

**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 2022  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT**

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

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

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2022**

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**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022**

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022**

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

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

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

**CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2022**

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

|                                                                              | Notes | Audited<br>31 December<br>2022 | Audited<br>31 December<br>2021 |
|------------------------------------------------------------------------------|-------|--------------------------------|--------------------------------|
| <b>EQUITY</b>                                                                |       |                                |                                |
| <b>Equity attributable to<br/>owners of the parent company</b>               |       | <b>19,024,747</b>              | <b>12,722,324</b>              |
| Share capital                                                                | 19    | 2,534,400                      | 2,534,400                      |
| Adjustment to share capital                                                  | 19    | 238,988                        | 238,988                        |
| Share premium                                                                |       | 64,188                         | 64,188                         |
| Other comprehensive (expense) not to be<br>reclassified to profit or loss    |       | (247,450)                      | (46,542)                       |
| - Actuarial loss arising from defined benefit plan                           |       | (247,450)                      | (46,542)                       |
| Other comprehensive (expense/income) to be<br>reclassified to profit or loss |       | (533,526)                      | (456,604)                      |
| - Currency translation differences                                           |       | (569,211)                      | (433,091)                      |
| - (Loss) / Gain on hedge reserves                                            |       | 35,685                         | (23,513)                       |
| - (Loss) / Gain on cash flow hedges                                          |       | 35,685                         | (23,513)                       |
| Restricted reserves                                                          |       | 642,300                        | 417,325                        |
| Retained earnings                                                            |       | 9,745,594                      | 4,518,863                      |
| Net profit for the year                                                      |       | 6,580,253                      | 5,451,706                      |
| <b>Non-controlling interest</b>                                              |       | <b>34,505</b>                  | <b>(3,294)</b>                 |
| <b>TOTAL EQUITY</b>                                                          |       | <b>19,059,252</b>              | <b>12,719,030</b>              |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                          |       | <b>54,662,952</b>              | <b>30,428,156</b>              |

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

**1 JANUARY - 31 DECEMBER 2022 AND 2021**

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

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

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

**CONSOLIDATED OTHER COMPREHENSIVE INCOME FOR THE PERIODS  
1 JANUARY - 31 DECEMBER 2022 AND 2021**

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

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

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2022 AND 2021**

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

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

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

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

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS  
1 JANUARY- 31 DECEMBER 2022 AND 2021**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2022**

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

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

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

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
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(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

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

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

As of 31 December 2022 and 31 December 2021 the ultimate controlling party of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

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

These consolidated financial statements were approved to be issued by the Board of Directors on 2 March 2023 and signed by Mr. Anar Mammadov, General Manager and Mr. Elchin İbadov, Chief Financial Officer, on behalf of the Board of Directors. The General Assembly has the authority to amend/modify the financial statements.

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

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

As of 31 December 2022, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

|                                                                       | <b>Nature of operations</b> | <b>Business segment</b> |
|-----------------------------------------------------------------------|-----------------------------|-------------------------|
| 1. Petlim Limancılık Ticaret A.Ş. ("Petlim")                          | Port operations             | Port                    |
| 2. Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş. | Plastic Processing          | Petrochemistry          |

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2022**

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

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

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

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

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

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

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

**2.1 Basis of Presentation**

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2022

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

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

2.2 Amendments in Turkish Financial Reporting Standards

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

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
- o **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- o **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- o **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2022**

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

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

**2.2 Amendments in Turkish Financial Reporting Standards (Continued)**

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

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

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

**2.3 Basis of consolidation**

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

**a) Subsidiaries**

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

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

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.

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

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

**2.3 Basis of consolidation (Continued)**

**a) Subsidiaries (Continued)**

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2022 and 2021:

| <u>Subsidiaries</u>                                                   | <b>Direct or Indirect Control<br/>Shareholding Rates<br/>of the Group (%)</b> |                         |
|-----------------------------------------------------------------------|-------------------------------------------------------------------------------|-------------------------|
|                                                                       | <b>31 December 2022</b>                                                       | <b>31 December 2021</b> |
| Petlim                                                                | 73.00                                                                         | 73.00                   |
| Petkim Specialities Mühendislik<br>Plastikleri Sanayi ve Ticaret A.Ş. | 100.00                                                                        | 100.00                  |

**b) Foreign currency translation**

**i) Functional and presentation currency**

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

**ii) Transactions and balances**

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

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

Assets in the consolidated balance sheet as of 31 December 2022 are translated into TRY from the foreign exchange buying rates effective as of balance sheet date announced by the Central Bank of the Republic of Turkey as 18.6983 TRY = 1 US Dollar, and liabilities are translated into TRY from the foreign exchange selling rates announced by the Central Bank of the Republic of Turkey as 18.7320 TRY = 1 USD (31 December 2021: buying rate as 13.3290 TRY = 1 USD, selling rate as 13.3530 TRY = 1 USD).

The profit or loss statements of Petlim for the year ended 31 December 2022 have been translated with the average rates calculated over the rates announced by the Central Bank of the Republic of Turkey, of the net profits calculated on a quarterly basis. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in 'currency translation differences' in other comprehensive income.

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

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

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

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

**2.5. Significant accounting policies**

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

**a. Inventories**

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

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

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

**b. Property, plant and equipment**

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

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
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**PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2022**

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

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

**2.5 Significant accounting policies (Continued)**

**b. Property, plant and equipment (Continued)**

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

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

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

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

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

Maintenance and repair expenses are recorded as expense to the income statement of the related period. The Company omits the carrying values of the changed pieces occurred with respect to renovations from the balance sheet without considering whether they are subject to depreciation in an independent manner from other sections. Main renovations are subject to 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.

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

**2.5 Significant accounting policies (Continued)**

**b. Property, plant and equipment (Continued)**

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

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

**c. Intangible assets**

Rights and software

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

The estimated useful lives of intangible assets are as follows:

|                     | <b><u>Useful life</u></b> |
|---------------------|---------------------------|
| Rights and software | 3-15 years                |

**d. Leases**

***The Group - as a lessee***

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

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

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(Continued)**

**2.5 Significant accounting policies (Continued)**

**d. Leases (Continued)**

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

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

***Right of use asset***

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

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

The Group re-measure the right of use asset:

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

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

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

**Lease Liability**

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

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.

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

**2.5 Significant accounting policies (Continued)**

**d. Leases (Continued)**

After initial recognition, the lease liability is measured:

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

***Variable lease payments***

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

***The Group - as a lessor***

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

**e. Investment property**

In accordance with the provisions of TAS 40 "Investment Properties", land that are held to earn rent or for capital appreciation or both rather than for use in the ordinary course of business are classified as "investment property" and carried at fair value in the financial statements. Fair value changes on investment properties are recognized in the statement of comprehensive income in the relevant period. As of 31 December 2022, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

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.

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

**2.5 Significant accounting policies (Continued)**

**f. Impairment of assets**

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

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

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

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

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

**g. Financial investments**

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

**h. Financial assets carried at amortized cost**

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

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

**2.4 Significant accounting policies (Continued)**

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

*Impairment*

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

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

Trade receivables

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

Cash and cash equivalents

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

**i) Financial assets carried at fair value**

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

*Financial assets carried at fair value through profit or loss*

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

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

**2.5 Significant accounting policies**

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

*Financial assets carried at fair value through other comprehensive income*

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

**Cash flow hedge**

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

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

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

**Financial liabilities**

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

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

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

**2.5 Significant accounting policies (Continued)**

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

*Borrowings*

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

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

*Trade payables*

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

*Other financial liabilities*

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

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

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

**j) Borrowing costs**

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

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

**k) Government grants**

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

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

**2.5 Significant accounting policies (Continued)**

**l) Statement of cash flow**

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

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

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

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

**m) Related parties**

Parties are considered related to the Group if;

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

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).

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

**2.5 Significant accounting policies (Continued)**

**n) Taxation and deferred income taxes**

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

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

*Current tax*

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

*Deferred tax*

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

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

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

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

**2.5 Significant accounting policies (Continued)**

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

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

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

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

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

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

**o. Employee benefits**

*Defined benefit plans*

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

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

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

**2.5 Significant accounting policies (Continued)**

**o) Employee benefits (Continued)**

*Defined contribution plan*

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

*Unused vacation*

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

**p. Provisions**

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

**q. Contingent assets and liabilities**

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

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

**r. Revenue recognition**

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

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

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

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

**2.5 Significant accounting policies (Continued)**

**r. Revenue recognition (Continued)**

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

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

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

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

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

*Revenue from port operation*

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

**s) The effects of foreign exchange rate changes**

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

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

**2.5 Significant accounting policies (Continued)**

**s) The effects of foreign exchange rate changes (Continued)**

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

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

- Exchange differences considered as the correction item in the interest costs on the debts associated with the assets built for the purpose of future use and indicated in foreign currency and included in the cost of such assets,
- Exchange differences resulted from the transactions realized for the purpose of financial protection against the risks rising from foreign currency.

**t) Share capital and dividends**

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

**u) Share premiums**

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

**v) Subsequent events**

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

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

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

**2.5 Significant accounting policies (Continued)**

**w) Earnings per share**

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

**x) Segment reporting**

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

**z) Offsetting**

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

**2.6 Significant accounting estimates, judgments and assumptions**

**a) Provision for lawsuits**

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

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

The Group determines useful lives of tangible and intangible assets in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 December 2022.

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

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

**c) Deferred income tax assets**

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

**d) Provision for employee benefits**

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

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

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement ("Agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase consideration of USD 720 million. Rafineri Holding is owner of 60% shares of SOCAR Turkey Yatırım A.Ş. which is owner of the whole shares of STAR Rafineri A.Ş.(STAR).

The shares of Rafineri Holding which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 December 2022 and have been subjected to exchange rate valuation (Note 28). The Group recognized the foreign exchange gains as financial income which is in line with the financing and cash management policies of the Group management (Note 26).

**f) Fair value of determination of investment properties**

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

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

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

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

In this context, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB as of 31 December 2022.

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

- Revaluation of investment property was based on the method of reference by considering highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m<sup>2</sup> sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the real estate market, also, current information and experience of the professional valuation company was utilized.

