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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

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3. Key audit matters

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

Key Audit Matter	How the key audit matter was addressed in the audit
Acquisition of shares of Rafineri Holding A.Ş.	
The Group acquired 20% of the shares of Rafineri Holding A.Ş. ("Rafineri Holding") with a purchase consideration of USD 480 million, based on share sale and transfer agreement signed with Socar Turkey Enerji A.Ş. on 9 January 2018. The Group recognized this acquisition according to provisions of TAS 28 "Investments in associates and joint ventures" and the carrying value of the aforementioned equity method valued investment is amounting to TRY 24 billion as of 31 December 2023. As of 31 December 2023, Rafineri Holding share acquisition and negative goodwill resulting from the acquisition amounting to TRY 6,7 billion are significant to the consolidated financial statements of the Group. Furthermore, the cost method applied in the valuation studies for the purchase price allocation includes significant estimates and assumptions such as useful lives, technologic conditions, actual depreciation, commercial attributes and industrial conditions of the assets. Therefore, we considered aforementioned share acquisition as a key audit matter. Please refer to note 33 to for the relevant disclosures regarding the acquisition of shares of Rafineri Holding.	The following audit procedures were addressed in our audit work on the acquisition of shares of Rafineri Holding: • We examined share sale and transfer agreement. We evaluated the significant influence of the Group on Rafineri Holding after acquisition and the appropriateness of the share purchase accounting with relevant TFRS's with our experts. • We performed audit procedures on Rafineri Holding balance sheet as of share acquisition date. • We assessed competence, adequacy and objectivity of the independent professional valuation firms appointed by the Group management to conduct valuation studies for the purchase price allocation. • We evaluated significant estimates and assumptions used in purchase price allocation studies with our internal and external experts by considering industry data. • We evaluated impairment tests performed by the Group management for the acquired shares. • We assessed the appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to acquisition of share of Rafineri Holding in accordance with TFRS's.

Key Audit Matters	How the key audit matter was addressed in the audit
Application of TAS 29, "Financial Reporting in Hyperinflationary Economies"	
The Group applied TAS 29 "Financial reporting in hyperinflationary economies" ("TAS 29") in its consolidated financial statements as of and for the year ending 31 December 2023. According to TAS 29, the consolidated financial statements as of 31 December 2023 should be restated in accordance with 31 December 2023 purchasing power. Applying TAS 29 results in significant changes to financial statement items included in the Group's consolidated financial statements as of and for the year ending 31 December 2023, which have been restated for comparative purposes. The application of TAS 29 has a pervasive and material impact on the consolidated financial statements. In addition, considering the additional effort required to perform the audit of the application of TAS 29, we identified the application of TAS 29 as a key audit matter. The Group's accounting policies and related explanations regarding the application of TAS 29 are disclosed in Note 2.1.	We performed the following audit procedures in relation to the application of TAS 29: • We understand and evaluate the process and controls related to application of TAS 29 designed and implemented by management. • We verified whether management's determination of monetary and non-monetary items is in compliance with TAS 29. • We obtained detailed lists of non-monetary items and tested historical cost and purchase dates were accurately included in the calculation by comparing them with supporting documentation on a sample basis. • We verified the general price index rates used in calculations correspond with the coefficients in the "Consumer Price Index in Turkey" published by the Turkish Statistical Institute. • We tested the mathematical accuracy of non-monetary items, income statement, and cash flow statement adjusted for inflation effects. • We evaluated the adequacy of disclosures related to the application of TAS 29 in the notes to the consolidated financial statements in accordance with TFRS.

Key Audit Matter	How the key audit matter was addressed in the audit
Fair value measurement of investment properties	
At 31 December 2023, the Group's consolidated financial statements include investment properties measured at fair value, amounting TRY 16,8 billion. Changes in fair values of investment properties amounting TRY 7,6 billion are recognized in the consolidated statement of profit or loss, as part of "income from investing activities". We considered the fair value determination of investment properties as a key audit matter since the total amount of those assets has a significant share in the Group's assets as of 31 December 2023 and due to the significant assumptions and judgements, such as determination of benchmark m2 sales prices, made in the market comparison valuation method applied and the susceptibility of the fair value directly to market conditions, specifications of each land, their physical conditions and geographic locations. Please refer to notes 2.5, 2.6 and 10 to the accompanying consolidated financial statements for the accounting policies and relevant disclosures regarding the investment properties.	The following audit procedures were addressed in our audit work on the fair value measurement of investment properties: • The competence, capabilities and objectivity of the independent professional valuation firm appointed by the Group management was evaluated in accordance with the relevant audit standards. • We checked the completeness of the lands classified as investment property and subject to valuation by comparing the Group's accounting records with the valuation reports. • The title deed records of the lands classified as investment property was tested on a sample basis. • An independent property valuation expert accredited and licenced by the CMB was appointed as an "auditor's expert" to support our audit work. The following audit procedures were performed using the sampling method with the support of the auditor's expert: ○ Checking whether the valuation reports were prepared in line with the main principles, ○ Comparing the location, tenant, and square meter information for the land included in reports with the land registers,

	○ Evaluating the appropriateness of the benchmarking analysis method used in valuation of the relevant land, ○ Determining whether the land that was the subject of calculations using the benchmark comparison method have qualifications similar to the Group's lands. • The reconciliation of the fair values of the lands determined by the valuation reports with the values recognized in the consolidated financial statements was performed. • The appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to fair value determination of investment properties was assessed in accordance with the related accounting standards.

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

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

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

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

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

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

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

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

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

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

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 26 March 2024.

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

Selma Canbul Çorum, SMMM
Independent Auditor

Istanbul, 26 March 2024

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 31 December 2023	Audited 31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,039,655	21,835,172
Financial investments	6	298,952	1,938,608
Trade receivables		7,545,990	7,801,897
- Trade receivables from related parties	28	1,595,549	1,959,229
- Trade receivables from third parties	7	5,950,441	5,842,668
Other receivables		122,724	40,608
- Other receivables from related parties		4,149	-
- Other receivables from third parties	8	118,575	40,608
Inventories	5	6,140,873	7,627,461
Prepaid expenses		772,721	15,838,762
- Prepaid expenses to third parties	15	636,179	942,165
- Prepaid expenses to related parties	28	136,542	14,896,597
Derivative financial instruments	18	60,183	57,781
Other current assets		1,312,085	1,536,071
- Other current assets to third parties	17	1,312,085	1,536,071
Current tax assets	20	40,854	454,444
TOTAL CURRENT ASSETS		**20,334,037**	**57,130,804**
NON-CURRENT ASSETS			
Financial investments	6	66,149	66,149
Derivative financial assets	18	41,127	52,167
Investments accounted for using the equity method	33	24,027,748	-
Other receivables		18,704	21,844
- Other receivables from related parties	28	18,637	21,734
- Other receivables from third parties		67	110
Investment properties	10	16,829,018	9,270,520
Property, plant and equipment	11	32,339,179	34,992,060
Right of use assets	11	876,996	749,288
Intangible assets	12	312,771	359,511
Prepaid expenses		379,622	266,981
- Prepaid expenses to related parties	28	34,278	45,461
- Prepaid expenses to third parties	15	345,344	221,520
Deferred tax assets	20	485,806	264,484
Other non-current assets		79,427	63,033
- Other non-current assets related to third parties	17	79,427	63,033
TOTAL NON-CURRENT ASSETS		**75,456,547**	**46,106,037**
TOTAL ASSETS		**95,790,584**	**103,236,841**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 31 December 2023	Audited 31 December 2022
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		13,295,418	25,675,998
- Short-term borrowings to third parties		13,173,013	25,566,464
- Bank borrowings	9	5,411,169	5,180,274
- Short term lease liabilities	9	38,047	38,916
- Other financial liabilities	9	7,723,797	20,347,274
- Short-term borrowings to related parties		122,405	109,534
- Short term lease liabilities to related parties	28	122,405	109,534
Short-term portion of long-term borrowings		3,570,495	16,714,430
- Short-term portion of long-term borrowings to third parties		3,570,495	16,714,430
- Bank borrowings	9	3,570,495	895,406
- Bonds issued	9	-	15,819,024
Derivative financial instruments	18	15,439	13,576
Trade payables		8,257,337	7,262,335
- Trade payables to related parties	28	4,479,026	2,677,395
- Trade payables to third parties	7	3,778,311	4,584,940
Payables related to employee benefits	16	118,045	107,524
Other payables		24,403	29,530
- Other payables to related parties	28	87	143
- Other payables to third parties	8	24,316	29,387
Deferred revenue		558,779	564,632
- Deferred revenue from related parties	28	65,364	68,697
- Deferred revenue from third parties	14	493,415	495,935
Short term provisions		796,876	910,301
- Provision for employee benefits	16	794,279	898,045
- Other short term provisions	30	2,597	12,256
Other current liabilities		115,819	160,991
- Other current liabilities related to third parties	17	115,819	160,991
TOTAL CURRENT LIABILITIES		**26,752,611**	**51,439,317**
NON-CURRENT LIABITIES			
Long term financial liabilities		13,626,689	4,938,335
- Long term financial liabilities to third parties		13,250,424	4,509,494
- Bank borrowings	9	13,082,610	4,391,335
- Long-term lease liabilities to third parties	9	167,814	118,159
- Long-term borrowings to related parties		376,265	428,841
- Long term lease liabilities to related parties	28	376,265	428,841
Deferred revenue		1,260,867	1,380,283
- Deferred revenue from related parties	28	1,260,867	1,380,283
Long term provisions		754,722	853,043
- Provision for employee termination benefits	16	754,722	853,043
Deferred income tax liabilities	20	2,007,568	87,916
TOTAL NON-CURRENT LIABILITIES		**17,649,846**	**7,259,577**
TOTAL LIABILITIES		**44,402,457**	**58,698,894**

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2023

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 31 December 2023	Audited 31 December 2022
EQUITY			
Equity attributable to owners of the parent company		**51,137,955**	**44,480,407**
Share capital	19	2,534,400	2,534,400
Adjustment to share capital	19	27,887,153	27,887,153
Share premium		500,700	500,700
Other comprehensive (expense) not to be reclassified to profit or loss		(447,259)	(418,919)
- Actuarial loss arising from defined benefit plan		(448,124)	(418,919)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		865	-
Other comprehensive (expense)/income to be reclassified to profit or loss		(1,245,628)	(651,473)
- Currency translation differences		(477,489)	(710,272)
- (Loss)/ Gain on hedge reserves		(421,238)	58,799
- (Loss)/ Gain on cash flow hedges		(421,238)	58,799
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		(346,901)	-
Restricted reserves		2,697,792	2,692,963
Retained earnings		11,820,799	13,216,126
Net profit/(loss) for the year		7,389,998	(1,280,543)
Non-controlling interest		**250,172**	**57,540**
TOTAL EQUITY		**51,388,127**	**44,537,947**
TOTAL LIABILITIES AND EQUITY		**95,790,584**	**103,236,841**

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

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
1 JANUARY- 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
PROFIT OR LOSS			
Revenue	21	60,441,264	97,857,274
Cost of sales	21	(62,769,546)	(97,250,448)
GROSS (LOSS)/ PROFIT		**(2,328,282)**	**606,826**
General administrative expenses	22	(2,881,956)	(2,422,501)
Selling, marketing and distribution expenses	23	(1,169,217)	(1,022,757)
Other operating income	24	3,344,200	3,483,140
Other operating expense	24	(3,595,804)	(2,118,127)
OPERATING LOSS		**(6,631,059)**	**(1,473,419)**
Income from investing activities	25	8,552,411	2,729,366
Expense from investing activities	25	(3,464)	(234)
Income from investments accounted by equity method	33	9,924,823	-
OPERATING PROFIT BEFORE FINANCIAL INCOME		**11,842,711**	**1,255,713**
Financial income	26	11,588,317	11,802,882
Financial expenses	26	(18,234,268)	(15,362,521)
Monetary gain/loss		4,080,669	(1,581,186)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS		**9,277,429**	**(3,885,112)**
Tax (expense)/income from continuing operations		**(1,863,787)**	**2,543,023**
- Current tax expense	20	(19,099)	-
- Deferred tax (expense)/income	20	(1,844,688)	2,543,023
PROFIT/ (LOSS) FOR THE PERIOD CONTINUED OPERATIONS		**7,413,642**	**(1,342,089)**
Distribution of Income For the Period			
- Non-controlling interest		23,644	(61,546)
- Owners of the parent company		7,389,998	(1,280,543)
Earnings/(Loss) Per Share		**2,9159**	**(0,5053)**
- Earnings per Kr1 number of 1 shares from continued operations	27	2,9159	(0,5053)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES CONSOLIDATED OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
PROFIT/(LOSS) FOR THE PERIOD		**7,413,642**	**(1,342,089)**
OTHER COMPREHENSIVE (EXPENSE)/ INCOME			
Items to be reclassified to profit or loss		**(674,341)**	**711,771**
Currency translation differences		166,653	538,048
Other comprehensive gain/ (loss) related to cash flow hedges		(641,687)	217,154
Tax relating to gain on cash flow hedge		147,594	(43,431)
Loss from translation of foreign currency of investments using equity method		(358,986)	-
Gains on hedges from investments accounted with using equity method		12,085	-
Items not to be reclassified to profit or loss		**(28,340)**	**(418,919)**
Defined benefit plans remeasurement losses		(37,929)	(523,649)
Taxes relating to remeasurements of defined benefit plans		8,724	104,730
Actuarial gain arising from defined benefit plans accounted for investment using equity method		865	-
OTHER COMPREHENSIVE (EXPENSE)/INCOME		**(702,681)**	**292,852**
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		**6,710,961**	**(1,049,237)**
Attributable to:			
Non-controlling interests		33,421	65,771
Owners of parent company		6,677,540	(1,115,008)

