

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

CONTENTS	PAGE
CONSOLIDATED BALANCE SHEETS	1-3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	4-5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8-80
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-10
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	10-31
NOTE 3 SEGMENT REPORTING.....	31-32
NOTE 4 CASH AND CASH EQUIVALENTS	33
NOTE 5 INVENTORIES	33-34
NOTE 6 FINANCIAL INVESTMENT.....	34
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	35
NOTE 8 OTHER RECEIVABLES AND PAYABLES.....	36
NOTE 9 BORROWINGS AND BORROWING COSTS.....	36-38
NOTE 10 INVESTMENT PROPERTIES	39
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	40-42
NOTE 12 INTANGIBLE ASSETS	43
NOTE 13 GOVERNMENT GRANTS	44
NOTE 14 DEFERRED REVENUE.....	44
NOTE 15 PREPAID EXPENSES	44
NOTE 16 EMPLOYEE BENEFITS	45-47
NOTE 17 OTHER ASSETS AND LIABILITIES.....	48
NOTE 18 DERIVATIVE FINANCIAL INSTRUMENTS.....	48
NOTE 19 EQUITY.....	49-51
NOTE 20 TAX ASSETS AND LIABILITIES	51-55
NOTE 21 REVENUE AND COST OF SALES	55
NOTE 22 GENERAL ADMINISTRATIVE EXPENSES.....	56
NOTE 23 MARKETING, SELLING AND DISTRIBUTION EXPENSES.....	56
NOTE 24 OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES.....	57
NOTE 25 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES.....	57
NOTE 26 FINANCIAL INCOME/EXPENSES	58
NOTE 27 EARNINGS PER SHARE	58
NOTE 28 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	59-66
NOTE 29 COMMITMENTS.....	66
NOTE 30 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	67-70
NOTE 31 NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS.....	70-79
NOTE 32 FINANCIAL INSTRUMENTS (FAIR VALUE FINANCIAL AND RISK MANAGEMENT DISCLOSURES	79-80
NOTE 33 EVENT AFTER BALANCE SHEET DATE.....	80

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2021

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS**

1 JANUARY- 31 DECEMBER 2021 AND 2020

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

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
PROFIT OR LOSS			
Revenue	21	28,715,657	12,134,076
Cost of sales	21	(22,298,409)	(10,280,311)
GROSS PROFIT		6,417,248	1,853,765
General administrative expenses	22	(586,300)	(344,195)
Selling, marketing and distribution expenses	23	(280,963)	(123,061)
Other operating income	24	2,351,697	405,693
Other operating expense	24	(1,428,773)	(313,769)
OPERATING PROFIT		6,472,909	1,478,433
Income from investing activities	25	838,064	216,444
Expense from investing activities	25	(296)	(751)
OPERATING PROFIT BEFORE FINANCIAL (EXPENSE)/INCOME		7,310,677	1,694,126
Financial income	26	7,628,145	2,580,228
Financial expenses	26	(8,286,614)	(3,003,939)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		6,652,208	1,270,415
Tax expense from continuing operations		(1,135,605)	(199,219)
- Current tax expense	20	(1,136,880)	(102,783)
- Deferred tax income/(expense)	20	1,275	(96,436)
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		5,516,603	1,071,196
DISTRIBUTION OF INCOME FOR THE PERIOD			
- Non-controlling interest		64,897	(16,479)
- Owners of the parent company		5,451,706	1,087,675
Earnings Per Share			
- Earnings per Kr1 number of 1 shares from continued operations	27	2.1511	0.4292

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS**

1 JANUARY- 31 DECEMBER 2021 AND 2020

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

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss		(337,735)	(84,569)
Currency translation differences		(352,157)	(52,925)
Other comprehensive gain/(loss) related to cash flow hedges		18,028	(39,555)
Tax relating to gain on cash flow hedge		(3,606)	7,911
Items not to be reclassified to profit or loss		(18,463)	9,782
Defined benefit plans remeasurement earnings/(losses)		(23,079)	12,227
Taxes relating to remeasurements of defined benefit plans		4,616	(2,445)
OTHER COMPREHENSIVE EXPENSE		(356,198)	(74,787)
TOTAL COMPREHENSIVE INCOME		5,160,405	996,409
Attributable to:			
Non-controlling interests		30,710	(23,049)
Owners of parent company		5,129,695	1,019,458

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

		Other comprehensive (expense) / income not to be reclassified to profit or loss		Other comprehensive (expense) / income to be reclassified to profit or (loss)								
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	(Loss)/gain on cash flow hedges	Currency translation differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
1 January 2020	2,112,000	238,988	(37,861)	(13,508)	(61,549)	64,188	330,000	984,739	2,956,174	6,573,171	(10,955)	6,562,216
Transfers	422,400	-	-	-	-	-	41,941	(984,739)	520,398	-	-	-
Total comprehensive income	-	-	9,782	(22,151)	(55,848)	-	-	1,087,675	-	1,019,458	(23,049)	996,409
- Other comprehensive income/ (expense)	-	-	9,782	(22,151)	(55,848)	-	-	-	-	(68,217)	(6,570)	(74,787)
- Net profit for the period	-	-	-	-	-	-	-	1,087,675	-	1,087,675	(16,479)	1,071,196
31 December 2020	2,534,400	238,988	(28,079)	(35,659)	(117,397)	64,188	371,941	1,087,675	3,476,572	7,592,629	(34,004)	7,558,625
1 January 2021	2,534,400	238,988	(28,079)	(35,659)	(117,397)	64,188	371,941	1,087,675	3,476,572	7,592,629	(34,004)	7,558,625
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
31 December 2021	2,534,400	238,988	(46,542)	(23,513)	(433,091)	64,188	417,325	5,451,706	4,518,863	12,722,324	(3,294)	12,719,030

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS
1 JANUARY- 31 DECEMBER 2021 AND 2020**

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Petkim Petrokimya Holding A.Ş. (“Petkim” or “the Company”) was established on 3 April 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex and in the following years, construction of other plants continued. In 1985, Aliğa Petrochemical Complex was established with advance technology and optimum capacity. The Company has 14 main plants, 1 bag production unit and 1 solid waste incineration facility. The Company operates its facilities in the petrochemical sector in Turkey.

The major operations of the Company and its subsidiaries are as follows:

- To establish and to operate factories, plants in Turkey home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,
- To process and to treat the raw materials and supplementary/auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from Turkey or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,
- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,
- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,
- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by third parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

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

The “Share Sales Agreement”, with respect to the sale of 51% of shares of Petkim Petrokimya Holding A.Ş. (which has been in the privatization process for several years) to SOCAR & Turcas Petrokimya A.Ş. (“STPAŞ”), 44% of which previously owned by the Republic of Turkey Ministry Privatization Administration (“Administration”) and 7% State Pension Fund (“Emekli Sandığı Genel Müdürlüğü”) transferred to Republic of Turkey Social Security Institution, was signed on 30 May 2008.

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

As of 31 December 2021 and 31 December 2020 the ultimate controlling party of the Company is State Oil Company of Azerbaijan Republic (“SOCAR”).

The Group is registered at the Capital Markets Board (“CMB”) and have been quoted in Borsa İstanbul (“BİST”) since 9 July 1990.

