

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

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 31 MARCH 2021**

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2021**

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT
31 MARCH 2021 AND 31 DECEMBER 2020**

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

	Notes	Unaudited 31 March 2021	Audited 31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	4	5.942.250	5.502.010
Financial investments		7.433	5.198
Trade receivables		2.604.679	1.717.125
- Trade receivables from related parties	16	401.071	424.304
- Trade receivables from third parties		2.203.608	1.292.821
Other receivables		6.963	3.805
- Other receivables from related parties	16	1.429	239
- Other receivables from third parties		5.534	3.566
Inventories	5	1.221.579	958.453
Prepaid expenses		4.188.167	3.571.412
- Prepaid expenses to third parties	9	181.960	38.859
- Prepaid expenses to related parties	16	4.006.207	3.532.553
Other current assets		58.088	101.733
- Other current assets from third parties		58.088	101.733
Total current assets		14.029.159	11.859.736
Non-Current assets			
Financial investments		8.910	8.910
Other receivables		8.812	8.355
- Other receivables from related parties	16	8.745	8.288
- Other receivables from third parties		67	67
Investment properties		2.078.781	2.078.781
Property, plant and equipment	7	5.688.564	5.429.067
Right-of-use assets		222.962	200.053
Intangible assets		44.900	41.894
Prepaid expenses		163.028	77.480
- Prepaid expenses to third parties	9	139.939	53.460
- Prepaid expenses to related parties	16	23.089	24.020
Deferred tax assets		246.919	263.844
Other non-current assets		14.648	15.319
- Other non-current assets from third parties		14.648	15.319
Total non-current assets		8.477.524	8.123.703
TOTAL ASSETS		22.506.683	19.983.439

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

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

	Notes	Unaudited 31 March 2021	Audited 31 December 2020
LIABILITIES			
Current Liabilities			
Short-term borrowings		4.280.434	4.110.551
- Short-term borrowings from third parties		4.221.115	4.076.014
- <i>Bank borrowings</i>	6	1.921.068	2.014.320
- <i>Short-term lease liabilities</i>	6	40.524	40.753
- <i>Other financial liabilities</i>	6	2.259.523	2.020.941
- Short-term borrowings from related parties		59.319	34.537
- <i>Short-term lease liabilities to related parties</i>	16	59.319	34.537
Short-term portion of long term borrowings		308.123	320.839
- Short-term portion of long-term borrowings from third parties		308.123	320.839
- <i>Bank borrowings</i>	6	265.958	229.994
- <i>Bonds issued</i>	6	42.165	90.845
Derivative financial instruments		13.794	16.185
Trade payables		1.750.497	1.186.629
- <i>Trade payables to related parties</i>	16	869.273	659.947
- <i>Trade payables to third parties</i>		881.224	526.682
Payables related to employee benefits		13.522	12.713
Other payables		7.817	7.808
- Other payables to related parties	16	87	87
- Other payables to third parties		7.730	7.721
Deferred income		252.170	196.093
- Deferred income from related parties	16	51.639	14.019
- Deferred income from third parties	8	200.531	182.074
Short-term provisions		15.113	32.844
- Provision for employee benefits	10	12.521	30.252
- Other short-term provisions	17	2.592	2.592
Other current liabilities		18.983	23.149
- Other current liabilities from third parties		18.983	23.149
Current tax liabilities, current	12	200.257	27.369
Total current liabilities		6.860.710	5.934.180
Non-current liabilities			
Long-term financial liabilities		6.418.493	5.719.422
- Long-term financial liabilities from third parties		6.263.875	5.582.327
- <i>Bank borrowings</i>	6	2.062.240	1.876.387
- <i>Long-term lease liabilities to third parties</i>	6	44.136	42.851
- <i>Bonds issued</i>	6	4.157.499	3.663.089
- Long-term borrowings from related parties		154.618	137.095
- <i>Long-term lease liabilities to related parties</i>	16	154.618	137.095
Derivative financial instruments		37.319	47.488
Deferred revenue		407.097	364.536
- <i>Deferred revenue from related parties</i>	16	403.028	359.386
- <i>Deferred revenue from third parties</i>		4.069	5.150
Long-term provisions		141.836	131.312
- <i>Provision for employee termination benefits</i>	10	141.836	131.312
Deferred income tax liabilities		227.586	227.876
Total non-current liabilities		7.232.331	6.490.634
TOTAL LIABILITIES		14.093.041	12.424.814

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31 MARCH 2021 AND 31 DECEMBER 2020**

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

	Notes	Unaudited 31 March 2021	Audited 31 December 2020
EQUITY			
Equity attributable to owners of the parent company		8.438.770	7.592.629
Share capital	11	2.534.400	2.534.400
Adjustment to share capital	11	238.988	238.988
Share premium		64.188	64.188
Other comprehensive income/(expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(28.079)	(28.079)
Other comprehensive expense to be reclassified to loss		(190.921)	(153.056)
- Currency translation differences		(162.298)	(117.397)
- Loss on cash flow hedges		(28.623)	(35.659)
Restricted reserves		371.941	371.941
Retained earnings		4.564.247	3.476.572
Net profit for the period		884.006	1.087.675
Non-controlling interest		(25.128)	(34.004)
TOTAL EQUITY		8.413.642	7.558.625
TOTAL LIABILITIES AND EQUITY		22.506.683	19.983.439

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIODS
ENDED 31 MARCH 2021 AND 31 MARCH 2020**