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

			Other comprehensive (expense) not to be reclassified to profit or loss		**Other comprehensive (expense)/ income to be reclassified to profit or (loss)**									
	Share Capital	**Adjustment to share capital**	**Actuarial loss arising from defined benefit plan**	**Shares of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss**	**(Loss)/ gain on cash flow hedges**	**Currency translation differences**	**Shares of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss**	**Share premium**	**Restricted reserves**	**Net profit/(loss) for the year**	**Retained earnings**	**Equity attributable to owners of the parent company**	**Non-controlling interest**	**Total equity**
1 January 2022	**2,534,400**	**27,887,153**	**-**	**-**	**(63,645)**	**(1,172,282)**	**-**	**500,700**	**2,322,265**	**-**	**13,586,824**	**45,595,415**	**(8,231)**	**45,587,184**
Transfers	-	-	-	-	-	-	-	-	370,698	-	(370,698)	-	-	-
Total comprehensive expense	-	-	(418,919)	-	122,444	462,010	-	-	-	(1,280,543)	-	(1,115,008)	65,771	(1,049,237)
- Other comprehensive income/ (expense)	-	-	(418,919)	-	122,444	462,010	-	-	-	-	-	165,535	127,317	292,852
- Net loss for the period	-	-	-	-	-	-	-	-	-	(1,280,543)	-	(1,280,543)	(61,546)	(1,342,089)
31 December 2022	**2,534,400**	**27,887,153**	**(418,919)**	**-**	**58,799**	**(710,272)**	**-**	**500,700**	**2,692,963**	**(1,280,543)**	**13,216,126**	**44,480,407**	**57,540**	**44,537,947**
1 January 2023	**2,534,400**	**27,887,153**	**(418,919)**	**-**	**58,799**	**(710,272)**	**-**	**500,700**	**2,692,963**	**(1,280,543)**	**13,216,126**	**44,480,407**	**57,540**	**44,537,947**
Transfers	-	-	-	-	-	-	-	-	4,829	1,280,543	(1,285,372)	-	-	-
Transactions with non-controlling interest shareholders	-	-	-	-	14,040	75,923	-	-	-	-	(109,955)	(19,992)	159,211	139,219
Total comprehensive income	-	-	(29,205)	865	(494,077)	156,860	(346,901)	-	-	7,389,998	-	6,677,540	33,421	6,710,961
- Other comprehensive income/ (expense)	-	-	(29,205)	865	(494,077)	156,860	(346,901)	-	-	-	-	(712,458)	9,777	(702,681)
- Net profit for the period	-	-	-	-	-	-	-	-	-	7,389,998	-	7,389,998	23,644	7,413,642
31 December 2023	**2,534,400**	**27,887,153**	**(448,124)**	**865**	**(421,238)**	**(477,489)**	**(346,901)**	**500,700**	**2,697,792**	**7,389,998**	**11,820,799**	**51,137,955**	**250,172**	**51,388,127**

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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2023 AND 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
A. Cash flows from operating activities:		**1,637,932**	**5,574,543**
Net profit/loss for the year (I)		7,413,642	(1,342,089)
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**(8,730,742)**	**2,754,511**
Adjustments for depreciation and amortization	11,12	4,258,261	3,406,556
Adjustments for impairments			
- Adjustments regarding impairment (cancellation) of receivables		(7,597)	(1,199)
- Adjustments for impairment of inventories	5	(87,122)	131,330
- Adjustments related to other impairments (cancellations)	24	1,112,220	-
Adjustments for provisions			
- Adjustments for provision employee benefits		1,155,814	1,130,764
Adjustments for interest income/(expense)			
- Adjustments for interest income	26	(555,967)	(691,216)
- Adjustments for interest expense	26	3,460,755	2,937,499
Adjustments for unrealized foreign currency translation differences		9,050,028	15,899,924
Adjustments for tax income/(losses)	20	1,863,787	(2,543,023)
Adjustments for gain/(losses) on sale of property, plant and equipment	25	(505,803)	(2,731)
Arising from the disposal of investment properties adjustments for losses (gains)	25	(816)	-
Adjustments for income from government incentives	13	(8,368)	(16,151)
Adjustments for fair value gain			
- Adjustments for fair value gain in financial assets		(328,974)	(1,073,647)
- Adjustments for fair value gain in investment property	25	(7,559,487)	(1,495,218)
- Undistributed income of investments valued by equity method Adjustments regarding profits	33	(9,924,823)	-
Monetary gain/loss		(10,652,650)	(14,928,377)
Changes in working capital (III)		**3,641,720**	**5,135,831**
Adjustments related to decrease/ (increase) in trade receivables		275,168	6,043,513
Adjustments related to increase in other receivables		(78,970)	38,529
Adjustments related to increase in inventory		1,654,730	2,869,542
Adjustments for increase in prepaid expenses		725,653	260,666
Adjustments for increase in trade payables		1,003,369	(3,104,070)
Adjustments for increase in other payables from operating activities		(5,127)	16
Increase in payables related to employee benefits		(19,245)	175,497
Adjustments for increase/(decrease) in deferred revenue		(125,269)	(521,588)
Changes in derivative financial instruments		(2,402)	(34,682)
Adjustments related to other increase/(decrease) in working capital		175,323	(591,592)
Cash flows from operating activities (I+II+III)		**2,324,620**	**6,548,253**
Employee benefits paid		(645,834)	(519,266)
Income taxes paid	20	(40,854)	(454,444)
B. Cash flows from investing activıties		**(1,110,323)**	**(8,783,699)**
Cash outflows from purchases of property, plant and equipment and ıntangible assets	11	(3,154,787)	(7,150,605)
Proceeds from sale of property, plant and equipment and ıntangible assets		647,514	3,666
Other cash advances and payables given		(222,078)	(19,537)
Cash inflows from sales of investment properties		1,805	-
Other cash inflows (outflows)		1,617,223	(1,617,223)
C. Cash flows from financing activities		**(14,751,940)**	**19,858,408**
Proceeds from borrowings	9	21,144,537	8,364,274
Repayments of borrowings	9	(13,282,713)	(4,738,682)
Cash outflows of debt instruments issued		(14,466,767)	-
Proceeds from other financial liabilities	9	9,850,666	23,752,359
Repayments of other financial liabilities	9	(14,979,251)	(6,170,860)
Increase in other debts received from related parties		2,538,127	-
Decrease in other debts received from related parties		(2,538,127)	-
Interest received		555,967	691,216
Interest paid		(3,374,189)	(1,825,006)
Cash outflow related to lease agreements		(200,190)	(214,893)
D. Net decrease / (increase) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**(14,224,331)**	**16,649,252**
E. Inflation impact on cash and equivalents		**(5,593,291)**	**(5,676,170)**
F. Effect of currency translation differences on cash and cash equivalents		**2,022,105**	**941,072**
Net (increase)/ decrease in cash and cash equivalents (D+E+F)		**(17,795,517)**	**11,914,154**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**21,835,172**	**9,921,018**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**4,039,655**	**21,835,172**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

- To establish and to operate factories, plants in Turkey home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,

- To process and to treat the raw materials and supplementary/ auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from Turkey or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,

- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/ thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/ generating plant provided that such activities are not of commercial nature,

- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,

- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by third parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,

- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

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

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

As of 31 December 2023 and 31 December 2022 the ultimate controlling party of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

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

The consolidated financial statements were approved for publication by the decision of the Board of Directors dated March 26, 2024 and signed by General Manager Mr. Kanan Mirzayev and Vice President of Financial Affairs Mr. Ahmet Gülhan on behalf of the Board of Directors. The general assembly and certain regulatory bodies have the authority to make changes to the statutory financial statements after they are published.

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

Siteler Mh. Necmettin Giritlioğlu Cd.
SOCAR Türkiye Aliağa Administration Building No: 6/1 Aliağa/ İZMİR

As of 31 December 2023, 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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

As of 31 December 2023, the average number of employees working for the Group is 2,416 (31 December 2022: 2,355). The details of the employees as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	31 December 2022
Union (*)	1,718	1,733
Non - union (**)	665	595
	2,383	**2,328**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The consolidated financial statements are presented in accordance with the formats specified in the announcement "Announcement on TAS Taxonomy" published by the POA, as well as the financial statement samples and usage guide published by Capital Market Board ("CMB").

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

Financial reporting in hyperinflationary economy

With the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on 23 November 2023, entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting period ending on or after 31 December 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. According to the standard, financial statements prepared in the currency of a hyperinflationary economy are presented in terms of the purchasing power of that currency at the balance sheet date. Prior period financial statements are also presented in the current measurement unit at the end of the reporting period for comparative purposes. The Group has therefore presented its consolidated financial statements as of 31 December 2022, on the purchasing power basis as of 31 December 2023.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.1 Basis of Presentation (Continued)

Financial reporting in hyperinflationary economy (Continued)

Pursuant to the decision of the CMB dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of TAS 29 starting from their annual financial reports for the periods ending on 31 December 2023.

The adjustments made in accordance with TAS 29 were made using the adjustment coefficient obtained from the Consumer Price Index ("CPI") of Turkey published by the Turkish Statistical Institute ("TURKSTAT"). As of 31 December 2023, the indices and adjustment coefficients used in the adjustment of the consolidated financial statements are as follows:

Date	Index	Conversion Factor	Three-year Inflation Rate
31 December 2023	1.859,38	1,00000	%268
31 December 2022	1.128,45	1,64773	%156
31 December 2021	686,95	2,70672	%74

The main elements of the Group's adjustment process for financial reporting in hyperinflationary economies are as follows:

- Current period consolidated financial statements prepared in TRY are expressed in terms of the purchasing power at the balance sheet date, and amounts from previous reporting periods are also adjusted and expressed in terms of the purchasing power at the end of the reporting period.

- Monetary assets and liabilities are not adjusted as they are already expressed in terms of the current purchasing power at the balance sheet date. In cases where the inflation-adjusted values of non-monetary items exceed their recoverable amount or net realizable value, the provisions of TAS 36 "Impairment of Assets" and TAS 2 "Inventories" are applied, respectively.

- Non-monetary assets and liabilities and equity items that are not expressed in terms of the current purchasing power at the balance sheet date have been adjusted using the relevant adjustment coefficients.

- All items in the comprehensive income statement, except for those that have an impact on the comprehensive income statement of non-monetary items on the balance sheet, have been indexed using the coefficients calculated for the periods when the income and expense accounts were first reflected in the financial statements.

- The effect of inflation on the Group's net monetary asset position in the current period is recorded in the monetary gain/loss account in the consolidated income statement.