**NOTE 3 - SEGMENT REPORTING**

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

**a) Revenue**

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

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**NOTE 3 - SEGMENT REPORTING**

**b) Operating profit**

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

**c) Total assets**

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

**d) Total liabilities**

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

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**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

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

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

**NOTE 5 - INVENTORIES**

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

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**NOTE 5 – INVENTORIES (Continued)**

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

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

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

**NOTE 6 - FINANCIAL INVESTMENTS**

**a) Short-term financial investments**

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

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

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

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

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**NOTE 6 - FINANCIAL INVESTMENTS (Continued)**

**b) Long-term financial investments**

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

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

**NOTE 7 - TRADE RECEIVABLES AND PAYABLES**

**a) Short-term trade receivables from third parties:**

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

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

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

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

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December 2022, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TRY12,320,032 (31 December 2021: TRY7,057,322) (Note 30).

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

**b) Trade payables**

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

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

**NOTE 8 - OTHER RECEIVABLES AND PAYABLES**

**a) Other short-term receivables:**

|                                              | 31 December 2022 | 31 December 2021 |
|----------------------------------------------|------------------|------------------|
| Receivables from third parties               | 26,240           | 17,508           |
| Other                                        | -                | 2,773            |
|                                              | <b>26,240</b>    | <b>20,281</b>    |
| Provision for other doubtful receivables (-) | (1,591)          | (1,713)          |
|                                              | <b>24,649</b>    | <b>18,568</b>    |

**b) Other short-term payables:**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| Deposits and guarantees received | 9,538         | 5,455         |
| Other                            | 8,297         | 5,363         |
|                                  | <b>17,835</b> | <b>10,818</b> |

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**NOTE 9 - BORROWINGS AND BORROWING COSTS**

|                                                | <b>31 December 2022</b> | <b>31 December 2021</b> |
|------------------------------------------------|-------------------------|-------------------------|
| Short-term borrowings                          | 3,143,887               | 64,952                  |
| Short-term portions of<br>long-term borrowings | 543,418                 | 1,103,565               |
| Bond issued (**)                               | 9,600,500               | 166,889                 |
| Short-term lease liabilities (***)             | 23,618                  | 21,245                  |
| Other financial liabilities (*)                | 12,348,676              | 1,475,020               |
| <b>Short-term financial liabilities</b>        | <b>25,660,099</b>       | <b>2,831,671</b>        |
| Long-term borrowings                           | 2,665,083               | 2,291,409               |
| Long-term lease liabilities (***)              | 71,710                  | 58,458                  |
| Bonds issued (**)                              | -                       | 6,669,131               |
| <b>Long-term borrowings</b>                    | <b>2,736,793</b>        | <b>9,018,998</b>        |
|                                                | <b>28,396,892</b>       | <b>11,850,669</b>       |

(\*) Other financial liabilities consist of letters of credits, naphta financing ,murabaha loans and trade goods financing arising from naphtha and other goods purchases . The average remaining maturity of other financial liabilities is 109 days as of 31 December 2022 (31 December 2021: Average remaining maturity is 110 days).

(\*\*) Petkim issued bonds listed on Ireland Stock Exchange and release of these bonds were finalized on 26 January 2018. Total amount of these issued bonds 500 million USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5,875%.

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

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bonds issued:

|                                                                         | Weighted average<br>Interest rate p.a. (%) |                              | Original currency |                  | TRY equivalent    |                   |
|-------------------------------------------------------------------------|--------------------------------------------|------------------------------|-------------------|------------------|-------------------|-------------------|
|                                                                         | 31 December 2022                           | 31 December 2021             | 31 December 2022  | 31 December 2021 | 31 December 2022  | 31 December 2021  |
| <b>Short-term borrowings:</b>                                           |                                            |                              |                   |                  |                   |                   |
| TRY borrowings                                                          | 18.25                                      | -                            | 220,627           | -                | 220,627           | -                 |
| USD borrowings                                                          | 5.90 -9.75                                 | Libor + 0.20 - 0.70 - 0.75   | 156,057           | 4,864            | 2,923,260         | 64,952            |
| <b>Short-term portions of<br/>long-term borrowings and bond issued:</b> |                                            |                              |                   |                  |                   |                   |
| USD borrowings                                                          | Libor + 4.67                               | Libor + 4.67 - 4.26          | 22,247            | 72,004           | 416,723           | 961,464           |
| Euro borrowings                                                         | Euribor + 0.72 -1.64                       | Euribor + 0.72 - 3.00 - 1.64 | 6,344             | 9,402            | 126,695           | 142,101           |
| Bond issued                                                             | 5.88                                       | 5.88                         | 512,519           | 12,498           | 9,600,500         | 166,889           |
| <b>Total short-term borrowings</b>                                      |                                            |                              |                   |                  | <b>13,287,805</b> | <b>1,335,406</b>  |
| <b>Long-term borrowings<br/>and bond issued:</b>                        |                                            |                              |                   |                  |                   |                   |
| USD borrowings                                                          | Libor + 4.67                               | Libor + 4.67                 | 142,274           | 164,533          | 2,665,083         | 2,197,008         |
| Euro borrowings                                                         | -                                          | Euribor + 0.72 - 1.64        | -                 | 6,246            | -                 | 94,401            |
| Bond issued                                                             | -                                          | 5.88                         | -                 | 499,448          | -                 | 6,669,131         |
| <b>Total long-term borrowings</b>                                       |                                            |                              |                   |                  | <b>2,665,083</b>  | <b>8,960,540</b>  |
| <b>Total borrowings</b>                                                 |                                            |                              |                   |                  | <b>15,952,888</b> | <b>10,295,946</b> |

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**NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)**

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

|               | <b>31 December 2022</b> |
|---------------|-------------------------|
| 2024          | 615,555                 |
| 2025          | 774,381                 |
| 2026          | 754,525                 |
| 2027          | 476,542                 |
| 2028          | 44,080                  |
|               | <b>2,665,083</b>        |
|               |                         |
|               | <b>31 December 2021</b> |
| 2023          | 7,060,766               |
| 2024          | 438,780                 |
| 2025          | 552,013                 |
| 2026          | 537,859                 |
| 2027 and over | 371,122                 |
|               | <b>8,960,540</b>        |

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions.

As of 31 December 2022, the fair value of bonds issued is TRY9,563,865, which are in fixed interest rate financial liabilities and whose carrying value is TRY9,600,500. Group made a bond payment of USD 500 million for the principal payment of the bond with a nominal value of USD 500 million and USD 14,687,500 for the payment of coupons 10 on 26 January 2023.

As of 31 December 2022, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 30. The Group is subject to some key performance indicators to for the long-term borrowings and bonds issued and the Group has met those indicators as of 31 December 2022.

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**NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)**

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2022 and 31 December 2021 as follows:

|                                                                            | 2022              | 2021             |
|----------------------------------------------------------------------------|-------------------|------------------|
| <b>1 January</b>                                                           | <b>8,105,635</b>  | <b>4,393,566</b> |
| Proceeds from financial liabilities                                        | 16,703,182        | 2,751,148        |
| Repayments of financial liabilities                                        | (5,759,342)       | (6,055,959)      |
| Changes in foreign exchange                                                | 5,023,222         | 5,103,167        |
| Changes in interest accrual                                                | 563,536           | 77,034           |
| Less: Change in cash and cash equivalents<br>and financial investments (*) | (10,525,457)      | 1,836,679        |
| <b>31 December</b>                                                         | <b>14,110,776</b> | <b>8,105,635</b> |

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

**NOTE 10 - INVESTMENT PROPERTIES**

| Fair value | 1 January 2022   | Fair value<br>increase | Transfers | 31 December 2022 |
|------------|------------------|------------------------|-----------|------------------|
| Land       | 2,872,594        | 2,753,646              | -         | 5,626,240        |
|            | <b>2,872,594</b> |                        |           | <b>5,626,240</b> |

  

| Fair value | 1 January 2021   | Fair value<br>increase | Transfers | 31 December 2021 |
|------------|------------------|------------------------|-----------|------------------|
| Land       | 2,078,781        | 793,813                | -         | 2,872,594        |
|            | <b>2,078,781</b> |                        |           | <b>2,872,594</b> |

30 years right of construction of the land, that is 2,076,506 m2, is given to the Star Rafineri A.Ş. (“STAR”) by Group. The annual rent income from the land, that is located in Aliğa district, is USD4.6 million and the annual rent income will be increased at the rate of Libor + 1% each year. As of 31 December 2022, the annual rent income is USD5.9 million.

As of 31 December 2022, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

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

As of 31 December 2022, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs (Note 32).

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT**

|                                        | 1 January 2022     | Additions        | Transfers   | Disposals    | Foreign currency<br>translation<br>differences | 31 December 2022   |
|----------------------------------------|--------------------|------------------|-------------|--------------|------------------------------------------------|--------------------|
| <b>Cost:</b>                           |                    |                  |             |              |                                                |                    |
| Land                                   | 125,063            | -                | -           | (18)         | 1,127                                          | 126,262            |
| Land improvements                      | 469,147            | -                | 16,706      | -            | 2,949                                          | 488,802            |
| Buildings                              | 197,348            | -                | 1,221       | -            | 924                                            | 199,493            |
| Machinery and equipment                | 8,699,122          | -                | 2,486,868   | -            | -                                              | 11,185,990         |
| Motor vehicles                         | 76,912             | -                | 17,272      | -            | -                                              | 94,184             |
| Furniture and fixtures                 | 199,875            | -                | 39,074      | (761)        | 592                                            | 238,780            |
| Other fixed assets                     | 996                | -                | -           | -            | -                                              | 996                |
| Leasehold improvements                 | 671                | -                | -           | -            | -                                              | 671                |
| Assets subject to operating lease (**) | 3,829,569          | -                | -           | -            | 1,634,353                                      | 5,463,922          |
| Construction in progress (*)           | 1,204,919          | 4,107,526        | (2,561,141) | -            | 697                                            | 2,752,001          |
|                                        | <b>14,803,622</b>  | <b>4,107,526</b> | <b>-</b>    | <b>(779)</b> | <b>1,640,732</b>                               | <b>20,551,101</b>  |
| <b>Accumulated depreciation (-):</b>   |                    |                  |             |              |                                                |                    |
| Land improvements                      | (161,003)          | (38,696)         | -           | -            | (1,816)                                        | (201,515)          |
| Buildings                              | (125,897)          | (5,081)          | -           | -            | (755)                                          | (131,733)          |
| Machinery and equipment                | (6,533,916)        | (600,291)        | -           | -            | -                                              | (7,134,207)        |
| Motor vehicles                         | (13,114)           | (15,960)         | -           | -            | -                                              | (29,074)           |
| Furniture and fixtures                 | (105,468)          | (22,632)         | -           | 499          | (568)                                          | (128,169)          |
| Other fixed assets                     | (996)              | -                | -           | -            | -                                              | (996)              |
| Leasehold improvements                 | (671)              | -                | -           | -            | -                                              | (671)              |
| Assets subject to operating lease      | (559,339)          | (156,609)        | -           | -            | (262,595)                                      | (978,543)          |
|                                        | <b>(7,500,404)</b> | <b>(839,269)</b> | <b>-</b>    | <b>499</b>   | <b>(265,734)</b>                               | <b>(8,604,908)</b> |
| <b>Net book value</b>                  | <b>7,303,218</b>   |                  |             |              |                                                | <b>11,946,193</b>  |

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

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

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

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

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

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

In 2022, the Group has not borrowing cost, that are eligible for capitalization related with its investments. (31 December 2021: None).

