b>13,190</b>	<b>10,345</b>



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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)

#### c) Short-term trade payables to related parties:

STAR <sup>(2)</sup>	1,015,425	1,819,648
SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>	389,877	-
STEAŞ <sup>(1)</sup>	174,157	116,555
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	16,524	8,163
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	10,829	7,187
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	9,352	5,791
SOCAR Trading SA <sup>(2)</sup>	4,430	-
SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>	1,869	4,856
Azoil Petrolcülük A.Ş. <sup>(2)</sup>	1,413	680
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	992	-
SOCAR Logistics DMCC <sup>(2)</sup>	-	3,568
SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>	-	10
Other <sup>(2)</sup>	32	42
	<b>1,624,900</b>	<b>1,966,500</b>

Short-term trade payables to related parties are mainly consist of consultancy, service and goods purchases. Average maturity of short-term trade payables is 11 days (31 December 2021: 7 days).

(1) Shareholders of the Company.

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

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(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)

	31 December 2022	31 December 2021
<b>d) Other payables to related parties:</b>		
Due to shareholder <sup>(1)</sup>	87	87
	<b>87</b>	<b>87</b>
<b>e) Short-term deferred revenue from related parties:</b>		
SOCAR Aliağa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	35,097	24,268
STAR <sup>(2)</sup>	6,307	3,942
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	152	9
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	73	-
	<b>41,692</b>	<b>28,219</b>
<b>f) Long-term deferred revenue from related parties:</b>		
SOCAR Aliağa Liman İşletmeciliği A.Ş. <sup>(2) (*)</sup>	833,076	602,498
STAR <sup>(2)</sup>	4,524	4,735
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	88	98
	<b>837,688</b>	<b>607,331</b>

<sup>(\*)</sup> 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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) Short-term prepaid expense to related parties:

	31 December 2022	31 December 2021
STEAŞ <sup>(1)</sup>	9,012,642	6,413,869
SIBC Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup>	16,740	-
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. <sup>(2)</sup>	9,116	-
STAR <sup>(2)</sup>	1,813	1,812
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	128	145
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	76	76
SOCAR Logistics DMCC <sup>(2)</sup>	-	2,156
Other <sup>(2)</sup>	168	110
	<b>9,040,683</b>	<b>6,418,168</b>

(1) Shareholders of the Company.

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

<sup>(1)</sup> As a result of negotiations between the Group and its main shareholder STEAŞ, a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. ('Rafineri Holding') from STEAŞ with a purchase price of USD720 million. Rafineri Holding owns 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 aforementioned agreement is subject to various conditions that should be mutually agreed by the parties and could be terminated at Petkim's initiative depending on the Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 December 2022 and have been subject to exchange rate valuation. This time with the board decision dated 30 December 2022; it has been considered appropriate to postpone the Closing date until 2 October 2023 considering the continuation of the effect of the adverse developments in the markets and of the uncertainties at global level and especially in petrochemical industry; and continuation of the final approval process regarding the fulfillment of the conditions precedent in the SPA between parties in order for the completion of the share transfer transaction, and also repayment of our Company's USD500.000.000 Notes due on 26 January 2023 and in connection therewith, so as to preserve our Company's cash flow position. The first two installment amounting to USD480 million has been paid by the Company and remaining USD240 million will be paid with the closing date.

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## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

### **NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

#### **h) Long-term prepaid expense to related parties**

	<b>31 December 2022</b>	<b>31 December 2021</b>
STAR <sup>(2)</sup>	22,489	18,306
STEAS <sup>(1)</sup>	5,101	9,509
	<b>27,590</b>	<b>27,815</b>

#### **i) Short-term leasing payables to related parties:**

SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	58,766	40,868
STEAS <sup>(1)</sup>	7,710	4,225
	<b>66,476</b>	<b>45,093</b>

#### **j) Long-term leasing payables to related parties:**

SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	232,307	186,787
STEAS <sup>(1)</sup>	27,955	18,035
	<b>260,262</b>	<b>204,822</b>

(1) Shareholders of the Company.

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

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(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

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

	1 January - 31 December 2022	1 January - 31 December 2021
STEAŞ <sup>(1)</sup>	2,522,106	2,893,425
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	69,997	10,332
SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup>	2,634	1,744
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	1,250	(119)
SOCAR Aliağa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	452	(723)
STAR <sup>(2)</sup>	(195,477)	(396,370)
SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>	(120,965)	(14,290)
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	(108,840)	(126,366)
SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>	(23,287)	(14,290)
SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>	(1,313)	-
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	(498)	4,459
SOCAR Logistics DMCC <sup>(2)</sup>	-	(6,137)
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. <sup>(2)</sup>	-	(221)
SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>	-	(113)
SOCAR Azerikimya Production Union <sup>(2)</sup>	-	28
Other <sup>(2)</sup>	(137)	(1,626)
	<b>2,145,922</b>	<b>2,349,733</b>

The breakdown of income from STAR is as follows; TRY244,626 is foreign exchange loss, TRY49,149 other income and the breakdown of income from STEAŞ is as follows; TRY2,557,749 foreign exchange gain from based on STAR share advanced, TRY23,804 foreign exchange gain from based on other transactions and TRY79,447 other expense. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

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### 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 2022	1 January - 31 December 2021
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	188,040	78,801
STEAŞ <sup>(1)</sup>	131,519	68,908
SIBC Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup>	74,167	-
SOCAR Sigorta ve Reasürans Brokerliği A.Ş. <sup>(2)</sup>	47,112	-
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	43,678	14,753
STAR <sup>(2)</sup>	33,970	13,863
SOCAR Trading SA <sup>(2)</sup>	4,912	1,802
SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>	317	-
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	296	726
SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>	78	2,348
Other <sup>(2)</sup>	1,739	58
	<b>525,828</b>	<b>181,259</b>

The purchases from SCR Müşavirlik ve İnşaat A.Ş., STAR and STEAŞ mainly consist of rent and other services purchases.