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

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments, and interpretations applicable as of 31 December 2023:

- **Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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

- **IFRS 17, 'Insurance Contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which permited a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

- **Amendment to IAS 12 - International tax reform;** Temporary exception is effective for yearends ending on or after 31 December 2023. The disclosure requirements are effective for annual periods beginning on or after 1 January 2023, with early application permitted. This amendment clarifies the application of IAS 12 to income taxes arising from tax laws enacted or substantively enacted to implement the OECD's Pillar Two Model Rules. The amendment also introduces specific disclosure requirements for entities affected by such tax laws. The exception to not recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, along with the disclosure requirement that the exception has been applied, is effective upon issuance of the amendment. However, the specific disclosure requirements introduced by the amendment are not required to be applied for interim periods ending before 31 December 2023.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023:

- **Amendment to IAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

b) Standards, amendments, and interpretations that are issued but not effective as of 31 December 2023:

- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

- **TFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

- **TFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

However, in the Board Decision of the KGK published in the Official Gazette dated 29 December 2023, it was announced that certain businesses will be subject to mandatory sustainability reporting as of 1 January 2024. Businesses that fall within the scope of sustainability practice are counted for the purpose of determining businesses that will be subject to sustainability reporting within the scope of the "Board Decision Regarding the Scope of Application of Turkish Sustainability Reporting Standards (TSRS)" dated 5 January 2024.

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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2023 and 2022:

Subsidiaries	**Direct or Indirect Control Shareholding Rates of the Group (%)**	
	31 December 2023	**31 December 2022**
Petlim (*)	93.47	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

(*) In the Extraordinary General Assembly meeting of Petlim, one of the subsidiaries of the Group, held on 21 December 2023, it was decided to increase Petlim's capital from 150,000 TL to 3,015,800 TL. Regarding the issue, at the Petkim Board of Directors meeting dated 21 December 2023, it was decided that the capital increase of 2,713,750 TL would be made by covering the receivables originating from the debt previously given in cash.

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

2.4 Basis of consolidation (Continued)

b) Investments in subsidiaries

Investments in subsidiaries were accounted for at cost on the date they were first recorded, and in subsequent periods using the equity method. These are entities in which the Group generally holds 20% to 50% of the voting rights or in which the Group has significant influence, but not control, over the company's activities. Unrealized profits arising from transactions between the Group and the subsidiary have been adjusted to the extent of the Group's share in the subsidiary, and unrealized losses have been adjusted if the transaction does not indicate that the transferred asset has been impaired. According to the equity method, after-tax net profit/(loss) of the subsidiaries after the acquisition are reflected in the Group's net profit for the period to the extent of the Group's share in the subsidiary.

The equity method is not continued when the registered value of the investment in the subsidiary becomes zero or the Group's significant influence ceases, unless the Group has undertaken an obligation or made a commitment in this regard regarding the subsidiary. After the Group's share in the subsidiary decreases to zero, additional provision for losses and recognition of debt amounts are only possible if the Group has been exposed to legal or constructive liability or has made payments on behalf of the subsidiary. If the subsidiaries make a profit in subsequent periods, the Group can reflect its share of the profit in the financial statements only after its share of the subsidiary's profit is equal to its share of the losses not reflected in the financial statements.

As a result of the negotiations between the Group and its shareholder STEAŞ, a share sale and transfer agreement was signed on January 9, 2018 for the purchase of 30% shares of Rafineri Holding A.Ş. ("Rafineri Holding") from STEAŞ for 720 million US Dollars. SOCAR Turkey Yatırım A.Ş., of which Rafineri Holding is a joint venturer with a 60% share, fully owns STAR Rafineri A.Ş. ("STAR"). The transfer of Rafineri Holding's shares subject to the contract will be completed by the Group on a date defined as the "Closing Date" in the contract, following the receipt of the necessary permissions, provided that the conditions specified in the contract are met. With the decision of Petkim's Board of Directors dated April 10, 2023, it was decided to sign a new protocol with STEAŞ in addition to the terms of the existing contract between Petkim and STEAŞ. In accordance with the protocol, Petkim's indirect partnership in STAR will be reduced from 18% to 12%, and therefore the Rafineri Holding shares to be purchased from STEAŞ will be reduced from 30% to 20%, and in this context, the Share Transfer Fee will be reduced to 480 million US Dollar. It has been decided that no other payment will be made within the scope of the contract except the payment of 480 million US Dollar that has already been made to STEAŞ within the scope of the Petkim contract and the contract will be amended accordingly. Discussions were held with STEAŞ regarding this decision and parties are agreed. Petkim's acquisition of 20% of the shares of Rafineri Holding was completed on October 2, 2023, which is the transaction date. With the transaction, Petkim indirectly acquired a 12% shares of STAR. The share purchase accounting of Rafineri Holding has been completed as of December 31, 2023.

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

2.3 Basis of consolidation (Continued)

c) Foreign currency conversion

i) Functional and presentation currency

Financial statement items for each company of the Group are measured in the currency of the main economy in which that company is located and in which it carries out its operations ('functional currency'). The functional currencies of Petlim, a subsidiary of the Group, and STAR, a subsidiary of Rafineri Holding, which became a subsidiary of the Group in 2023, are US Dollars. The consolidated financial statements are prepared in Turkish Lira (Turkish Lira), which is the functional currency of the parent company and the reporting currency of the Group. Prepared and presented in 'TL'.

ii) Transactions and balances

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

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

The assets in the consolidated statement of financial position dated 31 December 2023 are 29.4382 TL = 1 USD, which are the foreign exchange buying rates valid as of 31 December 2023 announced by the Central Bank of the Republic of Turkey, and the liabilities are 29.4913 TL = 1 USD, which are the foreign exchange selling rates valid as of 31 December 2023 (foreign exchange buying rate for valid assets as of December 31, 2022: 18.6983 TL = 1 USD, foreign exchange selling rate 18.7320 = 1 USD).

Comprehensive income statement items for the year ending 31 December 2023 of the Group's partnerships whose functional currency is US dollar have been translated into TL using the average exchange rates calculated on a quarterly basis. The retranslation of the opening net assets of these partnerships and the differences arising from the average exchange rates and the exchange rates at the balance sheet date are followed under 'Foreign currency translation differences' under shareholders' equity.

2.4. Comparative information and correction of prior period financial statements

The Group's consolidated financial statements are prepared comparatively with the previous period in order to enable the determination of financial situation and performance trends. The Group's consolidated balance sheet as of 31 December 2023, with its consolidated balance sheet prepared as of 31 December 2023 and 2022; It has prepared the consolidated profit or loss statement, consolidated other comprehensive income, consolidated cash flow and equity change statements for the year ending 31 December 2023 in comparison with the relevant consolidated financial statements for the years ending 31 December 2022.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

2.5. Significant accounting policies

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

a. Inventories

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

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

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

b. Property, plant and equipment

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

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

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

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

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

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

2.5 Significant accounting policies (Continued)

b. Property, plant and equipment (Continued)

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner.

Tangible assets are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment. Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

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

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

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

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

c. Intangible assets

<u>Rights and software</u>

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

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

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

2.5 Significant accounting policies (Continued)

d. Leases

The Group - as a lessee

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

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:

  i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or,
  ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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

Right of use asset

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

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

The Group re-measure the right of use asset:

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

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

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

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

2.5 Significant accounting policies (Continued)

d. Leases (Continued)

Lease Liability

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

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

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

After initial recognition, the lease liability is measured:

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

Variable lease payments

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

The Group - as a lessor

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

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

2.5 Significant accounting policies (Continued)

e. Investment property

In accordance with the provisions of TAS 40 "Investment Properties", land that are held to earn rent or for capital appreciation or both rather than for use in the ordinary course of business are classified as "investment property" and carried at fair value in the financial statements. Fair value changes on investment properties are recognized in the statement of comprehensive income in the relevant period. As of 31 December 2023, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

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

f. Impairment of assets

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

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

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

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

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

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

2.5 Significant accounting policies (Continued)

g. Financial investments

The Group determines that the effective part of the gain or loss arising from the hedging instrument related to the net investments in its indirect subsidiary STAR, whose functional currency is US Dollar, is directly recognized in equity, and the ineffective part is recognized in the statement of profit or loss. In case the relevant subsidiary is disposed of, the amount recognized in equity regarding the hedging instrument is recognized as profit or loss (Note 33).

h. Hedging of net investments

The group that is determined to be effective on the gain or loss arising from the hedging instrument related to net investments in its indirect subsidiary STAR, whose functional currency is US Dollar, is recognized directly in equity, and the ineffective part is recognized in the statement of profit or loss. In case of disposal of the subsidiary, the amount recognized in equity regarding the hedging instrument is recognized in profit or loss (Note 31).

i. Financial assets carried at amortized cost

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

Impairment

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

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

Trade receivables

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

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

2.5 Significant accounting policies (Continued)

i. Financial assets carried at amortized cost (Continued)

Cash and cash equivalents

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

j. Financial assets carried at fair value

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

Financial assets carried at fair value through profit or loss

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

Financial assets carried at fair value through other comprehensive income

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

Cash flow hedge

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

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

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

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

2.5 Significant accounting policies

j. Financial assets carried at fair value (Continued)

<u>Financial liabilities</u>

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

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

Borrowings

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

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

Trade payables

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

Other financial liabilities

Other financial liabilities are initially accounted at fair value, net of transaction costs.

Subsequently other financial liabilities are accounted at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis.

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

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

2.5 Significant accounting policies (Continued)

k. Borrowing costs

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

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

l. Government grants

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

m. Statement of cash flow

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

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

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

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

n. Related parties

Parties are considered related to the Group if;

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

2.5 Significant accounting policies (Continued)

n. Related parties (Continued)

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

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

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

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

o. Taxation and deferred income taxes

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

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

Current tax

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

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

2.5 Significant accounting policies (Continued)

o. Taxation and deferred income taxes (Continued)

Deferred tax

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

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

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

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

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

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

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

2.5 Significant accounting policies (Continued)

o. Taxation and deferred income taxes (Continued)

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

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

p. Employee benefits

Defined benefit plans

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

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

Defined contribution plan

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

Unused vacation

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

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

2.5 Significant accounting policies (Continued)

q. Provisions

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

r. Contingent assets and liabilities

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

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

s. Revenue recognition

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

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

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

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

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

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

2.5 Significant accounting policies (Continued)

s. Revenue recognition (Continued)

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

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

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

Revenue from port operation

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

t. The effects of foreign exchange rate changes

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

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

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

2.5 Significant accounting policies (Continued)

t. The effects of foreign exchange rate changes (Continued)

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

- Exchange differences considered as the correction item in the interest costs on the debts associated with the assets built for the purpose of future use and indicated in foreign currency and included in the cost of such assets,

- Exchange differences resulted from the transactions realized for the purpose of financial protection against the risks rising from foreign currency.

u. Share capital and dividends

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

v. Share premiums

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

w. Events after balance sheet date

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

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

x. Earnings per share

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

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

2.5 Significant accounting policies (Continued)

y. Segment reporting

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

z. Business mergers and goodwill

Business combinations are accounted for by the purchase method within the scope of TFRS 3,"Business Combinations" standard. The difference between the purchase price and the acquired company's (i) value of net identifiable assets and contingent liabilities in its balance sheet prepared at the date of purchase in accordance with the provisions of TFRS 3, (ii) value of non-controlling interests and (iii) fair value of previously held shares, is recognized as goodwill. If this difference is negative, no goodwill occurs, and the difference is recognized in the "Income from investment activities" account as the gain resulting from the bargain purchase.

Under this method, the purchase price is measured at the fair value of the cash or other assets given, capital instruments issued, or liabilities assumed at the date of acquisition. If the business combination agreement contains provisions stipulating that the purchase price may be adjusted depending on future events; If this adjustment is probable and its value can be determined, this adjustment is included in the purchase price at the merger date. Purchase-related costs are expensed in the period in which they are incurred.

Identifiable assets, liabilities and contingent liabilities of the purchased business are measured at their fair values in the balance sheet of the purchased business as of the date of acquisition and prepared in accordance with the provisions of TFRS 3.

2.6 Significant accounting estimates, judgments and assumptions

a) Provision for lawsuits

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

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

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

The Group determines useful lives of tangible and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 December 2023.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. (Note 20)

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases, and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 16.

e) Fair value measurement of investment properties (Continued)

Details of the methods and assumptions used within the scope of the valuation studies are as follows.

- In fair value calculations, the most effective and efficient use was evaluated and the current usage purposes were determined as the most effective and efficient use, and the precedent comparison method was used for lands and plots.

- Current market information was used in the comparable comparison method, price adjustments were made within the framework of criteria that may affect the market value, taking into account similar real estate recently put on the market in the region, and the average m2 market value was determined for the lands subject to the report. The comparables found were compared according to criteria such as location, size, zoning status and physical characteristics, real estate marketing companies were consulted for an up-to-date evaluation of the real estate market, and the existing information of an independent professional valuation company was used.