Tangible and intangible assets depreciation charges amounting to TRY864,470 (31 December 2021: TRY547,879) were allocated to cost of sales by TRY726,601 (31 December 2021: TRY446,480), to inventories by TRY52,260 (31 December 2021: TRY46,468), to general administrative expenses by TRY75,716 (31 December 2021: TRY48,010), to marketing, selling and distribution expenses by TRY9,893 (31 December 2021: TRY6,921).

As of 31 December 2022, Petlim Limancılık Ticaret A.Ş. has given 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 2021: USD350 million).

As of 31 December 2022 and 2021 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

|                                  | <b>31 December 2022</b> | <b>31 December 2021</b> |
|----------------------------------|-------------------------|-------------------------|
| Land                             | 159,584                 | 103,507                 |
| Buildings                        | 86,654                  | 88,963                  |
| Motor vehicles                   | 10,228                  | 15,353                  |
| <b>Total right of use assets</b> | <b>256,466</b>          | <b>207,823</b>          |

As of 31 December 2022, there is no additions to rights use of assets, depreciation expenses amounting to TRY41,643 (2021: TRY38,403).

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NOTE 12 - INTANGIBLE ASSETS

|                                      | 1 January 2022  | Additions       | Transfers     | Disposals | Foreign currency translation differences | 31 December 2022 |
|--------------------------------------|-----------------|-----------------|---------------|-----------|------------------------------------------|------------------|
| <b>Cost:</b>                         |                 |                 |               |           |                                          |                  |
| Rights and software                  | 118,594         | -               | 8,806         | -         | 3,159                                    | 130,559          |
| Capitalized development costs        | 30,294          | -               | 12,530        | -         | -                                        | 42,824           |
|                                      | <b>148,888</b>  | <b>-</b>        | <b>21,336</b> | <b>-</b>  | <b>3,159</b>                             | <b>173,383</b>   |
| <b>Accumulated amortization (-):</b> |                 |                 |               |           |                                          |                  |
| Rights and software                  | (39,590)        | (20,762)        | -             | -         | (556)                                    | (60,908)         |
| Capitalized development costs        | (17,917)        | (4,439)         | -             | -         | -                                        | (22,356)         |
|                                      | <b>(57,507)</b> | <b>(25,201)</b> | <b>-</b>      | <b>-</b>  | <b>(556)</b>                             | <b>(83,264)</b>  |
| <b>Net book value</b>                | <b>91,381</b>   |                 |               |           |                                          | <b>90,119</b>    |

  

|                                      | 1 January 2021  | Additions       | Transfers     | Disposals       | Foreign currency translation differences | 31 December 2021 |
|--------------------------------------|-----------------|-----------------|---------------|-----------------|------------------------------------------|------------------|
| <b>Cost:</b>                         |                 |                 |               |                 |                                          |                  |
| Rights and software                  | 57,573          | -               | 68,836        | (10,927)        | 3,112                                    | 118,594          |
| Capitalized development costs        | 26,620          | -               | 3,674         | -               | -                                        | 30,294           |
|                                      | <b>84,193</b>   | <b>-</b>        | <b>72,510</b> | <b>(10,927)</b> | <b>3,112</b>                             | <b>148,888</b>   |
| <b>Accumulated amortization (-):</b> |                 |                 |               |                 |                                          |                  |
| Rights and software                  | (29,249)        | (10,266)        | -             | 304             | (379)                                    | (39,590)         |
| Capitalized development costs        | (13,050)        | (4,867)         | -             | -               | -                                        | (17,917)         |
|                                      | <b>(42,299)</b> | <b>(15,133)</b> | <b>-</b>      | <b>304</b>      | <b>(379)</b>                             | <b>(57,507)</b>  |
| <b>Net book value</b>                | <b>41,894</b>   |                 |               |                 |                                          | <b>91,381</b>    |

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**NOTE 13 - GOVERNMENT GRANTS**

As of 31 December 2022, government grants incentives granted from Turquality and other institutions amounting to TRY9,802 includes incentives and aid (31 December 2021: TRY11,207) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

**NOTE 14 - DEFERRED REVENUE**

**a) Short-term deferred revenue**

|                   | 31 December 2022 | 31 December 2021 |
|-------------------|------------------|------------------|
| Advances received | 279,137          | 255,429          |
| Deferred revenue  | 1,662            | 5,086            |
|                   | <b>280,799</b>   | <b>260,515</b>   |

Advances received include the payments received by the Group from its customers for the sales to be made in the following periods, and it is anticipated that these advances will be closed within one year (31 December 2021: It is expected to be closed within one year). The fair values of the advances received are estimated to approximate their carrying values.

**b) Long-term deferred revenue**

|                  |   |            |
|------------------|---|------------|
| Deferred revenue | - | 750        |
|                  | - | <b>750</b> |

**NOTE 15 - PREPAID EXPENSES**

**a) Short-term prepaid expenses**

|                                       | 31 December 2022 | 31 December 2021 |
|---------------------------------------|------------------|------------------|
| Advances given for inventory          | 500,716          | 363,590          |
| Prepaid insurance and other expenses  | 48,408           | 33,969           |
| Advances given for customs procedures | 1,072            | 636              |
|                                       | <b>550,196</b>   | <b>398,195</b>   |

**b) Long-term prepaid expenses**

|                                                  |                |                |
|--------------------------------------------------|----------------|----------------|
| Advances given for property, plant and equipment | 121,671        | 109,815        |
| Prepaid insurance and other expenses             | 1,675          | 1,797          |
|                                                  | <b>123,346</b> | <b>111,612</b> |

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**NOTE 16 - EMPLOYEE BENEFITS**

**a) Liabilities for employee benefits:**

|                              | <b>31 December 2022</b> | <b>31 December 2021</b> |
|------------------------------|-------------------------|-------------------------|
| Social security contribution | 64,559                  | 13,351                  |
| Due to personnel             | 697                     | 229                     |
|                              | <b>65,256</b>           | <b>13,580</b>           |

**b) Short-term employee benefits:**

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Provision for bonus Premium (*)         | 524,746        | 272,091        |
| Provision for seniority incentive bonus | 20,274         | 9,095          |
|                                         | <b>545,020</b> | <b>281,186</b> |

(\*) Group has been paid TRY 210,669 of the 272,091 provision for bonus Premium in 2022.

**c) Long-term employee benefits:**

|                                               |                |                |
|-----------------------------------------------|----------------|----------------|
| Provision for employment termination benefits | 398,080        | 129,202        |
| Provision for unused vacation rights          | 92,404         | 49,183         |
| Provision for seniority incentive bonus       | 27,224         | 13,049         |
|                                               | <b>517,708</b> | <b>191,434</b> |

**Provision for unused vacation**

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

|                            | <b>2022</b>   | <b>2021</b>   |
|----------------------------|---------------|---------------|
| <b>1 January</b>           | <b>49,183</b> | <b>29,849</b> |
| Changes in the period, net | 43,221        | 19,334        |
| <b>31 December</b>         | <b>92,404</b> | <b>49,183</b> |

**Provision for employment termination benefits:**

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

The amount payable consists of one month's salary limited to a maximum ceiling of TRY 15,371.40 for each year of service as of 31 December 2022 (31 December 2021: TRY 8,284.51).

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

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**NOTE 16 - EMPLOYEE BENEFITS (Continued)**

**Provision for employment termination benefits (Continued):**

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

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

|                               | <b>31 December 2022</b> | <b>31 December 2021</b> |
|-------------------------------|-------------------------|-------------------------|
| Net discount rate (%)         | 0.50                    | 4.40                    |
| Probability of retirement (%) | 97.8                    | 97.62                   |

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 19,982.83 which is effective from 1 January 2023, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2022: TRY 10,848.59).

Movements of the employment termination benefits are as follows:

|                                | <b>2022</b>    | <b>2021</b>    |
|--------------------------------|----------------|----------------|
| <b>1 January</b>               | <b>129,202</b> | <b>93,109</b>  |
| Interest cost                  | 16,011         | 12,103         |
| Payments during the period (-) | (5,722)        | (12,928)       |
| Service cost                   | 10,853         | 16,151         |
| Actuarial (gain)/loss          | 247,736        | 20,767         |
| <b>31 December</b>             | <b>398,080</b> | <b>129,202</b> |

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2022 and 2021 are follows:

|                                                       | <b>31 December 2022</b>         |                                 | <b>31 December 2021</b>         |                                 |
|-------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                                       | <b>Net discount rate</b>        |                                 | <b>Net discount rate</b>        |                                 |
| <b>Sensitivity analysis</b>                           | <b>100 Basis point increase</b> | <b>100 Basis point increase</b> | <b>100 Basis point increase</b> | <b>100 Basis point increase</b> |
| Rate                                                  | 1.50                            | 1.50                            | 5.40                            | 3.40                            |
| Change in liability of employment termination benefit | (58,299)                        | 70,062                          | (13,162)                        | 16,132                          |

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**NOTE 16 - EMPLOYEE BENEFITS (Continued)**

**Provision for seniority incentive bonus:**

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

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

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

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

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

|                                                 | <b>31 December 2022</b> | <b>31 December 2021</b> |
|-------------------------------------------------|-------------------------|-------------------------|
| Net discount rate (%)                           | 0.50                    | 4.40                    |
| Used rate related to retirement probability (%) | 97.8                    | 97.62                   |

