

**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 2022**



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

Report on review of interim financial information

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

Introduction

1. We have reviewed the accompanying condensed consolidated statement of financial position of Petkim Petrokimya Holding A.Ş. and its subsidiaries (collectively referred to as the "Group") as at 31 March 2022 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of Petkim Petrokimya Holding A.Ş. is not prepared, in all material respects, in accordance with TAS 34.

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

Baki Erdal, SMMM
Partner

Istanbul, 21 July 2022

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FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2022**

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2022**

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

	Notes	Unaudited 31 March 2022	Audited 31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	5,663,659	3,665,331
Financial investments	5	1,910,258	48,654
Trade receivables		5,680,094	5,106,588
- Trade receivables from related parties	20	852,020	746,142
- Trade receivables from third parties	6	4,828,074	4,360,446
Other receivables		22,455	26,899
- Other receivables from related parties	20	3,064	8,331
- Other receivables from third parties		19,391	18,568
Inventories	7	4,959,658	3,539,843
Prepaid expenses		7,424,837	6,816,363
- Prepaid expenses to related parties	20	7,048,552	6,418,168
- Prepaid expenses to third parties	11	376,285	398,195
Derivative financial instruments		-	8,534
Other current assets		500,914	411,079
Total current assets		26,161,875	19,623,291
Non-Current assets			
Financial investments	5	8,910	8,910
Other receivables		11,086	10,412
- Other receivables from related parties	20	11,019	10,345
- Other receivables from third parties		67	67
Investment properties	12	3,434,918	2,872,594
Property, plant and equipment	9	7,782,311	7,303,218
Right of use assets		253,692	207,823
Intangible assets		93,481	91,381
Prepaid expenses		258,632	139,427
- Prepaid expenses to related parties	20	26,782	27,815
- Prepaid expenses to third parties	11	231,850	111,612
Deferred income tax assets	15	35,439	150,311
Other non-current assets		28,442	20,789
Total non-current assets		11,906,911	10,804,865
TOTAL ASSETS		38,068,786	30,428,156

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

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2022**

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

	Notes	Unaudited 31 March 2022	Audited 31 December 2021
LIABILITIES			
Current Liabilities			
Short-term borrowings		5,409,422	1,606,310
- Short-term borrowings from third parties		5,352,864	1,561,217
- <i>Bank borrowings</i>	8	1,476,940	64,952
- <i>Short-term lease liabilities</i>	8	25,697	21,245
- <i>Other financial liabilities</i>	8	3,850,227	1,475,020
- Short-term borrowings from related parties		56,558	45,093
- <i>Short-term lease liabilities to related parties</i>	20	56,558	45,093
Short-term portion of long term borrowings		8,623,796	1,270,454
- <i>Bank borrowings</i>	8	1,225,505	1,103,565
- <i>Bonds issued</i>	8	7,398,291	166,889
Derivative financial instruments		879	23,760
Trade payables		4,539,818	3,835,847
- <i>Trade payables to related parties</i>	20	3,033,232	1,966,500
- <i>Trade payables to third parties</i>	6	1,506,586	1,869,347
Payables related to employee benefits		29,553	13,580
Other payables		13,615	10,905
- <i>Other payables to related parties</i>	20	87	87
- <i>Other payables to third parties</i>		13,528	10,818
Deferred revenue		708,749	288,734
- <i>Deferred revenue from related parties</i>	20	97,366	28,219
- <i>Deferred revenue from third parties</i>	10	611,383	260,515
Short-term provisions		319,231	283,783
- <i>Provision for employee benefits</i>	13	316,634	281,186
- <i>Other short-term provisions</i>	21	2,597	2,597
Other current liabilities		39,389	50,562
Current income tax liabilities	15	253,251	271,437
Total current liabilities		19,937,703	7,655,372
Non-current liabilities			
Long-term financial liabilities		2,691,184	9,223,820
- Long-term financial liabilities from third parties		2,463,061	9,018,998
- <i>Bank borrowings</i>	8	2,397,428	2,291,409
- <i>Long-term lease liabilities to third parties</i>	8	65,633	58,458
- <i>Bonds issued</i>	8	-	6,669,131
- Long-term borrowings from related parties		228,123	204,822
- <i>Long-term lease liabilities to related parties</i>	20	228,123	204,822
Derivative financial instruments		4,582	30,419
Deferred revenue		677,866	608,081
- <i>Deferred revenue from related parties</i>	20	677,866	607,331
- <i>Deferred revenue from third parties</i>		-	750
Long-term provisions		221,804	191,434
- <i>Provision for employee termination benefits</i>	13	221,804	191,434
Total non-current liabilities		3,595,436	10,053,754
TOTAL LIABILITIES		23,533,139	17,709,126

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2022**

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

	Notes	Unaudited 31 March 2022	Audited 31 December 2021
EQUITY			
Equity attributable to owners of the parent company		14,498,100	12,722,324
Share capital	14	2,534,400	2,534,400
Adjustment to share capital	14	238,988	238,988
Share premium		64,188	64,188
Other comprehensive expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(46,542)	(46,542)
Other comprehensive expense to be reclassified to loss		(434,535)	(456,604)
- Currency translation differences		(431,267)	(433,091)
- Loss on cash flow hedges		(3,268)	(23,513)
Restricted reserves		417,325	417,325
Retained earnings		9,970,569	4,518,863
Net profit for the period/year		1,753,707	5,451,706
Non-controlling interest		37,547	(3,294)
TOTAL EQUITY		14,535,647	12,719,030
TOTAL LIABILITIES AND EQUITY		38,068,786	30,428,156