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

2.6 Significant accounting estimates, judgments and assumptions (Continued)

f) Fair value of determination of investment properties

In this context, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB as of 31 December 2023.

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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue

	1 January - 31 December 2023	1 January - 31 December 2022
Petrochemical	59,870,025	97,257,619
Port	571,239	599,655
Total before eliminations and adjustments	**60,441,264**	**97,857,274**
Consolidation eliminations and adjustments	-	-
	60,441,264	**97,857,274**

b) Operating profit

Petrochemical	(7,332,329)	(1,957,847)
Port	666,655	432,486
Total before eliminations and adjustments	**(6,665,674)**	**(1,525,361)**
Consolidation eliminations and adjustments	34,615	51,942
Operating loss	**(6,631,059)**	**(1,473,419)**
Financial (expenses)/ income, net	(6,645,951)	(3,559,639)
Monetary gain/loss	4,080,669	(1,581,186)
Income from investing activities, net	18,473,770	2,729,132
Profit/loss before tax from continued operations	**9,277,429**	**(3,885,112)**
Tax (expense)/Income	(1,863,787)	2,543,023
Profit/loss for the period	**7,413,642**	**(1,342,089)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

b) Total assets	**31 December 2023**	**31 December 2022**
Petrochemical	91,064,318	98,277,406
Port	9,538,086	10,003,580
Total before eliminations and adjustments	**100,602,404**	**108,280,986**
Consolidation eliminations and adjustments	(4,811,820)	(5,044,145)
	95,790,584	**103,236,841**

c) Total liabilities

Petrochemical	38,782,064	51,825,250
Port	5,706,969	9,829,500
Total before eliminations and adjustments	**44,489,033**	**61,654,750**
Consolidation eliminations and adjustments	(86,576)	(2,955,856)
	44,402,457	**58,698,894**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2023	**31 December 2022**
Banks	4,039,631	21,835,105
- Demand deposits	97,966	65,746
- Turkish Liras	48,457	3,821
- Foreign currency	49,509	61,925
- Time deposits	3,941,665	21,769,359
- Turkish Liras	203,858	2,289,208
- Foreign currency	3,737,807	19,480,151
Other	24	67
	4,039,655	**21,835,172**

As of 31 December 2023, the weighted average effective interest rates of USD and Euro time deposits are 3.37% and 2.73% per annum (31 December 2022: USD 2.92% and 1.50% per annum).

As of 31 December 2023, the TRY dominated time deposits consist of monthly and daily deposits and the weighted average effective interest rate is 40.63% per annum. (31 December 2022: 23.89% per annum). The Group has no blocked deposits as of 31 December 2023 (31 December 2022: None).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 5 - INVENTORIES

	31 December 2023	31 December 2022
Raw materials	1,179,832	1,762,714
Work-in-progress	1,144,833	1,937,432
Finished goods	1,997,724	2,043,522
Trade goods	206,521	561,400
Goods in transit	715,165	870,775
Other inventories	959,892	601,834
Less: Provision for impairment on inventories	(63,094)	(150,216)
	6,140,873	**7,627,461**

Movements of provision for impairment on inventory for the periods ended 31 December 2023 and 2022 were as follows:

	2023	2022
1 January	**(150,216)**	**(18,886)**
Realized due to sales of inventory	150,216	18,886
Current year additions	(63,094)	(150,216)
31 December	**(63,094)**	**(150,216)**

NOTE 6 - FINANCIAL INVESTMENTS

a) Short-term financial investments

	31 December 2023	31 December 2022
Exchange rate-protected TRY time deposits (*)	-	1,607,740
Marketable securities	298,952	330,868
	298,952	**1,938,608**

(*) 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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 6 - FINANCIAL INVESTMENTS (Continued)

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

	31 December 2022		
Currency	**Nominal amount (original currency)**	**Fair value (in TRY)**	**Maturity**
TL	932,979	1,607,740	March 2023
		1,607,740	

b) Long-term financial investments

	31 December 2023		31 December 2022	
	Amount	**Shareholding rate (%)**	**Amount**	**Shareholding rate (%)**
SOCAR Power Enerji Yatırımları A.Ş.	66,149	9.90	66,149	9.90
	66,149		**66,149**	

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	31 December 2023	**31 December 2022**
Trade receivables	5,965,062	5,876,550
Provision for doubtful trade receivables (-)	(14,621)	(33,882)
	5,950,441	**5,842,668**

Average maturity for trade receivables is 30 days as of 31 December 2023 (31 December 2022: 31 days).

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December 2023, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TRY24,732,957 (31 December 2022: TRY20,300,077) (Note 30).

	2023	**2022**
1 January	**(33,882)**	**(57,198)**
Provisions no longer required	7,597	1,199
Monetary gain/loss	11,664	22,117
31 December	**(14,621)**	**(33,882)**

b) Trade payables

	31 December 2023	**31 December 2022**
Trade payables	3,778,311	4,584,940
	3,778,311	**4,584,940**

Average maturity for trade payables other is 33 days as of 31 December 2023 (31 December 2022: 32 days).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables:

	31 December 2023	**31 December 2022**
Receivables from third parties	120,166	43,230
	120,166	**43,230**
Provision for other doubtful receivables (-)	(1,591)	(2,622)
	118,575	**40,608**

b) Other short-term payables:

Deposits and guarantees received	13,500	15,716
Other	10,816	13,671
	24,316	**29,387**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2023	31 December 2022
Short-term borrowings	5,411,169	5,180,274
Short-term portions of long-term borrowings	3,570,495	895,406
Bond issued (**)	-	15,819,024
Short-term lease liabilities (****)	38,047	38,916
Other financial liabilities (*)	7,723,797	20,347,274
Short-term financial liabilities	**16,743,508**	**42,280,894**
Long-term borrowings(***)	13,082,610	4,391,335
Long-term lease liabilities (****)	167,814	118,159
Long-term borrowings	**13,250,424**	**4,509,494**
	29,993,932	**46,790,388**

(*) Other financial liabilities consist of letters of credits, naphta financing, murabaha loans and trade goods financing arising from naphtha and other goods purchases . The average remaining maturity of other financial liabilitiesis 59 days as of 31 December 2023 (31 December 2022: Average remaining maturity is 109 days).

(**) This balance consists of a 5,875% annual fixed coupon bond quoted on the Irish stock exchange with a nominal value of USD 500 million, maturity of 5 years, coupon payment every 6 months and principal and coupon payments at maturity. The repayment of bond has been completed on 26 January 2023.

(***) On 26 January 2023, the loan agreement amounting to USD 300 million has been signed between Group and J.P. Morgan Securities PLC. The mentioned loan has a bullet maturity of 3 years and has interest rate of SOFR + 5.60%, per annum. Pursuant to the long-term loan agreement signed between the Group and JP Morgan Securities PLC on 26 January 2023, USD 300 million loan is swapped with the annual interest rate of SOFR +5.60% of the portion of USD 150 million with a fixed interest rate of 9.56 per annum.

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bonds issued:

	Weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**
Short-term borrowings:						
TRY borrowings	-	18.25	-	220,627	-	363,534
USD borrowings	7.00 - 10.55	5.90 - 9.75	183,484	156,057	5,411,169	4,816,740
Short-term portions of long-term borrowings and bond issued:						
USD borrowings	SOFR + 4.67 – 5.60 7.00 – 10.55	Libor + 4.67	107,115	22,247	3,158,965	686,647
Euro borrowings	7.73	Euribor + 0.72 - 1.64	12,611	6,344	411,530	208,759
Bond issued	-	5.88	-	512,519	-	15,819,024
Total short-term borrowings					**8,981,664**	**21,894,704**
Long-term borrowings and bond issued:						
USD borrowings	SOFR + 4.67 - 5.60	Libor + 4.67	443,609	142,274	13,082,610	4,391,335
Total long-term borrowings					**13,082,610**	**4,391,335**
Total borrowings					**22,064,274**	**26,286,039**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 December 2023 and 31 December 2022 is as follows:

	31 December 2023
2025	1,676,318
2026	10,225,366
2027	1,000,935
2028	179,991
	13,082,610

	31 December 2022
2024	1,014,268
2025	1,275,970
2026	1,243,253
2027	785,212
2028	72,632
	4,391,335

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.

Within the scope of the loan agreement signed between the Group and JP Morgan, certain financial ratios defined in the Group's six-month interim and annual consolidated financial statements must remain within certain limits until the loan repayment is completed. As a result of the expectation that the net debt / EBITDA ratio calculation calculated on the consolidated financial statements as of December 31, 2023 will exceed the determined limits, the Group discussed the sitiuation with JP Morgan. Although there is no dispute with JP Morgan regarding this loan, a waiver letter was received from JP Morgan regarding the relevant provisions of the agreement on December, 27 2023, stating that no ratio calculation will be performed as of December 31, 2023. The relevant loan is classified in accordance with the original payment maturity.

As of December 31 2023, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 30.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2023 and 31 December 2022 as follows:

	2023	2022
1 January	23,250,737	21,939,669
Proceeds from financial liabilities	30,995,203	32,116,633
Repayments of financial liabilities	(42,728,731)	(10,909,542)
Changes in foreign Exchange	11,521,098	10,020,522
Changes in interest accrual	1,829,571	1,024,844
Less: Change in cash and cash equivalents and financial investments (*)	16,248,113	(10,366,750)
Monetary gain/loss	(15,367,575)	(20,574,639)
31 December	**25,748,416**	**23,250,737**

(*) The change in financial investments excludes fair value changes of Exchange rate-protected TRY time deposits as of 31 December 2022.

NOTE 10 - INVESTMENT PROPERTIES

Fair value	1 January 2023	Fair value increase	Transfers	Disposals	31 December 2023
Land	9,270,520	7,559,487	-	(989)	16,829,018
	9,270,520				**16,829,018**

Fair value	1 January 2022	Fair value increase	Transfers	Disposals	31 December 2022
Land	7,775,302	1,495,218	-	-	9,270,520
	7,775,302				**9,270,520**

30 years right of construction of the land, that is 2,076,506 m2, is given to the STAR by Group. The annual rent income from the land, that is located in Aliağa district, is USD4.6 million and the annual rent income will be increased at the rate of SOFR + 1% each year. As of December 31, 2023, the annual rent income is USD6.2 million.

As of 31 December 2023, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

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

As of 31 December 2023, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs (Note 32).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Transferler	Disposals	Impairment (***)	Foreign currency translation differences	31 December 2023
Cost:							
Land	604,730	-	-	(1,116)	-	(262)	603,352
Land improvements	3,140,396	-	10,132	-	-	(707)	3,149,821
Buildings	2,720,515	-	-	-	-	(469)	2,720,046
Machinery and equipment	113,271,918	-	2,719,841	(157,847)	-	-	115,833,912
Motor vehicles	367,117	-	30,511	(237,477)	-	-	160,151
Furniture and fixtures	1,465,548	-	80,601	(56,324)	-	4,237	1,494,062
Other fixed assets	16,268	-	-	-	-	-	16,268
Leasehold improvements	7,118	-	-	-	-	-	7,118
Assets subject to operating lease (**)	9,492,891	-	-	-	-	(392,210)	9,100,681
Construction in progress (*)	6,556,613	3,154,787	(2,863,928)	(3,643)	-	(1,807)	6,842,022
	137,643,114	**3,154,787**	**(22,843)**	**(456,407)**	**-**	**(391,218)**	**139,927,433**
Accumulated depreciation (-):							
Land improvements	(1,892,879)	(102,210)	-	-	(63,954)	155	(2,058,888)
Buildings	(1,999,441)	(59,624)	-	-	-	229	(2,058,836)
Machinery and equipment	(95,774,859)	(3,589,465)	-	157,847	(1,048,266)	-	(100,254,743)
Motor vehicles	(177,078)	(49,358)	-	103,319	-	-	(123,117)
Furniture and fixtures	(1,087,710)	(94,386)	-	53,530	-	132	(1,128,434)
Other fixed assets	(16,268)	-	-	-	-	-	(16,268)
Leasehold improvements	(1,695,701)	(254,407)	-	-	-	9,258	(1,940,850)
Assets subject to operating lease (**)	(7,118)	-	-	-	-	-	(7,118)
	(102,651,054)	**(4,149,450)**	**-**	**314,696**	**(1,112,220)**	**9,774**	**(107,588,254)**
Net book value	**34,992,060**						**32,339,179**