(1) Shareholders of the Company.

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

##### c) Product purchase from related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
STAR <sup>(2)</sup>	16,589,797	9,732,870
SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>	2,660,462	977,261
SOCAR Logistics DMCC <sup>(2)</sup>	602,931	167,840
SIBC Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup>	102,840	-
Azoil Petrolcülük A.Ş. <sup>(2)</sup>	26,652	3,046
SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>	3,882	-
SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>	-	1,349
	<b>19,986,564</b>	<b>10,882,366</b>

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 1,259,055 tons of TRY15,473,630 naphtha purchases, TRY1,116,167 other purchases.

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## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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)**

##### **d) Product and service sales to related parties:**

STAR <sup>(2)</sup>	2,116,482	383,016
SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>	680,077	230,701
SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	397,051	193,402
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	23,987	14,606
Azeri M-I Drilling Fluids MMC <sup>(2)</sup>	8,005	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	1,129	932
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	937	430
SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>	467	6,013
Azoil Petrolcülük A.Ş. <sup>(2)</sup>	299	50
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	16	-
	<b>3,228,450</b>	<b>829,150</b>

The breakdown of sales from STAR is as follows; TRY791,913 the sales of by product, TRY533,229 the sales of steam sales and the remaining sales of other products sales.

(1) Shareholders of the Company.

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

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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)

	1 January - 31 December 2022	1 January - 31 December 2021
<b>e) Rent income from related parties:</b>		
STAR <sup>(2)</sup>	84,505	43,808
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	5,650	3,025
SOCAR Aliağa Liman İşletmeciliği A.Ş. <sup>(2)</sup>	1,946	1,003
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	447	343
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	376	475
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	142	140
	<b>93,066</b>	<b>48,794</b>
<b>f) Fixed assets purchases from related parties:</b>		
STEAŞ <sup>(1)</sup>	35,942	78,615
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup>	15,588	9,223
STAR <sup>(2)</sup>	12,333	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>	5,820	2,104
SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>	1,921	840
SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>	819	-
	<b>72,423</b>	<b>90,782</b>
<b>g) Key management compensation:</b>		
Payments for salary and seniority incentives	132,373	32,472
	<b>132,373</b>	<b>32,472</b>



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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)

##### h) Key management compensation - long-term:

Provision for unused vacation	3,824	2,757
Provision for employment termination benefits	3,229	1,484
Provision for seniority incentives	340	98
	<b>7,393</b>	<b>4,339</b>
	<b>139,766</b>	<b>36,811</b>

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.

(1) Shareholders of the Company.

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

### 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

#### a) Short-term provisions:

	31 December 2022	31 December 2021
Provision for legal cases	2,597	2,597
Other	4,841	-
	<b>7,438</b>	<b>2,597</b>

#### b) Guarantees received:

Receivable insurance	6,970,531	2,781,298
Bank guarantees within the context of DOCS	3,395,297	2,510,499
Letters of guarantee received from customers	1,932,026	1,511,716
Letters of guarantee received from suppliers	730,860	503,580
Letters of credit	20,178	251,809
Mortgages	2,000	2,000
	<b>13,050,892</b>	<b>7,560,902</b>

#### c) Guarantees given:

Mortgages given to banks <sup>(*)</sup>	3,082,058	2,381,025
Guarantees given to banks	1,270,394	973,821
Custom offices	210,942	116,228
Other	261,819	28,409
	<b>4,825,213</b>	<b>3,499,483</b>

<sup>(\*)</sup> Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD165 million as of 31 December 2022.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries****Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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 2022	31 December 2021
<b>A.</b> Total amount of CPMs given for the Company's own legal personality	1,743,155	1,118,458
<b>B.</b> Total amount of CPMs given on behalf of fully consolidated companies (*)	3,082,058	2,381,025
<b>C.</b> Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
<b>D.</b> Total amount of other CPMs		
<b>i.</b> Total amount of CPMs given on behalf of the majority shareholder	-	-
<b>ii.</b> Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
<b>iii.</b> Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	<b>4,825,213</b>	<b>3,499,483</b>

(\*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limançılık Ticaret A.Ş. at an amount of USD212 million which Petlim has remaining loan balance amounting to TRY3,082,058 as of 31 December 2022. Petkim has guaranteed the loan repayment and its shares in Petlim Limançılık Ticaret A.Ş. amounting TRY105,000 has been pledged. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land which was sold by Petkim at a price of TRY5,650. In terms of the risk occurred by the given mortgage, it is considered that it would be appropriate to consider the land amount instead of the mortgage amount.

**d) Operational leases:**

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
0-5 years	2,492,667	1,705,251
5-10 years	2,731,645	1,758,151
10 years and more	9,506,602	5,865,111
<b>Total</b>	<b>14,730,914</b>	<b>9,328,513</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

### **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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries****Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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 2022:

	31 December 2022			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables from third parties (1)	Cash and cash equivalents
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>13,190</b>	<b>1,189,048</b>	<b>3,545,891</b>	<b>13,251,675</b>
- The part of maximum credit risk covered with guarantees etc	-	-	2,586,082	-
<b>A.</b> Net book value of financial assets neither past due nor impaired (3)	13,190	1,189,048	3,360,714	13,251,675
<b>B.</b> Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-	-
<b>C.</b> Net book value of assets past due but not impaired (4)	-	-	185,177	-
- The part covered by guarantee etc.	-	-	100,400	-
<b>D.</b> Net book value of assets impaired	-	-	23,942	-
- Past due (gross book value)	-	-	23,942	-
- Impairment amount	-	-	(20,563)	-
- The part of net value covered with guarantees etc	-	-	-	-
<b>E.</b> 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:

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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:

	<u>31 December 2021</u>			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables from third parties (1)	Cash and cash equivalents
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>18,676</b>	<b>746,142</b>	<b>4,360,446</b>	<b>3,665,331</b>
- The part of maximum credit risk covered with guarantees etc	-	-	3,595,376	-
<b>A.</b> Net book value of financial assets neither past due nor impaired (3)	18,676	746,142	4,340,054	3,665,331
<b>B.</b> Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-	-
<b>C.</b> Net book value of assets past due but not impaired (4)	-	-	20,392	-
- The part covered by guarantee etc.	-	-	13,015	-
<b>D.</b> 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	-	-	-	-
<b>E.</b> 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:

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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 2022	Receivables		Total
	Related parties	Third parties	
1-30 days overdue	-	147,157	147,157
1-3 months overdue	-	26,123	26,123
3 months and over	-	11,897	11,897
The part covered by the guarantees	-	(100,400)	(100,400)
	-	<b>84,777</b>	<b>84,777</b>

31 December 2021	Receivables		Total
	Related parties	Third parties	
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)
	-	<b>7,377</b>	<b>7,377</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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:

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, 2022 and 2021 are as follows:

	31 December 2022				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 years and above (III)
<b>Contract due date:</b>					
Bank credits	6,352,388	6,892,462	566,973	3,392,730	2,932,759
Other financial liabilities	12,348,676	12,668,447	7,012,009	5,656,438	-
Bond issued	9,600,500	9,641,126	9,641,126	-	-
Trade payables	2,782,581	2,782,581	2,782,581	-	-
Due to related parties	1,624,987	1,625,041	1,625,041	-	-
Lease liabilities	422,066	815,327	34,408	59,163	721,756
	<b>33,131,198</b>	<b>34,424,984</b>	<b>21,662,138</b>	<b>9,108,331</b>	<b>3,654,515</b>



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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 2021				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 years and above (III)
<b>Contract due date:</b>					
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	1,966,641	1,966,641	-	-
Lease liabilities	329,618	658,912	24,983	45,873	588,056
	<b>15,936,518</b>	<b>16,922,477</b>	<b>4,579,655</b>	<b>2,493,227</b>	<b>9,849,595</b>

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 2022				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 year and above (III)
<b>Contract due date:</b>					
Derivative financial instruments	58,488	(2,742,325)	(1,204,053)	(168,472)	(1,369,800)

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

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(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 2021				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 year and above (III)
<b>Contract due date:</b>					
Derivative financial instruments	(45,645)	(1,319,267)	(182,853)	(68,781)	(1,067,633)

#### 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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

# Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

## NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

### i) Foreign exchange risk (Continued)

#### Foreign currency position

	31 December 2022				31 December 2021			
	TRY equivalent	US Dollar	Euro	Other	TRY equivalent	US Dollar	Euro	Other
1. Trade receivables	2,954,208	135,488	21,109	-	3,681,865	240,126	31,897	-
2a. Monetary financial assets (Cash, bank accounts included)	20,812,909	1,107,316	5,414	54	9,448,092	596,799	98,982	4
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
<b>3. Current assets (1+2)</b>	<b>23,767,117</b>	<b>1,242,804</b>	<b>26,523</b>	<b>54</b>	<b>13,129,957</b>	<b>836,925</b>	<b>130,879</b>	<b>4</b>
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
<b>7. Non-current assets (4+5+6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>8. Total assets (3+7)</b>	<b>23,767,117</b>	<b>1,242,804</b>	<b>26,523</b>	<b>54</b>	<b>13,129,957</b>	<b>836,925</b>	<b>130,879</b>	<b>4</b>
9. Trade payables	2,320,977	82,231	32,874	133,628	3,122,093	221,129	10,642	9,997
10. Financial liabilities	23,198,363	1,231,699	6,318	-	2,628,386	186,196	9,402	-
11a. Monetary other liabilities	852,130	3,548	-	785,667	823,241	3,377	-	778,148
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
<b>12. Short term liabilities (9+10+11)</b>	<b>26,371,470</b>	<b>1,317,478</b>	<b>39,192</b>	<b>919,295</b>	<b>6,573,720</b>	<b>410,702</b>	<b>20,044</b>	<b>788,145</b>
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	-	-	-	-	6,763,528	499,448	6,246	-
15a. Monetary other liabilities	308,375	14,458	-	37,544	204,822	15,339	-	29,608
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
<b>16. Long term liabilities (13+14+15a+15b)</b>	<b>308,375</b>	<b>14,458</b>	<b>-</b>	<b>37,544</b>	<b>6,968,350</b>	<b>514,787</b>	<b>6,246</b>	<b>29,608</b>
<b>17. Total liabilities (12+16)</b>	<b>26,679,845</b>	<b>1,331,936</b>	<b>39,192</b>	<b>956,839</b>	<b>13,542,070</b>	<b>925,489</b>	<b>26,290</b>	<b>817,753</b>
<b>18. Net (liability)/asset contract value of derivative instruments (18a-18b)</b>	<b>2,099,333</b>	<b>112,274</b>	<b>-</b>	<b>-</b>	<b>166,913</b>	<b>12,500</b>	<b>-</b>	<b>-</b>
<b>18a. Amount of asset contract value of derivative instruments</b>	<b>2,099,333</b>	<b>112,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18b. Amount of liability contract value of derivative instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,913</b>	<b>12,500</b>	<b>-</b>	<b>-</b>
<b>19. Net foreign (liability)/asset position (8-17+18)</b>	<b>(813,395)</b>	<b>23,142</b>	<b>(12,669)</b>	<b>(956,785)</b>	<b>(245,200)</b>	<b>(76,064)</b>	<b>104,589</b>	<b>(817,749)</b>
<b>20. Net foreign currency (liability)/asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)</b>	<b>(2,912,728)</b>	<b>(89,132)</b>	<b>(12,669)</b>	<b>(956,785)</b>	<b>(412,113)</b>	<b>(88,564)</b>	<b>104,589</b>	<b>(817,749)</b>
<b>21. Total fair value of financial instruments used for foreign currency hedging</b>	<b>(8,259)</b>	<b>(441)</b>	<b>-</b>	<b>-</b>	<b>8,534</b>	<b>658</b>	<b>-</b>	<b>-</b>
<b>22. Hedged amount for foreign currency assets</b>	<b>2,099,333</b>	<b>112,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Hedged amount for foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>166,913</b>	<b>12,500</b>	<b>-</b>	<b>-</b>
<b>24. Export</b>	<b>20,064,325</b>	<b>902,381</b>	<b>320,063</b>	<b>363,599</b>	<b>11,773,755</b>	<b>891,897</b>	<b>354,851</b>	<b>74,582</b>
<b>25. Import</b>	<b>14,192,255</b>	<b>733,386</b>	<b>149,781</b>	<b>219,909</b>	<b>9,113,020</b>	<b>925,177</b>	<b>77,958</b>	<b>80,831</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries****Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)****c) Market risk (Continued):****Table of sensitivity analysis for foreign currency risk****31 December 2022**