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

	Notes	Unaudited 1 January - 31 March 2021	Unaudited 1 January - 31 March 2020
PROFIT OR LOSS			
Revenue		5.033.898	2.766.353
Cost of sales		(3.814.125)	(2.561.319)
GROSS PROFIT		1.219.773	205.034
General administrative expenses	13	(93.289)	(100.553)
Selling, marketing and distribution expenses		(32.899)	(28.482)
Research and development expenses		(9.322)	(6.946)
Other operating income		309.140	111.494
Other operating expenses		(213.881)	(47.707)
OPERATING PROFIT		1.179.522	132.840
Income from investing activities		10.596	9.915
Expense from investing activities		(5)	(346)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		1.190.113	142.409
Financial income	14	1.478.478	751.082
Financial expenses	14	(1.526.740)	(882.799)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		1.141.851	10.692
Tax expense from continued operations		(250.094)	(20.473)
- Current tax expenses	12	(207.772)	-
- Deferred tax expenses	12	(42.322)	(20.473)
PROFIT/LOSS FOR THE PERIOD CONTINUING OPERATIONS		891.757	(9.781)
PROFIT/(LOSS) FOR THE PERIOD		891.757	(9.781)
DISTRIBUTION OF INCOME/(EXPENSE) FOR THE PERIOD			
- Non-controlling interest		7.751	3.348
- Owners of the parent company		884.006	(13.129)
Earnings/(Loss) per share	15	0,3488	(0,0062)
- Earnings per Kr1 number of 1 shares from continued operations		0,3488	(0,0062)

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIODS
ENDED 31 MARCH 2021 AND 31 MARCH 2020**

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

Notes	Unaudited 1 January - 31 March 2021	Unaudited 1 January - 31 March 2020
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss	(36.742)	(65.907)
Currency translation differences	(46.791)	(27.970)
Other comprehensive income/(loss) related with cash flow hedges	12.561	(47.423)
Gain/(loss) on cash flow hedges	12.561	(47.423)
Taxes with other comprehensive income/(loss)	(2.512)	9.486
Taxes relating to (loss)/gain on cash flow hedges	(2.512)	9.486
OTHER COMPREHENSIVE (LOSS)	(36.742)	(65.907)
TOTAL COMPREHENSIVE INCOME/(LOSS)	855.015	(75.688)
Attributable to:		
Non-controlling interests	8.878	(6.683)
Owners of the parent company	846.137	(69.005)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTH
INTERIM PERIODS ENDED 31 MARCH 2021 AND 2020**

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

	Share capital	Adjustment to share capital	Other comprehensive income/(expense) not to be reclassified to profit or loss Actuarial (loss) arising from defined benefit plan	(Loss)/gain on cash flow hedges	Other comprehensive income/(expense) to be reclassified to profit or (loss) Currency translation differences	Share premium	Restricted reserves	Net profit/(loss) for the year	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	-	-	-	-	-	-	-	(984.739)	984.739	-	-	-
Total comprehensive income/(expense)	-	-	-	(28.753)	(27.123)	-	-	(13.129)	-	(69.005)	(6.683)	(75.688)
- Other comprehensive income/(expense)	-	-	-	(28.753)	(27.123)	-	-	-	-	(55.876)	(10.031)	(65.907)
- Net loss for the period	-	-	-	-	-	-	-	(13.129)	-	(13.129)	3.348	(9.781)
31 March 2020	2.112.000	238.988	(37.861)	(42.261)	(88.672)	64.188	330.000	(13.129)	3.940.913	6.504.166	(17.638)	6.486.528
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	-	-	-	-	-	-	-	(1.087.675)	1.087.675	-	-	-
Total comprehensive income/(expense)	-	-	-	7.035	(44.902)	-	-	884.006	-	846.139	8.876	855.015
- Other comprehensive income/(expense)	-	-	-	7.035	(44.902)	-	-	-	-	(37.867)	1.125	(36.742)
- Net profit for the period	-	-	-	-	-	-	-	884.006	-	884.006	7.751	891.757
31 March 2021	2.534.400	238.988	(28.079)	(28.624)	(162.299)	64.188	371.941	884.006	4.564.247	8.438.768	(25.128)	8.413.640

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THREE
MONTH INTERIM PERIODS ENDED 31 MARCH 2021 AND 2020**

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

	Notes	Unaudited 1 January - 31 March 2021	Unaudited 1 January - 31 March 2020
A. Cash flows from operating activities:		637.360	(32.748)
Profit for the period (I)		891.757	(9.781)
Adjustments related to reconciliation of (II) net profit (loss) for the period:		300.943	500.687
Adjustments for depreciation and amortization		109.323	85.553
Adjustments for impairments/reversals		(2.687)	16.174
- Adjustments for impairment of inventories	5	(2.687)	16.174
Adjustments for provisions		16.226	44.563
- Adjustments for provision employment termination benefits		16.226	47.041
- Adjustments for provision/other cases		-	(2.478)
Adjustments for interest income/(expense)		34.795	78.642
- Adjustments for interest income	14	(68.007)	(30.909)
- Adjustments for interest expense	14	102.802	109.551
Adjustments for unrealized foreign currency translation differences		(104.992)	255.282
Adjustments for tax income/losses		250.094	20.473
Arising from the disposal of tangible fixed assets			
adjustments for losses (gains)		(39)	-
Adjustments for revenues from government grants		(1.777)	-
Changes in working capital (III)		(497.022)	(478.710)
Adjustments for (increases) / decrease in trade receivables		(660.820)	61.149
Adjustments for (increases) / decrease in other receivables		(3.581)	5.807
Adjustments for (increases) / decrease in inventory		(241.717)	26.894
(Increases) in prepaid expenses		(139.438)	(57.127)
Adjustments for (decreases) / increase in trade payables		462.034	(487.817)
Adjustments for decreases in other payable		(96)	(220)
Increases / (decrease) in debts from employment termination benefits		810	(14.575)
Adjustments for increases/(decreases) in deferred revenue		49.642	40.221
Adjustments for (increases)/decreases in derivative financial instruments		(4.006)	(404)
Adjustments related to other increases/(decreases) in working capital		40.150	(52.638)
Cash flows from operating activities (I+II+III)		695.678	12.196
Employee termination benefits paid		(23.434)	(39.743)
Income taxes refund/(paid)		(34.884)	(5.201)
B. Cash flows from investing activities		(215.256)	(130.289)
Cash outflows due to purchases of tangible and intangible assets		(131.184)	(134.262)
Proceeds from sale of tangible and intangible assets		152	-
Cash outflows due to advances given to third parties		(84.224)	3.973
C. Cash flows from financing activities		(478.106)	(303.230)
Proceeds from borrowings	6	116.787	505.386
Repayments of borrowings	6	(483.415)	(919.618)
Proceeds other financial liabilities	6	359.903	560.996
Repayments of other financial liabilities	6	(384.211)	(329.863)
Cash outflow related to lease agreements		(15.557)	(8.131)
Interest received		62.516	30.779
Interest paid		(132.327)	(137.779)
Other cash inflows/(outflows)		(1.802)	(5.000)
D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		(56.002)	(466.267)
E. Effect of currency translation differences on cash and cash equivalents		496.242	106.035
Net increase/(decrease) in cash and cash equivalents (D+E)		440.240	(360.232)
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	5.942.250	3.676.938