(*) Construction in progress mainly consist of investments related to facility improvements.
(**) Assets subject to operating lease consists of port investment.
(***) Refer to note 24.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2022
Cost:						
Land	605,590	-	-	(30)	(830)	604,730
Land improvements	3,112,661	-	29,961	-	(2,226)	3,140,396
Buildings	2,719,605	-	2,012	-	(1,102)	2,720,515
Machinery and equipment	108,744,166	-	4,527,752	-	-	113,271,918
Motor vehicles	331,714	-	35,403	-	-	367,117
Furniture and fixtures	1,401,715	-	67,402	(3,111)	(458)	1,465,548
Other fixed assets	16,268	-	-	-	-	16,268
Leasehold improvements	7,118	-	-	-	-	7,118
Assets subject to operating lease (**)	10,726,819	-	-	-	(1,233,928)	9,492,891
Construction in progress (*)	4,112,495	7,150,605	(4,709,675)	-	3,188	6,556,613
	131,778,151	**7,150,605**	**(47,145)**	**(3,141)**	**(1,235,356)**	**137,643,114**
Accumulated depreciation (-):						
Land improvements	(1,725,514)	(168,423)	-	-	1,058	(1,892,879)
Buildings	(1,940,457)	(59,674)	-	-	690	(1,999,441)
Machinery and equipment	(93,164,964)	(2,609,895)	-	-	-	(95,774,859)
Motor vehicles	(128,160)	(48,918)	-	-	-	(177,078)
Furniture and fixtures	(999,366)	(90,945)	-	2,206	395	(1,087,710)
Other fixed assets	(16,268)	-	-	-	-	(16,268)
Leasehold improvements	(1,564,436)	(273,991)	-	-	142,726	(1,695,701)
Assets subject to operating lease	(7,118)	-	-	-	-	(7,118)
	(99,546,283)	**(3,251,846)**	**-**	**2,206**	**144,869**	**(102,651,054)**
Net book value	**32,231,868**					**34,992,060**

(*) Construction in progress mainly consist of investments related to facility improvements.
(**) Assets subject to operating lease consists of port investment.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

In 2023, the Group has not borrowing cost, that are eligible for capitalization related with its investments. (31 December 2022: None).

Property, plant and equipments and intangible assets depreciation charges amounting to TRY4,219,034 (31 December 2022: TRY3,338,828) were allocated to cost of sales by TRY3,709,135 (31 December 2022: TRY2,910,996), to inventories by TRY81,019 (31 December 2022: TRY88,428), to general administrative expenses by TRY379,318 (31 December 2022: TRY300,182), to marketing, selling and distribution expenses by TRY49,562 (31 December 2022: TRY39,222).

As of 31 December 2023, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD350 million on the date of 20 November 2015 (31 December 2022: USD350 million).

As of 31 December 2023 and 2022 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	31 December 2023	**31 December 2022**
Land	480,703	347,980
Buildings	356,467	381,493
Motor vehicles	39,826	19,815
Total right of use assets	**876,996**	**749,288**

As of 31 December 2023, additions to rights use of assets amounting to TRY21,907, depreciation expenses amounting to TRY120,246 (2022: TRY156,156).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS

	1 January 2023	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2023
Cost:						
Rights and software	739,320	-	10,313	-	(358)	749,275
Capitalized development costs	102,210	-	12,530	-	-	114,740
	841,530	**-**	**22,843**	**-**	**(358)**	**864,015**
Accumulated amortization (-):						
Rights and software	(426,209)	(65,145)	-	-	359	(490,995)
Capitalized development costs	(55,810)	(4,439)	-	-	-	(60,249)
	(482,019)	**(69,584)**	**-**	**-**	**359**	**(551,244)**
Net book value	**359,511**					**312,771**

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2022
Cost:						
Rights and software	714,795	-	26,499	-	(1,974)	739,320
Capitalized development costs	81,564	-	20,646	-	-	102,210
	796,359	**-**	**47,145**	**-**	**(1,974)**	**841,530**
Accumulated amortization (-):						
Rights and software	(346,127)	(79,668)	-	-	(414)	(426,209)
Capitalized development costs	(48,496)	(7,314)	-	-	-	(55,810)
	(394,623)	**(86,982)**	**-**	**-**	**(414)**	**(482,019)**
Net book value	**401,736**					**359,511**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2023, government grants incentives granted from Turquality and other institutions amounting to TRY8,368 includes incentives and aid (31 December 2022: TRY16,151) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

NOTE 14 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 December 2023	31 December 2022
Advances received	492,060	493,197
Deferred revenue	1,355	2,738
	493,415	**495,935**

Advances received include the payments received by the Group from its customers for the sales to be made in the following periods, and it is anticipated that these advances will be closed within one year (31 December 2022: It is expected to be closed within one year). The fair values of the advances received are estimated to approximate their carrying values.

NOTE 15 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 December 2023	31 December 2022
Advances given for inventory	589,997	860,635
Prepaid insurance and other expenses	43,133	79,763
Advances given for customs procedures	3,049	1,767
	636,179	**942,165**

b) Long-term prepaid expenses

Advances given for property, plant and equipment	322,810	218,760
Prepaid insurance and other expenses	22,534	2,760
	345,344	**221,520**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 16 - EMPLOYEE BENEFITS

a) Liabilities for employee benefits:

	31 December 2023	31 December 2022
Social security contribution	117,323	106,376
Due to personnel	722	1,148
	118,045	**107,524**

b) Short-term employee benefits:

Provision for bonus Premium (*)	737,367	864,639
Provision for seniority incentive bonus	56,912	33,406
	794,279	**898,045**

(*) Group has been paid TRY581,543 of the TRY864,639 accounted for bonus premium in 31 December 2022.

c) Long-term employee benefits:

	31 December 2023	31 December 2022
Provision for employment termination benefits	491,477	655,928
Provision for unused vacation rights	206,600	152,257
Provision for seniority incentive bonus	56,645	44,858
	754,722	**853,043**

Provision for unused vacation

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

	2023	2022
1 January	**152,257**	**133,125**
Changes in the period, net	162,201	95,420
Monetary gain/loss	(107,858)	(76,288)
31 December	**206,600**	**152,257**

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum ceiling of TRY23,489.83 for each year of service as of 31 December 2023 (31 December 2022: TRY15,371.40).

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 16 - EMPLOYEE BENEFITS (Continued)

c) Long-term employee benefits (Continued):

Provision for employment termination benefits (Continued):

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

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

	31 December 2023	31 December 2022
Net discount rate (%)	1.98	0.50
Probability of retirement (%)	97.8	97.8

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 TRY35,058.58 which is effective from 1 January 2024 has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2023: TRY 19,982.83).

Movements of the employment termination benefits are as follows:

	2023	2022
1 January	**655,928**	**349,713**
Interest cost	53,595	33,418
Payments during the period (-)	(13,206)	(13,116)
Service cost	59,702	24,149
Actuarial (gain)/ loss	24,539	517,945
Monetary gain/(loss)	(289,081)	(256,181)
31 December	**491,477**	**655,928**

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2023 and 2022 are follows:

	31 December 2023 Net discount rate		31 December 2022 Net discount rate	
Sensitivity analysis	**100 Basis point increase**	**100 Basis point increase**	**100 Basis point increase**	**100 Basis point increase**
Rate	2.98	0.98	1.50	1.50
Change in liability of employment termination benefit	(52,521)	62,583	(58,299)	70,062

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 16 - EMPLOYEE BENEFITS (Continued)

c) Long-term employee benefits (Continued):

Provision for seniority incentive bonus:

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

The bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 and 100 days of gross salary for 30, 105 days of gross salary for 35 and 110 days of gross salary for 40 years seniority is paid to the union personnel with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

For the non-union personnel working at the Group, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and100 days for 30, 105 days of gross salary for 35 and 110 days of gross salary for 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

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

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

	31 December 2023	**31 December 2022**
Net discount rate (%)	1.98	0.50
Used rate related to retirement probability (%)	97.8	97.8

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 16 - EMPLOYEE BENEFITS (Continued)

c) Long-term employee benefits (Continued):

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

	2023	2022
1 January	**78,264**	**59,938**
Interest cost	12,802	5,108
Payments during the period (-)	(37,224)	(29,354)
Service cost	97,594	68,492
Actuarial loss	13,390	5,704
Monetary gain/loss	(51,269)	(31,624)
31 December	**113,557**	**78,264**

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2023	31 December 2022
Value added tax ("VAT") receivable	1,301,484	1,533,586
Other	10,601	2,485
	1,312,085	**1,536,071**

b) Other non-current assets

Spare parts	78,929	62,851
Other	498	182
	79,427	**63,033**

c) Other liabilities

Taxes and funds payable and other deductions	112,391	160,830
Other	3,428	161
	115,819	**160,991**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2023			**31 December 2022**		
		Fair value (TRY)			**Fair value (TRY)**	
	Nominal contract amount (TRY)	**Assets**	**(Liabilities)**	**Nominal contract amount (TRY)**	**Assets**	**(Liabilities)**
Foreign currency forward transactions	2,767,759	-	(15,439)	1,164,413	-	(13,576)
Interest rate swap transactions (*)	2,160,474	101,310	-	1,577,912	109,948	-
	4,928,233	**101,310**	**(15,439)**	**2,742,325**	**109,948**	**(13,576)**

(*) The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2023, TRY12,571 of (31 December 2022: TRY122,444) interest expense that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement.

NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2023 and 31 December 2022:

		31 December 2023		**31 December 2022**	
Group:	**Shareholder:**	**Amount (TRY)**	**Share (%)**	**Amount (TRY)**	**Share (%)**
A	Socar Turkey Petrokimya A.Ş.	1,292,544	51.00	1,292,544	51.00
A	Publicly traded and other	1,241,856	49.00	1,241,856	49.00
C	Privatization Administration	-	0.01	-	0.01
Total paid in share capital		**2,534,400**	**100**	**2,534,400**	**100**
Adjustment to share capital		27,887,153		27,887,153	
Total share capital		**30,421,553**		**30,421,553**	

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

NOTE 19 - EQUITY (Continued)

Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (31 December 2022 - Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management).

Capital of the Company is composed of all registered shares.

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,

- The recording of the transfer of the registered shares in the stock ledger,

- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,

- The decision related with the reduction of the capacity of any plant by 10% owned by the Company,

- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Dividend distribution

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

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

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

NOTE 19 - EQUITY (Continued)

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

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long-term strategies, investment and financial plans, market conditions, and economic developments.

- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.

- In the event that distributable profit is available in accordance with the relevant communiqués; within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, at least 50% of the annual distributable profit of the Company is aimed to be distributed in cash and / or shares and / or in installments. This rate is determined each year by the Board of Directors, depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies, and cash requirements.

- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.

- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.

- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.

- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.

- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 19 - EQUITY (Continued)

The comparison of the relevant equity items presented as inflation-adjusted in the consolidated financial statements of the Group as of December 31, 2023, with the inflation-adjusted amounts in the financial statements prepared in accordance with Law No. 6762 and other legislation is as follows:

31 December 2023	Inflation-adjusted amounts included in financial statements prepared in accordance with Law No. 6762 and other legislation	Amounts adjusted for inflation in financial statements prepared in accordance with TAS/TFRS	Amounts follow in accumulated profit/loss
Adjustment to share capital	28.262.273	27.887.153	375.120
Share premium	-	500.700	(500.700)
Restricted reserves	5.205.227	2.697.792	2.507.435

Retained earnings are 8,245,787 TL before the first transition to IAS 29 application in the consolidated balance sheets prepared in accordance with TFRS as of January 1, 2022, and the amount calculated on the purchasing power basis as of December 31, 2023 is 13,586,819 TL.

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 31 December 2023 and 31 December 2022 are summarized below:

	31 December 2023	**31 December 2022**
Calculated corporation tax	-	-
Less: Prepaid taxes (-)	(40,854)	(454,444)
Total corporation tax (asset)/liabilities	**(40,854)**	**(454,444)**

Tax expenses included in the consolidated income statement for the interim accounting periods ending 1 January - 31 December 2023 and 2022 are summarized below:

	1 January - 31 December 2023	**1 January - 31 December 2022**
Deferred tax expense/(income)	(1,844,688)	2,543,023
Current year tax expense	(19,099)	-
Total tax income/(expense)	**(1,863,787)**	**2,543,023**

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

In Turkey, the corporate tax rate is %25 for 2023 (2022: %23). In Turkey, the corporate tax rate is 23% for 2022. Institutions tax rate is applied to the tax base that will result in deducting expenses not included in the deduction according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits, exception of investment discount etc.) and discounts (such as R&D discount).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes

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

In accordance with the regulation numbered 7456, which entered into force after being published in the Official Gazette dated published in Official Gazette 15 July 2023, "On the Creation of Additional Motor Vehicle Tax for the Compensation of Economic Losses Caused by the Earthquakes That Occurred on 6/2/2023, and on Amending Certain Laws and the Decree Law No. 375". The corporate tax rate has been increased to 25% for advanced corporate tax to be submitted after October 2023. It will be applied as 25% starting from 2024. With the change in the law in question, with a 5-point base change in the export exemption rate, the Group re-evaluated the effective tax rate and determined the effective tax rate as 23% and calculated the deferred tax calculations based on this rate.