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

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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):

##### 31 December 2021

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 10% against TRY:</b>				
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)
<b>3- USD effect - net (1+2)</b>	<b>(118,047)</b>	<b>118,047</b>	<b>(101,386)</b>	<b>101,386</b>
<b>Change of EUR by 10% against TRY:</b>				
4- Asset/(Liability) denominated in EUR - net	157,790	(157,790)	157,790	(157,790)
5- The part hedged for EUR risk (-)	-	-	-	-
<b>6- Avro effect - net (4+5)</b>	<b>157,790</b>	<b>(157,790)</b>	<b>157,790</b>	<b>(157,790)</b>
<b>Change of other currencies by 10% against TRY:</b>				
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 (-)	-	-	-	-
<b>9- Other foreign currency effect - net (7+8)</b>	<b>79,933</b>	<b>(79,933)</b>	<b>79,933</b>	<b>(79,933)</b>
<b>Total (3+6+9)</b>	<b>119,676</b>	<b>(119,676)</b>	<b>136,337</b>	<b>(136,337)</b>

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

(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):**

The Group's interest rate position as of December 31, 2022 and 2021 is presented below:

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Financial instruments with fixed interest rate</b>		
Financial liabilities		
USD Financial liabilities	23,072,048	8,419,024
EUR Financial liabilities	660,996	91,848
TRY Financial liabilities	1,421,723	-
<b>Financial instruments with variable interest rate</b>		
USD Financial liabilities	3,081,806	3,115,440
EUR Financial liabilities	64,991	144,654

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/- TRY29,100 (31 December 2021: TRY20,705).

#### **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.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

(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

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 2022	31 December 2021
Total financial debt	28,301,564	11,770,966
Less: Cash and cash equivalents and Financial investment	(14,190,788)	(3,665,331)
Net debt (Note 9)	14,110,776	8,105,635
Total equity	19,059,252	12,719,030
<b>Net debt/equity ratio</b>	<b>74%</b>	<b>64%</b>

### NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

### **NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)**

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

#### **Financial assets**

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature.

#### **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.



**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022

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

### NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

31 December 2022 and 2021, fair value and book value of financial statement were as follows:

<b>31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial investments – currency-protected				
time deposits	-	975,731	-	975,731
Derivative financial instruments	-	66,727	-	66,727
Investment properties- Land	-	5,626,240	-	5,626,240
<b>Total assets</b>	<b>-</b>	<b>6,668,698</b>	<b>-</b>	<b>6,668,698</b>
Derivative financial liabilities	-	8,239	-	8,239
<b>Total liabilities</b>	<b>-</b>	<b>8,239</b>	<b>-</b>	<b>8,239</b>
<b>31 December 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial instruments	-	8,534	-	8,534
Investment properties- Land	-	2,872,594	-	2,872,594
<b>Total assets</b>	<b>-</b>	<b>2,881,128</b>	<b>-</b>	<b>2,881,128</b>
Derivative financial liabilities	-	(54,179)	-	(54,179)
<b>Total liabilities</b>	<b>-</b>	<b>(54,179)</b>	<b>-</b>	<b>(54,179)</b>

**Petkim Petrokimya Holding Anonim Şirketi and Its Subsidiaries**

## **Notes to the Consolidated Financial Statements for the Period 1 January - 31 December 2022**

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

### **NOTE 33 - EVENTS AFTER BALANCE SHEET DATE**

For the purpose of financing repayment of the Group USD 500 million eurobonds maturing in January 2023, and strengthening its short-term financial stability, it is resolved to sign a credit agreement in an amount of USD 300 million between the Group and J.P. Morgan Securities PLC. The mentioned credit has a bullet maturity of 3 years and has interest rate of SOFR + 5.60%, per annum.

## Other Matters

### EVENTS OF SPECIAL IMPORTANCE THAT TOOK PLACE AFTER THE END OF THE OPERATION YEAR

In order to finance the repayment of the Group's existing bonds in the amount of USD 500 million that are due in January 2023, and to strengthen its short-term financial stability, A loan agreement amounting to USD 300 million was signed between the Group and JP Morgan Securities Plc. The tenor of the loan is 3 years. The principal payment is at maturity and the annual interest rate is SOFR +5.60%.