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

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 Aliğa Administration Building No: 6/1 Aliğa/İZMİR

As of 31 December 2021, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

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

The Group and its subsidiaries registered in Turkey maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The consolidated financial statements, except for investment properties and derivatives, are maintained under historical cost conventions and presented in TRY which is the functional and reporting currency of the Group.

2.2 Amendments in Turkish Financial Reporting Standards

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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 2021:

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

2.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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 table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2021 and 2020:

<u>Subsidiaries</u>	Direct or Indirect Control Shareholding Rates of the Group (%)	
	31 December 2021	31 December 2020
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company within the Group are measured in the currency in which the entity is located and in which the operations are maintained ("functional currency"). As a result of the Group management's assessment, the functional currency of Petlim has been designated as US Dollars as of 1 January 2017 due to Petlim's commencement of its operations and generating all its revenues in US Dollars. The consolidated financial statements have been prepared and presented in Turkish Lira ("TRY"), which is the parent Company's functional and presentation currency.

ii) Transactions and balances

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

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

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

Due to the significant fluctuations in the exchange rate in 2021, the profit or loss statements for the year ended 31 December 2021 have been translated with the average rates calculated over the rates announced by the Central Bank of the Republic of Turkey, of the net profits calculated on a quarterly basis.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

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

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

The effects of the classifications are summarized below:

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

2.5. Significant accounting policies

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

a. Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business, less cost of 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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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 deprecation based on the shortest of residual life of the related tangible asset or useful life of the renovation itself.

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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:

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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. 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 asses for any impairment.

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

Lease Liability

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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 2021, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

The derecognition, disposal of investment property, or the withdrawal of an investment property and its disposal occurs when no future economic benefits are expected. Profit or loss resulting from the disposal of investment properties is recognized in the relevant income and expense accounts in the period in which the disposal process takes place.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

f. Impairment of assets

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

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

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

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

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

g. Financial investments

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

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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

Impairment

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

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

Trade receivables

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

Cash and cash equivalents

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

i. Financial assets carried at fair value

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

Financial assets carried at fair value through profit or loss

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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). A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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

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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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 arising 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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

Defined contribution plan

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

Unused vacation

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

p. Provisions

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

r. Contingent assets and liabilities

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

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

s. Revenue recognition

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

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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.

§. 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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

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.

ii. 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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

v. Earnings per share

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

y. Segment reporting

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

z. Offsetting

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

2.6 Significant accounting estimates, judgments and assumptions

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 30.

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

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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 2021 and have been subjected to exchange rate valuation (Note 28).

f) Fair value of determination of investment properties

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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)

In this context, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB.

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

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

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

a) Revenue

	1 January - 31 December 2021	1 January - 31 December 2020
Petrochemical	28,528,832	11,992,699
Port	186,825	141,377
Total before eliminations and adjustments	28,715,657	12,134,076
Consolidation eliminations and adjustments	-	-
	28,715,657	12,134,076

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

NOTE 3 - SEGMENT REPORTING

b) Operating profit/(loss)

Petrochemical	6,106,804	1,418,144
Port	351,852	48,421
Total before eliminations and adjustments	6,458,656	1,466,565
Consolidation eliminations and adjustments	14,253	11,868
Operating profit	6,472,909	1,478,433
Financial (expenses)/income, net	(658,469)	(423,711)
Income from investing activities, net	837,768	215,693
Profit before tax from continued operations	6,652,208	1,270,415
Tax expense	(1,135,605)	(199,219)
Profit for the period	5,516,603	1,071,196

c) Total assets

	31 December 2021	31 December 2020
Petrochemical	27,897,269	18,615,441
Port	4,474,972	2,824,859
Total before eliminations and adjustments	32,372,241	21,440,300
Consolidation eliminations and adjustments	(1,944,086)	(1,456,861)
	30,428,156	19,983,439

d) Total liabilities

Petrochemical	14,518,117	10,513,775
Port	4,495,321	2,949,953
Total before eliminations and adjustments	19,013,438	13,463,728
Consolidation eliminations and adjustments	(1,304,312)	(1,038,912)
	17,709,126	12,424,814

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Banks	3,665,121	5,496,779
- Demand deposits	4,861	5,506
- Turkish Liras	908	985
- Foreign currency	3,953	4,521
- Time deposits	3,660,260	5,491,274
- Turkish Liras	622,890	900,978
- Foreign currency	3,037,370	4,590,296
Other	210	5,231
	3,665,331	5,502,010

The weighted average effective interest rates of USD and Euro time deposits are 1.32% and 0.71% per annum (31 December 2020: USD 3.06% and 1.70% per annum).

As of 31 December 2021, the TRY dominated time deposits consist of monthly and daily deposits and the weighted average effective interest rate is 18.12% and 24.99% per annum. (31 December 2020: 17.45% per annum). The Group has no blocked deposits as of 31 December 2021 (31 December 2020: None).

NOTE 5 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials	946,058	319,582
Work-in-progress	537,905	324,248
Finished goods	1,045,919	129,244
Trade goods	257,182	70,009
Goods in transit	659,342	34,111
Other inventories	99,581	86,909
Less: Provision for impairment on inventories	(6,144)	(5,650)
	3,539,843	958,453

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

(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 2021 and 2020 were as follows:

	2021	2020
1 January	(5,650)	(12,888)
Realized due to sales of inventory	5,650	12,888
Current year additions	(6,144)	(5,650)
31 December	(6,144)	(5,650)

Cost of the raw materials and trade goods included in the cost of sales for the period 1 January - 31 December 2021 amounts to TRY20,637,413 (1 January - 31 December 2020: TRY8,388,287).

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2021		31 December 2020	
	Amount	Shareholding rate (%)	Amount	Shareholding rate(%)
SOCAR Power Enerji Yatırımları A.Ş.	8,910	9.90	8,910	9.90
	8,910		8,910	

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	31 December 2021	31 December 2020
Trade receivables	4,381,578	1,314,107
Provision for doubtful trade receivables (-)	(21,132)	(21,286)
	4,360,446	1,292,821

Average maturity for trade receivables is 43 days as of 31 December 2021 (31 December 2020: 44 days).

Other information related with the Group's credit risk is explained in Note 31. Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains guarantees for 100% of total outstanding TRY trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables and expectations for the future indications. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided.

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December 2021, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TRY7,057,322 (31 December 2020: TRY2,953,517) (Note 30).

	2021	2020
1 January	(21,286)	(24,497)
Write-offs	154	3,211
31 December	(21,132)	(21,286)

b) Trade payables

	31 December 2021	31 December 2020
Trade payables	1,869,347	526,682
	1,869,347	526,682

Average maturity for trade payables other is 14 days as of 31 December 2021 (31 December 2020: 18 days).

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables:

	31 December 2021	31 December 2020
Receivables from third parties	17,508	5,265
Other	2,773	14
	20,281	5,279
Provision for other doubtful receivables (-)	(1,713)	(1,713)
	18,568	3,566

b) Other short-term payables:

Deposits and guarantees received	5,455	4,758
Other	5,363	2,963
	10,818	7,721

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2021	31 December 2020
Short-term borrowings	64,952	2,014,320
Short-term portions of long-term borrowings	1,103,565	229,994
Bond issued (**)	166,889	90,845
Short-term lease liabilities (***)	21,245	40,753
Other financial liabilities (*)	1,475,020	2,020,941
Short-term financial liabilities	2,831,671	4,396,853
Long-term borrowings	2,291,409	1,876,387
Long-term lease liabilities (***)	58,458	42,851
Bonds issued (**)	6,669,131	3,663,089
Long-term borrowings	9,018,998	5,582,327
	11,850,669	9,979,180

(*) Other financial liabilities consist of letters of credits, naphtha financing and murabaha loans arising from naphtha purchases. The average remaining maturity of other financial liabilities is 110 days as of 31 December 2021 (31 December 2020: Average remaining maturity is 164 days).