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

|                                | <b>2022</b>   | <b>2021</b>   |
|--------------------------------|---------------|---------------|
| <b>1 January</b>               | <b>22,144</b> | <b>17,783</b> |
| Interest cost                  | 2,347         | 1,778         |
| Payments during the period (-) | (15,197)      | (10,031)      |
| Service cost                   | 34,802        | 10,302        |
| Actuarial loss                 | 3,402         | 2,312         |
| <b>31 December</b>             | <b>47,498</b> | <b>22,144</b> |

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**NOTE 17 - OTHER ASSETS AND LIABILITIES**

**a) Other current assets**

|                                    | <b>31 December 2022</b> | <b>31 December 2021</b> |
|------------------------------------|-------------------------|-------------------------|
| Value added tax (“VAT”) receivable | 930,723                 | 407,249                 |
| Other                              | 1,508                   | 3,830                   |
|                                    | <b>932,231</b>          | <b>411,079</b>          |

**b) Other non-current assets**

|             |               |               |
|-------------|---------------|---------------|
| Spare parts | 20,572        | 20,673        |
| Other       | 115           | 116           |
|             | <b>20,687</b> | <b>20,789</b> |

**c) Other liabilities**

|                                              |               |               |
|----------------------------------------------|---------------|---------------|
| Taxes and funds payable and other deductions | 97,372        | 50,364        |
| Other                                        | 99            | 198           |
|                                              | <b>97,471</b> | <b>50,562</b> |

**NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS**

|                                          | <b>31 December 2022</b>                          |               |                      | <b>31 December 2021</b>                          |               |                      |
|------------------------------------------|--------------------------------------------------|---------------|----------------------|--------------------------------------------------|---------------|----------------------|
|                                          | <b>Fair</b>                                      |               |                      | <b>Fair</b>                                      |               |                      |
|                                          | <b>value (TRY)</b>                               |               |                      | <b>value (TRY)</b>                               |               |                      |
|                                          | <b>Nominal<br/>contract<br/>amount<br/>(TRY)</b> | <b>Assets</b> | <b>(Liabilities)</b> | <b>Nominal<br/>contract<br/>amount<br/>(TRY)</b> | <b>Assets</b> | <b>(Liabilities)</b> |
| Foreign currency<br>forward transactions | 1,164,413                                        | -             | (8,239)              | 166,913                                          | 8,534         | -                    |
| Interest rate swap<br>transactions (*)   | 1,577,912                                        | 66,727        | -                    | 1,157,048                                        | -             | (54,179)             |
|                                          | <b>2,742,325</b>                                 | <b>66,727</b> | <b>(8,239)</b>       | <b>1,323,961</b>                                 | <b>8,534</b>  | <b>(54,179)</b>      |

(\*) The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2022, TRY59,198 of (31 December 2021: TRY12,146) interest expense that arose from investment loans is classified under equity “Cash flow hedge gains (losses)” which has no effect on current year income statement.

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**NOTE 19 - EQUITY**

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

| Group:                             | Shareholder:                 | 31 December 2022 |            | 31 December 2021 |            |
|------------------------------------|------------------------------|------------------|------------|------------------|------------|
|                                    |                              | Amount (TRY)     | Share (%)  | Amount (TRY)     | Share (%)  |
| A                                  | Socar Turkey                 |                  |            |                  |            |
|                                    | Petrokimya A.Ş.              | 1,292,544        | 51.00      | 1,292,544        | 51.00      |
| A                                  | Publicly traded and other    | 1,241,856        | 49.00      | 1,241,856        | 49.00      |
| C                                  | Privatization Administration | -                | 0.01       | -                | 0.01       |
| <b>Total paid in share capital</b> |                              | <b>2,534,400</b> | <b>100</b> | <b>2,534,400</b> | <b>100</b> |
| Adjustment to share capital        |                              | 238,988          |            | 238,988          |            |
| <b>Total share capital</b>         |                              | <b>2,773,388</b> |            | <b>2,773,388</b> |            |

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

Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (31 December 2021: - Approved and issued capital of the Company consist of 253,440,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management).

Capital of the Company is composed of all registered shares.

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

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 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.

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**NOTE 19 - EQUITY (Continued)**

**Dividend distribution**

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

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

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

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

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

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**NOTE 19 - EQUITY (Continued)**

- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

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

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from 1, January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted reserves" and "Share premium" and the amount has not been utilized in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no use other than being transferred to paid-in share capital.

**NOTE 20 - TAX ASSETS AND LIABILITIES**

**a) Corporate tax:**

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

|                                                  | <b>31 December 2022</b> | <b>31 December 2021</b> |
|--------------------------------------------------|-------------------------|-------------------------|
| Calculated corporation tax                       | -                       | 1,136,880               |
| Less: Prepaid taxes (-)                          | (275,800)               | (865,443)               |
| <b>Total corporation tax (asset) liabilities</b> | <b>(275,800)</b>        | <b>271,437</b>          |

Group has an exemption for gains arising from exchange rate-protected TRY time deposits of TL37,118 for the period of 31 december 2021.

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

|                                   | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|-----------------------------------|-----------------------------------------|-----------------------------------------|
| Deferred tax income/(expense)     | 1,867,160                               | 1,275                                   |
| Current year tax expense          | -                                       | (1,136,880)                             |
| <b>Total tax income (expense)</b> | <b>1,867,160</b>                        | <b>(1,135,605)</b>                      |

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**NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)**

**a) Corporate tax (Continued):**

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

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

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met.

**b) Deferred taxes**

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

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, "Law on Collection Procedure of Public Receivables", in the provisional tax return declarations to be submitted after July 1, 2021, corporate tax rate has increased from 20% to 25% and to %23 for the year 2022, it will be applied as 20% from 2023.

The exemption to be applied on the capital gains obtained from the sales of the real estates held by the corporate taxpayers for at least two years has been reduced from 75% to 50% with the regulation published in the Official Gazette dated 5 December 2017.

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**NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)**

**b) Deferred taxes (Continued)**

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2022 and 31 December 2021 are as follows:

|                                                                                                          | <b>Taxable Temporary<br/>Differences</b> |                             | <b>Deferred Income Tax<br/>Assets/ (Liabilities)</b> |                             |
|----------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------|------------------------------------------------------|-----------------------------|
|                                                                                                          | <b>31 December<br/>2022</b>              | <b>31 December<br/>2021</b> | <b>31 December<br/>2022</b>                          | <b>31 December<br/>2021</b> |
| Fair value increase in investment properties                                                             | (5,553,396)                              | (2,862,514)                 | (555,340)                                            | (286,251)                   |
| Fair value difference of derivative financial instruments                                                | (66,727)                                 | -                           | (13,345)                                             | -                           |
| Deferred revenue related to the port rental agreement                                                    | -                                        | (7,847)                     | -                                                    | (1,569)                     |
| <b>Deferred income tax liabilities</b>                                                                   | <b>(5,620,123)</b>                       | <b>(2,870,361)</b>          | <b>(568,685)</b>                                     | <b>(287,820)</b>            |
| Difference between the carrying values and tax bases of property, plant, equipment and intangible assets | 5,727,482                                | 330,291                     | 1,152,354                                            | 53,725                      |
| Unused investment incentives                                                                             | 2,585,060                                | 787,664                     | 1,072,634                                            | 200,558                     |
| Provision for employee benefits                                                                          | 1,062,728                                | 472,620                     | 212,546                                              | 94,524                      |
| Carry forward tax losses                                                                                 | 483,453                                  | 277,881                     | 97,554                                               | 56,440                      |
| Deferred revenue related to the port rental agreement                                                    | 132,666                                  | -                           | 26,533                                               | -                           |
| Fair value difference of derivative financial instruments                                                | 8,239                                    | 45,645                      | 1,648                                                | 9,129                       |
| Inventory provision                                                                                      | 90,100                                   | 6,144                       | 18,020                                               | 1,229                       |
| Rent allowance fee                                                                                       | 3,598                                    | 3,807                       | 720                                                  | 761                         |
| Provision for legal cases                                                                                | 2,597                                    | 2,597                       | 519                                                  | 519                         |
| Other                                                                                                    | 232,166                                  | 106,237                     | 46,432                                               | 21,246                      |
| <b>Deferred income tax assets</b>                                                                        | <b>10,328,089</b>                        | <b>2,032,886</b>            | <b>2,628,960</b>                                     | <b>438,131</b>              |
| <b>Deferred tax assets- net</b>                                                                          |                                          |                             | <b>2,060,275</b>                                     | <b>150,311</b>              |

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY19,901 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2022. In this context, as of 31 December 2022 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY9,951.

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of June 15, 2012. The Group will be able to deduct 30% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 70% deduction from corporate tax. The group has TL 1,792,063 unused investment incentive within the scope of strategic investment incentive certificate as of December 31, 2022. In this context, as of December 31, 2022, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 869,409.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2022, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY193,274.

As a result of projections made as of 31 December 2022, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY 2,585,060 (31 December 2021: TRY787,664).

The expiration date of the carry forward tax losses on which the Group has accounted deferred tax assets is 2027.