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 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.

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

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2021**

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

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

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

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

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

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 7 May 2021 and signed Mr. Anar Mammadov, General Manager and Mr. Elchin İbadov, Chief Financial Officer, on behalf of the Board of Directors.

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

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

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

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

As of 31 March 2021, the average number of employees working for the Group is 2.350 (31 December 2020: 2.448).

The details of the employees as of 31 March 2021 and 31 December 2020 are as follows:

	31 March 2021	31 December 2020
Union (*)	1.824	1.859
Non-union (**)	531	520
	2.355	2.379

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

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

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

2.1 Basis of Presentation of Financial Statements

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 (“TAS”/“IFRS”) and its addendum and interpretations (“IFRIC”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POAASA”) Turkish Accounting Standards Board.

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

The Group prepared its condensed interim consolidated financial statements for the period ended 31 March 2021 in accordance with (“TAS”) 34, “Interim Financial Reporting” in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

The Group’s condensed consolidated interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the Group’s annual consolidated financial statements dated 31 December 2020.

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

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

According to CMB Communiqué No:14 and announcements made by the CMB, it is obligatory for the foreign exchange position table of the companies preparing the summary financial statements in interim periods to present the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements (Note 18).

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

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

2.2 Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of the financial statements in the interim condensed consolidated statements are consistent with the explanations in the financial statements for the period 1 January- 31 December 2020 except for the following:

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

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

2.3 Basis of Consolidation

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

a) Subsidiaries

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

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

The non-controlling share in the net assets and results of subsidiaries for the period are classified within the materiality principle of the account in the consolidated statements of balance sheets and retained earnings. The accounting policies of the subsidiaries have been changed where necessary to be consistent with the accounting policies accepted by the Group.

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

2.3 Basis of Consolidation (Continued)

a) Subsidiaries (Continued)

The table below sets out the associates and the proportion of ownership interest as of 31 March 2021 and 31 December 2020.

<u>Subsidiaries</u>	Direct or Indirect Control Shares of Company (%)	
	31 March 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 of the Group are measured in the currency in which the entity is located and in which the operations are maintained (“functional currency”). As a result of the Group management's assessment, the functional currency of Petlim has been designated as US Dollars as of 1 January 2017 due to Petlim's commencement of its operations and generating all its revenues in US Dollars. The condensed consolidated interim financial statements have been prepared and presented in Turkish lira (“TRY”) which is the parent company's functional and presentation currency.

ii) Transactions and balances

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

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

As of 31 March 2021, Petlim's assets and liabilities are translated into TRY from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TRY at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in ‘currency translation differences’ in other comprehensive income.

The balance sheet date rates and average rates used for translation for the related periods are as follows:

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

2.3 Basis of Consolidation (Continued)

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

<u>Average:</u>	31 March 2021	31 March 2020
Turkish Liras/US Dollars	7,3720	6,0921

2.4 Standards, amendments and interpretations applicable as at 31 March 2021:

a. Standards, amendments and interpretations applicable as at 31 March 2021:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, “Presentation of financial statements”, and TAS 8, “Accounting policies, changes in accounting estimates and errors”, and consequential amendments to other IFRSs:
 - i) Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) Clarify the explanation of the definition of material; and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2020:

- **Amendment to TFRS 16, “Leases” - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. 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.

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- **TFRS 17, “Insurance contracts”;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to TAS 1, “Presentation of financial statements” on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to TFRS 3, “Business combinations”** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to TAS 16, “Property, plant and equipment”** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **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.

Annual improvements make minor amendments to TFRS 1, “First-time Adoption of TFRS”, TFRS 9, “Financial instruments”, TAS 41, “Agriculture” and the Illustrative Examples accompanying TFRS 16, “Leases”.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 ;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies
- **Amendments to TFRS 9, TAS 39, 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.
- **Amendments to TFRS 17 and TFRS 4, “Insurance contracts”, deferral of TFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial Instrument until 1 January 2023.

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2.5 Comparative Information and Restatement of Previous Year Financial Statements

The Group prepared its interim condensed consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 March 2021 on a comparative basis with balance sheet at 31 December 2020; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January- 31 March 2021 on a comparative basis with financial statements for the period of 1 January - 31 March 2020. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

2.6 Critical Accounting Estimates and Judgments

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 17.

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

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

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 12). 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.

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 10.

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**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 USD720 million.