(**) Petkim issued bonds listed on Ireland Stock Exchange and release of these bonds were finalized on 26 January 2018. Total amount of these issued bonds 500 million USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5.875%.

(***) The weighted average of the Group's incremental borrowing rates for US Dollar, EUR and TRY are 8%, 6% and 19%, are respectively.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bonds issued:

	Weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Short-term borrowings:						
TRY borrowings	-	-	-	8,711	-	8,711
USD borrowings	Libor + 0.20 - 0.70 - 0.75	Libor + 0.30 - 0.60	4,864	273,225	64,952	2,005,609
Short-term portions of long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 4.67 - 4.26	72,004	17,148	961,464	125,872
Euro borrowings	Euribor + 0.72 - 3.00 - 1.64	Euribor + 0.72 + 3.00 - 1.64	9,402	11,559	142,101	104,122
Bond issued	5.88	5.88	12,948	12,376	166,889	90,845
Total short-term borrowings					1,335,406	2,335,159
Long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 0.75 + 4.67 - 4.26	164,533	236,441	2,197,008	1,735,594
Euro borrowings	Euribor + 3.00 - 1.64	Euribor + 3.00 - 1.64	6,246	15,630	94,401	140,793
Bond issued	5.88	5.88	499,448	499,025	6,669,131	3,663,089
Total long-term borrowings					8,960,540	5,539,476
Total borrowings					10,295,946	7,874,635

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021
2023	7,060,766
2024	438,780
2025	552,013
2026	537,859
2027 and over	371,122
	8,960,540
	31 December 2020
2022	611,682
2023	3,883,438
2024	241,209
2025	303,456
2026	295,675
2027 and over	204,016
	5,539,476

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions. As of 31 December 2021, the fair value of bonds issued is TRY6,836,020, which are in fixed interest rate financial liabilities and whose carrying value is TRY7,223,433.

As of 31 December 2021, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 30. The Group is subject to some key performance indicators to for the long-term borrowings and bonds issued and the Group has met those indicators as of 31 December 2021.

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2021 and 31 December 2020 as follows:

	2021	2020
1 January	4,393,566	4,296,599
Proceeds from financial liabilities	2,751,148	4,667,892
Repayments of financial liabilities	(6,055,959)	(4,357,717)
Changes in foreign exchange	5,103,167	1,244,697
Changes in interest accrual	77,034	6,935
Less: Change in cash and cash equivalents	1,836,679	(1,464,840)
31 December	8,105,635	4,393,566

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 10 - INVESTMENT PROPERTIES

Fair value	1 January 2021	Fair value increase	Transfers	31 December 2021
Land	2,078,781	793,813	-	2,872,594
	2,078,781			2,872,594

Fair value	1 January 2020	Fair value increase	Transfers	31 December 2020
Land	1,905,182	173,599	-	2,078,781
	1,905,182			2,078,781

30 years right of construction of the land, that is 2,076,506 m2, is given to the Star Rafineri A.Ş. (“STAR”) by Group. The annual rent income from the land, that is located in Aliğa district, is USD4.6 million and the annual rent income will be increased at the rate of Libor + 1% each year. As of 31 December 2021, the annual rent income is USD5.8 million.

As of 31 December 2021, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

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

As of 31 December 2021, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs (Note 32).

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2021
<u>Cost:</u>						
Land	123,896	-	-	(32)	1,199	125,063
Land improvements	412,073	-	54,168	-	2,906	469,147
Buildings	194,272	-	2,166	-	910	197,348
Machinery and equipment	8,047,394	-	653,037	(1,309)	-	8,699,122
Motor vehicles	11,144	-	66,621	(853)	-	76,912
Furniture and fixtures	153,858	-	47,132	(1,712)	597	199,875
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	2,219,152	-	-	-	1,610,417	3,829,569
Construction in progress (*)	1,011,804	1,087,787	(895,633)	-	961	1,204,919
	12,175,260	1,087,787	(72,509)	(3,906)	1,616,990	14,803,622
<u>Accumulated depreciation(-):</u>						
Land improvements	(123,496)	(35,931)	-	-	(1,576)	(161,003)
Buildings	(120,291)	(4,921)	-	-	(685)	(125,897)
Machinery and equipment	(6,150,223)	(384,884)	-	1,191	-	(6,533,916)
Motor vehicles	(10,175)	(3,787)	-	848	-	(13,114)
Furniture and fixtures	(89,386)	(17,040)	-	1,519	(561)	(105,468)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(250,955)	(86,183)	-	-	(222,201)	(559,339)
	(6,746,193)	(532,746)	-	3,558	(225,023)	(7,500,404)
Net book value	5,429,067					7,303,218

(*) Construction in progress mainly consist of investments related to facility improvements.

(**) Assets subject to operating lease consists of port investment.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2020
Cost:						
Land	123,896	-	-	-	-	123,896
Land improvements	225,088	-	186,263	-	722	412,073
Buildings	189,637	-	4,409	-	226	194,272
Machinery and equipment	7,660,869	-	388,410	(1,885)	-	8,047,394
Motor vehicles	11,628	-	698	(1,182)	-	11,144
Furniture and fixtures	144,586	-	12,167	(3,050)	155	153,858
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	1,818,385	-	892	-	399,875	2,219,152
Construction in progress (*)	838,492	782,365	(609,224)	-	171	1,011,804
	11,014,248	782,365	(16,385)	(6,117)	401,149	12,175,260
Accumulated depreciation(-):						
Land improvements	(106,454)	(16,771)	-	-	(271)	(123,496)
Buildings	(115,453)	(4,701)	-	-	(137)	(120,291)
Machinery and equipment	(5,865,400)	(284,969)	-	146	-	(6,150,223)
Motor vehicles	(10,618)	(734)	-	1,177	-	(10,175)
Furniture and fixtures	(77,103)	(14,100)	-	1,947	(130)	(89,386)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(146,406)	(68,703)	-	-	(35,846)	(250,955)
	(6,323,101)	(389,978)	-	3,270	(36,384)	(6,746,193)
Net book value	4,691,147					5,429,067

(*) Construction in progress mainly consist of investments related to facility improvements.

(**) Assets subject to operating lease consists of port investment.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

In 2021, the Group has not borrowing cost, that are eligible for capitalization related with its investments. (31 December 2020: TRY6.865).

Tangible and intangible assets depreciation charges amounting to TRY547,879 (31 December 2020: TRY398,823) were allocated to cost of sales by TRY446,480 (31 December 2020: TRY358,001), to inventories by TRY46,468(31 December 2020: TRY14,091), to general administrative expenses by TRY48,010 (31 December 2020: TRY21,507), to marketing, selling and distribution expenses by TRY6,921(31 December 2020: TRY4,874).

As of 31 December 2021, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD350 million on the date of 20 November 2015 (31 December 2020: USD350 million).