The reconciliations of the taxation on income for the years ended 31 December 2022 and 2021 were as follows:

|                                                                                           | 1 January -<br>31 December 2022 | 1 January -<br>31 December 2021 |
|-------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Profit before tax</b>                                                                  | <b>4,667,858</b>                | <b>6,652,208</b>                |
| Statutory tax rate                                                                        | 23%                             | 25%                             |
| Calculated tax expense based on effective tax rate                                        | (1,075,907)                     | (1,663,052)                     |
| <b>Reconciliation between the tax provision and calculated tax:</b>                       |                                 |                                 |
| Effect of unused tax losses for which no deferred tax asset was recognized                | (36,633)                        | (93,522)                        |
| Effect on revaluation of immovables and other economic assets subject to depreciation (*) | 1,683,333                       | 336,987                         |
| Utilised investment incentives during the year                                            | 796,524                         | 165,095                         |
| Income exempt from tax                                                                    | 139,677                         | 21,413                          |
| Non-deductible expense                                                                    | (150,721)                       | (82,300)                        |
| Tax rate difference                                                                       | 457,691                         | 161,826                         |
| Other                                                                                     | 53,196                          | 17,948                          |
| <b>Total tax expense reported in the profit or loss statement</b>                         | <b>1,867,160</b>                | <b>(1,135,605)</b>              |

(\*) 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.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The movement of deferred income tax is as follows:

|                                            | 2022             | 2021           |
|--------------------------------------------|------------------|----------------|
| <b>1 January</b>                           | <b>150,311</b>   | <b>35,968</b>  |
| Recognized in the profit or loss statement | 1,867,160        | 1,275          |
| Recognized in other comprehensive income   | 27,650           | 1,010          |
| Foreign currency translation differences   | 15,154           | 112,058        |
| <b>31 December</b>                         | <b>2,060,275</b> | <b>150,311</b> |

NOTE 21 - REVENUE AND COST OF SALES

|                                                | 1 January -<br>31 December 2022 | 1 January -<br>31 December 2021 |
|------------------------------------------------|---------------------------------|---------------------------------|
| Domestic sales                                 | 25,486,325                      | 17,046,044                      |
| Export sales                                   | 24,761,891                      | 12,393,797                      |
| Other sales                                    | 180,199                         | 92,335                          |
| Sales discounts (-)                            | (1,530,146)                     | (816,519)                       |
| <b>Net sales</b>                               | <b>48,898,269</b>               | <b>28,715,657</b>               |
| Direct raw materials<br>and supplies           | (20,315,277)                    | (11,662,459)                    |
| Cost of trade goods sold                       | (19,758,402)                    | (8,974,954)                     |
| Energy                                         | (3,046,758)                     | (1,335,064)                     |
| Labour costs                                   | (1,117,129)                     | (667,440)                       |
| Depreciation and amortization                  | (742,893)                       | (462,425)                       |
| Changes in work in progress and finished goods | 751,466                         | 1,162,710                       |
| Other                                          | (550,393)                       | (358,777)                       |
| <b>Cost of sales</b>                           | <b>(44,779,386)</b>             | <b>(22,298,409)</b>             |

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**NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES**

|                               | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|-------------------------------|-----------------------------------------|-----------------------------------------|
| Personnel expense             | (527,662)                               | (264,001)                               |
| Outsourced services           | (329,243)                               | (161,146)                               |
| Depreciation and amortization | (95,388)                                | (66,532)                                |
| Energy expenses               | (56,315)                                | (28,492)                                |
| Taxes, funds and fees         | (16,962)                                | (12,288)                                |
| Other                         | (90,754)                                | (53,841)                                |
|                               | <b>(1,116,324)</b>                      | <b>(586,300)</b>                        |

*Fees for Services Obtained from Independent Auditor/Independent Audit Firm*

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

|                                                | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Independent audit fee for the reporting period | 1,555                                   | 646                                     |
| Fees for tax advisory services                 | 247                                     | 162                                     |
| Fee for other services                         | 561                                     | 1,312                                   |
|                                                | <b>2,363</b>                            | <b>2,120</b>                            |

**NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES**

|                               | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|-------------------------------|-----------------------------------------|-----------------------------------------|
| Personnel expense             | (237,483)                               | (149,827)                               |
| Outsourced services           | (195,668)                               | (86,616)                                |
| Depreciation and amortization | (15,572)                                | (10,855)                                |
| Other                         | (69,861)                                | (33,665)                                |
|                               | <b>(518,584)</b>                        | <b>(280,963)</b>                        |

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**NOTE 24 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES**

**a) Other operating income:**

|                        | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|------------------------|-----------------------------------------|-----------------------------------------|
| Foreign exchange gains | 1,913,689                               | 2,298,814                               |
| Rent income            | 25,598                                  | 12,012                                  |
| Term sales income      | 8,819                                   | 5,486                                   |
| Other                  | 34,406                                  | 35,385                                  |
|                        | <b>1,982,512</b>                        | <b>2,351,697</b>                        |

**b) Other operating expenses:**

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Foreign exchange losses | (884,582)          | (1,290,609)        |
| Consultancy expenses    | (44,874)           | (38,133)           |
| Term purchase expense   | (37,900)           | (38,558)           |
| Other                   | (92,820)           | (61,473)           |
|                         | <b>(1,060,176)</b> | <b>(1,428,773)</b> |

**NOTE 25 - INCOME/ (EXPENSES) FROM INVESTMENT ACTIVITIES**

**a) Income from investment activities**

|                                                             | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|-------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Fair value increase in investment properties                | 2,753,646                               | 793,813                                 |
| Fair value of exchange rate-protected TRY time deposits (*) | 430,641                                 | -                                       |
| Fair value of marketable securities                         | 103,898                                 | -                                       |
| Rent income                                                 | 79,537                                  | 42,209                                  |
| Gain on sale of property, plant and equipment               | 1,782                                   | 2,042                                   |
|                                                             | <b>3,369,504</b>                        | <b>838,064</b>                          |

(\*) As of 31 December 2022, the fair value difference of exchange rate-protected TRY time deposits is TRY42,752 while the remaining TRY 387,889 is the realized amount.

**b) Expenses from investment activities**

|                                               |              |              |
|-----------------------------------------------|--------------|--------------|
| Loss on sale of property, plant and equipment | (119)        | (296)        |
|                                               | <b>(119)</b> | <b>(296)</b> |

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**NOTE 26 - FINANCIAL INCOME/ EXPENSES**

**a) Finance income**

|                        | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|------------------------|-----------------------------------------|-----------------------------------------|
| Foreign exchange gains | 5,267,151                               | 7,240,483                               |
| Interest income        | 301,857                                 | 331,882                                 |
| Other                  | 4,524                                   | 55,780                                  |
|                        | <b>5,573,532</b>                        | <b>7,628,145</b>                        |

**b) Finance expense**

|                                          |                    |                    |
|------------------------------------------|--------------------|--------------------|
| Foreign exchange loss                    | (5,939,561)        | (7,719,617)        |
| Interest expense                         | (1,527,143)        | (476,568)          |
| Commission expense                       | (125,000)          | (43,596)           |
| Interest expense from lease liabilities  | (41,511)           | (32,951)           |
| Interest expense on employee<br>benefits | (18,359)           | (13,882)           |
| Other                                    | (19,796)           | -                  |
|                                          | <b>(7,671,370)</b> | <b>(8,286,614)</b> |

**NOTE 27 - EARNINGS PER SHARE**

|                                                                                 | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|---------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Net profit for the period of the<br>equity holders of the parent                | 6,580,253                               | 5,451,706                               |
| Weighted average number of shares with nominal value of<br>Kr 1 each (thousand) | 253,440                                 | 253,440                                 |
| <b>Earnings per share (Kr)</b>                                                  | <b>2.5964</b>                           | <b>2.1511</b>                           |

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NOTE 28 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

a) Short-term trade receivables from related parties:

|                                                     | 31 December 2022 | 31 December 2021 |
|-----------------------------------------------------|------------------|------------------|
| SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup> | 702,133          | 595,669          |
| STAR <sup>(2)</sup>                                 | 241,289          | 129,485          |
| SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>            | 223,587          | -                |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup> | 21,404           | 20,692           |
| SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>     | 103              | -                |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>        | 30               | 185              |
| STEAS <sup>(1)</sup>                                | 5                | 13               |
| SOCAR Azerikimya Production Union <sup>(2)</sup>    | -                | 59               |
| Other <sup>(2)</sup>                                | 497              | 39               |
|                                                     | <b>1,189,048</b> | <b>746,142</b>   |

b) Long-term other receivables from related parties:

|                                                    |               |               |
|----------------------------------------------------|---------------|---------------|
| SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup> | 13,190        | 10,345        |
|                                                    | <b>13,190</b> | <b>10,345</b> |

c) Short-term trade payables to related parties:

|                                                                       |                  |                  |
|-----------------------------------------------------------------------|------------------|------------------|
| STAR <sup>(2)</sup>                                                   | 1,015,425        | 1,819,648        |
| SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>                              | 389,877          | -                |
| STEAS <sup>(1)</sup>                                                  | 174,157          | 116,555          |
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>             | 16,524           | 8,163            |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>                          | 10,829           | 7,187            |
| SOCAR Turkey Araştırma Geliştirme<br>ve İnovasyon A.Ş. <sup>(2)</sup> | 9,352            | 5,791            |
| SOCAR Trading SA <sup>(2)</sup>                                       | 4,430            | -                |
| SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>                       | 1,869            | 4,856            |
| Azoil Petrolcülük A.Ş. <sup>(2)</sup>                                 | 1,413            | 680              |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>                   | 992              | -                |
| SOCAR Logistics DMCC <sup>(2)</sup>                                   | -                | 3,568            |
| SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>                          | -                | 10               |
| Other <sup>(2)</sup>                                                  | 32               | 42               |
|                                                                       | <b>1,624,900</b> | <b>1,966,500</b> |

Short-term trade payables to related parties are mainly consist of consultancy, service and goods purchases. Average maturity of short-term trade payables is 11 days (31 December 2021: 7 days).

<sup>(1)</sup> Shareholders of the Company.

<sup>(2)</sup> Shareholders of the Company or SOCAR's subsidiaries.

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

i) Balances with related parties (Continued)

31 December 2022 31 December 2021

d) Other payables to related parties:

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Due to shareholder <sup>(1)</sup> | 87        | 87        |
|                                   | <b>87</b> | <b>87</b> |

e) Short-term deferred revenue from related parties:

|                                                                       |               |               |
|-----------------------------------------------------------------------|---------------|---------------|
| SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>                   | 35,097        | 24,268        |
| STAR <sup>(2)</sup>                                                   | 6,307         | 3,942         |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>                   | 152           | 9             |
| SOCAR Turkey Araştırma Geliştirme<br>ve İnovasyon A.Ş. <sup>(2)</sup> | 73            | -             |
|                                                                       | <b>41,692</b> | <b>28,219</b> |

f) Long-term deferred revenue from related parties:

|                                                         |                |                |
|---------------------------------------------------------|----------------|----------------|
| SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2) (*)</sup> | 833,076        | 602,498        |
| STAR <sup>(2)</sup>                                     | 4,524          | 4,735          |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>     | 88             | 98             |
|                                                         | <b>837,688</b> | <b>607,331</b> |

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

g) Short-term prepaid expense to related parties:

31 December 2022 31 December 2021

|                                                           |                  |                  |
|-----------------------------------------------------------|------------------|------------------|
| STEAS <sup>(1) (*)</sup>                                  | 9,012,642        | 6,413,869        |
| SIBC Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup>      | 16,740           | -                |
| SOCAR Sigorta ve Reasürans Brokerliği A.Ş. <sup>(2)</sup> | 9,116            | -                |
| STAR <sup>(2)</sup>                                       | 1,813            | 1,812            |
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup> | 128              | 145              |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>              | 76               | 76               |
| SOCAR Logistics DMCC <sup>(2)</sup>                       | -                | 2,156            |
| Other <sup>(2)</sup>                                      | 168              | 110              |
|                                                           | <b>9,040,683</b> | <b>6,418,168</b> |

(1) Shareholders of the Company.