### 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 2022 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

Shareholders	31.12.2022		31.12.2021	
	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
<b>Total</b>	<b>2,534,400,000.00</b>	<b>100.00</b>	<b>2,534,400,000.00</b>	<b>100.00</b>

**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.

# Sustainability Principles Compliance Report and Information Form

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>A. General Principles</b>						
<b>A1. Strategy, Policy and Goals</b>						
<b>A.1.1</b>	The material environmental, social and corporate governance (ESG) issues, risks and opportunities have been determined by the Company's Board of Directors		x		In addition to the traditional risk register list, SOCAR Türkiye has created an Environmental, Social and Governance Risk Register, which examines sustainability risks, in line with global concepts and sectoral needs such as the Paris Climate Agreement, the European Green Consensus and Net Zero Carbon. The requirements of the ISO 31000 Risk Management System Standard were taken into consideration while compiling the list. In studies carried out according to this standard; difficult situations that may be encountered in the future are foreseen, saving time, encouraging proactive management, preventing losses and improving case management, while supporting compliance with relevant legal and regulatory requirements and international norms, ensuring business continuity, and guiding on standard similar issues. While preparing the Environmental, Social and Governance Risk Registry List, the COSO (Committee of Sponsoring Organizations) guide, which is an internal control guide and includes good examples from around the world, was taken as a basis. The steps of Risk Detection, Risk Definition, Risk Analysis, Risk Assessment and Risk Treatment are followed while preparing the aforementioned risk list. The report resulting from these steps has been classified in accordance with international reporting (TCFD, PRI, CDP, etc.)	SOCAR Türkiye Sustainability Report
	ESG policies, including the Environmental Policy, Energy Policy, Human Rights and Employee Policy, have been established by the Board of Directors and disclosed to the public.			x	SOCAR Türkiye has established various institutional policies for the management of social, economic and environmental issues. The most comprehensive of these policies, which are also published on the corporate website, are SOCAR Türkiye Code of Ethics, Anti-Corruption and Trade Sanctions Policy and the SOCAR Türkiye Occupational Health, Safety and Environment Policy.	SOCAR Occupational Health, Safety and Environment (OHS-E) Policy.
<b>A.1.2</b>	Short and long-term targets set within the scope of ESG policies have been disclosed to the public.		x		Petkim's short and long-term targets within the scope of ESG policies are determined in line with SOCAR Türkiye. The SOCAR Türkiye Sustainability Report may be accessed in the Sustainability Goals section.	SOCAR Türkiye Sustainability Report

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>A2. Implementation/ Monitoring</b>						
<b>A.2.1</b>	The committees and/ or units responsible for implementation of ESG policies, and the individuals with the highest authority related to ESG matters and their duties have been determined and disclosed to the public.	x			Within the SOCAR Group, including Petkim.	SOCAR Official Website
	Activities carried out within the scope of policies by the responsible committee and/or unit are reported to the board of directors at least once a year.	x			Work implemented by SOCAR Türkiye in the field of sustainability and corporate social responsibility, sustainability performance measurement, monitoring and reporting are carried out by the Corporate Social Responsibility and Sustainability Unit under the umbrella of the Communications and Public Relations Department.  A web application has been developed in order to report instant or retrospective operational data to senior management and users in line with their authorization.	SOCAR Türkiye Sustainability Report
<b>A.2.2</b>	Implementation and action plans are developed and disclosed to the public in line with the ESG targets.	x			Petkim determines its implementation and action plans in line with ESG targets in accordance with SOCAR Türkiye. The SOCAR Türkiye Sustainability Report may be accessed in the Sustainability Goals section.	SOCAR Türkiye Sustainability Report
<b>A.2.3</b>	The ESG Key Performance Indicators (KPI) and the level of achievement in these indicators on an annual basis are disclosed to the public.	x			At Petkim, the impact on the environment is checked by measurements and studies on environmental issues, with our motivation, which goes beyond legal obligations, guiding us in our work as we target continuous improvement in environmental performance indicators. In this vein, our activities include water and wastewater analysis, emission/immission measurements, waste management, control of marine pollution, continuous reviews of environmental impact assessment analyzes, efficient and effective operation of the wastewater treatment plant and hazardous waste incineration plant, development of an environmental culture within the company, management of chemicals and monitoring greenhouse gas emissions.	Petkim 2022 Activity Report
<b>A.2.4</b>	Activities to improve the sustainability performance of business processes or products and services have been disclosed to the public.	x			PETKİM INTEGRATED MANAGEMENT SYSTEM The Petkim Integrated Management System consists of the following components: · 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 Security Management System · TS ISO 10002:2018 Customer Satisfaction Management System · TS ISO 31000:2018 Risk Management Verification System · TS ISO 22301:2012 Societal Security - Business Continuity Management System · Greenport Certificate  · ISO 17025 Laboratory Management System · TSE COVID-19 Safe Production Certificate	Petkim 2022 Annual Report  SOCAR Türkiye Sustainability Report

# Sustainability Principles Compliance Report and Information Form

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>A3. Reporting</b>						
<b>A.3.1</b>	Information regarding the sustainability performance, targets and actions are disclosed in the Company's annual reports in a manner which is understandable, accurate and sufficient.	x			We succeeded in ranking among the top ten companies in the world in our category on the basis of the global ESG rating, which indicates the Environmental, Social and Governance (ESG) performance of our operations and our sustainability performance. This result is testament to our comprehensive infrastructure and integration efforts for sustainable production, as well as our sustainability approach, which aims to create value for our stakeholders in our entire production and economic cycle and oversees social development. We believe our performance in both our economic achievements and our sustainability targets is more meaningful than ever in a period when the global markets remain affected by adverse conditions. The ESG rating, which is a global sustainability accreditation, is also important result which contributes significantly to our global brand value.	Petkim 2022 Annual Report
<b>A.3.2</b>	The Company discloses information on which of its activities are related to the United Nations (UN) 2030 Sustainable Development Goals to the public.		x			
<b>A.3.3</b>	Lawsuits filed and/or concluded against ESG issues, lawsuits which are important in terms of ESG policies and/or will significantly affect the Company's activities are disclosed to the public.	x			As of 31 December, 2022, no lawsuits had been filed against the Company which could affect the Company's financial status and activities.	Petkim 2022 Annual Report
<b>A4. Verification</b>						
<b>A.4.1</b>	The Company's ESG Key Performance metrics have been verified by an independent third party and disclosed to the public.			x	Key audit findings are those that, in our professional judgment, are of the most importance in our independent audit of the current period's consolidated financial statements. Key findings of the audit have been addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion on the consolidated financial statements, on which we do not express a separate opinion.	Petkim 2022 Annual Report
<b>B. Environmental Principles</b>						
<b>B.1</b>	The Company has publicly disclosed its policies and practices, action plans, environmental management systems (known by the ISO 14001 standard) and programs in the field of environmental management.	x			The Company was awarded the ISO 14001 Environmental Management System Certificate and TS 18001 Occupational Health and Safety Management System Certificate.	Petkim 2022 Annual Report