The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim’s own discretion and finalization of share transfer is subject to Group’s operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 March 2020 and have been subjected to exchange rate valuation.

f) Fair value of determination of investment properties

As of 31 December 2020, the Group changed its accounting policy for the investment properties and fair value method.

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.

The Group has adopted the effects of this change in accounting policy, retrospectively in accordance with the provisions of TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Note 2.4).

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

2.7 Important Developments Regarding the Current Period

Necessary actions have been taken by the Group management to minimize the possible effects of COVID-19 on the Group's operations and financial position. Due to epidemic of COVID-19, which affected the whole world, the slowdown in economic activities, supply, production and sales has occurred in country and sector where the Group operates and, in the countries, where the sales are made in parallel with the developments in general economic activities.

In this process, the necessary actions were taken by the Group to minimize investment expenditures, operational expenses and inventory, also cash management strategy was reconsidered in order to strengthen the Group's liquidity position.

With the reduction of restrictions to prevent the spread of the epidemic, production and sales activities continue uninterrupted as of the date of the balance sheet.

For now, it is not possible to estimate for how long the effect of COVID-19 will carry on in Turkey and also in the world, or how much it may spread. As the severity and duration of the effects become clearer, it will be possible to make a more specific and healthy evaluation for the medium and long term.

However, while preparing the interim consolidated financial statements dated 31 March 2021, the possible effects of the COVID-19 outbreak were evaluated, and the estimates and assumptions used in the preparation of the interim condensed consolidated financial statements were reviewed. In this context, the Group evaluated the possible impairment in the values of financial assets, stocks, property, plant and equipment included in the interim financial statements dated 31 March 2021, and no impairment has been identified.

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.

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NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue

	1 January - 31 March 2021	1 January - 31 March 2020
Petrochemical	4.996.489	2.738.016
Port	37.409	28.337
Total before eliminations and adjustments	5.033.898	2.766.353
Consolidation eliminations and adjustments	-	-
	5.033.898	2.766.353

b) Operating profit

Petrochemical	1.130.271	113.893
Port	46.349	16.741
Total before eliminations and adjustments	1.176.620	130.634
Consolidation eliminations and adjustments	2.902	2.206
Operating profit	1.179.522	132.840
Financial (expenses)/income, net	(48.262)	(131.717)
Income from investing activities, net	10.591	9.569
Profit before tax from continued operations	1.141.851	10.692
Tax expense	(250.094)	(20.473)
Profit / (loss) for the period	891.757	(9.781)

c) Total assets

	31 March 2021	31 December 2020
Petrochemical	20.946.253	18.615.441
Port	3.123.382	2.824.859
Total before eliminations and adjustments	24.069.635	21.440.300
Consolidation eliminations and adjustments	(1.562.952)	(1.456.861)
	22.506.683	19.983.439

d) Total liabilities

Petrochemical	11.982.186	10.513.775
Port	3.216.522	2.949.953
Total before eliminations and adjustments	15.198.708	13.463.728
Consolidation eliminations and adjustments	(1.105.667)	(1.038.912)
	14.093.041	12.424.814

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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2021	31 December 2020
Banks	5.936.813	5.496.779
- Demand deposits	11.625	5.506
- TRY	763	985
- Foreign currency	10.862	4.521
- Time deposits	5.925.188	5.491.274
- TRY	1.418.472	900.978
- Foreign currency	4.506.716	4.590.296
Other	5.437	5.231
	5.942.250	5.502.010

The weighted average effective interest rates of USD and EUR monthly deposits are 1,97% and 0,83% per annum, respectively (31 December 2020: USD 3,06%, EUR 1,70%).

As of 31 March 2021, the TRY dominated time deposits consist of overnight and the weighted average effective interest rate is 18,60% per annum (31 December 2020: Overnight 17,45%). The Group has no blocked deposits as of 31 March 2021 (31 December 2020: None).

NOTE 5- INVENTORIES

	31 March 2021	31 December 2020
Raw materials	297.660	319.582
Work-in-progress	314.028	324.248
Finished goods	285.427	129.244
Trade goods	133.895	70.009
Goods in transit	108.337	34.111
Other inventories	85.195	86.909
Less: Provision for impairment on inventories	(2.963)	(5.650)
	1.221.579	958.453

Movements of provision for impairment on inventory for the periods ended 1 January - 31 March 2021 and 2020 were as follows:

	2021	2020
1 January	(5.650)	(12.888)
Current year reversals / (additions)	2.687	(16.174)
31 March	(2.963)	(29.062)

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NOTE 6 - BORROWINGS AND BORROWING COSTS

	31 March 2021	31 December 2020
Short-term borrowings	1.921.068	2.014.320
Short-term portions of long-term borrowings	265.958	229.994
Bonds issued (**)	42.165	90.845
Short-term lease liabilities	40.524	40.753
Other financial liabilities (*)	2.259.523	2.020.941
Short term financial liabilities	4.529.238	4.396.853
Long term borrowings	2.062.240	1.876.387
Long-term lease liabilities	44.136	42.851
Bonds issued (**)	4.157.499	3.663.089
Long term borrowings	6.263.875	5.582.327
Total financial liabilities	10.793.113	9.979.180

(*) Other financial liabilities consist of letters of credits and murabaha loan arising from naphtha purchases. The average remaining maturity of other financial liabilities is 144 days as of 31 March 2021 (31 December 2020: Average remaining maturity 164 days).

(**) Petkim issued bonds listed on Ireland stock exchange and release of these bonds were realized 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%.