Meanwhile, the corporate tax exemption for gains from the sale of immovable properties acquired after July 15, 2023 and held in the assets of corporate taxpayers for at least 2 years has been completely abolished, while the corporate tax exemption on the sales gains of immovable properties acquired before this date has been reduced from 50% to 25%. It has been downloaded to. The regulation entered into force as of July 15, 2023.

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2023 and 31 December 2022 are as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/ (Liabilities)	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Fair value increase in investment properties	(16,818,938)	(9,150,493)	(2,901,267)	(915,050)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	(3,835,041)	(6,081,650)	(867,749)	(1,163,198)
Fair value difference of derivative financial instruments	(85,871)	(96,372)	(21,100)	(19,274)
Other	(60,296)	(398,668)	(15,074)	(79,733)
Deferred income tax liabilities	**(20,800,146)**	**(15,727,183)**	**(3,805,190)**	**(2,177,255)**
Unused investment incentives	4,528,574	4,259,479	1,670,210	1,767,410
Provision for employee benefits	1,549,001	1,751,088	356,270	350,218
Carry forward tax losses	788,982	796,600	197,245	160,743
Deferred revenue related to the port rental agreement	175,462	218,598	43,866	43,719
Inventory provision	61,300	148,460	14,099	29,692
Rent allowance fee	4,960	5,929	1,141	1,186
Provision for legal cases	2,597	4,279	597	855
Deferred income tax assets	**6,866,766**	**7,184,433**	**2,283,428**	**2,353,823**
Deferred tax assets/liabilities - net			**(1,521,762)**	**176,568**

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued):

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY19,901 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2023. In this context, as of 31 December 2023 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY9,950.

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of 15 June 2012. The Group will be able to deduct 30% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 70% deduction from corporate tax. The group has TL 1,894,834 unused investment incentive within the scope of strategic investment incentive certificate as of 31 December 2023. In this context, as of 31 December 2023 the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 980,591.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY2,239,430 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2023, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY559,858.

The Group, within the scope of factory modernizations, It received a regional investment incentive certificate from the Ministry of Economy on November 2, 2023. Within the scope of the regional investment incentive, the Group will be able to deduct 40% of the expenditures made during the investment period at the rate of 80% of the tax rate. As of December 31, 2023, the Group has made a total investment expenditure of 374,409 TL within the scope of the regional investment certificate. In this context, as of December 31, 2023, the Group has a deferred tax asset of 119,811 TL, which is 80% of 40% of the fixed investment amount that it can use in future periods.

As a result of projections made as of 31 December 2023, 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 TRY4,528,574 (31 December 2022: TRY4,259,479).

The expiration date of the carry forward tax losses on which the Group has accounted deferred tax assets is 2028.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The reconciliations of the taxation on income for the years ended 31 December 2023 and 2022 were as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit /(Loss) before taxation	9,277,429	(3,885,112)
Less: Shares in profit of investments accounted for using equity method	(9,924,823)	-
Loss before tax (Excluding the profit/loss shares)	**(647,394)**	**(3,885,112)**
Statutory tax rate	25%	23%
Calculated tax expense based on statutory tax rate	161,849	893,576
Reconciliation between the tax provision and calculated tax:		
Effect of unused tax losses for which no deferred tax asset was recognized	(1,755,490)	(60,361)
Effect on revaluation of immovables and other economic assets subject to depreciation (*)	-	2,773,677
Utilised investment incentives during the year	984,620	1,312,456
Income exempt from tax	190,311	230,150
Non-deductible expense	(755,070)	(248,347)
Tax rate difference	594,304	457,691
Inflation effect according to Tax Procedures Law provisions (**)	2,620,919	-
Monetary gain/loss	(3,845,577)	(2,903,470)
Other	(59,659)	87,651
Total tax expense reported in the profit or loss statement	**(1,863,787)**	**2,543,023**

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

(**) It consists of the deferred tax effect of the temporary differences created by the adjustments made regarding inflation accounting, together with the notification of the Tax Procedure Law dated 30/12/2023 and numbered 32415.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The movement of deferred income tax is as follows:

	2023	2022
1 January	**176,568**	**(2,336,659)**
Recognized in the profit or loss statement	(1,844,688)	2,543,023
Recognized in other comprehensive income	156,318	61,299
Foreign currency translation differences	(9,960)	(91,095)
31 December	**(1,521,762)**	**176,568**

The total amount of the Group's deductible carry forward tax losses for which deferred tax assets have not been calculated is 4,261,674 TL and its expiration date is 2028.

Tax Advantages Obtained Within the Scope of Investment Incentive System:

The Group's earnings from investments subject to incentive certificates are subject to corporate tax at reduced rates, starting from the accounting period in which the investment is partially or fully operated, until it reaches the investment contribution amount. In this context, as of 31 December 2023, the Group's tax advantage of 1,670,210 TL in the foreseeable future (31 December 2022: 1,767,410 TL) has been reflected in the consolidated financial statements as a deferred tax asset. As a result of the accounting of the tax advantage in question as of December 31, 2023, a deferred tax expense of 97,200 TL has occurred in the consolidated statement of profit or loss for the period of January 1 - December 31, 2023.

Deferred tax assets are recorded if it is determined that taxable income is likely to occur in future years. In cases where it is probable that taxable income will be generated, deferred tax assets are calculated on the basis of deductible temporary differences, financial losses and tax advantages earned due to investment allowances with an indefinite life that allow the payment of reduced corporate tax. In this context, the Group bases the reflection of deferred tax assets arising from investment incentives on the consolidated financial statements on long-term plans, and evaluates the recoverability of deferred tax assets related to such investment incentives as of each balance sheet date, based on business models containing taxable profit estimates. The deferred tax assets in question are deducted from the balance sheet date. It is expected to be recovered within 8-10 years.

In the sensitivity analysis carried out as of December 31, 2023, when the inputs in the basic macroeconomic and sectoral assumptions that form the business plans were increased/decreased by 10%, there was no change in the expected recovery periods of deferred tax assets related to investment incentives within the range of 8-10 years.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	36,132,121	50,883,642
Export sales	25,602,489	49,626,559
Other sales	578,816	382,942
Sales discounts (-)	(1,872,162)	(3,035,869)
Net sales	**60,441,264**	**97,857,274**
Direct raw materials and supplies	(34,021,808)	(43,995,281)
Cost of trade goods sold	(14,370,488)	(40,187,635)
Energy	(5,089,629)	(6,468,835)
Depreciation and amortization	(3,752,110)	(2,966,804)
Labour costs	(2,928,405)	(2,307,402)
Changes in work in progress and finished goods	(838,397)	(983,541)
Other	(1,768,709)	(380,950)
Cost of sales	**(62,769,546)**	**(97,250,448)**

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
Personnel expense	(1,265,000)	(1,032,689)
Outsourced services	(833,648)	(650,593)
Depreciation and amortization	(424,767)	(359,205)
Energy expenses	(112,916)	(118,102)
Taxes, funds and fees	(42,247)	(32,856)
Other	(203,378)	(229,056)
	(2,881,956)	**(2,422,501)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES (Continued)

Fees for Services Obtained from Independent Auditor/ Independent Audit Firm

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

	1 January - 31 December 2023	**1 January - 31 December 2022**
Independent audit fee for the reporting period	2,939	2,562
Fees for tax advisory services	722	1,178
Fee for other assurance services	190	153
	3,851	**3,893**

NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2023	**1 January - 31 December 2022**
Outsourced services	(512,463)	(385,357)
Personnel expense	(494,381)	(454,138)
Depreciation and amortization	(81,384)	(80,547)
Other	(80,989)	(102,715)
	(1,169,217)	**(1,022,757)**

NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2023	**1 January - 31 December 2022**
Foreign exchange gains	2,957,794	3,321,803
Rent income	84,705	64,049
Term sales income	31,080	17,779
Other	270,621	79,509
	3,344,200	**3,483,140**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES (Continued)

b) Other operating expenses:

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange losses	(2,096,592)	(1,788,137)
Provision for impairment (*) (Note 11)	(1,112,220)	-
Term purchase expense	(104,336)	(70,152)
Other	(282,656)	(259,838)
	(3,595,804)	**(2,118,127)**

(*) As of December 31, 2023, a provision for impairment has been made for the Group's factories that have been in temporary shutdown for more than a year, and detailed technical evaluations are still ongoing to determine the recoverable value of these factories.

NOTE 25 - INCOME/ (EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2023	1 January - 31 December 2022
Fair value increase in investment properties	7,559,487	1,495,218
Gain on sale of property, plant and equipments	509,267	2,965
Fair value of financial investmens	328,974	1,073,647
Rent income	153,867	157,536
Gain on investments properties	816	-
	8,552,411	**2,729,366**

b) Expenses from investment activities

Loss on sale of property, plant and equipment	(3,464)	(234)
	(3,464)	**(234)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 26 - FINANCIAL INCOME/ EXPENSES

a) Finance income

	1 January - 31 December 2023	1 January - 31 December 2022
Foreign exchange gains	10,956,807	11,102,577
Interest income	555,967	691,216
Other	75,543	9,089
	11,588,317	**11,802,882**

b) Finance expense

Foreign exchange loss	(14,498,544)	(12,121,888)
Interest expense	(3,460,755)	(2,937,499)
Commission expense	(183,784)	(224,938)
Interest expense on employee benefits	(65,856)	(40,375)
Other	(25,329)	(37,821)
	(18,234,268)	**(15,362,521)**

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2023	1 January - 31 December 2022
Net loss for the period of the equity holders of the parent	7,389,998	(1,280,543)
Weighted average number of shares with nominal value of Kr l each (thousand)	253,440	253,440
Earnings/(loss) per share (Kr)	**2,9159**	**(0,5053)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2023 and 31 December 2022 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Short-term trade receivables from related parties:

	31 December 2023	31 December 2022
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	893,824	1,156,925
STAR (2)	656,772	397,579
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	20,121	35,268
SOCAR Enerji Ticaret A.Ş. (2)	18,596	368,411
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	4,206	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	1,134	-
STEAŞ (1)	711	8
SOCAR Turkey Doğalgaz Yatırım A.Ş. (2)	78	-
Azoil Petrolcülük A.Ş. (2)	40	-
SOCAR Turkey Petrol Ticaret A.Ş. (2)	35	170
SCR Müşavirlik ve İnşaat A.Ş. (2)	32	49
Other (2)	-	819
	1,595,549	**1,959,229**

b) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. (2)	18,637	21,734
	18,637	**21,734**

c) Short-term trade payables to related parties:

STAR (2)	3,357,470	1,673,145
SOCAR Enerji Ticaret A.Ş. (2)	475,310	642,412
SOCAR Logistics DMCC (2)	369,697	-
STEAŞ (1)	179,576	286,964
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	50,711	27,227
SCR Müşavirlik ve İnşaat A.Ş. (2)	28,897	17,843
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	12,758	15,410
SOCAR Turkey Petrol Ticaret A.Ş. (2)	3,284	3,080
Azoil Petrolcülük A.Ş. (2)	860	2,328
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	89	1,635
SOCAR Turkey Fiber Optik A.Ş. (2)	2	-
SOCAR Trading SA (2)	-	7,299
Other (2)	372	52
	4,479,026	**2,677,395**

Short-term trade payables to related parties are mainly consist of consultancy, service and goods purchases. Average maturity of short-term trade payables is 21 days (31 December 2022: 11 days).