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>B.2</b> The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions were disclosed to the public within the scope of environmental reports prepared on environmental management.	x				The SOCAR Türkiye Sustainability Report covers the activities of parent company SOCAR Türkiye (Corporate Headquarters), Petkim, STAR Rafineri, SOCAR Depolama, SOCAR Terminal, Petkim RES, BURSAGAZ, KAYSERİGAZ, SOCAR Enerji Ticaret, Enervis, Millenicom and SOCAR Ar-Ge ve İnovasyon in Türkiye between January 1, 2022 and 31 December 2022. This report has been prepared in accordance with the GRI Standards "Core" option.	SOCAR Türkiye Sustainability Report
<b>B.3</b> Given in A2.1						
<b>B.4</b> The environmental targets included in the reward criteria within the scope of performance incentive systems on the basis of stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public.		x			No environmental targets have been included in the reward criteria within the scope of performance incentive systems on the basis of stakeholders (such as members of the board of directors, managers and employees).	
<b>B.5</b> The method integration between material environmental issues into business objectives and strategies has been disclosed to the public.	x				Decarbonization • The implementation of energy efficiency, electrification, resource management and flue management initiatives to reduce CO <sub>2</sub> emissions by 1% per year  The Circular Economy	SOCAR Türkiye Sustainability Report
<b>B.6</b> Given A2.4						
<b>B.7</b> The means by which environmental issues are managed and integrated into business objectives and strategies throughout the Company's value chain, including the operational process, suppliers and customers, has been disclosed to the public.	x				SOCAR Türkiye and its group companies use various channels to create a participatory, timely, transparent and two-way communication environment with their external stakeholders as well as their employees. Stakeholder communication systematics have also been shaped in many of the management systems. The Company believes it is essential to strengthen communication with all stakeholders, with customers, shareholders and investors, public institutions and local governments, trade unions, suppliers and contractors, professional organizations and non-governmental organizations, financial institutions, educational institutions, media organizations and local people among the stakeholders frequently contacted.	SOCAR Türkiye Sustainability Report
<b>B.8</b> Any involvement of relevant organizations and non-governmental organizations regarding the environment in the policy-making processes and any collaborations with these institutions and organizations has been disclosed to the public.	x				Petkim establishes various collaborations within the scope of product development with an awareness of the importance of adding value to the customers. In addition, as a part of the SOCAR Group, it realizes collaborations between industry and academia through the open innovation model which it has adopted.	SOCAR Türkiye Sustainability Report - Sustainability Approach- SOCAR Türkiye Corporate Memberships

# Sustainability Principles Compliance Report and Information Form

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>B.9</b> Environmental indicators such as Greenhouse gas emissions - Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts) regarding the impacts of the Company are periodically disclosed to the public on a comparable basis.		x			Realizations regarding the collection and calculation of data on environmental indicators are shared with the public together with other SOCAR Türkiye companies within the scope of the SOCAR Sustainability Report on an annual basis.	SOCAR Türkiye Sustainability Report, Performance Data Section
<b>B.10</b> Details of the standard, protocol, methodology and the base year used to collect and calculate data have been disclosed to public.		x			Standards and protocols regarding the collection and calculation of data on environmental indicators are shared with the public together with other SOCAR Türkiye companies within the scope of the SOCAR Sustainability Report.	SOCAR Türkiye Sustainability Report, Performance Data Section
<b>B.11</b> Any increase or decrease in the environmental indicators for the reporting year, in comparison with previous years, is disclosed to the public.		x			Realizations regarding the collection and calculation of data on environmental indicators are shared with the public together with other SOCAR Türkiye companies within the scope of the SOCAR Sustainability Report on an annual basis.	SOCAR Türkiye Sustainability Report, Performance Data Section
<b>B.12</b> Short and long-term targets have been determined to reduce the Company's environmental impacts, and the progress of these targets and the targets determined in previous years has been disclosed to the public.		x			Realizations regarding the collection and calculation of data on environmental indicators are shared with the public, together with other SOCAR Türkiye companies, within the scope of the SOCAR Sustainability Report on an annual basis.	SOCAR Türkiye Sustainability Report, Performance Data Section
<b>B.13</b> A strategy to tackle the climate crisis has been set out and the planned actions have been disclosed to the public.		x			Petkim's strategy to tackle the climate crisis is handled within the scope of the strategy created under the umbrella of SOCAR Türkiye.	SOCAR Türkiye Sustainability Report, Tackling Climate Change



PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>B.14</b> Programs or procedures to prevent or minimize the potential negative impacts of the products and/or services on the environment have been established and disclosed to the public.		x			The environmental benefits and cost savings of the initiatives and projects taken by Petkim to reduce environmental impacts are shared with the public by reporting the overall impacts of SOCAR Türkiye companies, including Petkim.	
Actions have been taken to reduce greenhouse gas emissions of third parties (such as suppliers, subcontractors and dealers) and these actions have been disclosed to the public.			x			
<b>B.15</b> The environmental benefits and cost savings of the initiatives and projects aimed at reducing environmental impacts have been disclosed to the public.	x				The environmental benefits and cost savings of the initiatives and projects undertaken by Petkim to reduce environmental impacts are disclosed to the public by reporting the overall impacts of SOCAR Türkiye companies, including Petkim.	SOCAR Türkiye Sustainability Report, Tackling Climate Change
<b>B.16</b> Data regarding consumption of energy (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling etc.) has been disclosed to the public as Scope-1 and Scope-2		x			Petkim's energy consumption is shared with the public by reporting the overall impact of SOCAR Türkiye companies.	SOCAR Türkiye Sustainability Report, Tackling Climate Change
<b>B.17</b> Information regarding electricity, heating, steam and cooling produced in the reporting year has been disclosed to the public.				x		
<b>B.18</b> Actions to increase the use of renewable energy and the transition to zero or low carbon electricity have been made and disclosed to the public.		x			The full-scale effects of SOCAR Türkiye companies, including Petkim, are reported and disclosed to the public.	SOCAR Türkiye Sustainability Report
<b>B.19</b> Renewable energy production and consumption data has been disclosed to the public.		x			The full-scale effects of SOCAR Türkiye companies, including Petkim, are reported and disclosed to the public.	SOCAR Türkiye Sustainability Report
<b>B.20</b> Energy efficiency projects have been carried out and the amount of energy consumption and reduction in emission achieved through energy efficiency projects has been disclosed to the public.		x			The full-scale effects of SOCAR Türkiye companies, including Petkim, are reported and disclosed to the public.	SOCAR Türkiye Sustainability Report