As of 31 December 2021 and 2020 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	31 December 2021	31 December 2020
Land	103,507	66,096
Buildings	88,963	120,590
Motor vehicles	15,353	13,367
Total right of use assets	207,823	200,053

As of 31 December 2021, there is no additions to rights use of assets, depreciation expenses amounting to TRY38,403 (2020: TRY37,288).

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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

NOTE 12 - INTANGIBLE ASSETS

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2021
Cost:						
Rights and software	73,863	-	72,509	-	3,113	149,485
Capitalized development costs	10,330	-	-	(10,927)	-	(597)
	84,193	-	72,509	(10,927)	3,113	148,888
Accumulated amortization(-):						
Rights and software	(33,361)	(12,631)	-	114	(378)	(46,256)
Capitalized development costs	(8,938)	(2,502)	-	189	-	(11,251)
	(42,299)	(15,133)	-	303	(378)	(57,507)
Net book value	41,894					91,381
	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2020
Rights and software	56,865	-	16,385	-	613	73,863
Capitalized development costs	10,709	-	-	(379)	-	10,330
	67,574	-	16,385	(379)	613	84,193
Accumulated amortization(-):						
Rights and software	(25,247)	(8,079)	-	-	(35)	(33,361)
Capitalized development costs	(6,625)	(2,502)	-	189	-	(8,938)
	(31,872)	(10,581)	-	189	(35)	(42,299)
Net book value	35,702					41,894

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2021, government grants incentives granted from Turquality and other institutions amounting to TRY11,207 includes incentives and aid (31 December 2020: TRY11,721) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

NOTE 14 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 December 2021	31 December 2020
Advances received	255,429	177,384
Deferred revenue	5,086	4,690
	260,515	182,074

b) Long-term deferred revenue

Deferred revenue	750	5,150
	750	5,150

NOTE 15 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 December 2021	31 December 2020
Advances given for inventory	363,590	28,149
Prepaid insurance and other expenses	33,969	10,626
Advances given for customs procedures	636	84
	398,195	38,859

b) Long-term prepaid expenses

Advances given for property, plant and equipment	109,815	51,677
Prepaid insurance and other expenses	1,797	1,783
	111,612	53,460

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 16 - EMPLOYEE BENEFITS

a) Liabilities for employee benefits:

	31 December 2021	31 December 2020
Social security contribution	13,351	12,435
Due to personnel	229	278
	13,580	12,713

b) Short-term employee benefits:

Provision for bonus premium	272,091	20,823
Provision for seniority incentive bonus	9,095	9,429
	281,186	30,252

c) Long-term employee benefits:

Provision for employment termination benefits	129,202	93,109
Provision for unused vacation rights	49,183	29,849
Provision for seniority incentive bonus	13,049	8,354
	191,434	131,312

Provision for unused vacation

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

	2021	2020
1 January	29,849	19,196
Changes in the period, net	19,334	10,653
31 December	49,183	29,849

Provision for employment termination benefits:

Under Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month’s salary limited to a maximum ceiling of TRY 8,284.51 for each year of service as of 31 December 2021 (31 December 2020: TRY 7,117.17).

The liability is not funded, as there is no funding requirement.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits (Continued):

The provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

TAS 19 requires actuarial valuation methods to be developed to estimate the enterprises’ obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2021	31 December 2020
Net discount rate (%)	4.40	4.60
Probability of retirement (%)	97.62	100.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 10,848.59 which is effective from 1 January 2022, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2021: TRY 7,638.96).

Movements of the employment termination benefits are as follows:

	2021	2020
1 January	93,109	94,821
Interest cost	12,103	10,221
Payments during the period (-)	(12,928)	(9,751)
Service cost	16,151	7,364
Actuarial (gain)/loss	20,767	(9,546)
31 December	129,202	93,109

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2021 and 2020 are follows:

	31 December 2021		31 December 2020	
	Net discount rate		Net discount rate	
Sensitivity analysis	100 Basis point increase	100 Basis point increase	100 Basis point increase	100 Basis point increase
Rate	5.40	3.40	5.60	3.60
Change in liability of employment termination benefit	(13,162)	16,132	(9,729)	12,055

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for seniority incentive bonus:

Seniority incentive bonus is a benefit provided to the personnel to promote their loyalty to the job and workplace.

The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30, 35 and 40 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the Group, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 35 and 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

The seniority incentive bonus provision is calculated by estimating the present value of the future probable obligation arising from the qualification of the employees for the bonus.

TAS 19 requires that actuarial valuation methods to be developed to estimate the employee benefit provisions. The following actuarial assumptions have been used in the calculation of the total provision:

	31 December 2021	31 December 2020
Net discount rate (%)	4.40	4.60
Used rate related to retirement probability (%)	97.62	100.00

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

	2021	2020
1 January	17,783	14,386
Interest cost	1,778	1,551
Payments during the period (-)	(10,031)	(9,736)
Service cost	10,302	11,818
Actuarial (gain)/loss	2,312	(236)
31 December	22,144	17,783

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2021	31 December 2020
Value added tax (“VAT”) receivable	407,249	100,409
Other	3,830	1,324
	411,079	101,733

b) Other non-current assets

Spare parts	20,673	15,204
Other	116	115
	20,789	15,319

c) Other liabilities

Taxes and funds payable and other deductions	50,364	22,384
Other	198	765
	50,562	23,149

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2021			31 December 2020		
	Nominal contract amount (TRY)	Fair value (TRY)		Nominal contract amount (TRY)	Fair value (TRY)	
		Assets	(Liabilities)		Assets	(Liabilities)
Foreign currency forward transactions	166,913	8,534	-	-	-	-
Interest rate swap transactions (*)	1,157,048	-	(54,179)	684,810	-	(63,673)
	1,323,961	8,534	(54,179)	684,810	-	(63,673)

(*) The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2021, TRY12,146 of (31 December 2020: TRY22,151) interest expense that arose from investment loans is classified under equity “Cash flow hedge gains (losses)” which has no effect on current year income statement.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2021 and 31 December 2020:

Group:	Shareholder:	31 December 2021		31 December 2020	
		Amount (TRY)	Share (%)	Amount (TRY)	Share (%)
A	Socar Turkey Petrokimya A.Ş.	1,292,544	51.00	1,292,544	51.00
A	Publicly traded and other	1,241,856	49.00	1,241,856	49.00
C	Privatization Administration	-	0.01	-	0.01
Total paid in share capital		2,534,400	100	2,534,400	100
Adjustment to share capital		238,988		238,988	
Total share capital		2,773,388		2,773,388	

Adjustment to share capital represents the difference between the inflation adjusted amounts of the cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

With General Assembly meeting decision dated 9 October 2020, within the maximum registered capital of TRY4,000,000, a bonus share of 20% of the issued capital and a bonus share of TRY422,400 was increased from TRY2,112,000 to TRY2,534,400. Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (31 December 2020: - Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 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 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company,
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 19 - EQUITY (Continued)

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board’s Communiqué on Dividends II-19.1 which is effective from 1 February 2014.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the financial statements.

In accordance with the Turkish Commercial Code (TCC), no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of a usufruct right certificate, to the members of the board of directors or to the employees unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The dividend distribution policy of the Company has been determined in accordance with the Communiqué on Dividends II-19-1 as follows:

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long-term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with the relevant communiqués; within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, at least 50% of the annual distributable profit of the Company is aimed to be distributed in cash and / or shares and / or in installments. This rate is determined each year by the Board of Directors, depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies, and cash requirements.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders’ and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 19 - EQUITY (Continued)

- 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.