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NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bond issued

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Short-term borrowings:						
TRY borrowings	No Interest	No Interest	14.187	8.711	14.187	8.711
USD borrowings	Libor 0,30 + 0,60	Libor 0,30 + 0,60	229.027	273.225	1.906.881	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	18.583	17.148	154.719	125.872
EUR borrowings	Euribor + 0,72 + 3,00 - 1,64	Euribor + 0,72 + 3,00 - 1,64	11.381	11.559	111.239	104.122
Bond issued	5,88	5,88	5.064	12.376	42.165	90.845
Total short-term borrowings					2.229.191	2.335.159
Long-term borrowings and bond issued:						
USD borrowings	Libor + 0,75 + 4,67 - 4,26	Libor + 0,75 + 4,67 - 4,26	233.385	236.441	1.943.162	1.735.594
EUR borrowings	Euribor + 3,00-1,64	Euribor + 3,00- 1,64	12.183	15.630	119.078	140.793
Bond issued	5,88	5,88	499.339	499.025	4.157.499	3.663.089
Total long-term borrowings					6.219.739	5.539.476
Total borrowings					8.448.930	7.874.635

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NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

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

	31 March 2021
1 April 2022 - 31 March 2023	4.856.033
1 April 2023 - 31 March 2024	240.918
1 April 2023 - 31 March 2025	300.069
1 April 2024 - 31 March 2026	344.197
1 April 2025 - 31 March 2027	317.720
1 April 2027 over	160.802
	6.219.739
	31 December 2020
2021	611.682
2022	3.883.438
2023	241.209
2024	303.456
2025	295.675
2026 over	204.016
	5.539.476

Movements of net financial debt reconciliation as of 1 January - 31 March 2021 and 2020 are as follows:

	2021	2020
1 January	4.393.566	4.296.599
Proceeds from financial liabilities	476.690	1.066.382
Repayments of financial liabilities	(867.626)	(1.249.481)
Changes in foreign exchange	1.239.363	725.159
Changes in interest accrual	(35.550)	(34.401)
Changes in cash and cash equivalents	(440.240)	360.232
31 March	4.766.203	5.164.490

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2021
<u>Cost:</u>						
Land	123.896	-	-	-	-	123.896
Land improvements	412.073	-	-	-	508	412.581
Buildings	194.272	-	-	-	159	194.431
Machinery and equipment	8.047.394	-	64.013	-	-	8.111.407
Motor vehicles	11.144	-	-	(62)	-	11.082
Furniture and fixtures	153.858	-	3.093	(51)	105	157.005
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	2.219.152	-	-	-	281.543	2.500.695
Construction in progress	1.011.804	131.184	(73.207)	-	120	1.069.901
	12.175.260	131.184	(6.101)	(113)	282.435	12.582.665
<u>Accumulated depreciation:</u>						
Land improvements	(123.496)	(8.619)	-	-	(247)	(132.362)
Buildings	(120.291)	(1.219)	-	-	(112)	(121.622)
Machinery and equipment	(6.150.223)	(81.622)	-	-	-	(6.231.845)
Motor vehicles	(10.175)	(162)	-	62	-	(10.275)
Furniture and fixtures	(89.386)	(3.665)	-	39	(95)	(93.107)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(671)	-	-	-	-	(671)
Leasehold improvements	(250.955)	(18.035)	-	-	(34.233)	(303.223)
	(6.746.193)	(113.322)	-	101	(34.687)	(6.894.101)
Net book value	5.429.067					5.688.564

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2020
<u>Cost:</u>						
Land	123.896	-	-	-	-	123.896
Land improvements	225.088	-	7	-	297	225.392
Buildings	189.637	-	-	-	93	189.730
Machinery and equipment	7.660.869	-	18	(1.885)	-	7.659.002
Motor vehicles	11.628	-	288	(591)	-	11.325
Furniture and fixtures	144.586	-	2.430	(1.453)	64	145.627
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1.818.385	-	-	-	164.428	1.982.813
Construction in progress	838.492	133.494	(8.531)	-	70	963.525
	11.014.248	133.494	(5.788)	(3.929)	164.952	11.302.977
<u>Accumulated depreciation:</u>						
Land improvements	(106.454)	(2.826)	-	-	(109)	(109.389)
Buildings	(115.453)	(1.140)	-	-	(55)	(116.648)
Machinery and equipment	(5.865.400)	(65.111)	-	151	-	(5.930.360)
Motor vehicles	(10.618)	(199)	-	586	-	(10.231)
Furniture and fixtures	(77.103)	(3.490)	-	1.199	(56)	(79.450)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(671)	-	-	-	-	(671)
Leasehold improvements	(146.406)	(15.027)	-	-	(14.272)	(175.705)
	(6.323.101)	(87.793)	-	1.936	(14.492)	(6.423.450)
Net book value	4.691.147					4.879.527

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NOTE 8 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 March 2021	31 December 2020
Advances received	195.837	177.384
Deferred revenue	4.694	4.690
	200.531	182.074

NOTE 9 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 March 2021	31 December 2020
Advances given for inventory	165.920	28.149
Prepaid rent, insurance and other expenses	15.831	10.626
Advances given for customs procedures	209	84
	181.960	38.859

b) Long-term prepaid expenses

Advances given for property, plant and equipment	138.179	51.677
Prepaid rent, insurance and other expenses	1.760	1.783
	139.939	53.460

NOTE 10 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	31 March 2021	31 December 2020
Provision for bonus premium	7.850	9.429
Provision for seniority incentive bonus	4.671	20.823
	12.521	30.252

b) Long-term employee benefits:

Provision for employment termination benefits	86.108	93.109
Provision for unused vacation rights	47.343	29.849
Provision for seniority incentive bonus	8.385	8.354
	141.836	131.312

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NOTE 10 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits:

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

The amount payable consists of one month’s salary limited to a maximum of full TRY7.638,96 for each year of service as of 31 March 2021 (31 December 2020: Full TRY7.117,17).

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

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

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

	31 March 2021	31 December 2020
Net discount rate (%)	4,60	4,60
Probability of retirement (%)	100,00	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 full TRY7.638,96 which is effective from 1 January 2021, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2020: Full TRY6.730,15).