# Sustainability Principles Compliance Report and Information Form

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>B.21</b> Water consumption and amounts of water drawn, recycled and discharged from underground or above ground, if any, along with the sources and procedures have been disclosed to the public.	x				The full-scale effects of SOCAR Türkiye companies, including Petkim, are reported and disclosed to the public.	SOCAR Türkiye Sustainability Report
<b>B.22</b> The inclusion of the Company's operations or activities in any carbon pricing system, if any (Emissions Trading System, Cap & Trade or Carbon Tax)	x				The full-scale effects of SOCAR Türkiye companies, including Petkim, are reported and disclosed to the public.	SOCAR Türkiye Sustainability Report
<b>B.23</b> Information on carbon credits gained or purchased during the reporting period has been disclosed to the public.				x		
<b>B.24</b> Details of any carbon pricing applied within the Company are disclosed to the public.		x			TARGET. • To develop an internal carbon pricing approach in our future investments to effectively integrate decarbonization and mitigate potential regulatory risks	
<b>B.25</b> The platforms where the Company discloses its environmental information are disclosed to the public.	x				Petkim periodically shares its environmental information with the public in the Sustainability Principles Compliance Report in the Company's Annual Report, as well as within the scope of the SOCAR Sustainability Report.	SOCAR Türkiye Sustainability Report, Petkim Website
<b>C. Social Principles</b>						
<b>C1. Human Rights and Employee Rights</b>						
<b>C.1.1</b> The Corporate Human Rights and Employee Rights Policy has been established in a manner which covers the Universal Declaration of Human Rights, the ILO Conventions ratified by Türkiye and other relevant legislation, with the execution of the policy determined and both the policy and departments responsible for the policies disclosed to the public.	x				Adopting the principle of impact management throughout the value chain in sustainability management, SOCAR Türkiye also places priority on the management of social risks (working conditions, human rights, occupational health and safety, etc.), economic and environmental factors (environmental management system and requirements, emission management, water management) in purchasing operations and in the selection of suppliers, with all purchasing activities (transactions) carried out in compliance with SOCAR Türkiye Purchasing Values.	SOCAR Türkiye Sustainability Report

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<p><b>C.1.2</b> Considering the effects of the supply and value chain, a fair workforce, improvement in labor standards, women's employment and inclusion issues (such as not discriminating on the basis of issues such as gender, race, religion, language, marital status, ethnic identity, sexual orientation, gender identity, family responsibilities, union activities, political leaning, disability or social and cultural differences) are included in the Company's policy on employee rights.</p>		x			<p>SOCAR Türkiye became a signatory of Women's Empowerment Principles (WEPs), a shared initiative between UN Women and the UN Global Compact, in 2021. By supporting these principles in business processes, SOCAR Türkiye adopts an approach which promotes diversity, equality and inclusion and which aims to provide its employees with a work environment where they will feel happy and safe and open to development, and which is participatory and respectful of human rights. The Company views the creation of a fair, inclusive and diverse business life and developing business cultures with an equality perspective as a brand goal. In this context, SOCAR Türkiye emphasizes the importance of equality, diversity and inclusion within the scope of gender equality and human rights, and maintains its activities with the awareness that diversity is a source of richness. SOCAR Türkiye aims to promote a culture that respects the diversity and contribution of all employees and accepts diversity, believing that each employee is valuable with their color, preferences, thoughts, abilities and beliefs. In this context, the project of "Our Energy is Diversity" creates a more equal, fair, transparent and participatory work environment by offering better working conditions to its employees with different identities and characteristics in their workplaces with its policies on diversity and inclusion and the Women's Empowerment Principles.</p>	<p>SOCAR Türkiye Sustainability Report</p>
<p><b>C.1.3</b> Measures taken along the value chain regarding the observance of certain economic, environmental, social factors (low-income groups, women, etc.) or minority rights/equality of opportunity have been disclosed to the public.</p>		x			<p>2022 Year Training Projects 2022 Year Environment Projects</p>	<p>SOCAR Türkiye Sustainability Report</p>
<p><b>C.1.4</b> Developments regarding preventive and corrective practices to tackle discrimination, inequality, human rights violations, forced and child labor have been disclosed to the public</p>				x	<p>In line with the business ethics approach, the protection of human rights and the prevention of human rights violations are also being addressed seriously. The activities carried out by SOCAR Türkiye and its group companies are carried out in accordance with the United Nations Universal Declaration of Human Rights and the main conventions of the International Labor Organization. Suppliers, customers and business partners are also expected to observe these norms in order to ensure that human rights are valued and respected in all operational decisions and processes. Within the framework of respect for human rights, the freedom of association, unionization and collective bargaining of employees is respected, while forced labor, misuse of labor force and child labor are prevented, and no form of discrimination is tolerated.</p>	<p>SOCAR Türkiye Sustainability Report</p>