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIOD
ENDED 31 MARCH 2022**

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

	Notes	Unaudited 1 January - 31 March 2022	Unaudited 1 January - 31 March 2021
PROFIT OR LOSS			
Revenue		11,420,952	5,033,898
Cost of sales		(9,746,003)	(3,823,447)
GROSS PROFIT		1,674,949	1,210,451
General administrative expenses	16	(222,179)	(93,289)
Selling, marketing and distribution expenses		(83,348)	(32,899)
Other operating income		429,453	309,140
Other operating expenses		(191,570)	(213,881)
OPERATING PROFIT		1,607,305	1,179,522
Income from investing activities	17	826,965	10,596
Expense from investing activities	17	(32)	(5)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		2,434,238	1,190,113
Financial income	18	1,500,316	1,478,478
Financial expenses	18	(1,848,393)	(1,526,740)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		2,086,161	1,141,851
Tax expense from continuing operations		(333,635)	(250,094)
- Current tax expense	15	(220,597)	(207,772)
- Deferred income tax expense	15	(113,038)	(42,322)
PROFIT FOR THE PERIOD CONTINUING OPERATIONS		1,752,526	891,757
DISTRIBUTION OF INCOME FOR THE PERIOD			
- Non-controlling interest		(1,181)	7,751
- Owners of the parent company		1,753,707	884,006
Earnings per share	19	0.6920	0.3488
- Earnings per Kr1 number of 1 shares from continued operations	19	0.6920	0.3488

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIOD
ENDED 31 MARCH 2022**

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

	Notes	Unaudited 1 January - 31 March 2022	Unaudited 1 January - 31 March 2021
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss		64,091	(36,742)
Currency translation differences		31,943	(46,791)
Other comprehensive gain related to cash flow hedges		40,185	12,561
Taxes relating to gain on cash flow hedge		(8,037)	(2,512)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		64,091	(36,742)
TOTAL COMPREHENSIVE INCOME		1,816,617	855,015
Attributable to:			
Non-controlling interests		40,841	8,878
Owners of the parent company		1,775,776	846,137

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE MONTHS
INTERIM PERIOD 1 JANUARY - 31 MARCH 2022**

(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 for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
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
1 January 2022	2,534,400	238,988	(46,532)	(23,513)	(433,091)	64,188	417,325	5,451,706	4,518,863	12,722,324	(3,294)	12,719,030
Transfers	-	-	-	-	-	-	-	(5,451,706)	5,451,706	-	-	-
Total comprehensive income/(expense)	-	-	-	20,245	1,824	-	-	1,753,707	-	1,775,776	40,841	1,816,617
- Other comprehensive income/(expense)	-	-	-	20,245	1,824	-	-	-	-	22,069	42,022	64,091
- Net profit for the period	-	-	-	-	-	-	-	1,753,707	-	1,753,707	(1,181)	1,752,526
31 March 2022	2,534,400	238,988	(46,542)	(3,268)	(431,267)	64,188	417,325	1,753,707	9,970,569	14,498,100	37,547	14,535,647

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THREE
MONTH INTERIM PERIOD ENDED 31 MARCH 2022**

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

	Notes	Unaudited 1 January - 31 March 2022	Unaudited 1 January - 31 March 2021
A. Cash flows from operating activities:		676,414	637,360
Profit for the period (I)		1,752,526	891,757
Adjustments related to reconciliation of (II) net profit (loss) for the period:		(38,320)	300,943
Adjustments for depreciation and amortization		183,301	109,323
Adjustments for impairments/reversals		14,493	(2,687)
- Adjustments for impairment of inventories	7	14,493	(2,687)
Adjustments for provisions		76,730	16,226
- Adjustments for provision employment termination benefits		76,758	16,226
- Adjustments for provision/other cases		(28)	-
Adjustments for interest income/(expense)		160,049	34,795
- Adjustments for interest income	18	(47,698)	(68,007)
- Adjustments for interest expense	18	207,747	102,802
Adjustments for unrealized foreign currency translation differences		3,373	(104,992)
Adjustments for tax income/losses	15	333,635	250,094
Adjustments for (gain) on sale of property, plant and equipment		(1,009)	(39)
Adjustments for fair value increase in financial investments	17	(244,566)	-
Adjustments for fair value increase in investment property	17	(562,324)	-
Adjustments for revenues from government grants		(2,002)	(1,777)
Changes in working capital (III)		(788,088)	(497,022)
Increase in trade receivables		(445,038)	(660,820)
Decrease/(increases) in other receivables		3,769	(3,581)
Increase in inventory		(1,395,906)	(241,717)
Increase in prepaid expenses		34,622	(139,438)
Increase in trade payables		689,147	462,034
Decrease/(increase) in other payable		2,711	(96)
Increase in payables to employees		15,974	810
Increase/(decrease) in deferred revenue		422,602	49,642
(Increase)/decrease in derivative financial instruments		(7,308)	(4,006)
Other increases/(decrease) in working capital		(108,672)	40,150
Cash flows from operating activities (I+II+III)		926,118	695,678
Employee termination benefits paid		(10,941)	(23,434)
Income taxes paid		(238,763)	(34,884)
B. Cash flows from investing activities		(1,979,238)	(215,256)
Cash outflows due to purchases of tangible and intangible assets		(250,056)	(131,184)
Proceeds from sale of tangible and intangible assets		1,084	152
Cash outflows due to advances given to third parties		(120,264)	(84,224)
Other cash inflows/(outflows)	5	(1,610,002)	-
C. Cash flows from financing activities		3,077,024	(478,106)
Proceeds from borrowings	8	1,414,185	116,787
Repayments of borrowings	8	(122,505)	(483,415)
Proceeds other financial liabilities	8	2,537,175	359,903
Repayments of other financial liabilities	8	(488,880)	(384,211)
Cash outflow related to lease agreements		(36,389)	(15,557)
Interest received		36,098	62,516
Interest paid		(256,337)	(132,327)
Other cash inflows/(outflows)		(6,323)	(1,802)
D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		1,774,200	(56,002)
E. Effect of currency translation differences on cash and cash equivalents		224,128	496,242
Net increase in cash and cash equivalents (D+E)		1,998,328	440,240
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	3,665,331	5,502,010
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	5,663,659	5,942,250