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

i) Balances with related parties (Continued)

	31 December 2023	31 December 2022
d) Other payables to related parties:		
Due to shareholder (1)	87	143
	87	**143**
e) Short-term deferred revenue from related parties:		
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	55,172	57,830
STAR (2)	9,852	10,496
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	340	250
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	-	121
	65,364	**68,697**
f) Long-term deferred revenue from related parties:		
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2) (*)	1,256,474	1,372,684
STAR (2)	4,314	7,454
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	79	145
	1,260,867	**1,380,283**

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

g) Short-term prepaid expense to related parties:

	31 December 2023	31 December 2022
STEAŞ (1) (*)	70,379	14,850,393
SOCAR Sigorta ve Reasürans Brokerlığı A Ş. (2)	37,246	42,604
SOCAR Logistics DMCC (2)	25,386	-
STAR (2)	3,056	2,987
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	90	211
SCR Müşavirlik ve İnşaat A.Ş. (2)	76	125
Other (2)	309	277
	136,542	**14,896,597**

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

(*) See note 2.3

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

i) Balances of related parties (Continued)

h) Long-term prepaid expense to related parties

	31 December 2023	31 December 2022
STAR [2]	21,253	37,056
STEAŞ [1]	13,025	8,405
	34,278	**45,461**

i) Short-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. [2]	101,874	96,830
STEAŞ [1]	12,441	12,704
STAR [2]	8,090	-
	122,405	**109,534**

j) Long-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. [2]	334,632	382,779
STEAŞ [1]	36,447	46,062
STAR [2]	5,186	-
	376,265	**428,841**

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

ii) Transactions with related parties

a) Other income/ (expenses), income from investing activities and finance income/ (expenses) from related party transactions - net:

	1 January - 31 December 2023	1 January - 31 December 2022
STEAŞ [1]	5,654,679	5,093,282
SOCAR Power Enerji Yatırımları A.Ş. [2]	5,664	5,062
STAR [2]	(762,193)	(383,762)
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	(318,752)	136,629
SCR Müşavirlik ve İnşaat A.Ş. [2]	(253,540)	(220,478)
SOCAR Enerji Ticaret A.Ş. [2]	(130,775)	(194,792)
SOCAR Turkey Petrol Ticaret A.Ş. [2]	(115,389)	(44,604)
SOCAR Sigorta ve Reasürans Brokerlığı A Ş. [2]	(71,782)	-
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	(3,985)	2,002
SOCAR Logistics DMCC [2]	(2,773)	(82)
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	(1,836)	(966)
SOCAR Turkey Doğalgaz Yatırım A.Ş. [2]	(1,687)	(193)
SOCAR Turkey Fiber Optik A.Ş. [2]	(148)	(16)
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	(78)	2,426
SOCAR Turkey Petrokimya A.Ş.[1]	-	(2,202)
Other [2]	(35)	(854)
	3,997,370	**4,391,452**

671,435 TL of the expenses arising from STAR consist of exchange rate difference expenses and 90,758 TL of other expenses, 5,792,162 TL of the revenues obtained from STEAŞ consist of exchange rate difference income and 137,483 TL of other expenses. Income from SOCAR Power consists of interest income.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

ii) Transactions with related parties

b) Service and rent purchases from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STEAŞ [1]	310,055	248,945
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	289,100	360,336
SOCAR Sigorta ve Reasürans Brokerlığı A Ş. [2]	254,503	390,289
SCR Müşavirlik ve İnşaat A.Ş. [2]	145,336	77,873
STAR [2]	50,522	62,990
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	3,257	2,210
SOCAR Turkey Petrol Ticaret A.Ş. [2]	552	134
SOCAR Trading SA [2]	-	8,236
SOCAR Turkey Fiber Optik A.Ş. [2]	-	735
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	361	552
Other [2]	49	978
	1,053,553	**1,153,278**

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

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

c) Product purchase from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STAR [2]	15,775,063	33,277,514
SOCAR Logistics DMCC [2]	3,288,926	1,159,581
SOCAR Enerji Ticaret A.Ş. [2]	2,488,231	5,067,512
Azoil Petrolcülük A.Ş. [2]	8,499	57,858
SOCAR Turkey Petrol Ticaret A.Ş. [2]	5,699	7,228
SOCAR Turkey Fiber Optik A.Ş. [2]	972	-
	21,567,390	**39,569,693**

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 867,172 tons of TRY11,822,453 naphtha purchases, TRY3,952,610 other purchases.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

ii) Transactions with related parties (Continued)

d) Product and service sales to related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STAR [(2)]	5,483,943	4,132,079
SOCAR Aliağa Liman İşletmeciliği A.Ş. [(2)]	608,507	757,576
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [(2)]	384,294	27
SOCAR Enerji Ticaret A.Ş. [(2)]	328,187	1,177,581
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	25,613	41,160
STEAŞ [(1)]		22,037-
Azeri M-I Drilling Fluids MMC [(2)]	12,824	14,581
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [(2)]	6,103	2,187
SOCAR Oil Refinery named after Hey [(2)]	5,085	-
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	1,593	1,965
SOCAR Turkey Petrol Ticaret A.Ş. [(2)]	548	783
Azoil Petrolcülük A.Ş. [(2)]	346	598
SOCAR Azerikimya Production Union [(2)]	257	-
	6,879,337	**6,128,537**

The breakdown of sales from STAR is as follows; TRY3,631,181 the sales of by product, TRY1,503,283 the sales of steam sales and the remaining sales of other products sales.

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

e) Rent income from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STAR [(2)]	166,741	164,526
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	26,565	11,002
SOCAR Aliağa Liman İşletmeciliği A.Ş. [(2)]	3,672	3,792
STEAŞ [(1)]	2,901	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [(2)]	1,651	863
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [(2)]	1,164	280
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	712	736
	203,406	**181,199**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

ii) Transactions with related parties (Continued)

f) Fixed assets purchases from related parties:

	1 January - 31 December 2023	1 January - 31 December 2022
STEAŞ [1]	193,284	63,629
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	29,910	29,055
SCR Müşavirlik ve İnşaat A.Ş. [2]	11,276	3,296
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	10,547	10,644
STAR [2]	8	20,764
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	2	-
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	-	1,391
	245,027	**128,779**

g) Key management compensation:

Payments for salary and seniority incentives	269,359	257,561
	269,359	**257,561**

h) Key management compensation - long-term:

Provision for unused vacation	4,518	7,883
Provision for seniority incentives	1,115	6,167
Provision for employment termination benefits	278	618
	5,911	**14,668**
	275,270	**272,229**

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 29 - COMMITMENTS

a) Commitments

None.

NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 December 2023	31 December 2022
Provision for legal cases	2,597	4,279
Other	-	7,977
	2,597	**12,256**

b) Guarantees received:

Receivable insurance	18,539,996	11,485,547
Bank guarantees within the context of DOCS	4,268,407	5,594,530
Letters of guarantee received from customers	1,770,184	3,183,456
Letters of guarantee received from suppliers	1,102,138	1,204,259
Letters of credit	152,370	33,248
Mortgages	2,000	3,296
	25,835,095	**21,504,336**

c) Guarantees given:

Mortgages given to banks (*)	4,195,854	5,078,397
Guarantees given to banks	121,784	2,093,265
Custom offices	286,265	347,575
Other	472,723	431,407
	5,076,626	**7,950,644**

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD142 million as of 31 December 2023.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

c) Guarantees given(Continued):

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

	31 December 2023	**31 December 2022**
A. Total amount of CPMs given for the Company's own legal personality	880,772	2,872,247
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	4,195,854	5,078,397
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	-	-
	5,076,626	**7,950,644**

(*) The guarantee given for the loan used by Petlim is related to pledge and mortgage. Used by Petlim, which has Petkim's guarantee and a pledge of Petlim's shares amounting to 2,818 million TRY. 4,195,854 TRY of the credit limit of 212 million USD has been used as of December 31, 2023. Within the scope of the loan in question, Petlim shares in the nominal amount of 2,818 million TRY were pledged by Petkim in the first stage. Later, on 20 November 2015, a mortgage of 350 million USD was established on the land sold by Petkim to Petlim for 5,650 TRY. It is considered that it would be appropriate to take the land price into consideration instead of the mortgage amount in terms of the risk posed by the given mortgage.

d) Operational leases:

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023	**31 December 2022**
0-5 years	4,156,476	2,492,667
5-10 years	4,414,047	2,731,645
10 years and more	14,078,192	9,506,602
Total	**22,648,715**	**14,730,914**

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

a) Credit risk:

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2023:

	31 December 2023			
	Other receivables from related parties	**Trade receivables from related parties**	**Trade receivables from third parties (1)**	**Cash and cash equivalents**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**22,786**	**1,595,549**	**5,950,441**	**4,039,655**
- The part of maximum credit risk covered with guarantees etc	-	-	3,316,292	-
A . Net book value of financial assets neither past due nor impaired (3)	22,786	1,595,549	5,524,261	4,039,655
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	-	422,911	-
- The part covered by guarantee etc.	-	-	24,355	-
D. Net book value of assets impaired	-	-	3,269	-
- Past due (gross book value)	-	-	17,890	-
- Impairment amount	-	-	(14,621)	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.
(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.
(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.
(4) Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows:

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

b) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December 2022:

	31 December 2022			
	Other receivables from related parties	**Trade receivables from related parties**	**Trade receivables from third parties (1)**	**Cash and cash equivalents**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**21,734**	**1,959,229**	**5,842,668**	**21,835,172**
- The part of maximum credit risk covered with guarantees etc	-	-	4,261,163	-
A . Net book value of financial assets neither past due nor impaired (3)	21,734	1,959,229	5,531,978	21,835,172
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-	-
C. Net book value of assets past due but not impaired (4)	-	-	305,122	-
- The part covered by guarantee etc.	-	-	165,432	-
D. Net book value of assets impaired	-	-	5,568	-
- Past due (gross book value)	-	-	39,450	-
- Impairment amount	-	-	(33,882)	-
- The part of net value covered with guarantees etc	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.
(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.
(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.
(4) Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows:

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

a) Credit risk (Continued):

31 December 2023	**Receivables**		
	Related parties	**Third parties**	**Total**
1-30 days overdue	-	369,790	369,790
1-3 months overdue	-	51,206	51,206
3 months and over	-	1,915	1,915
The part covered by the guarantees	-	(24,355)	(24,355)
			398,556

31 December 2022	**Receivables**		
	Related parties	**Third parties**	**Total**
1-30 days overdue	-	242,475	242,475
1-3 months overdue	-	43,044	43,044
3 months and over	-	19,603	19,603
The part covered by the guarantees	-	(165,432)	(165,432)
			139,690

b) Liquidity Risk:

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December, 2023 and 2022 are as follows:

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

b) Liquidity Risk (Continued)

	31 December 2023				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months- 1 year (II)**	**1 - 5 years and above (III)**
Contract due date:					
Bank credits	22,064,274	25,417,000	3,328,171	6,901,835	15,186,994
Other financial liabilities	7,723,797	7,816,985	5,797,520	2,019,465	-
Non-related parties trade payables	3,778,311	3,778,311	3,778,311	-	-
Bond issued					
Trade payables					
Due to related parties	4,479,113	4,479,113	4,479,113	-	-
Lease liabilities	704,531	1,485,407	64,095	34,929	1,386,383
	38,750,026	**42,976,816**	**17,447,210**	**8,956,229**	**16,573,377**

	31 December 2022				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months- 1 year (II)**	**1 - 5 years and above (III)**
Contract due date:					
Bank credits	10,467,015	11,356,911	934,218	5,590,300	4,832,393
Other financial liabilities	20,347,274	20,874,170	11,553,892	9,320,278	-
Bond issued	15,819,024	15,885,965	15,885,965	-	-
Trade payables					
Non-related parties trade payables	4,584,940	4,584,940	4,584,940	-	-
Due to related parties	2,677,538	2,677,627	2,677,627	-	-
Lease liabilities	695,450	1,343,438	56,695	97,485	1,189,258
	54,591,241	**56,723,051**	**35,693,337**	**15,008,063**	**6,021,651**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

b) Liquidity Risk (Continued)

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

	31 December 2023				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 year and above (III)
Contract due date:					
Derivative financial instruments	85,871	(4,928,233)	(2,830,281)	(343,869)	(1,754,083)

	31 December 2022				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 year and above (III)
Contract due date:					
Derivative financial instruments	96,372	(4,518,608)	(1,983,953)	(277,596)	(2,257,059)

c) Market risk:

i) Foreign exchange risk

The Group also uses some derivative financial instruments, mainly Naphtha, to hedge cash flow risk arising from raw material price risk. The Group is exposed to foreign exchange risk arising from exchange rate changes due to the conversion of amounts owed or receivable in foreign currency into TL. Existing risks are followed in meetings held by the Group's Audit Committee and Board of Directors and foreign currencies, closely in terms of the Group's foreign exchange position.