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

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

(\*) As a result of negotiations between the Group and its main shareholder STEAŞ, a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. ('Rafineri Holding') from STEAŞ with a purchase price of USD720 million. Rafineri Holding owns 60% shares of SOCAR Turkey Yatırım A.Ş., who owns all the shares of STAR. The shares of Rafineri Holding which are subject to the contract may be acquired by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. The closing date is defined as 31 March 2019 in the contract at the latest, with the first amendment protocol signed on 7 March 2019 and 30 June 2020 at the latest, with the second amendment protocol signed on 15 May 2020 and the third amendment signed on 25 June 2021, with the latest on 30 June 2021. It has been amended to be 3 January 2022 at the latest with the amendment protocol and to 31 December 2022 at the latest with the fourth amendment protocol signed on 27 December 2021. As the aforementioned agreement is subject to various conditions that should be mutually agreed by the parties and could be terminated at Petkim's initiative depending on the Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 December 2022 and have been subject to exchange rate valuation. This time with the board decision dated 30 December 2022; it has been considered appropriate to postpone the Closing date until 2 October 2023 considering the continuation of the effect of the adverse developments in the markets and of the uncertainties at global level and especially in petrochemical industry; and continuation of the final approval process regarding the fulfillment of the conditions precedent in the SPA between parties in order for the completion of the share transfer transaction, and also repayment of our Company's USD500.000.000 Notes due on 26 January 2023 and in connection therewith, so as to preserve our Company's cash flow position. The first two installment amounting to USD480 million has been paid by the Company and remaining USD240 million will be paid with the closing date.

h) Long-term prepaid expense to related parties

|                      | 31 December 2022 | 31 December 2021 |
|----------------------|------------------|------------------|
| STAR <sup>(2)</sup>  | 22,489           | 18,306           |
| STEAŞ <sup>(1)</sup> | 5,101            | 9,509            |
|                      | <b>27,590</b>    | <b>27,815</b>    |

i) Short-term leasing payables to related parties:

|                                              |               |               |
|----------------------------------------------|---------------|---------------|
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup> | 58,766        | 40,868        |
| STEAŞ <sup>(1)</sup>                         | 7,710         | 4,225         |
|                                              | <b>66,476</b> | <b>45,093</b> |

j) Long-term leasing payables to related parties:

|                                              |                |                |
|----------------------------------------------|----------------|----------------|
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup> | 232,307        | 186,787        |
| STEAŞ <sup>(1)</sup>                         | 27,955         | 18,035         |
|                                              | <b>260,262</b> | <b>204,822</b> |

(1) Shareholders of the Company.

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

**ii) Transactions with related parties**

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

|                                                                    | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|--------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| STEAŞ <sup>(1)</sup>                                               | 2,522,106                               | 2,893,425                               |
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>          | 69,997                                  | 10,332                                  |
| SOCAR Power Enerji Yatırımları A.Ş. <sup>(2)</sup>                 | 2,634                                   | 1,744                                   |
| SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup> | 1,250                                   | (119)                                   |
| SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>                | 452                                     | (723)                                   |
| STAR <sup>(2)</sup>                                                | (195,477)                               | (396,370)                               |
| SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>                           | (120,965)                               | (14,290)                                |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>                       | (108,840)                               | (126,366)                               |
| SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>                    | (23,287)                                | (14,290)                                |
| SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>                        | (1,313)                                 | -                                       |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>                | (498)                                   | 4,459                                   |
| SOCAR Logistics DMCC <sup>(2)</sup>                                | -                                       | (6,137)                                 |
| Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. <sup>(2)</sup>    | -                                       | (221)                                   |
| SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>                       | -                                       | (113)                                   |
| SOCAR Azerikimya Production Union <sup>(2)</sup>                   | -                                       | 28                                      |
| Other <sup>(2)</sup>                                               | (137)                                   | (1,626)                                 |
|                                                                    | <b>2,145,922</b>                        | <b>2,349,733</b>                        |

The breakdown of income from STAR is as follows; TRY244,626 is foreing exchange loss, TRY49,149 other income and the breakdown of income from STEAŞ is as follows; TRY2,557,749 foreing exchange gain from based on STAR share advanced, TRY23,804 foreing exchange gain from based onother transactions and TRY79,447 other expense. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

**b) Service and rent purchases from related parties:**

|                                                           | <b>1 January -<br/>31 December 2022</b> | <b>1 January -<br/>31 December 2021</b> |
|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup> | 188,040                                 | 78,801                                  |
| STEAŞ <sup>(1)</sup>                                      | 131,519                                 | 68,908                                  |
| SIBC Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup>      | 74,167                                  | -                                       |
| SOCAR Sigorta ve Reasürans Brokerliği A.Ş. <sup>(2)</sup> | 47,112                                  | -                                       |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>              | 43,678                                  | 14,753                                  |
| STAR <sup>(2)</sup>                                       | 33,970                                  | 13,863                                  |
| SOCAR Trading SA <sup>(2)</sup>                           | 4,912                                   | 1,802                                   |
| SOCAR Turkey Fiber Optik A.Ş. <sup>(2)</sup>              | 317                                     | -                                       |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>       | 296                                     | 726                                     |
| SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>           | 78                                      | 2,348                                   |
| Other <sup>(2)</sup>                                      | 1,739                                   | 58                                      |
|                                                           | <b>525,828</b>                          | <b>181,259</b>                          |

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

<sup>(1)</sup> Shareholders of the Company.

<sup>(2)</sup> Shareholders of the Company or SOCAR's subsidiaries.

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

ii) Transactions with related parties (Continued)

c) Product purchase from related parties:

|                                                      | 1 January -<br>31 December 2022 | 1 January -<br>31 December 2021 |
|------------------------------------------------------|---------------------------------|---------------------------------|
| STAR <sup>(2)</sup>                                  | 16,589,797                      | 9,732,870                       |
| SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>             | 2,660,462                       | 977,261                         |
| SOCAR Logistics DMCC <sup>(2)</sup>                  | 602,931                         | 167,840                         |
| SIBC Sigorta Aracılık Hizmetleri A.Ş. <sup>(2)</sup> | 102,840                         | -                               |
| Azoil Petrolcülük A.Ş. <sup>(2)</sup>                | 26,652                          | 3,046                           |
| SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>      | 3,882                           | -                               |
| SOCAR Turkey Petrokimya A.Ş. <sup>(1)</sup>          | -                               | 1,349                           |
|                                                      | <b>19,986,564</b>               | <b>10,882,366</b>               |

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 1,259,055 tons of TRY15,473,630 naphtha purchases, TRY1,116,167 other purchases.

d) Product and service sales to related parties:

|                                                                    |                  |                |
|--------------------------------------------------------------------|------------------|----------------|
| STAR <sup>(2)</sup>                                                | 2,116,482        | 383,016        |
| SOCAR Enerji Ticaret A.Ş. <sup>(2)</sup>                           | 680,077          | 230,701        |
| SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>                | 397,051          | 193,402        |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>                | 23,987           | 14,606         |
| Azeri M-I Drilling Fluids MMC <sup>(2)</sup>                       | 8,005            | -              |
| SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup> | 1,129            | 932            |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>                       | 937              | 430            |
| SOCAR Turkey Petrol Ticaret A.Ş. <sup>(2)</sup>                    | 467              | 6,013          |
| Azoil Petrolcülük A.Ş. <sup>(2)</sup>                              | 299              | 50             |
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>          | 16               | -              |
|                                                                    | <b>3,228,450</b> | <b>829,150</b> |

The breakdown of sales from STAR is as follows; TRY791,913 the sales of by product, TRY533,229 the sales of steam sales and the remaining sales of other products sales.

<sup>(1)</sup> Shareholders of the Company.

<sup>(2)</sup> Shareholders of the Company or SOCAR's subsidiaries.

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

ii) Transactions with related parties (Continued)

|                                                                    | 1 January -<br>31 December 2022 | 1 January -<br>31 December 2021 |
|--------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>e) Rent income from related parties:</b>                        |                                 |                                 |
| STAR <sup>(2)</sup>                                                | 84,505                          | 43,808                          |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>                | 5,650                           | 3,025                           |
| SOCAR Aliğa Liman İşletmeciliği A.Ş. <sup>(2)</sup>                | 1,946                           | 1,003                           |
| SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup> | 447                             | 343                             |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>                       | 376                             | 475                             |
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>          | 142                             | 140                             |
|                                                                    | <b>93,066</b>                   | <b>48,794</b>                   |
| <b>f) Fixed assets purchases from related parties:</b>             |                                 |                                 |
| STEAS <sup>(1)</sup>                                               | 35,942                          | 78,615                          |
| SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. <sup>(2)</sup> | 15,588                          | 9,223                           |
| STAR <sup>(2)</sup>                                                | 12,333                          | -                               |
| SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. <sup>(2)</sup>          | 5,820                           | 2,104                           |
| SCR Müşavirlik ve İnşaat A.Ş. <sup>(2)</sup>                       | 1,921                           | 840                             |
| SOCAR Turkey Akaryakıt Depolama A.Ş. <sup>(2)</sup>                | 819                             | -                               |
|                                                                    | <b>72,423</b>                   | <b>90,782</b>                   |
| <b>g) Key management compensation:</b>                             |                                 |                                 |
| Payments for salary and seniority incentives                       | 132,373                         | 32,472                          |
|                                                                    | <b>132,373</b>                  | <b>32,472</b>                   |
| <b>h) Key management compensation - long-term:</b>                 |                                 |                                 |
| Provision for unused vacation                                      | 3,824                           | 2,757                           |
| Provision for employment<br>termination benefits                   | 3,229                           | 1,484                           |
| Provision for seniority incentives                                 | 340                             | 98                              |
|                                                                    | <b>7,393</b>                    | <b>4,339</b>                    |
|                                                                    | <b>139,766</b>                  | <b>36,811</b>                   |

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

(1) Shareholders of the Company.