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**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY AND 31 MARCH 2022**

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Petkim Petrokimya Holding A.Ş. (‘Petkim’ or ‘the Company’), was established on 3 April 1965. The Company started its investment activities in İzmit-Yarımca and initially established the Ethylene, Polyethylene, Chlorine Alkali, VCM and PVC plants in 1970 in the Yarımca Complex and in the following years, construction of other plants continued. In 1985, 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 2022**

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

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

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 March 2022 and 31 December 2021 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 9 May 2022 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 2022, the Company's subsidiaries (‘subsidiaries’) the Company and its subsidiaries (hereinafter collectively referred to as the ‘Group’) and their respective operating segments are as follows:

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

As of 31 March 2022, the average number of employees working for the Group is 2,374 (31 December 2021: 2,355).

The details of the employees as of 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Union (*)	1,799	1,809
Non-union (**)	574	568
	2,373	2,377

(*) 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

The condensed consolidated interim financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, “Principals of Financial Reporting in Capital Markets” published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, 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 consolidated interim 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 POAASA made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021. There is no announcement from POAASA regarding the implementation of TAS29 for the consolidated financial statements of 2022.

The Group prepared its condensed interim consolidated financial statements for the period ended 31 March 2022 in accordance with (“TAS”) 34, “Interim Financial Reporting” in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

The Group’s condensed consolidated interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed consolidated interim financial statements should be read in conjunction with the Group’s annual consolidated financial statements dated 31 December 2021 and group’s public announcements during the financial year.

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

The consolidated consolidated financial statements, except for the financial investments, investment properties and derivatives, are maintained under historical cost conversion and presented in TRY which is the functional and reporting currency of the Group.

According to CMB Communiqué No:14.1 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 22).

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 these condensed consolidated interim financial statements are consistent with the accounting policy applied in the consolidated financial statements for the period 1 January- 31 December 2021 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 TFRS applying uniform accounting policies and presentation. Gains and losses arising from intra-group transactions recognized in assets are eliminated when the losses are offset against each other and unrealized losses are eliminated when the transaction does not indicate an impairment in the transferred asset.

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 all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates as of 31 March 2022 and 31 December 2021.

<u>Subsidiaries</u>	Direct or Indirect Control Shares of Company (%)	
	31 March 2022	31 December 2021
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company 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 USD as of 1 January 2017 due to Petlim’s commencement of its operations and generating all its revenues in USD. 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

Assets in the condensed consolidated interim balance sheet As of 31 March 2022 are translated into TRY from the foreign exchange buying rates effective as of balance sheet date announced by the Central Bank of the Republic of Turkey as 14.6371 TRY = 1 USD, and liabilities are translated into TRY from the foreign exchange selling rates announced by Central Bank of the Republic of Turkey as 14.6635 TRY = 1 USD (31 December 2021: buying rate as 13.3290 TRY = 1 USD, selling rate as 13.3530 TRY = 1 USD).

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

2.4 Standards, amendments and interpretations applicable as at 31 March 2022:

a. Standards, amendments and interpretations applicable as at 31 March 2022:

- **Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2 (effective 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 Phase 2 amendments provide additional temporary reliefs from applying specific TAS 39 and TFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. The Group’s risk, which is directly affected by the interest rate reform, TRY equivalent is 3.498.892 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.
- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

These changes do not have any impact on the Group’s condensed consolidated interim financial statements.

b. Standards, amendments and interpretations that are issued but not effective as at 31 March 2022:

- **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.

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

2.4 Standards, amendments and interpretations applicable as at 31 March 2022: (Continued)

- **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’.

- **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.
- **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.

The 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.

2.5 Comparative information and correction of prior period financial statements

The Group prepared its interim condensed consolidated interim financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 31 March 2022 on a comparative basis with balance sheet at 31 December 2021; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January- 31 March 2022 on a comparative basis with financial statements for the period of 1 January - 31 March 2021.

The effects of the classifications are summarized below:

- As of 31 Mart 2021, expenses amounting to TRY9,322 included in research and development expenses in the profit or loss statement for the accounting period 1 January - 31 March 2021 are reclassified as cost of sales.

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

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 21.

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 2022.

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 15). 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 13.

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

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement (‘Agreement’) has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase consideration of USD720 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 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 2022 and have been subjected to exchange rate valuation.