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 31 December 2021 and 31 December 2020 are summarized below:

	31 December 2021	31 December 2020
Calculated corporation tax	1,136,880	102,783
Less: Prepaid taxes (-)	(865,443)	(75,414)
Total corporation tax asset	271,437	27,369

Tax expenses included in the income statement for the consolidated periods ended 31 December 2021 and 2020 are summarized below:

	1 January - 31 December 2021	1 January - 31 December 2020
Deferred tax income/(expense)	1,275	(96,436)
Current year tax expense	(1,136,880)	(102,783)
Total tax expense	(1,135,605)	(199,219)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

a) Corporate tax (Continued):

Turkish tax legislation does not permit a parent company, its subsidiaries and its subsidiaries to file a tax return on its consolidated financial statements. For this reason, the tax provisions reflected in the financial statements in this consolidated are separately calculated for the subsidiaries.

In Turkey, the corporate tax rate is 25% for 2021 (2020: 22%). In Turkey, the corporate tax rate is 23% for 2022. Institutions tax rate is applied to the tax base that will result in deducting expenses not included in the deduction according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits, exception of investment discount etc.) and discounts (such as R&D discount). No further tax is payable unless the profit is distributed (except for the withholding tax at the rate of 19.8% calculated and paid on the exemption amount utilized in case of investment reduction exemption utilized under Article 61 of the Income Tax Law).

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 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. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

b) Deferred taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the TAS and the statutory tax financial statements prepared in accordance with Corporate Tax Law.

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, “Law on Collection Procedure of Public Receivables”, in the provisional tax return declarations to be submitted 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.

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2021 and 31 December 2020 are as follows:

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	330,291	(451,410)	53,725	(90,282)
Fair value increase in investment properties	(2,862,514)	(2,077,305)	(286,251)	(207,731)
Deferred revenue related to the port rental agreement	(7,847)	(6,014)	(1,569)	(1,203)
Deferred income tax liabilities	(2,540,070)	(2,534,729)	(234,095)	(299,216)
Unused investment incentives	787,664	831,699	200,558	220,088
Provision for employee benefits	472,620	161,564	94,524	32,313
Carry forward tax losses	277,881	279,374	56,440	55,875
Fair value difference of derivative financial instruments	45,645	63,673	9,129	12,735
Inventory provision	6,144	5,650	1,229	1,130
Rent allowance fee	3,807	3,974	761	795
Provision for legal cases	2,597	2,592	516	518
Other	106,237	58,650	21,249	11,730
Deferred income tax assets	1,702,595	1,407,176	384,406	335,184
Deferred tax assets/(liabilities) - net			150,311	35,968

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY120,439 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2021. In this context, as of 31 December 2021 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY7,284.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2021, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY193,274.

As a result of projections made as of 31 December 2021, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY787.664 (31 December 2020: TRY831,699).

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The reconciliations of the taxation on income for the years ended 31 December 2021 and 2020 were as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	6,652,208	1,270,415
Statutory tax rate	25%	22%
Calculated tax expense based on effective tax rate	(1,663,052)	(279,491)
Reconciliation between the tax provision and calculated tax:		
Effect of unused tax losses for which no deferred tax asset was recognized	(93,522)	2,928
Effect on revaluation of immovables and other economic assets subject to depreciation (*)	336,987	-
Utilised investment incentives during the year	165,095	81,311
Income exempt from tax	21,413	2,163
Non-deductible expense	(82,300)	(20,826)
Tax rate difference	161,826	20,843
Other	17,948	(6,147)
Total tax expense reported in the profit or loss statement	(1,135,605)	(199,219)

- (*) In accordance with the regulation numbered 7326, published in Official Gazette on 9 June 2021, the opportunity to revalue the immovables registered in assets and the economic assets subject to depreciation on the effective date of the law. The covered assets will be valued with the D-PPI (“Domestic producer price index”) rate and tax will be paid in 3 installments (at two-month intervals) at the rate of 2% over the amount of valuation increase. For the revalued assets, the valuation difference can be depreciated and recognized as taxable expense. Within the scope of the amendment, deferred income tax asset has been recognized in the statement of financial position based on the revaluation records for property, plant, equipment in the tax books, and the deferred income tax related to this asset has been recognized in the consolidated statement of profit or loss.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred income tax is as follows:

	2021	2020
1 January	35,968	71,055
Recognized in the profit or loss statement	1,275	(96,436)
Recognized in other comprehensive income	1,010	5,466
Foreign currency translation differences	112,058	55,883
31 December	150,311	35,968

As a result of projections made as of 31 December 2021, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY 787,664 (31 December 2020: TRY 831,699).

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	17,046,044	8,112,618
Export sales	12,393,797	4,553,679
Other sales	92,335	114,280
Sales discounts (-)	(816,519)	(646,501)
Net sales	28,715,657	12,134,076
Direct raw materials and supplies	(11,662,459)	(5,256,631)
Cost of trade goods sold	(8,974,954)	(3,131,656)
Energy	(1,335,064)	(767,555)
Labour costs	(667,440)	(534,371)
Depreciation and amortization	(462,425)	(374,931)
Changes in work in progress and finished goods	1,162,710	(59,100)
Other	(358,777)	(156,067)
Cost of sales	(22,298,409)	(10,280,311)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expense	(264,001)	(170,564)
Outsourced services	(161,146)	(80,614)
Depreciation and amortization	(66,532)	(40,856)
Energy expenses	(28,492)	(13,618)
Taxes, funds and fees	(12,288)	(8,828)
Other	(53,841)	(29,715)
	(586,300)	(344,195)

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Group's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Independent audit fee for the reporting period	646	435
Fees for tax advisory services	162	276
Fee for other services	1,312	42
	2,120	753

NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
Personnel expense	(149,827)	(38,362)
Outsourced services	(86,616)	(61,492)
Depreciation and amortization	(10,855)	(7,969)
Other	(33,665)	(15,238)
	(280,963)	(123,061)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	2,298,814	372,917
Rent income	12,012	12,893
Term sales income	5,486	4,236
Other	35,385	15,647
	2,351,697	405,693

b) Other operating expenses:

Foreign exchange losses	(1,290,609)	(236,240)
Consultancy expenses	(38,133)	(16,277)
Term purchase expense	(38,558)	(7,243)
Other	(61,473)	(54,009)
	(1,428,773)	(313,769)

NOTE 25 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2021	1 January - 31 December 2020
Fair value increase in investment properties	793,813	173,599
Rent income	42,209	32,517
Gain on sale of property, plant and equipment	2,042	10,328
	838,064	216,444

b) Expenses from investment activities

Loss on sale of property, plant and equipment	(296)	(751)
	(296)	(751)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 26 - FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	7,240,483	2,421,710
Interest income	331,882	152,132
Other	55,780	6,386
	7,628,145	2,580,228

b) Finance expense

Foreign exchange loss	(7,719,617)	(2,547,223)
Interest expense	(476,568)	(377,594)
Commission expense	(43,596)	(43,423)
Interest expense from lease liabilities	(32,951)	(23,920)
Interest expense on employee benefits	(13,882)	(11,772)
Other	-	(7)
	(8,286,614)	(3,003,939)

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Net profit for the period of the equity holders of the parent	5,451,706	1,087,675
Weighted average number of shares with nominal value of Kr 1 each (thousand)	253,440	253,440
Earnings per share (Kr)	2.1511	0.4292

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2021 and 31 December 2020 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Short-term trade receivables from related parties:

	31 December 2021	31 December 2020
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	595,669	332,376
STAR ⁽²⁾	129,485	25,753
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	20,692	752
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	185	-
STEAS ⁽¹⁾	13	44
SOCAR Azerikimya Production Union ⁽²⁾	59	36
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾ (formerly named ‘SOCAR Turkey Petrol Enerji Dağıtım A.Ş.’) ⁽²⁾	-	65,343
Other ⁽²⁾	39	-
	746,142	424,304

b) Short-term other receivables from related parties:

STAR ⁽²⁾	7,390	92
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	941	-
SOCAR Logistics DMCC ⁽²⁾	-	82
STEAS ⁽¹⁾	-	65
	8,331	239

c) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	10,345	8,288
	10,345	8,288

⁽¹⁾ Shareholders of the Company.