# Sustainability Principles Compliance Report and Information Form

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>C.1.5</b> Investments in employees (training, development policies), compensation, recognized fringe benefits, unionization rights, work/life balance solutions and talent management are included in the employee rights policy.			x			SOCAR Türkiye Sustainability Report
Disagreement resolution processes have been determined by establishing mechanisms for employee complaints and resolution of disputes.	x				The Ethics Hotline, designed to be open to anonymous notifications by SOCAR Türkiye employees and/or third parties by e-mail, telephone, letter and complaint boxes at the facilities, is used to report ethical violations and suspicions of bribery and corruption. The Ethics Hotline notifications may only be viewed by the Compliance Group Coordinator and the Audit, Risk and Compliance Group Director.	SOCAR Türkiye Sustainability Report
Activities carried out within the reported period to ensure employee satisfaction were disclosed to the public.	x				Risks in the field of human resources are also monitored in order to realize the company's targets and strategies, maintain the highest levels of employee satisfaction and increase corporate loyalty. Work in this field is carried out with the principle of employee orientation, which is also one of the Company's values. The professional knowledge of employees is increased through training in various fields, and employee motivation is supported through activities organized for employees.	Petkim 2022 Annual Report
<b>C.1.6</b> Occupational health and safety policies have been established and disclosed to the public.	x					Petkim 2022 Annual Report
Measures taken to prevent occupational accidents and protect health, along with accident statistics have been disclosed to the public.	x					Petkim 2022 Annual Report
<b>C.1.7</b> Personal data protection and data security policies have been established and disclosed to the public.			x		A range of activities, including inventory updates, authorization controls, a new information infrastructure application to control data access and the preparation of KVKK Compliance Plan for 2022, were carried out in 2021 for compliance with the Personal Data Protection Law	Petkim 2022 Annual Report
<b>C.1.8</b> The Ethics policy has been established and disclosed to the public.	x					SOCAR Türkiye Sustainability Report
<b>C.1.9</b>						
<b>C.1.10</b> Informative meetings and training programs on ESG policies and practices have been provided to employees.	x				Training on ESG Policies and Practices for employees are organized within SOCAR Türkiye.	SOCAR Türkiye Sustainability Report

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>C2. Stakeholders, International Standards and Initiatives</b>						
<b>C.2.1</b>	The customer satisfaction policy regarding the management and resolution of customer complaints has been prepared and disclosed to the public.	x			<p>Ethical reporting channels, suggestion and complaint systems are also accessible to employees, especially contractors, suppliers and local people. Complaints and suggestions conveyed through these channels are carefully handled and resolved. SOCAR Türkiye and its subsidiaries generate benefits by developing studies and projects aimed at providing immediate solutions to the social needs and local contributions in the regions of Izmir, Istanbul, Bursa and Kayseri where they operate.</p> <p>With the screens developed on the portal, our customers' requests, complaints and feedback can be instantly forwarded, and their levels of satisfaction can be systematically measured and relations improved upon, allowing their status to be followed up on afterwards.</p>	SOCAR Türkiye Sustainability Report
<b>C.2.2</b>	Information about the communication with stakeholders (which stakeholder, subject and frequency) is publicly disclosed.	x			<p>SOCAR Türkiye and its group companies use various channels to create a participatory, timely, transparent and two-way communication environment with their external stakeholders as well as their employees. Stakeholder communication systematics have also been shaped in many of the management systems. While it is essential to strengthen communication with all stakeholders, customers, shareholders and investors, public institutions and local governments, trade unions, suppliers and contractors, professional organizations and non-governmental organizations, financial institutions, educational institutions, media organizations and local people are among the stakeholders frequently contacted.</p> <p>In communication with stakeholders, tools such as the corporate website, communication forms, social media, e-mail communications, annual reports, sustainability reports, press releases and meetings, announcements, mutual talks, social projects and sponsorships, external training, meetings and presentations, corporate films, research and questionnaires are used in a systematical way.</p>	SOCAR Türkiye Sustainability Report
<b>C.2.3</b>	The international reporting standards adopted in reporting are explained in detail.	x			<p>With the Asset Management Reporting System, weekly and monthly reports were created in order to increase the efficiency and effectiveness of business processes at Petkim and the STAR Rafineri. Petkim has developed predictive maintenance applications with Artesis for critical engines in order to detect malfunctions in advance, while the SmartSignal application is in place at the STAR Rafineri to pre-emptively detect malfunctions.</p> <p>Although the expectations set forth within the framework of the European Green Consensus, which was launched by the EU in the reporting period, pose risks for emission-intensive industries and product groups, various opportunities also arise for companies that carry out R&amp;D and planning studies in the field of applications that will reduce this intensity.</p>	SOCAR Türkiye Sustainability Report

# Sustainability Principles Compliance Report and Information Form

PRINCIPLES	COMPLIANCE STATUS				EXPLANATION	REPORT/LINK
	YES	NO	PARTIALLY	IRRELEVANT		
<b>C.2.4</b> Principles adopted in relation to sustainability, international organizations, committees and principles to which the Company is a signatory or member have been disclosed to the public.		x				Petkim 2022 Annual Report
<b>C.2.5</b> Improvements were put in place and studies were carried for inclusion in the sustainability indices of Borsa Istanbul and/ or international index providers.		x			Shares in Petkim, the only publicly traded subsidiary of SOCAR Türkiye, are traded on the Borsa Istanbul. With its sustainability management efforts, Petkim was listed in the BIST Sustainability Index until October 2022. The BIST Sustainability Index was initiated by Borsa Istanbul in 2014 and is determined subject to the evaluation of the companies every year.	SOCAR Türkiye Sustainability Report
<b>D. Corporate Management Principles</b>						
<b>D. Corporate Management Principles</b>						
<b>D.1</b> Stakeholders were consulted for their views while determining measures and strategies on sustainability.		x			A Corporate Governance Committee is present at Petkim. The review of ESG issues was determined as the agenda for Committee Meeting.	Petkim 2022 Annual Report
<b>D.2</b> Social responsibility projects, awareness activities and training programs have been provided to raise awareness of sustainability and its importance.		x			Social responsibility projects were carried out.	Petkim 2022 Annual Report



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