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

Hedging of net investments

In order to hedge the exchange rate risk arising from the conversion of the net investments of STAR, whose functional currency is the US Dollar, into Turkish Lira, the Group has defined a portion of its US Dollar-denominated loans as a hedging instrument. The effective part of the value change arising from exchange rate of the loan defined for the hedging of net investments from financial risk is shown in "Cash Flow Hedging Gains/(Losses)" under equity to be offset from the foreign exchange rate differences arising from the translation of the net assets of the subsidiary into Turkish Lira. Before tax effect of bank loans as of December 31, 2023 The portion of USD 329,500 thousand is defined as the foreign exchange hedge of the subsidiary's net investment.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

c) Market risk (continued):

i) Foreign exchange risk (Continued)

Foreign currency position

	31 December 2023				31 December 2022			
	TRY equivalent	**US Dollar**	**Euro**	**Other**	**TRY equivalent**	**US Dollar**	**Euro**	**Other**
1. Trade receivables	4,538,541	124,507	26,809	-	4,867,735	135,488	21,109	-
2a. Monetary financial assets Cash, bank accounts included)	3,754,481	110,015	15,790	1,488	34,294,037	1,107,316	5,414	62
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**8,293,022**	**234,522**	**42,599**	**1,488**	**39,161,772**	**1,242,804**	**26,523**	**62**
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)	**8,293,022**	**234,522**	**42,599**	**1,488**	**39,161,772**	**1,242,804**	**26,523**	**62**
9. Trade payables	6,509,996	197,497	15,313	185,844	3,824,342	82,231	32,874	124,105
10. Financial liabilities	15,736,047	519,628	12,611	-	38,224,620	1,231,699	6,318	-
11a. Monetary other liabilities	137,048	3,876	-	22,735	1,404,079	3,548	-	785,667
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	**22,383,091**	**721,001**	**27,924**	**208,579**	**43,453,041**	**1,317,478**	**39,192**	**909,772**
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	9,855,840	334,195	-	-	-	-	-	-
15a. Monetary other liabilities	457,802	12,582	-	86,729	508,118	14,458	-	37,544
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	**10,313,642**	**346,777**	**.**	**86,729**	**508,118**	**14,458**	**-**	**37,544**
17. Total liabilities (12+16)	**32,696,733**	**1,067,778**	**27,924**	**410,989**	**43,961,159**	**1,331,936**	**39,192**	**947,316**
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	**(6,954,608)**	**(235,650)**	**-**	**-**	**3,459,132**	**112,274**	**-**	**-**
18a. Amount of asset contract value of derivative İnstruments	**2,762,775**	**93,850**	**-**	**-**	**3,459,132**	**112,274**	**-**	**-**
18b. Amount of liability contract value of derivative İnstruments	**9,717,383**	**329,500**	**-**	**-**	**-**	**-**	**-**	**-**
19. Net foreign (liability)/ asset position (8-17+18)	**(31,358,319)**	**(1,068,906)**	**14,675**	**(409,501)**	**(1,340,255)**	**23,142**	**(12,669)**	**(947,254)**
20. Net foreign currency (liability)/asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**(24,403,711)**	**(833,256)**	**14,675**	**(298,820)**	**(4,799,387)**	**(89,132)**	**(12,669)**	**(947,254)**
21. Total fair value of financial instruments used for foreign currency hedging	**(15,389)**	**(523)**	**-**	**-**	**(13,609)**	**(441)**	**-**	**-**
22. Hedged amount for foreign currency assets	**2,762,775**	**93,850**	**-**	**-**	**3,459,132**	**112,274**	**-**	**-**
23. Hedged amount for foreign currency liabilities	**9,717,383**	**329,500**	**-**	**-**	**-**	**-**	**-**	**-**
24. Export	**24,151,470**	**548,708**	**217,106**	**606,127**	**28,505,078**	**902,381**	**320,063**	**640,200**
25. Import	**21,606,594**	**562,687**	**143,728**	**155,304**	**21,722,075**	**733,386**	**149,781**	**127,709**

(*) Previous year's Turkish Lira equivalent amounts have been prepared on the basis of 2023 purchasing power.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

c) Market risk (continued):

Table of sensitivity analysis for foreign currency risk

31 December 2023

	Profit/ (Loss)		Equity	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TRY:				
1- Asset/ (Liability) denominated in USD - net	(2,452,956)	2,452,956	(2,452,956)	2,452,956
2- The part hedged for USD risk (-)	-	-	234,034	(234,034)
3- USD effect - net (1+2)	**(2,452,956)**	**2,452,956**	**(2,218,922)**	**2,218,922**
Change of EUR by 10% against TRY:				
4- Asset/ (Liability) denominated in EUR - net	47,802	(47,802)	47,802	(47,802)
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	**47,802**	**(47,802)**	**47,802**	**(47,802)**
Change of other currencies by 10% against TRY:				
7- Assets/ (Liabilities) denominated in othe foreign currencies - net	7,326	(7,326)	7,326	(7,326)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**7,326**	**(7,326)**	**7,326**	**(7,326)**
Total (3+6+9)	**(2,397,828)**	**2,397,828**	**(2,163,794)**	**2,163,794**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

c) Market risk (continued):

Table of sensitivity analysis for foreign currency risk (continued)

31 December 2022

	Profit/ (Loss)		Equity	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TRY:				
1- Asset/ (Liability) denominated in USD - net	(272,875)	272,876	(272,875)	272,876
2- The part hedged for USD risk (-)	154,049	-	345,913	(191,863)
3- USD effect - net (1+2)	**(118,826)**	**272,876**	**73,038**	**81,013**
Change of EUR by 10% against TRY:				
4- Asset/ (Liability) denominated in EUR - net	(41,615)	41,614	(41,615)	41,614
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro effect - net (4+5)	**(41,615)**	**41,614**	**(41,615)**	**41,614**
Change of other currencies by 10% against TRY:				
7- Assets/ (Liabilities) denominated in othe foreign currencies - net	152,530	(152,531)	152,530	(152,531)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**152,530**	**(152,531)**	**152,530**	**(152,531)**
Total (3+6+9)	**(7,911)**	**161,959**	**183,953**	**(29,904)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

c) Market risk (continued):

The Group's interest rate position as of December 31, 2023 and 2022 is presented below:

	31 December 2023	31 December 2022
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	13,134,966	38,016,487
EUR Financial liabilities	411,530	1,089,142
TRY Financial liabilities	-	2,342,614
Financial instruments with variable interest rate		
USD Financial liabilities	16,241,575	5,077,982
EUR Financial liabilities	-	107,088

If the variable interest rate loan interest rates were 100 basis points higher/lower after deducting the loans with fixed interest rates through contracts for hedging purposes from the Group's variable interest rate financial liabilities and all other variables remained constant, interest expenses would be +/ (-) 61,068TL will change TL (31 December 2022: 24.742).

d) Price risk

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

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

e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

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

d) Capital risk management (Continued)

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

	31 December 2023	31 December 2022
Total financial debt (Note 9)	29,788,071	46,633,313
Less: Cash and cash equivalents and Financial investment	(4,039,655)	(21,835,172)
Net debt	25,748,416	24,798,141
Total equity	51,388,127	44,537,947
Net debt/equity ratio	**50%**	**56%**

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

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

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

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

Financial assets

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

Financial liabilities

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 32 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (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 December 2023 and 2022, fair value and book value of financial statement were as follows:

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments – currency-protected time deposits	-	-	-	-
Derivative financial instruments	-	101,310	-	101,310
Investment properties- Land	-	16,829,018	-	16,829,018
Total assets	**-**	**16,930,328**	**-**	**16,930,328**
Derivative financial liabilities	-	(15,439)	-	(15,439)
Total liabilities	**-**	**(15,439)**	**-**	**(15,439)**

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments – currency-protected time deposits	-	1,607,740	-	1,607,740
Derivative financial instruments	-	109,948	-	109,948
Investment properties- Land	-	9,270,520	-	9,270,520
Total assets	**-**	**10,988,208**	**-**	**10,988,208**
Derivative financial liabilities	-	(13,576)	-	(13,576)
Total liabilities	**-**	**(13,576)**	**-**	**(13,576)**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 33 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	31 December 2023		31 December 2022	
	Participation rate (%)	**Amount**	**Participation rate (%)**	**Amount**
Rafineri Holding A.Ş.	20	24,027,748	-	-
		24,027,748		**-**

As a result of the negotiations between the Group and its shareholder STEAŞ, a share sale and transfer agreement was signed on January 9, 2018 for the purchase of 30% shares of Rafineri Holding A.Ş. ("Rafineri Holding") from STEAŞ for 720 million US Dollars. SOCAR Turkey Yatırım A.Ş., of which Rafineri Holding is a joint venturer with a 60% share, fully owns STAR. The transfer of Rafineri Holding's shares subject to the contract will be completed by the Group on a date defined as the "Closing Date" in the contract, following the receipt of the necessary permissions, provided that the conditions specified in the contract are met. With the decision of Petkim's Board of Directors dated April 10, 2023, it was decided to sign a new protocol with STEAŞ in addition to the terms of the existing contract between Petkim and STEAŞ. In accordance with the protocol, Petkim's indirect shares in STAR will be reduced from 18% to 12%, and therefore the Rafineri Holding shares to be purchased from STEAŞ will be reduced from 30% to 20%, and in this context, the Share Transfer Fee will be reduced to 480 million US Dollar. It has been decided that no other payment will be made within the scope of the contract except the payment of 480 million US Dollar that has already been made to STEAŞ within the scope of the Petkim contract and the contract will be amended accordingly. Discussions were held with STEAŞ regarding this decision and parties are agreed. Petkim's acquisition of 20% of the shares of Rafineri Holding was completed on October 2, 2023, which is the transaction date. With the transaction, Petkim indirectly acquired a 12% share in STAR. The share purchase accounting of Rafineri Holding has been completed as of December 31, 2023.

The transaction is accounted based on the valuation report prepared by an independent valuation company licensed by the CMB. In the allocation of the purchase price in this valuation report, the valuation of tangible and intangible assets was taken into account and the determined values were subjected to impairment analysis. The cost method applied in the valuation studies for the purchase price allocation includes significant estimates and assumptions such as useful lives, technologic conditions, actual depreciation, commercial attributes and industrial conditions of the assets. Since the valuation is the evaluation of the refinery facility as a whole, in the light of market data to the extent applicable in the valuation of machinery, facilities and devices; The active and operating values within the entire refinery facility were made by taking into account the current status of the machines in question.

As of September 30, 2023, the purchase price is 13 billion TL, equivalent to 480 million USD, and 20% of the acquired fair net assets, determined as a result of Rafineri Holding's purchase price allocation, is TL 19.2 billion (as of December 31 The amounts of these values brought to purchasing power are TL 14.4 billion and TL 21.1 billion). The difference between the purchase price and the value of the acquired net assets was recorded in the income statement as negative goodwill of TL 6.7 billion.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of the purchasing power of the TL at 31 December 2023, unless otherwise indicated.)

NOTE 33 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

The movements of Rafineri Holding, one of the investments valued by the equity method, between 2 October and 31 December are as follows:

	2023
2 October	**-**
Purchase consideration	14,448,961
Gains from purchase	6,730,506
Shares of profit and losses	3,194,317
Defined benefit plans remeasurement gain	865
Shares of other comprehensive income/expense	12,085
Foreign currency translation differences	(358,986)
31 December	**24,027,748**

Rafineri Holding's summary financial statement information (before effective interest) is as follows:

	31 December 2023	**30 September 2023**
Current assets	151	330
Non-current assets	120,139,431	96,309,998
Total Assets	**120,139,582**	**96,310,328**
Short-term liabilities	840	468
Long-term liabilities	-	-
Equity	120,138,742	96,309,860
Total liabilities and equity	**120,139,582**	**96,310,328**

Shares from the profits of investments accounted by using the equity method

	31 December 2023	**31 December 2022**
Negative goodwill arising from the acquisition	6,730,506	-
Current period profit	3,194,317	-
	9,924,823	**-**

NOTE 33 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

Shares from profits of investments valued by equity method (continued)

	1 October - 31 December 2023
Sales (net)	-
Gross Profit	-
Operating Profit	15,971,614
Net profit for the period	15,971,585

NOTE 34 - EVENTS AFTER BALANCE SHEET DATE

None.

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