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

d) Short-term trade payables to related parties:

	31 December 2021	31 December 2020
STAR ⁽²⁾	1,819,648	452,624
STEAŞ ⁽¹⁾	116,655	124,524
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	8,163	5,481
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	7,187	5,096
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	5,791	1,776
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	4,856	1,103
SOCAR Logistics DMCC ⁽²⁾	3,568	-
Azoil Petrolcülük A.Ş. ⁽²⁾	680	398
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	10	124
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	-	67,912
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	-	901
Other ⁽²⁾	42	8
	1,966,500	659,947

Short-term trade payables to related parties are mainly consist of consultancy, service and goods purchases. Average maturity of short-term trade payables is 7 days (31 December 2020: 10 days).

e) Other payables to related parties:

Due to shareholder ⁽¹⁾	87	87
	87	87

f) Short-term deferred revenue from related parties:

SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	24,268	13,720
STAR ⁽²⁾	3,942	289
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	9	10
	28,219	14,019

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

g) Long-term deferred revenue from related parties:

SOCAR Aliğa Liman İşletmeciliği A.Ş. ^{(2) (*)}	602,498	354,441
STAR ⁽²⁾	4,735	4,945
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	98	-
	607,331	359,386

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

⁽¹⁾ Shareholders of the Company.

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

h) Short-term prepaid expense to related parties:

Short-term prepaid expense

	31 December 2021	31 December 2020
STEAŞ ^{(1) (*)}	6,413,869	3,530,058
SOCAR Logistics DMCC ⁽²⁾	2,156	-
STAR ⁽²⁾	1,812	1,929
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	145	475
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	76	91
Other ⁽²⁾	110	-
	6,418,168	3,532,553

(*) As a result of negotiations between the Group and its main shareholder STEAŞ, a share sale and transfer agreement (‘Agreement’) has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (‘Rafineri Holding’) from STEAŞ with a purchase price of 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 2021 and have been subject to exchange rate valuation. 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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

(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)

Long-term prepaid expense to related parties

	31 December 2021	31 December 2020
STAR ⁽²⁾	18,306	20,119
STEAS ⁽¹⁾	9,509	3,901
	27,815	24,020

i) Short-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	40,868	31,154
STEAS ⁽¹⁾	4,225	3,383
	45,093	34,537

j) Long-term leasing payables to related parties:

	31 December 2021	31 December 2020
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	186,787	133,212
STEAS ⁽¹⁾	18,035	3,883
	204,822	137,095

⁽¹⁾ Shareholders of the Company.

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

(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 2021	1 January - 31 December 2020
STEAŞ ⁽¹⁾	2,893,425	667,747
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	10,332	7,702
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	4,459	1,302
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	1,744	1,554
SOCAR Azerikimya Production Union ⁽²⁾	28	69
STAR ⁽²⁾	(396,370)	(38,258)
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(126,366)	(57,741)
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	(14,290)	(4,175)
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	(14,290)	-
SOCAR Logistics DMCC ⁽²⁾	(6,137)	60
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	(723)	832
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. ⁽²⁾	(221)	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	(119)	2,732
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	(113)	(5)
Other	(1,626)	-
	2,349,733	581,819

The breakdown of income from STAR is as follows; TRY387,189 is foreign exchange loss, TRY9,181 other income and the breakdown of income from STEAŞ is as follows; TRY2,911,261 foreign exchange gain and TRY17,836 other expense.

⁽¹⁾ Shareholders of the Company.

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Service and rent purchases from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	78,801	40,109
STEAŞ ⁽¹⁾	68,908	28,137
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	14,753	10,186
STAR ⁽²⁾	13,863	8,737
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	2,348	1,798
SOCAR Tarding SA ⁽²⁾	1,802	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	726	503
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	-	99
Other ⁽²⁾	58	298
	181,259	89,867

The purchases from SCR Müşavirlik ve İnşaat A.Ş., STAR and STEAŞ mainly consist of rent and other services purchases.

c) Product purchase from related parties:

STAR ⁽²⁾	9,732,870	3,175,654
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	977,261	701,722
SOCAR Logistics DMCC ⁽²⁾	167,840	134,940
Azoil Petrolcülük A.Ş. ⁽²⁾	3,046	2,195
SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	1,349	-
	10,882,366	4,014,511

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 1,507,097 tons of TRY8,722,403 naphtha purchases, TRY1,010,467 other purchases.

⁽¹⁾ Shareholders of the Company.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021

(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 2021	1 January - 31 December 2020
d) Product and service sales to related parties:		
STAR ⁽²⁾	383,016	212,484
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	230,701	-
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	193,402	145,583
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	14,606	3,091
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	6,013	292,881
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	932	17
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	430	216
Azoil Petrolcülük A.Ş. ⁽²⁾	50	-
SOCAR Azerikimya Production Union ⁽²⁾	-	2,394
STEAŞ ⁽¹⁾	-	47
	829,150	656,713

e) Rent income from related parties:

STAR ⁽²⁾	43,808	34,065
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	3,025	1,803
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	1,003	799
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	475	234
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	343	221
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	140	68
STEAŞ ⁽¹⁾	-	3
	48,794	37,193

f) Fixed assets purchases from related parties:

STEAŞ ⁽¹⁾	78,615	65,543
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	9,223	4,797
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	2,104	1,689
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	840	716
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	-	1,001
STAR ⁽²⁾	-	(441)
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	-	21
	90,782	73,326

⁽¹⁾ Shareholders of the Company.

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

(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)

g) Key management compensation:

	1 January - 31 December 2021	1 January - 31 December 2020
Payments for salary and seniority incentives	32,472	36,061
	32,472	36,061

h) Key management compensation - long-term:

Provision for unused vacation	2,757	(385)
Provision for employment termination benefits	1,484	163
Provision for seniority incentives	98	(42)
	4,339	(264)
	36,881	35,797

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management. Key management compensation consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 December 2021	31 December 2020
Provision for legal cases	2,597	2,592
	2,597	2,592

b) Guarantees received:

Receivable insurance	2,781,298	771,274
Bank guarantees within the context of DOCS	2,510,499	1,347,712
Letters of guarantee received from customers	1,511,716	692,303
Letters of guarantee received from suppliers	503,580	270,224
Letters of credit	251,809	140,228
Mortgages	2,000	2,000
	7,560,902	3,223,741

c) Guarantees given:

Mortgages given to banks (*)	2,381,025	2,874,603
Guarantees given to banks	973,821	1,369,604
Custom offices	116,228	104,347
Other	28,409	26,615
	3,499,483	4,375,169

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD178 million as of 31 December 2021.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2021	31 December 2020
A. Total amount of CPMs given for the Company’s own legal personality	1,118,458	3,005,565
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	2,381,025	1,369,604
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	3,499,483	4,375,169

(*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD212 million which Petlim has remaining loan balance amounting to TRY2,381,025 as of 31 December 2021. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık 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) Ongoing cases and investigations:

The Customs Administration levied an incremental VAT charge and fine to Group in, with the claim that the customs tariff statistical position of Pygas, which was imported by the group in 2014, requires Special Consumption Tax (“SCT”). The Group objected to the VAT charge and fine, then started legal proceedings when its objection was rejected by the Customs Administration.