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

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**NOTE 29 - COMMITMENTS**

**a) Commitments**

As of 25 July, 2014, the Group has signed a contract with STAR whose main shareholder is SOCAR Turkey Enerji A.Ş. which is main shareholder of Petkim in the direction of purchasing naphtha approximately amounting to 1,600,000 tons per year and xysilen amounting to 270,000 tons per year for 20 years from STAR which will be landed at Petkim Peninsula in order to ensure supply security and reduce costs. In addition, the Group has signed a cooperation contract with STAR at the mentioned date and accordance with that contract the Group is going to sell steam for 20 years and serve solid and hazardous waste disposal, supply of workers on temporary duty and security services to STAR which will be established by STAR at Petkim Peninsula.

**NOTE 30 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

**a) Short-term provisions:**

|                           | 31 December 2022 | 31 December 2021 |
|---------------------------|------------------|------------------|
| Provision for legal cases | 2,597            | 2,597            |
| Other                     | 4,841            | -                |
|                           | <b>7,438</b>     | <b>2,597</b>     |

**b) Guarantees received:**

|                                              |                   |                  |
|----------------------------------------------|-------------------|------------------|
| Receivable insurance                         | 6,970,531         | 2,781,298        |
| Bank guarantees within the context of DOCS   | 3,395,297         | 2,510,499        |
| Letters of guarantee received from customers | 1,932,026         | 1,511,716        |
| Letters of guarantee received from suppliers | 730,860           | 503,580          |
| Letters of credit                            | 20,178            | 251,809          |
| Mortgages                                    | 2,000             | 2,000            |
|                                              | <b>13,050,892</b> | <b>7,560,902</b> |

**c) Guarantees given:**

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Mortgages given to banks (*) | 3,082,058        | 2,381,025        |
| Guarantees given to banks    | 1,270,394        | 973,821          |
| Custom offices               | 210,942          | 116,228          |
| Other                        | 261,819          | 28,409           |
|                              | <b>4,825,213</b> | <b>3,499,483</b> |

(\*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD165 million as of 31 December 2022.

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

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

|                                                                                                               | <b>31 December 2022</b> | <b>31 December 2021</b> |
|---------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>A.</b> Total amount of CPMs given for the Company’s own legal personality                                  | 1,743,155               | 1,118,458               |
| <b>B.</b> Total amount of CPMs given on behalf of fully consolidated companies (*)                            | 3,082,058               | 2,381,025               |
| <b>C.</b> Total amount of CPMs given for continuation of its economic activities on behalf of third parties   | -                       | -                       |
| <b>D.</b> Total amount of other CPMs                                                                          |                         |                         |
| <b>i.</b> . Total amount of CPMs given on behalf of the majority shareholder                                  | -                       | -                       |
| <b>ii.</b> Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C | -                       | -                       |
| <b>iii.</b> Total amount of CPMs given to on behalf of third parties which are not in scope of C              | -                       | -                       |
|                                                                                                               | <b>4,825,213</b>        | <b>3,499,483</b>        |

(\*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD212 million which Petlim has remaining loan balance amounting to TRY3,082,058 as of 31 December 2022. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TRY105,000 has been pledged. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim’s land which was sold by Petkim at a price of TRY5,650. In terms of the risk occurred by the given mortgage, it is considered that it would be appropriate to consider the land amount instead of the mortgage amount.

**d) Operational leases:**

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

|                   | <b>31 December 2022</b> | <b>31 December 2021</b> |
|-------------------|-------------------------|-------------------------|
| 0-5 years         | 2,492,667               | 1,705,251               |
| 5-10 years        | 2,731,645               | 1,758,151               |
| 10 years and more | 9,506,602               | 5,865,111               |
| <b>Total</b>      | <b>14,730,914</b>       | <b>9,328,513</b>        |

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**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.

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

**a) Credit risk (Continued):**

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

|                                                                                                                                                 | 31 December 2022                                |                                                 |                                                   |                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|---------------------------------------------------|---------------------------------|
|                                                                                                                                                 | Other receivables<br>from<br>related<br>parties | Trade receivables<br>from<br>related<br>parties | Trade receivables<br>from<br>third<br>parties (1) | Cash and<br>cash<br>equivalents |
| <b>Maximum amount of credit risk exposed<br/>as of reporting date (A+B+C+D+E) (2)</b>                                                           | <b>13,190</b>                                   | <b>1,189,048</b>                                | <b>3,545,891</b>                                  | <b>13,251,675</b>               |
| - The part of maximum credit risk covered<br>with guarantees etc                                                                                | -                                               | -                                               | 2,586,082                                         | -                               |
| <b>A . Net book value of financial assets neither past due<br/>nor impaired (3)</b>                                                             | <b>13,190</b>                                   | <b>1,189,048</b>                                | <b>3,360,714</b>                                  | <b>13,251,675</b>               |
| <b>B. Net book value of financial assets whose conditions are<br/>renegotiated otherwise will be classified as past<br/>due or impaired (3)</b> | -                                               | -                                               | -                                                 | -                               |
| <b>C. Net book value of assets past due<br/>but not impaired (4)</b>                                                                            | -                                               | -                                               | 185,177                                           | -                               |
| - The part covered by guarantee etc.                                                                                                            | -                                               | -                                               | 100,400                                           | -                               |
| <b>D. Net book value of assets impaired</b>                                                                                                     | -                                               | -                                               | 23,942                                            | -                               |
| - Past due (gross book value)                                                                                                                   | -                                               | -                                               | (20,563)                                          | -                               |
| - Impairment amount                                                                                                                             | -                                               | -                                               | -                                                 | -                               |
| - The part of net value covered with guarantees etc                                                                                             | -                                               | -                                               | -                                                 | -                               |
| <b>E. Off-balance items exposed to credit risk</b>                                                                                              | -                                               | -                                               | -                                                 | -                               |

- (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:

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

**a) Credit risk (Continued):**

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

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

- (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:

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

**a) Credit risk (Continued):**

| 31 December 2022                   | Receivables     |               |           |
|------------------------------------|-----------------|---------------|-----------|
|                                    | Related parties | Third parties | Total     |
| 1-30 days overdue                  | -               | 147,157       | 147,157   |
| 1-3 months overdue                 | -               | 26,123        | 26,123    |
| 3 months and over                  | -               | 11,897        | 11,897    |
| The part covered by the guarantees | -               | (100,400)     | (100,400) |
|                                    | -               | 84,777        | 84,777    |

  

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

**b) Liquidity Risk:**

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December, 2022 and 2021 are as follows:

|                             | 31 December 2022  |                                |                        |                      |                             |
|-----------------------------|-------------------|--------------------------------|------------------------|----------------------|-----------------------------|
|                             | Value carried     | Total cash outflow (=I+II+III) | Less than 3 months (I) | 3 months-1 year (II) | 1 - 5 years and above (III) |
| <b>Contract due date:</b>   |                   |                                |                        |                      |                             |
| Bank credits                | 6,352,388         | 6,892,462                      | 566,973                | 3,392,730            | 2,932,759                   |
| Other financial liabilities | 12,348,676        | 12,668,447                     | 7,012,009              | 5,656,438            | -                           |
| Bond issued                 | 9,600,500         | 9,641,126                      | 9,641,126              | -                    | -                           |
| Trade payables              | 2,782,581         | 2,782,581                      | 2,782,581              | -                    | -                           |
| Due to related parties      | 1,624,987         | 1,625,041                      | 1,625,041              | -                    | -                           |
| Lease liabilities           | 422,066           | 815,327                        | 34,408                 | 59,163               | 721,756                     |
|                             | <b>33,131,198</b> | <b>34,424,984</b>              | <b>21,662,138</b>      | <b>9,108,331</b>     | <b>3,654,515</b>            |

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

**b) Liquidity Risk (Continued)**

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

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

|                                  | 31 December 2022 |                                      |                              |                          |                                  |
|----------------------------------|------------------|--------------------------------------|------------------------------|--------------------------|----------------------------------|
|                                  | Value<br>carried | Total cash<br>outflow<br>(=I+II+III) | Less than<br>3 months<br>(I) | 3 months-<br>1 year (II) | 1 - 5 year and<br>above<br>(III) |
| <b>Contract due date:</b>        |                  |                                      |                              |                          |                                  |
| Derivative financial instruments | 58,488           | (2,742,325)                          | (1,204,053)                  | (168,472)                | (1,369,800)                      |