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

2.6 Significant Accounting Estimates, Judgments and Assumptions (Continued)

f) Fair value of determination of investment properties

As of 31 March 2022, investment properties are carried in the condensed consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

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

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

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

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NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue

	1 January - 31 March 2022	1 January - 31 March 2021
Petrochemical	11,346,640	4,996,489
Port	74,312	37,409
Total before eliminations and adjustments	11,420,952	5,033,898
Consolidation eliminations and adjustments	-	-
	11,420,952	5,033,898

b) Operating profit

Petrochemical	1,531,824	1,130,271
Port	60,083	46,349
Total before eliminations and adjustments	1,591,907	1,176,620
Consolidation eliminations and adjustments	15,398	2,902
Operating profit	1,607,305	1,179,522
Financial (expenses)/income, net	(348,077)	(48,262)
Income from investing activities, net	826,933	10,591
Profit before tax from continued operations	2,086,161	1,141,851
Tax expense	(333,635)	(250,094)
Profit for the period	1,752,526	891,757

c) Total assets

	31 March 2022	31 December 2021
Petrochemical	35,249,856	27,897,269
Port	4,943,887	4,474,973
Total before eliminations and adjustments	40,193,743	32,372,242
Consolidation eliminations and adjustments	(2,124,957)	(1,944,086)
	38,068,786	30,428,156

d) Total liabilities

Petrochemical	20,126,216	14,518,117
Port	4,828,098	4,495,321
Total before eliminations and adjustments	24,954,314	19,013,438
Consolidation eliminations and adjustments	(1,421,175)	(1,304,312)
	23,533,139	17,709,126

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NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2022	31 December 2021
Banks	5,663,650	3,665,121
- Demand deposits	79,346	4,861
- TRY	10,715	908
- Foreign currency	68,631	3,953
- Time deposits	5,584,304	3,660,260
- TRY	1,175,482	622,890
- Foreign currency	4,408,822	3,037,370
Other	9	210
	5,663,659	3,665,331

The weighted average effective interest rates of USD and EUR monthly time deposits are 1.74% and 0.92% per annum, respectively (31 December 2021: USD 1.32%, EUR 0.71% per annum).

As of 31 March 2022, the TRY dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 16.96% per annum (31 December 2021: consist of monthly and daily deposits and the weighted average effective interest rate is monthly 18.12% and daily 24.99% per annum). The Group has no blocked deposits as of 31 March 2022 (31 December 2021: None).

NOTE 5 – FINANCIAL INVESTMENTS

a) Short-term financial investments

	31 March 2022	31 December 2021
Exchange rate-protected TRY time deposits (*)	1,854,568	-
Other	55,690	48,654
	1,910,258	48,654

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

As of 31 March 2022, the nominal and fair value amounts of exchange rate-protected TRY time deposit accounts are as follows;

31 March 2022			
Currency	Nominal amount (original currency)	Fair value (in TRY)	Maturity
TRY	1,610,002	1,854,568	August 2022

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NOTE 5 – FINANCIAL INVESTMENTS (Continued)

b) Long-term financial investments

	31 March 2022		31 December 2021	
	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.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	31 March 2022	31 December 2021
Trade receivables	4,849,178	4,381,578
Provision for doubtful trade receivables (-)	(21,104)	(21,132)
	4,828,074	4,360,446

b) Short-term trade payables from third parties:

	31 March 2022	31 December 2021
Trade payables	1,506,586	1,869,347
	1,506,586	1,869,347

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NOTE 7 - INVENTORIES

	31 March 2022	31 December 2021
Raw materials	998,752	946,058
Work-in-progress	887,186	537,905
Finished goods	1,314,689	1,045,919
Trade goods	720,957	257,182
Goods in transit	931,436	659,342
Other inventories	127,275	99,581
	<hr/>	<hr/>
Less: Provision for impairment on inventories	(20,637)	(6,144)
	<hr/>	<hr/>
	4,959,658	3,539,843

Movements of provision for impairment on inventory for the periods ended 1 January - 31 March 2022 and 2021 were as follows:

	2022	2021
1 January	(6,144)	(5,650)
Realized due to sales of inventory	6,144	5,650
Current year additions	(20,637)	(2,963)
	<hr/>	<hr/>
31 March	(20,637)	(2,963)

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NOTE 8 - BORROWINGS AND BORROWING COSTS

	31 March 2022	31 December 2021
Short-term borrowings	1,476,940	64,952
Short-term portions of long-term borrowings	1,225,505	1,103,565
Bonds issued (**)	7,398,291	166,889
Short-term lease liabilities (***)	25,697	21,245
Other financial liabilities (*)	3,850,227	1,475,020
Short-term financial liabilities	13,976,660	2,831,671
Long term borrowings	2,397,428	2,291,409
Long-term lease liabilities (***)	65,633	58,458
Bonds issued (**)	-	6,669,131
Long-term borrowings	2,463,061	9,018,998
Total financial liabilities	16,439,721	11,850,669

(*) Other financial liabilities consist of letters of credits, naphtha financing and murabaha loan arising from naphtha purchases. The average remaining maturity of other financial liabilities is 174 days as of 31 March 2022 (31 December 2021: Average remaining maturity 110 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%.