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.

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NOTE 10 - EMPLOYEE BENEFITS (Continued)

For the non-union personnel working at the Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 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 March 2021	31 December 2020
Net discount rate (%)	4,60	4,60
Probability of retirement (%)	100,00	100,00

NOTE 11 - EQUITY

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

Group:	Shareholder:	31 March 2021		31 December 2020	
		Share (%)	Amount	Share (%)	Amount
A	SOCAR Turkey Petrokimya A.Ş.	51,00	1.292.544	51,00	1.292.544
A	Publicly traded and other	49,00	1.241.856	49,00	1.241.856
C	Privatization Administration	0,01	-	0,01	-
Total paid share capital		100	2.534.400	100	2.534.400
Adjustment to share capital			238.988		238.988
Total share capital			2.773.388		2.773.388

Adjustment to share capital represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

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NOTE 12 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

The corporate tax rate in Turkey is 20%. However, in accordance with the provisional article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is 22% for the corporate income of the companies for the taxation periods of 2018, 2019 and 2020 (for the companies assigned a special fiscal period, the fiscal periods in the relevant year). In addition, with a new law regulation, 25% for the corporate earnings for the 2021 taxation period and 23% for the 2022 taxation period will be applied. (Note 19)

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

	31 March 2021	31 December 2020
Calculated corporation tax	207.772	102.783
Less: Prepaid taxes	(7.515)	(75.414)
Current tax liabilities, current	200.257	27.369

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

	1 January - 31 March 2021	1 January - 31 March 2020
Deferred tax income / (expense)	(42.322)	(20.473)
Current period tax expense	(207.772)	-
Total tax expense	(250.094)	(20.473)

b) Deferred taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the CMB Financial Reporting Standards and the statutory tax financial statements.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, “Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun”, corporate tax rate for the years 2019, 2020 and 2021 has increased from 20% to 22%.

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

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NOTE 12 - TAX ASSETS AND LIABILITIES (Continued)

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(621.007)	(451.410)	(124.201)	(90.282)
Fair value increase in investment properties	(2.077.305)	(2.077.305)	(207.731)	(207.731)
Deferred revenue related to the port rental agreement	(4.884)	(6.014)	(977)	(1.203)
Deferred income tax liabilities	(2.703.196)	(2.534.729)	(332.909)	(299.216)
Unused investment incentives	816.082	831.699	214.427	220.088
Provision for employee benefits	154.357	161.564	30.871	32.313
Carry forward tax losses	348.587	279.374	70.581	55.875
Fair value difference of derivative financial instruments	51.113	63.673	10.222	12.735
Inventory provision	2.963	5.650	593	1.130
Rent allowance fee	3.932	3.974	786	795
Provision for legal cases	2.592	2.592	518	518
Other	121.217	58.650	24.244	11.730
Deferred income tax assets	1.500.843	1.407.176	352.242	335.184
Deferred tax assets/liabilities, net			19.333	35.968

The movement of deferred income tax is as follows:

	2021	2020
1 January	35.968	261.426
Recognized in the profit or loss statement	(42.322)	(20.474)
Recognized in other comprehensive income	(2.512)	9.486
Foreign currency translation differences	28.199	22.819
31 March	19.333	273.257

As of 31 March 2021, the Group has TRY816.082 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2020: TRY831.699).

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NOTE 13- GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 March 2021	1 January - 31 March 2020
Personnel expense	(44.080)	(55.109)
Outsourced services	(19.593)	(10.700)
Depreciation and amortization	(16.087)	(16.435)
Energy expenses	(5.658)	(7.256)
Taxes, funds and fees	(171)	(2.238)
Other	(7.700)	(8.815)
	(93.289)	(100.553)

NOTE 14- FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January- 31 March 2021	1 January - 31 March 2020
Foreign exchange gains	1.407.719	719.512
Interest income	68.007	30.909
Other	2.752	661
	1.478.478	751.082

b) Financial expense

Foreign exchange losses	(1.412.377)	(769.043)
Interest expense	(102.802)	(105.282)
Commission expense	(7.957)	(5.531)
Interest expense on employee benefits	(3.604)	(2.943)
	(1.526.740)	(882.799)

NOTE 15 - EARNINGS/(LOSS) PER SHARE

	1 January- 31 March 2021	1 January - 31 March 2020
Net profit for the period of the equity holders of the parent	883.962	(13.129)
Weighted average number of shares with nominal value of Kr1 each (thousand)	253.440	211.200
Earnings per share (Kr)	0,3488	(0,0062)

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NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

a) Trade receivables from related parties:

	31 March 2021	31 December 2020
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	378.684	332.376
STAR ⁽²⁾	21.303	25.753
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	761	-
SOCAR Turkey Akaryakıt Depolama ⁽²⁾	286	752
SOCAR Azerikimya Production Union ⁽²⁾	37	36
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾ (previously ‘SOCAR Turkey Petrol Enerji Dağıtım A.Ş.’)	-	65.343
STEAS ⁽¹⁾	-	44
	401.071	424.304

b) Short term other receivables from related parties:

SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	678	-
STAR ⁽²⁾	464	92
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	164	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	123	-
SOCAR Logistics DMCC ⁽²⁾	-	82
STEAS ⁽¹⁾	-	65
	1.429	239

c) Long term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	8.745	8.288
	8.745	8.288

d) Short term trade payables to related parties:

STAR ⁽²⁾	684.896	452.624
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	86.229	67.912
STEAS ⁽¹⁾	77.769	124.524
SOCAR Logistics DMCC ⁽²⁾	7.431	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	5.184	5.096
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	4.495	5.481
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	2.180	1.776
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	813	1.103
Azoil Petrolcülük A.Ş. ⁽²⁾	222	398
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	27	901
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	22	124
Other ⁽²⁾	5	8
	869.273	659.947

Short term trade payables to related parties mainly consist of consultancy, service and product purchases. Average maturity of short term trade payables is 11 days (31 December 2020: 10 days).