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT with the claim that the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was notified on 25 August 2017 of the imposition of a tax charge amounting TRY66 thousand and penalty of TRY99 thousand. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. The case was filed on 22 January 2020 regarding the issue.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations: (Continued)

Meanwhile, in 2017, two of the three ongoing lawsuits against the additional VAT and Customs Duty Accrual regarding imported Pygas before the Customs Administration were decided in favor of the Group in the local tax courts, that the product did not have a GTIP number with SCT. It was upheld before the District Administrative Court (Court of Appeal). In the third case, it was decided that the product was with SCT, but the penalty was found to be unfair. Then, on 28 September 2017, in the relevant case, it was decided in the Regional Administrative Court (“Court of Appeal”) that the product did not have a GTIP number with SCT. The 7th Chamber of the Council of State approved the decisions of the Regional Administrative Courts in 2021 and decided in favor of the Group.

Furthermore, the Turkish Ministry of Finance started a new tax inspection for 2013, 2015 and 2016 regarding our use of Pygas, following the tax loss and late payment interest notification about SCT for 2014. As a result of this inspection, an SCT loss and late payment penalty of 0.75% of the total amount was calculated by the Turkish Ministry of Finance for the relevant years, considering that the Group is entitled to receive a tax refund of 99.25%. This result is different from the result of the inspection conducted in 2014, and the tax principal and tax losses for 2013, 2015 and 2016 were accrued and the Group was informed that the sum of such losses were TRY937 and TRY1,405, respectively. In accordance with 7143 numbered Law regarding restructuring, a fine amounting TRY479 was levied to the Group. Group has paid TRY479 and these inspections has been closed.

The tax principal and the tax loss calculated for 2013, 2015 and 2016 according to the Turkish Ministry of Finance resulted to be 99.25% less than the tax principal and tax loss calculated according to the previous methodology in 2014. The tax calculation method applied by the Turkish Ministry of Finance for 2013, 2015 and 2016 is considered to be applicable and exemplary to the tax principle and tax loss calculation for 2014, which supports the estimation that the tax principal and tax penalty regarding the Group's SCT for 2014 will be concluded with a reconciliation and/or litigation, without creating a material financial risk

The Group management and the Group legal consultants estimated that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded with a settlement and/or litigation in a way that does not constitute any material financial risk.

In support of these predictions, as of 16 December 2020 and 24 December 2020, the ongoing lawsuits regarding the SCT of TRY66 thousand and the tax loss penalty of TRY99 thousand in total, which are being heard by the İzmir 3rd and 2nd Tax Courts, are accepted in favor of the Company and the lawsuit is filed. It was decided to abolish the tax assessment.

However, pursuant to the decision taken by the Group Management, the provisions of the “Law No. 7326 on Restructuring of Certain Receivables and Amending Certain Laws” published in the Official Gazette dated 9 June 2021 and numbered 31506 will be utilized and after a payment of TRY 6.7 thousand was made, all of the aforementioned lawsuits were waived.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

e) 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 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
0-5 years	1,705,251	876,036
5-10 years	1,758,151	890,376
10 years and more	5,865,111	3,225,437
Total	9,328,513	4,991,849

**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS**

a) Credit risk:

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompany) in every agreement. As part of its sales policy, the Group obtains collateral at an amount of 100% of total outstanding TRY trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2021:

	31 December 2021			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables (1)	Cash and cash equivalents
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	18,676	746,142	4,360,446	3,665,331
- The part of maximum credit risk covered with guarantees etc	-	-	3,595,376	-
A . Net book value of financial assets neither past due nor impaired (3)	18,676	746,142	4,340,054	3,665,331
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	-	20,392	-
- The part covered by guarantee etc.	-	-	13,015	-
D. Net book value of assets impaired	-	-	22,967	-
- Past due (gross book value)	-	-	(21,132)	-
- Impairment amount	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

(4) 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:

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2020:

	31 December 2020			
	Other receivables from related parties	Trade receivables from related parties	Trade receivables (1)	Cash and cash equivalents
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	8,527	424,304	1,292,821	5,502,010
- The part of maximum credit risk covered with guarantees etc			(1,127,369)	
A . Net book value of financial assets neither past due nor impaired (3)	8,527	424,304	1,269,854	5,502,010
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-	-
C. Net book value of assets past due but not impaired (4)			22,967	-
- The part covered by guarantee etc.	-	-	(16,267)	-
D. Net book value of assets impaired			21,823	-
- Past due (gross book value)	-	-	(21,286)	-
- Impairment amount	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

(4) 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:

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

a) Credit risk (Continued):

31 December 2021	Receivables		
	Related parties	Third parties	Total
1-30 days overdue	-	16,329	16,329
1-3 months overdue	-	1,196	1,196
3 months and over	-	2,867	2,867
The part covered by the guarantees	-	(13,015)	(13,015)
	-	7,377	7,377

31 December 2020	Receivables		
	Related parties	Third parties	Total
1-30 days overdue	-	15,882	15,882
1-3 months overdue	-	3,147	3,147
3 months and over	-	3,939	3,939
The part covered by the guarantees	-	(16,267)	(16,267)
	-	6,701	6,701

b) Liquidity Risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December, 2021 and 2020 are as follows:

	31 December 2021				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 years above (III)
Contract due date:					
Bank credits	3,459,926	3,877,125	124,751	1,167,335	2,585,039
Other financial liabilities	1,475,020	1,481,708	397,811	1,083,897	-
Bond issued	6,836,020	7,068,744	196,122	196,122	6,676,500
Trade payables	1,869,347	1,869,347	1,869,347	-	-
Due to related parties	1,966,587	1,966,587	1,966,641	-	-
Lease liabilities	329,618	658,912	24,983	45,873	588,056
	15,936,518	16,922,477	4,579,655	2,493,227	9,849,595

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

b) Liquidity Risk (Continued)

	31 December 2020				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 years above (III)
Contract due date:					
Bank credits	4,120,701	4,433,644	477,321	1,848,423	2,107,900
Other financial liabilities	2,020,941	2,036,966	391,558	1,645,408	-
Bond issued	3,753,934	4,209,319	107,814	107,814	3,993,691
Trade payables	526,682	526,682	526,682	-	-
Due to related parties	660,034	660,086	660,086	-	-
Lease liabilities	255,236	536,129	10,841	37,086	488,202
	11,337,528	12,402,826	2,174,302	3,638,731	6,589,793

The following table analyzes the Group's derivative financial instruments as of balance sheet date. Amounts shown in the table are undiscounted cash movements related to the contract. Amounts that will arrive within 12 months. the amount that would have been discounted would have been insignificant.