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

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NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bond issued

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Short-term borrowings:						
TRY borrowings	14.75 – 17.55 - 18 – 18.25					
USD borrowings	18.29 – Zero-Interest Loan Libor 0.70 + 0.75	- Libor + 0.20 - 0.70 - 0.75	1,286,109 13,014	- 4,864	1,286,109 190,843	- 64,952
Short-term portions of long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 – 4.26	Libor + 4.67 – 4.26	75,364	72,004	1,105,100	961,464
EUR borrowings	Euribor + 0.72 – 1.64	Euribor + 0.72 - 3.00 – 1.64	7,380	9,402	120,405	142,101
Bond issued	5.88	5.88	504,538	12,948	7,398,291	166,889
Total short-term borrowings					10,100,736	1,335,406
Long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67	Libor + 4.67 – 4.26	158,174	164,533	2,319,384	2,197,008
EUR borrowings	Euribor + 0.72 – 1.64	Euribor + 3.00 – 1.64	4,784	6,246	78,044	94,401
Bond issued	-	5.88	-	499,448	-	6,669,131
Total long-term borrowings					2,397,428	8,960,540
Total borrowings					12,498,164	10,295,946

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NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 March 2022 and 31 December 2021 is as follows:

	31 March 2022
1 April 2023 - 31 March 2024	419,997
1 April 2024 - 31 March 2025	528,473
1 April 2025 - 31 March 2026	606,189
1 April 2026 - 31 March 2027	559,559
1 April 2027 and over	283,210
	2,397,428
	31 December 2021
2023	7,060,766
2024	438,780
2025	552,013
2026	537,859
2027 and over	371,122
	8,960,540

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 March 2022, the fair value of bonds issued is TRY8,006,232, which are in fixed interest rate financial liabilities and whose carrying value is TRY7,398,291.

Movements financial liabilities (excluding lease liabilities) as of 1 January - 31 March 2022 and 2021 are as follows:

	2022	2021
1 January	8,105,635	4,393,566
Proceeds from financial liabilities	3,951,360	476,690
Repayments of financial liabilities	(611,385)	(867,626)
Changes in foreign exchange	1,141,403	1,239,363
Changes in interest accrual	47,393	(35,550)
Change in cash and cash equivalents and financial investments (*)	(3,648,862)	(440,240)
	8,985,544	4,766,203
31 March	8,985,544	4,766,203

(*) Change in the financial investments as of 31 March 2022 excludes fair value changes of currency protected deposits.

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2022
Cost:						
Land	125,063	-	-	(18)	355	125,400
Land improvements	469,147	-	-	-	860	470,007
Buildings	197,348	-	-	-	269	197,617
Machinery and equipment	8,699,122	-	28,701	(54)	-	8,727,769
Motor vehicles	76,912	-	10,280	-	-	87,192
Furniture and fixtures	199,875	-	1,927	(197)	173	201,778
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	3,829,569	-	-	-	472,002	4,304,571
Construction in progress (*)	1,204,919	250,056	(46,548)	-	203	1,408,630
	14,803,622	250,056	(5,640)	(269)	476,862	15,524,631
Accumulated depreciation:						
Land improvements	(161,003)	(9,649)	-	-	(502)	(171,154)
Buildings	(125,897)	(1,259)	-	-	(213)	(127,369)
Machinery and equipment	(6,533,916)	(115,861)	-	-	-	(6,649,777)
Motor vehicles	(13,114)	(3,751)	-	-	-	(16,865)
Furniture and fixtures	(105,468)	(5,404)	-	140	(161)	(110,893)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(559,339)	(33,710)	-	-	(71,546)	(664,595)
Leasehold improvements	(671)	-	-	-	-	(671)
	(7,500,404)	(169,634)	-	140	(72,422)	(7,742,320)
Net book value	7,303,218					7,782,311

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

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

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2021
Cost:						
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
Accumulated depreciation:						
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

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

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

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NOTE 10 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 March 2022	31 December 2021
Advances received	608,241	255,429
Deferred revenue	3,142	5,086
	611,383	260,515

NOTE 11 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 March 2022	31 December 2021
Advances given for inventory	335,276	363,590
Prepaid insurance and other expenses	40,257	33,969
Advances given for customs procedures	752	636
	376,285	398,195

b) Long-term prepaid expenses

Advances given for property, plant and equipment	230,079	109,815
Prepaid insurance and other expenses	1,771	1,797
	231,850	111,612

NOTE 12 - INVESTMENT PROPERTIES

Fair value	1 January 2022	Fair value increase	Transfers	31 March 2022
Land	2,872,594	562,324	-	3,434,918
	2,872,594			3,434,918

Fair value	1 January 2021	Fair value increase	Transfers	31 March 2021
Land	2,078,781	-	-	2,078,781
	2,078,781			2,078,781

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NOTE 12 - INVESTMENT PROPERTIES (Continued)

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 March 2022, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

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

As of 31 March 2022, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs.

NOTE 13 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	31 March 2022	31 December 2021
Provision for bonus premium	304,431	272,091
Provision for seniority incentive bonus	12,203	9,095
	316,634	281,186

b) Long-term employee benefits:

	31 March 2022	31 December 2021
Provision for employment termination benefits	121,792	129,202
Provision for unused vacation rights	82,261	49,183
Provision for seniority incentive bonus	17,751	13,049
	221,804	191,434

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NOTE 13 - 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 TRY10,848.59 for each year of service as of 31 March 2022 (31 December 2021: Full TRY 8,284.51).

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

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

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

	31 March 2022	31 December 2021
Net discount rate (%)	4.40	4.40
Probability of retirement (%)	97.62	97.62

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY10,848.59 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: Full TRY7,638.96).

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 13 - 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 2022	31 December 2021
Net discount rate (%)	4.40	4.40
Probability of retirement (%)	97.62	97.62

NOTE 14 - EQUITY

The shareholders of the Company and their shareholdings as of 31 March 2022 and 31 December 2021 were as follows:

Group:	Shareholder:	31 March 2022		31 December 2021	
		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 15 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

In Turkey, the corporate tax rate is 23% for 2022 (2021:25%). 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 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.