(1) Shareholders of the Company

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

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NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Other payables to related parties:

	31 March 2021	31 December 2020
Due to shareholder ⁽¹⁾	87	87
	87	87

f) Short term deferred revenue from related parties

STAR ⁽²⁾	32.612	289
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	16.398	13.720
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	2.454	10
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	175	-
	51.639	14.019

g) Long term deferred revenue from related parties

SOCAR Aliğa Liman İşletmeciliği A.Ş. ^{(2) (*)}	398.136	354.441
STAR ⁽²⁾	4.892	4.945
	403.028	359.386

h) Short term prepaid expense to related parties

STEAS ^{(1) (**)}	4.002.617	3.530.058
STAR ⁽²⁾	1.900	1.929
SOCAR Trading SA ⁽²⁾	1.358	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	183	475
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	149	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	-	91
	4.006.207	3.532.553

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

(**) As a result of negotiations between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement (‘Agreement’) has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase price of USD720 million. Rafineri Holding A.Ş. owns 60% shares of SOCAR Turkey Yatırım A.Ş. The shares of Rafineri Holding which are subject to the contract may be purchased 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. Closing date defined as 31 March 2020 as per agreement is modified as no later than 30 June 2021 by modification memorandum signed at 7 March 2019. As the agreement, 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 reclassified as prepaid expenses to related parties in the balance sheet as of 31 March 2021 and have been subject to Exchange rate valuation.

(1) Shareholders of the Company

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NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Long term prepaid expense to related parties

	31 March 2021	31 December 2020
STAR ⁽²⁾	19.672	20.119
STEAS ⁽¹⁾	3.417	3.901
	23.089	24.020

j) Short term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	51.374	31.154
STAR ⁽²⁾	4.517	-
STEAS ⁽¹⁾	3.428	3.383
	59.319	34.537

k) Long term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	150.221	133.212
STEAS ⁽¹⁾	4.397	3.883
	154.618	137.095

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 March 2021	1 January - 31 March 2020
STEAS ⁽¹⁾	470.394	276.834
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	2.119	587
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	387	855
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	314	129
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	297	344
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	146	2.607
SOCAR Trading SA ⁽²⁾	76	-
SOCAR Azerikimya Production Union ⁽²⁾	4	24
SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	-	(1.345)
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	(3)	3
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	(1.372)	-
SOCAR Logistics DMCC ⁽²⁾	(2.089)	(13)
SOCAR Turkey Petrol Ener. Dağ. ⁽²⁾	(2.920)	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(25.227)	(23.434)
STAR ⁽²⁾	(63.169)	(6.459)
	378.957	250.132

The breakdown of income from STAR is as follows; TRY60.477 is foreign exchange loss, TRY2.692 other expense and the breakdown of income from STEAS is as follows; TRY467.748 is foreign exchange gain and TRY2.646 other income. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

(1) Shareholders of the Company

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

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NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Service and rent purchases from related parties:

	1 January- 31 March 2021	1 January - 31 March 2020
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	15.955	6.066
STEAS ⁽¹⁾	8.335	2.953
STAR ⁽²⁾	5.015	2.474
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	2.040	3.759
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	580	45
SOCAR Turkey Petrol Enerji Dağıtım. A.Ş. ⁽²⁾	323	882
SOCAR Trading SA ⁽²⁾	444	-
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	101	-
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	16	-
	32.809	16.179

c) Product purchase from related parties:

STAR ⁽²⁾	1.309.708	630.782
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	197.424	202.372
SOCAR Logistics DMCC ⁽²⁾	83.515	37.809
Azoil Petrolcülük A.Ş. ⁽²⁾	557	578
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	89	-
	1.591.293	871.541

Purchases made from related parties consist of raw materials and commercial products purchases. Purchases made from STAR consist of 318.562 tone of naphta purchasing, amounting to TRY1.249.533 and other products purchasing TRY60.175.

d) Product and service sales to related parties:

STAR ⁽²⁾	50.695	40.733
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	38.383	29.391
SOCAR Enerji Ticaret AŞ. ⁽²⁾	1.384	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	437	1.383
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	56	68
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	15	-
SOCAR Azerikimya Production Union ⁽²⁾	-	389
	90.970	71.964

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NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Rent income from related parties:

	1 January- 31 March 2021	1 January - 31 March 2020
STAR ⁽²⁾	10.623	8.512
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	804	408
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	247	132
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	85	23
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	62	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	44	-
Diğer	-	7
	11.865	9.082

f) Key management emoluments:

• **Key management emoluments-short term:**

Payments for salary and seniority incentives	7.606	10.952
	7.606	10.952

• **Key management emoluments-long term:**

Provision for unused vacation	286	505
Provision for employment termination benefits	215	11
Provision for seniority incentives	4	8
	505	524
	8.111	11.476

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

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 March 2021	31 December 2020
Provision for legal cases	2.592	2.592
	2.592	2.592

b) Guarantees received:

Bank guarantees within the context of DOCS	1.649.713	1.347.712
Receivable insurance	1.021.308	771.274
Letters of guarantee received from customers	766.013	692.303
Letters of guarantee received from suppliers	287.959	270.224
Letters of credit	80.047	140.228
Mortgages	2.000	2.000
	3.807.040	3.223.741

c) Guarantees given:

Guarantees given to banks	3.266.673	2.874.603
Mortgages given to banks (*)	1.535.824	1.369.604
Custom offices	105.880	104.347
Other	27.783	26.615
	4.936.160	4.375.169

(*) Petlim Limancılık Ticaret A.Ş. has signed a project finance credit agreement with a financial institution at an amount of USD212 million which has 13 years maturity with the first 3 years no repayment period, for the external funding of the container port project. Petlim has used credit limit amounting to TRY1.233 thousand as of 31 March 2021. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TRY105 thousand has been pledged. The project has financial ration liabilities that are valid during the operating period. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim’s land sold by Petkim at a price of TRY5.650.