	31 December 2021				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 year above (III)
Contract due date:					
Derivative financial instruments	(45,645)	(1,319,267)	(182,853)	(68,781)	(1,067,633)

	31 December 2020				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 year above (III)
Contract due date:					
Derivative financial instruments	(63,673)	(684,810)	(7,781)	(22,565)	(654,464)

c) Market risk:

i) Foreign exchange risk

The Group is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a policy to balance and manage their foreign exchange risk. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange denominated cost items, such exposure is limited with the sales prices impacted by foreign currencies.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2021

(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 2021				31 December 2020			
	TRY equivalent	US Dollar	Euro	Other TRY Equivalent	TRY equivalent	US Dollar	Euro	Other TRY Equivalent
1. Trade receivables	3,681,865	240,126	31,897	-	933,137	114,686	10,134	-
2a. Monetary financial assets (Cash, bank accounts included)	9,448,092	596,799	98,982	4	8,107,614	1,077,212	22,212	254
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	13,129,957	836,925	130,879	4	9,040,751	1,191,898	32,346	254
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	13,129,957	836,925	130,879	4	9,040,751	1,191,898	32,346	254
9. Trade payables	3,122,093	221,129	10,642	9,997	1,076,872	99,411	8,393	271,546
10. Financial liabilities	2,628,386	186,196	9,402	-	4,288,686	570,066	11,559	-
11a. Monetary other liabilities	823,241	3,377	-	778,148	799,577	4,705	-	765,040
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	6,573,720	410,702	20,044	788,145	6,165,135	674,182	19,952	1,036,586
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	6,763,528	499,448	6,246	-	4,232,699	557,443	-	-
15a. Monetary other liabilities	204,822	15,339	-	29,608	137,095	18,677	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	6,968,350	514,787	6,246	29,608	4,369,794	576,120	15,630	-
17. Total liabilities (12+16)	13,542,070	925,489	26,290	817,753	10,534,929	-	-	1,250,302
	35,582	1,036,586	-	-	-	-	-	-
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	166,913	12,500	-	-	-	-	-	-
18a. Amount of asset contract value of derivative instruments	-	-	-	-	-	-	-	-
18b. Amount of liability contract value of derivative instruments	166,913	12,500	-	-	-	-	-	-
19. Net foreign (liability)/ asset position (8-17+18)	(245,200)	(76,064)	104,589	(817,749)	(1,494,178)	(58,404)	(3,236)	(1,029,944)
20. Net foreign currency (liability)/asset Position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	(412,113)	(88,564)	104,589	(817,749)	(1,494,178)	(58,404)	(3,236)	(1,029,944)
21. Total fair value of financial instruments used for foreign currency hedging	8,534	658	-	-	-	-	-	-
22. Hedged amount for foreign currency assets	-	-	-	-	-	-	-	-
23. Hedged amount for foreign currency liabilities	166,913	12,500	-	-	-	-	-	-
24. Export	11,773,755	891,897	354,851	74,582	4,035,794	410,930	133,910	111,673
25. Import	9,113,020	925,177	77,958	80,831	4,154,432	536,613	60,137	93,767

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS
(Continued)**

Table of sensitivity analysis for foreign currency risk

31 December 2021

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
Change of USD by 10% against TRY:				
1- Asset/(Liability) denominated in USD - net	(118,047)	118,047	(118,047)	118,047
2- The part hedged for USD risk (-)	-	-	16,661	(16,661)
3- USD effect - net (1+2)	(118,047)	118,047	(101,386)	101,386
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	157,790	(157,790)	157,790	(157,790)
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	157,790	(157,790)	157,790	(157,790)
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in othe foreign currencies - net	79,933	(79,933)	79,933	(79,933)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	79,933	(79,933)	79,933	(79,933)
Total (3+6+9)	119,676	(119,676)	136,337	(136,337)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021

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

NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS
(Continued)

31 December 2020

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/(Liability) denominated in USD - net	(42,871)	42,871	(42,871)	42,871
2- The part hedged for USD risk (-)				
3- USD effect - net (1+2)	(42,871)	42,871	(42,871)	42,871
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	(2,915)	2,915	(2,915)	2,915
5- The part hedged for EUR risk (-)				
6- Avro effect - net (4+5)	(2,915)	2,915	(2,915)	2,915
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	102,995	(102,995)	102,995	(102,995)
8- The part hedged for other foreign currency risk (-)				
9- Other foreign currency effect - net (7+8)	102,995	(102,995)	102,995	(102,995)
Total (3+6+9)	57,208	(57,208)	57,208	(57,208)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

The Group's interest rate position as of December 31, 2021 and 2020 is presented below:

	31 December 2021	31 December 2020
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	8,419,024	5,899,715
EUR Financial liabilities	91,848	84,158
TRY Financial liabilities	-	8,711
Financial instruments with variable interest rate		
USD Financial liabilities	3,115,440	3,742,238
EUR Financial liabilities	144,654	160,754

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/- TRY20,705 (31 December 2020: TRY15,275).

ii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphtha prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Turkey. While the Group determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sector publications and Group's production levels, stock levels and order amounts received.

The Group also uses some derivative financial instruments, mainly Naphtha, to hedge cash flow risk arising from raw material price risk.

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.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

**NOTE 31 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

d) Capital risk management (Continued)

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including short-term financial liabilities, current portion of long-term financial liabilities, long-term financial liabilities, less cash and cash equivalents).

	31 December 2021	31 December 2020
Total financial debt	11,770,966	9,895,576
Less: Cash and cash equivalents (Note 4)	(3,665,331)	(5,502,010)
Net debt (Note 9)	8,105,635	4,393,566
Total equity	12,719,030	7,558,625
Net debt/equity ratio	64%	58%

**NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK
MANAGEMENT DISCLOSURES)**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts, they are considered to approximate to their fair values, and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD
ENDED 31 DECEMBER 2021**

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

**NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK
MANAGEMENT DISCLOSURES) (Continued)**

Fair values of short-term bank borrowings and other financial liabilities are assumed to approximate their carrying values due to their short-term. Long-term floating rate bank loans’ interest rates are updated according to the changing market conditions, it is assumed to represent the value of the fair value is the carrying value of these loans. Long-term fixed-rate loan, when evaluated with a fixed interest rate as of the balance sheet date, it is observed its fair value is close to the carrying value.

Fair value estimation

The Group’s financials classification of fair value of asset and liabilities were as follows:

- Level 1: Depend on registered price (unadjusted) in the active market.
Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.
Level 3: Not depend on observable market data.

31 December 2021 and 2020, fair value and book value of financial statement were as follows:

31 December 2021	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	8,534	-	8,534
Investment properties- Land	-	2,872,594	-	2,872,594
Total assets	-	2,881,128	-	2,881,128
Derivative financial liabilities	-	(54,179)	-	(54,179)
Total liabilities	-	(54,179)	-	(54,179)
31 December 2020	Level 1	Level 2	Level 3	Total
Investment properties- Land	-	2,078,781	-	2,078,781
Total assets	-	2,078,781	-	2,078,781
Derivative financial liabilities	-	(63,673)	-	(63,673)
Total liabilities	-	(63,673)	-	(63,673)

NOTE 33 - EVENTS AFTER BALANCE SHEET DATE

None.