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.

Current tax asset at 31 March 2022 and 31 December 2021 are summarized below:

	31 March 2022	31 December 2021
Calculated corporation tax (*)	257,828	1,136,880
Less: Prepaid taxes	(4,577)	(865,443)
Current income tax liabilities	253,251	271,437

(*) The regulations included in the Law No: 7352 published in the Official Gazette dated 29 January 2022 and numbered 31734 provide various tax advantages for accounts converted into Turkish lira within the scope of supporting the conversion to Turkish lira deposit and participation accounts. The tax advantage in question for 2021 has been evaluated within the scope of events after the balance sheet date, and the tax advantage of TRY37,231 has been deducted from the calculated corporate tax expense for 2022 and calculated as TRY220,597.

Tax expenses included in the income statement for the consolidated consolidated interim periods ended 31 March 2022 and 2021 are summarized below:

	1 January - 31 March 2022	1 January - 31 March 2021
Deferred tax income expense	(113,038)	(42,322)
Current period tax expense	(220,597)	(207,772)
Total tax expense	(333,635)	(250,094)

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NOTE 15 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes

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

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, “Amme Alacaklarının Tahsil Usulü Hakkında Kanun ile Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun”, 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(31 December 2020; %22), 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 March 2022 and 31 December 2021 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(31,685)	330,291	(15,597)	53,725
Fair value increase in investment properties	(3,424,838)	(2,862,514)	(342,484)	(286,251)
Deferred revenue related to the port rental agreement	(32,624)	(7,847)	(6,525)	(1,569)
Deferred income tax liabilities	(3,423,899)	(2,540,070)	(351,556)	(234,095)
Unused investment incentives	780,109	787,664	196,780	200,558
Provision for employee benefits	538,438	472,620	107,688	94,524
Carry forward tax losses	277,881	277,881	56,440	56,440
Fair value difference of derivative financial instruments	5,461	45,645	1,092	9,129
Inventory provision	20,637	6,144	4,127	1,229
Rent allowance fee	3,765	3,807	753	761
Provision for legal cases	2,597	2,597	519	516
Other	97,979	106,237	19,596	21,249
Deferred income tax assets	1,726,867	1,702,595	386,995	384,406
Deferred tax assets, net			35,439	150,311

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NOTE 15 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred income tax is as follows:

	2022	2021
1 January	150,311	35,968
Recognized in the profit or loss statement	(113,038)	(42,322)
Recognized in other comprehensive income	(8,037)	(2,512)
Foreign currency translation differences	6,203	28,199
31 March	35,439	19,333

As a result of projections made as of 31 March 2022, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY 780,109 (31 December 2021: TRY 787,664).

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2022	1 January - 31 March 2021
Personnel expenses	(108,168)	(44,080)
Outsourced services	(48,315)	(19,593)
Depreciation and amortization	(20,263)	(16,087)
Energy expenses	(25,437)	(5,658)
Taxes, funds and fees	(3,090)	(171)
Other	(16,906)	(7,700)
	(222,179)	(93,289)

NOTE 17 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

a) **Income from investment activities**

	1 January - 31 March 2022	1 January - 31 March 2021
Fair value increase in investment properties	562,324	-
Fair value difference on exchange rate-protected deposit accounts	244,566	-
Rent income	19,034	10,552
Gain on sale of property, plant and equipment	1,041	44
	826,965	10,596

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NOTE 17 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES (Continued)

b) Expenses from investment activities

	1 January- 31 March 2022	1 January - 31 March 2021
Loss on sale of property, plant and equipment	(32)	(5)
	(32)	(5)

NOTE 18 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January- 31 March 2022	1 January - 31 March 2021
Foreign exchange gains	1,451,491	1,407,719
Interest income	47,698	68,007
Other	1,127	2,752
	1,500,316	1,478,478

b) Financial expense

	1 January- 31 March 2022	1 January - 31 March 2021
Foreign exchange losses	(1,603,804)	(1,412,377)
Interest expense	(207,747)	(102,802)
Commission expense	(28,140)	(7,957)
Interest expense on employee benefits	(8,702)	(3,604)
	(1,848,393)	(1,526,740)

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NOTE 19 - EARNINGS PER SHARE

	1 January- 31 March 2022	1 January - 31 March 2021
Net profit for the period of the equity holders of the parent	1,753,707	884,006
Weighted average number of shares with nominal value of Kr1 each (thousand)	253,440	253,440
Earnings per share (Kr)	0.6920	0.3488

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 March 2022 and 31 December 2021 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Trade receivables from related parties:

	31 March 2022	31 December 2021
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	629,909	595,669
STAR ⁽²⁾	219,354	129,485
STEAS ⁽¹⁾	1,938	13
SOCAR Turkey Akaryakıt Depolama ⁽²⁾	-	20,692
Other ⁽²⁾	819	283
	852,020	746,142

b) Short term other receivables from related parties:

	31 March 2022	31 December 2021
STAR ⁽²⁾	3,064	7,390
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	-	941
	3,064	8,331

(1) Shareholders of the Company

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

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Long term other receivables from related parties:

	31 March 2022	31 December 2021
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	11,019	10,345
	11,019	10,345

d) Short term trade payables to related parties:

	31 March 2022	31 December 2021
STAR ⁽²⁾	2,601,313	1,819,648
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	292,064	-
STEAS ⁽¹⁾	98,717	116,555
SOCAR Logistics DMCC ⁽²⁾	16,112	3,568
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	9,565	8,163
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	5,407	7,187
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	4,218	5,791
Azoil Petrolcülük A.Ş. ⁽²⁾	1,495	680
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	881	4,856
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	93	10
Other ⁽²⁾	3,367	42
	3,033,232	1,966,500