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

	31 March 2021	31 December 2020
A. Total amount of CPMs given for the Company’s own legal personality	3.400.336	3.005.565
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	1.535.824	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	-	-
	4.936.160	4.375.169

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NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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 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.

Subsequently on 28 September 2017 all the lawsuits which were heard at the Regional Administrative Court (the “Court of Appeals”) were concluded in favour of the Group with rulings that the product’s customs tariff statistical position does not require SCT, and a lawsuit was filed with the Council of State by the Customs Administration.

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 reconstruction, 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 estimate 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. Thus, no provision has been recognised in the consolidated financial statements as of 31 December 2020.

Supporting these predictions, as of 16 December 2020 and 24 December 2020 it has been decided to accept these lawsuits in favor of the Group amounting TRY 66 thousand Special Consumption Tax (SCT) and amounting TRY 99 thousand tax loss penalty by the 2nd and 3th Tax Court of Izmir.

Therefore, there is no provision in consolidated financial statements in relation to this matter as of 31 March 2021. Against the aforementioned decision, an application has been made to Court of Appeal by the defendant Administration with using right of appeal for 3 lawsuit at Izmir 2nd Tax Court.

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NOTE 17 - 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 March 2021 and 2020 are as follows:

	31 March 2021	31 March 2020
0-5 year(s)	954.262	743.945
5-10 year(s)	1.006.130	789.974
10 years and over	3.444.781	2.915.811
Total	5.405.173	4.449.730

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

Although the raw materials, which comprise the significant portion of production and import volume, are foreign exchange-denominated cost items, the determination of sales prices by the Group in foreign exchange terms is a factor that decreases the foreign exchange risk in the cash flows.

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NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency position

	31 March 2021				31 December 2020			
	TL equivalent	US Dollar	EUR	Other	TL equivalent	US Dollar	EUR	Other
1. Trade receivables	1.775.542	186.165	23.075	-	933.137	114.686	10.134	-
2a. Monetary financial assets	8.506.025	996.194	21.633	266	8.107.614	1.077.212	22.212	254
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	10.281.567	1.182.359	44.708	266	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)	10.281.567	1.182.359	44.708	266	9.040.751	1.191.898	32.346	254
9. Trade payables	1.716.621	149.773	8.842	381.902	1.076.872	99.411	8.393	271.546
10. Financial liabilities	4.399.533	515.048	11.381	-	4.288.686	570.066	11.559	-
11a. Monetary other liabilities	819.842	6.582	-	765.040	799.577	4.705	-	765.040
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	6.935.996	671.403	20.223	1.146.942	6.165.135	674.182	19.952	1.036.586
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	4.762.397	557.689	12.183	-	4.232.699	557.443	15.630	-
15a. Monetary other liabilities	154.618	18.570	-	-	137.095	18.677	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	4.917.015	576.259	12.183	-	4.369.794	576.120	15.630	-
17. Total liabilities (12+16)	11.853.011	1.247.662	32.406	1.146.942	10.534.929	1.250.302	35.582	1.036.586
18. Net (liability)/asset position of off-balance sheet								
Derivative instruments (18a-18b)	-	-	-	-	-	-	-	-
18a. Amount of asset nature off-balance sheet derivative								
Instruments	-	-	-	-	-	-	-	-
18b. Amount of liability nature-off balance sheet derivative								
instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability)/asset position (8-17+18)	(1.571.444)	(65.303)	12.302	(1.146.676)	(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)	(1.571.444)	(65.303)	12.302	(1.146.676)	(1.494.178)	(58.404)	(3.236)	(1.029.944)
21. Total fair value of financial instruments used for								
foreign currency hedging								
22. Hedged amount for current assets	-	-	-	-	-	-	-	-
23. Hedged amount for current liabilities	-	-	-	-	-	-	-	-
24. Export	1.688.328	161.487	53.942	15.353	4.035.794	410.930	133.910	111.673
25. Import	1.664.845	209.780	13.275	25.922	4.154.432	536.613	60.137	93.767

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**NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT
(Continued)**

Table of sensitivity analysis for foreign currency risk

31 March 2021

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of US Dollars by 10% against TRY:				
1- Asset/Liability denominated in USD - net	(54.371)	54.371	(54.371)	54.371
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	(54.371)	54.371	(54.371)	54.371
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	12.024	(12.024)	12.024	(12.024)
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	12.024	(12.024)	12.024	(12.024)
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies - net	114.513	(114.513)	114.513	(114.513)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	114.513	(114.513)	114.513	(114.513)
Total (3+6+9)	72.166	(72.166)	72.166	(72.166)

31 December 2020

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of US Dollars 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- EUR 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)	57.209	(57.209)	57.209	(57.209)

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NOTE 19 - EVENTS AFTER THE REPORTING PERIOD

In accordance with tax regulations of the Law No. 7316, published in the Official Gazette on 22 April 2021 and numbered 31462, the corporate tax rate is determined as 25% and 23% for 2021 and 2022 years respectively. This implementation will be valid starting from January 1, 2021. This change that came after the reporting period is evaluated within the events that do not require correction in accordance with TAS 10, and the tax rate was used as 20% in the consolidated financial statements of the Group as of March 31, 2021, and this change will be reflected in the consolidated financial statements as of June 30, 2021.

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