Short term trade payables to related parties mainly consist of consultancy, service and goods purchases. Average maturity of short term trade payables is 9 days (31 December 2021: 7 days).

e) Other payables to related parties:

	31 March 2022	31 December 2021
Due to shareholder ⁽¹⁾	87	87
	87	87

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

f) Short term deferred revenue from related parties

	31 March 2022	31 December 2021
STAR ⁽²⁾	62,302	3,942
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	28,989	24,268
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	5,534	9
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	277	-
Other ⁽²⁾	264	-
	97,366	28,219

g) Long term deferred revenue from related parties

	31 March 2022	31 December 2021
SOCAR Aliğa Liman İşletmeciliği A.Ş. ^{(2) (*)}	673,088	602,498
STAR ⁽²⁾	4,683	4,735
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	95	98
	677,866	607,331

(*) 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 income through the straight-line basis.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

h) Short term prepaid expense to related parties

	31 March 2022	31 December 2021
STEAŞ ^{(1) (*)}	7.025.963	6,413,869
SOCAR Trading SA ⁽²⁾	15,065	-
SOCAR Logistics DMCC ⁽²⁾	5,022	2,156
STAR ⁽²⁾	1,813	1,812
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	144	145
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	76	76
Other ⁽²⁾	469	110
	7,048,552	6,418,168

(*) 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 March 2022 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.

i) Long term prepaid expense to related parties

	31 March 2022	31 December 2021
STAR ⁽²⁾	17,859	18,306
STEAŞ ⁽¹⁾	2,923	9,509
	20,782	27,815

j) Short term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	45,989	40,868
STEAŞ ⁽¹⁾	6,034	4,225
STAR ⁽²⁾	4,535	-
	56,558	45,093

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

k) Long term operational lease liabilities from related parties

	31 March 2022	31 December 2021
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	203,308	186,787
STEAŞ ⁽¹⁾	24,815	18,035
	228,123	204,822

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 2022	1 January - 31 March 2021
STEAŞ ⁽¹⁾	631,789	470,394
STAR ⁽²⁾	32,552	(63,169)
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	18,771	(1,372)
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	2,672	297
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	2,565	2,119
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	593	146
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	571	387
SOCAR Turkey Petrol Ener. Dağ. ⁽²⁾	85	(2,920)
SOCAR Azerikimya Production Union ⁽²⁾	61	4
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	(25)	(3)
SOCAR Logistics DMCC ⁽²⁾	(231)	(2,089)
SOCAR Trading SA ⁽²⁾	(307)	76
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	(429)	314
Azoil Petrolcülük A.Ş. ⁽²⁾	(1,901)	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(30,011)	(25,227)
	656,755	378,957

The breakdown of income from STAR is as follows; TRY26,754 is foreign exchange gain, TRY5,798 other income and the breakdown of income from STEAŞ is as follows; TRY635,704 is foreign exchange gain and TRY3,915 other expense.

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Service and rent purchases from related parties:

	1 January- 31 March 2022	1 January - 31 March 2021
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	27,441	15,955
STEAS ⁽¹⁾	20,993	8,335
STAR ⁽²⁾	3,464	5,015
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	2,622	2,040
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	316	101
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	49	580
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	45	-
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. ⁽²⁾	10	-
SOCAR Turkey Petrol Enerji Dağıtım. A.Ş. ⁽²⁾	-	323
SOCAR Trading SA ⁽²⁾	-	444
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	-	16
	54,940	32,809

c) Product purchase from related parties:

STAR ⁽²⁾	4,825,814	1,309,708
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	411,255	197,424
SOCAR Logistics DMCC ⁽²⁾	121,564	83,515
Azoil Petrolcülük A.Ş. ⁽²⁾	19,047	557
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	-	89
	5,377,680	1,591,293

Purchases made from related parties consist of raw materials and commercial products purchases. Purchases made from STAR consist of 377,285 tone of naphta purchasing, amounting to TRY4,591,743 and other products purchasing TRY234,071.

d) Product and service sales to related parties:

STAR ⁽²⁾	487,579	50,695
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	77,834	38,383
SOCAR Enerji Ticaret AŞ. ⁽²⁾	22,414	1,384
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	843	437
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	576	56
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	282	15
Azoil Petrolcülük A.Ş. ⁽²⁾	163	-
	589,691	90,970

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NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Rent income from related parties:

	1 January- 31 March 2022	1 January - 31 March 2021
STAR ⁽²⁾	20,648	10,623
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	1,385	804
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	480	247
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	103	85
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	95	62
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	36	44
	22,747	11,865

f) Key management emoluments:

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

Payments for salary and seniority incentives	12,007	7,606
	12,007	7,606

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

Provision for unused vacation	1,657	286
Provision for employment termination benefits	639	215
Provision for seniority incentives	8	4
	2,304	505

14,311 **8,111**

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 21 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 March 2022	31 December 2021
Provision for legal cases	2,597	2,597
	2,597	2,597

b) Guarantees received:

	31 March 2022	31 December 2021
Bank guarantees within the context of DOCS	2,901,762	2,510,499
Receivable insurance	4,523,602	2,781,298
Letters of guarantee received from customers	1,701,902	1,511,716
Letters of guarantee received from suppliers	652,681	503,580
Letters of credit	291,811	251,809
Mortgages	2,000	2,000
	10,073,758	7,560,902

c) Guarantees given:

	31 March 2022	31 December 2021
Mortgages given to banks (*)	2,568,077	2,381,025
Guarantees given to banks	1,064,921	973,821
Custom offices	118,630	116,228
Other	28,203	28,409
	3,779,831	3,499,483

(*) 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 TRY2,568.077 as of 31 March 2022. 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.

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NOTE 21 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 March 2022	31 December 2021
A. Total amount of CPMs given for the Company’s own legal personality	1,211,754	1,118,458
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	2,568,077	2,381,025
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	-	-
	3,779,831	3,499,483

d) Operational leases

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 March 2022 and 2021 are as follows:

	31 March 2022	31 March 2021
0-5 year(s)	1,788,210	954,262
5-10 year(s)	1,931,842	1,006,130
10 years and over	6,373,301	3,444,781
Total	10,093,353	5,405,173

NOTE 22 - 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, 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 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency position

	31 March 2022				31 December 2021			
	TL equivalent	US Dollar	EUR	Other	TL equivalent	US Dollar	EUR	Other
1. Trade receivables	4,122,983	245,144	32,838	-	3,681,865	240,126	31,897	-
2a. Monetary financial assets	11,502,415	753,211	29,326	33	9,448,092	596,799	98,982	4
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	15,625,398	998,355	62,164	33	13,129,957	836,925	130,879	4
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	15,625,398	998,355	62,164	33	13,129,957	836,925	130,879	4
9. Trade payables	3,886,809	254,445	9,465	69	3,122,093	221,129	10,642	9,997
10. Financial liabilities	12,080,080	815,609	7,380	-	2,628,386	186,196	9,402	-
11a. Monetary other liabilities	830,827	3,548	-	778,804	823,241	3,377	-	778,148
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	16,797,716	1,073,602	16,845	778,873	6,573,720	410,702	20,044	788,145
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	78,044	-	4,784	-	6,763,528	499,448	6,246	-
15a. Monetary other liabilities	228,123	15,557	-	34,494	204,822	15,339	-	29,608
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	306,167	15,557	4,784	34,494	6,968,350	514,787	6,246	29,608
17. Total liabilities (12+16)	17,103,883	1,089,159	21,629	813,367	13,542,070	925,489	26,290	817,753
18. Net (liability)/asset position of off-balance sheet								
Derivative instruments (18a-18b)	2,016,948	27,492	99,140	-	166,913	12,500	-	-
18a. Amount of asset 42atüre off-balance sheet derivative	-	-	-	-	-	-	-	-
18b. Amount of liability nature-off balance sheet derivative	2,016,948	27,492	99,140	-	166,913	12,500	-	-
19. Net foreign (liability)/asset position (8-17+18)	538,463	(63,312)	139,675	(813,334)	(245,200)	(76,064)	104,589	(817,749)
20. Net foreign currency (liability)/asset position of								
 monetary items (IFRS 7.B23)								
(=1+2a+4+5a-9-10-11a-13-14-15a)	(1,478,485)	(90,804)	40,535	(813,334)	(412,113)	(88,564)	104,589	(817,749)
21. Total fair value of financial instruments used for								
 foreign currency hedging	210,199	621	12,349	-	8,534	658	-	-
22. Hedged amount for current assets	2,016,948	27,492	99,140	-	-	-	-	-
23. Hedged amount for current liabilities	-	-	-	-	166,913	12,500	-	-
24. Export	4,738,114	227,522	97,296	34,798	11,773,755	891,897	354,851	74,582
25. Import	3,930,302	262,369	15,696	91,905	9,113,020	925,177	77,958	80,831

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**NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT-
(Continued)**

Table of sensitivity analysis for foreign currency risk

31 March 2022

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
Change of USD by 10% against TRY:				
1- Asset/Liability denominated in USD - net	(132,911)	132,911	(132,911)	132,911
2- The part hedged for USD risk (-)	-	-	40,240	(32,607)
3- USD effect - net (1+2)	(132,911)	132,911	(92,671)	100,304
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	66,013	(66,013)	66,013	(66,013)
5- The part hedged for EUR risk (-)	-	-	161,454	(342)
6- EUR effect - net (4+5)	66,013	(66,013)	227,467	(66,355)
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies - net	81,194	(81,194)	81,194	(81,194)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	81,194	(81,194)	81,194	(81,194)
Total (3+6+9)	14,296	(14,296)	215,990	(47,245)

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENT FOR THE PERIOD BETWEEN
1 JANUARY AND 31 MARCH 2022**

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

**NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT-
(Continued)**

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 March 2022 and 31 December 2021, fair value and book value of financial statement were as follows:

31 March 2022	Level 1	Level 2	Level 3	Total
Financial investments – exchange rate-protected				
TRY time deposits		1,854,568	-	1,854,568
Investment properties- Land	-	3,434,918	-	3,434,918
Total assets	-	5,289,486	-	5,289,486
Derivative financial liabilities	-	(5,461)	-	(5,461)
Total liabilities		(5,461)		(5,461)
31 December 2021	Level 1	Level 2	Level 3	Total
Derivative financial instruments	-	8,534	-	8,534
Investment properties- Land	-	2,872,594	-	2,881,128
Total assets	-	2,881,128	-	2,881,128
Derivative financial liabilities	-	(54,179)	-	(54,179)
Total liabilities	-	(54,179)	-	(54,179)

NOTE 23 - SUBSEQUENT EVENTS

None.

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