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

**c) Market risk:**

**i) Foreign exchange risk**

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

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

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

**i) Foreign exchange risk (Continued)**

**Foreign currency position**

|                                                                                                                                   | 31 December 2022   |                  |                 |                  | 31 December 2021  |                 |                |                  |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------|-----------------|------------------|-------------------|-----------------|----------------|------------------|
|                                                                                                                                   | TRY<br>equivalent  | US<br>Dollar     | Euro            | Other            | TRY<br>equivalent | US<br>Dollar    | Euro           | Other            |
| 1. Trade receivables                                                                                                              | 2,954,208          | 135,488          | 21,109          | -                | 3,681,865         | 240,126         | 31,897         | -                |
| 2a. Monetary financial assets<br>(Cash, bank accounts included)                                                                   | 20,812,909         | 1,107,316        | 5,414           | 54               | 9,448,092         | 596,799         | 98,982         | 4                |
| 2b. Non-monetary financial assets                                                                                                 | -                  | -                | -               | -                | -                 | -               | -              | -                |
| <b>3. Current assets (1+2)</b>                                                                                                    | <b>23,767,117</b>  | <b>1,242,804</b> | <b>26,523</b>   | <b>54</b>        | <b>13,129,957</b> | <b>836,925</b>  | <b>130,879</b> | <b>4</b>         |
| 4. Trade receivables                                                                                                              | -                  | -                | -               | -                | -                 | -               | -              | -                |
| 5a. Monetary financial assets                                                                                                     | -                  | -                | -               | -                | -                 | -               | -              | -                |
| 5b. Non-monetary financial assets                                                                                                 | -                  | -                | -               | -                | -                 | -               | -              | -                |
| 6. Other                                                                                                                          | -                  | -                | -               | -                | -                 | -               | -              | -                |
| <b>7. Non-current assets (4+5+6)</b>                                                                                              | <b>-</b>           | <b>-</b>         | <b>-</b>        | <b>-</b>         | <b>-</b>          | <b>-</b>        | <b>-</b>       | <b>-</b>         |
| <b>8. Total assets (3+7)</b>                                                                                                      | <b>23,767,117</b>  | <b>1,242,804</b> | <b>26,523</b>   | <b>54</b>        | <b>13,129,957</b> | <b>836,925</b>  | <b>130,879</b> | <b>4</b>         |
| 9. Trade payables                                                                                                                 | 2,320,977          | 82,231           | 32,874          | 133,628          | 3,122,093         | 221,129         | 10,642         | 9,997            |
| 10. Financial liabilities                                                                                                         | 23,198,363         | 1,231,699        | 6,318           | -                | 2,628,386         | 186,196         | 9,402          | -                |
| 11a. Monetary other liabilities                                                                                                   | 852,130            | 3,548            | -               | 785,667          | 823,241           | 3,377           | -              | 778,148          |
| 11b. Non-monetary other liabilities                                                                                               | -                  | -                | -               | -                | -                 | -               | -              | -                |
| <b>12. Short term liabilities (9+10+11)</b>                                                                                       | <b>26,371,470</b>  | <b>1,317,478</b> | <b>39,192</b>   | <b>919,295</b>   | <b>6,573,720</b>  | <b>410,702</b>  | <b>20,044</b>  | <b>788,145</b>   |
| 13. Trade payables                                                                                                                | -                  | -                | -               | -                | -                 | -               | -              | -                |
| 14. Financial liabilities                                                                                                         | -                  | -                | -               | -                | 6,763,528         | 499,448         | 6,246          | -                |
| 15a. Monetary other liabilities                                                                                                   | 308,375            | 14,458           | -               | 37,544           | 204,822           | 15,339          | -              | 29,608           |
| 15b. Non-monetary other liabilities                                                                                               | -                  | -                | -               | -                | -                 | -               | -              | -                |
| <b>16. Long term liabilities (13+14+15a+15b)</b>                                                                                  | <b>308,375</b>     | <b>14,458</b>    | <b>-</b>        | <b>37,544</b>    | <b>6,968,350</b>  | <b>514,787</b>  | <b>6,246</b>   | <b>29,608</b>    |
| <b>17. Total liabilities (12+16)</b>                                                                                              | <b>26,679,845</b>  | <b>1,331,936</b> | <b>39,192</b>   | <b>956,839</b>   | <b>13,542,070</b> | <b>925,489</b>  | <b>26,290</b>  | <b>817,753</b>   |
| <b>18. Net (liability)/asset contract value of<br/>derivative instruments (18a-18b)</b>                                           | <b>2,099,333</b>   | <b>112,274</b>   | <b>-</b>        | <b>-</b>         | <b>166,913</b>    | <b>12,500</b>   | <b>-</b>       | <b>-</b>         |
| <b>18a. Amount of asset contract value of derivative<br/>instruments</b>                                                          | <b>2,099,333</b>   | <b>112,274</b>   | <b>-</b>        | <b>-</b>         | <b>-</b>          | <b>-</b>        | <b>-</b>       | <b>-</b>         |
| <b>18b. Amount of liability contract value of derivative<br/>instruments</b>                                                      | <b>-</b>           | <b>-</b>         | <b>-</b>        | <b>-</b>         | <b>166,913</b>    | <b>12,500</b>   | <b>-</b>       | <b>-</b>         |
| <b>19. Net foreign (liability)/ asset position (8-17+18)</b>                                                                      | <b>(813,395)</b>   | <b>23,142</b>    | <b>(12,669)</b> | <b>(956,785)</b> | <b>(245,200)</b>  | <b>(76,064)</b> | <b>104,589</b> | <b>(817,749)</b> |
| <b>20. Net foreign currency (liability)/asset<br/>Position of monetary items (TFRS 7.B23)<br/>(=1+2a+4+5a-9-10-11a-13-14-15a)</b> | <b>(2,912,728)</b> | <b>(89,132)</b>  | <b>(12,669)</b> | <b>(956,785)</b> | <b>(412,113)</b>  | <b>(88,564)</b> | <b>104,589</b> | <b>(817,749)</b> |
| <b>21. Total fair value of financial instruments used for<br/>foreign currency hedging</b>                                        | <b>(8,259)</b>     | <b>(441)</b>     | <b>-</b>        | <b>-</b>         | <b>8,534</b>      | <b>658</b>      | <b>-</b>       | <b>-</b>         |
| <b>22. Hedged amount for foreign currency assets</b>                                                                              | <b>2,099,333</b>   | <b>112,274</b>   | <b>-</b>        | <b>-</b>         | <b>-</b>          | <b>-</b>        | <b>-</b>       | <b>-</b>         |
| <b>23. Hedged amount for foreign currency liabilities</b>                                                                         | <b>-</b>           | <b>-</b>         | <b>-</b>        | <b>-</b>         | <b>166,913</b>    | <b>12,500</b>   | <b>-</b>       | <b>-</b>         |
| <b>24. Export</b>                                                                                                                 | <b>20,064,325</b>  | <b>902,381</b>   | <b>320,063</b>  | <b>363,599</b>   | <b>11,773,755</b> | <b>891,897</b>  | <b>354,851</b> | <b>74,582</b>    |
| <b>25. Import</b>                                                                                                                 | <b>14,192,255</b>  | <b>733,386</b>   | <b>149,781</b>  | <b>219,909</b>   | <b>9,113,020</b>  | <b>925,177</b>  | <b>77,958</b>  | <b>80,831</b>    |

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

**Table of sensitivity analysis for foreign currency risk**

**31 December 2022**

|                                                                          | <b>Profit/(Loss)</b>                                |                                                     | <b>Equity</b>                                       |                                                     |
|--------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
|                                                                          | <b>Appreciation<br/>of<br/>foreign<br/>currency</b> | <b>Depreciation<br/>of<br/>foreign<br/>currency</b> | <b>Appreciation<br/>of<br/>foreign<br/>currency</b> | <b>Depreciation<br/>of<br/>foreign<br/>currency</b> |
| <b>Change of USD by 10% against TRY:</b>                                 |                                                     |                                                     |                                                     |                                                     |
| 1- Asset/ (Liability) denominated<br>in USD - net                        | (165,607)                                           | 165,607                                             | (165,607)                                           | 165,607                                             |
| 2- The part hedged for<br>USD risk (-)                                   | 93,492                                              | -                                                   | 209,933                                             | (116,441)                                           |
| <b>3- USD effect - net (1+2)</b>                                         | <b>(72,115)</b>                                     | <b>165,607</b>                                      | <b>44,326</b>                                       | <b>49,166</b>                                       |
| <b>Change of EUR by 10% against TRY:</b>                                 |                                                     |                                                     |                                                     |                                                     |
| 4- Asset/ (Liability) denominated<br>in EUR - net                        | (25,256)                                            | 25,256                                              | (25,256)                                            | 25,256                                              |
| 5- The part hedged for<br>EUR risk (-)                                   | -                                                   | -                                                   | -                                                   | -                                                   |
| <b>6- Avro effect - net (4+5)</b>                                        | <b>(25,256)</b>                                     | <b>25,256</b>                                       | <b>(25,256)</b>                                     | <b>25,256</b>                                       |
| <b>Change of other currencies by 10%<br/>against TRY:</b>                |                                                     |                                                     |                                                     |                                                     |
| 7- Assets/ (Liabilities) denominated in othe<br>foreign currencies - net | 92,570                                              | (92,570)                                            | 92,570                                              | (92,570)                                            |
| 8- The part hedged for other<br>foreign currency risk (-)                | -                                                   | -                                                   | -                                                   | -                                                   |
| <b>9- Other foreign currency<br/>effect - net (7+8)</b>                  | <b>92,570</b>                                       | <b>(92,570)</b>                                     | <b>92,570</b>                                       | <b>(92,570)</b>                                     |
| <b>Total (3+6+9)</b>                                                     | <b>(4,801)</b>                                      | <b>(98,293)</b>                                     | <b>111,640</b>                                      | <b>(18,148)</b>                                     |

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

31 December 2021

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

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

The Group's interest rate position as of December 31, 2022 and 2021 is presented below:

|                                                          | 31 December 2022 | 31 December 2021 |
|----------------------------------------------------------|------------------|------------------|
| <b>Financial instruments with fixed interest rate</b>    |                  |                  |
| Financial liabilities                                    |                  |                  |
| USD Financial liabilities                                | 23,072,048       | 8,419,024        |
| EUR Financial liabilities                                | 660,996          | 91,848           |
| TRY Financial liabilities                                | 1,421,723        | -                |
| <b>Financial instruments with variable interest rate</b> |                  |                  |
| USD Financial liabilities                                | 3,081,806        | 3,115,440        |
| EUR Financial liabilities                                | 64,991           | 144,654          |

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/- TRY29,100 (31 December 2021: TRY20,705).

**ii) Price risk**

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

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

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

**d) Capital risk management**

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

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

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**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).

|                                                          | <b>31 December 2022</b> | <b>31 December 2021</b> |
|----------------------------------------------------------|-------------------------|-------------------------|
| Total financial debt                                     | 28,301,564              | 11,770,966              |
| Less: Cash and cash equivalents and Financial investment | (14,190,788)            | (3,665,331)             |
| Net debt (Note 9)                                        | 14,110,776              | 8,105,635               |
| Total equity                                             | 19,059,252              | 12,719,030              |
| <b>Net debt/equity ratio</b>                             | <b>74%</b>              | <b>64%</b>              |

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

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

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

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.

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

| 31 December 2022                                         | Level 1 | Level 2          | Level 3 | Total            |
|----------------------------------------------------------|---------|------------------|---------|------------------|
| Financial investments – currency-protected time deposits | -       | 975,731          | -       | 975,731          |
| Derivative financial instruments                         | -       | 66,727           | -       | 66,727           |
| Investment properties- Land                              | -       | 5,626,240        | -       | 5,626,240        |
| <b>Total assets</b>                                      | -       | <b>6,668,698</b> | -       | <b>6,668,698</b> |
| Derivative financial liabilities                         | -       | 8,239            | -       | 8,239            |
| <b>Total liabilities</b>                                 | -       | <b>8,239</b>     | -       | <b>8,239</b>     |
| 31 December 2021                                         | Level 1 | Level 2          | Level 3 | Total            |
| Derivative financial instruments                         | -       | 8,534            | -       | 8,534            |
| Investment properties- Land                              | -       | 2,872,594        | -       | 2,872,594        |
| <b>Total assets</b>                                      | -       | <b>2,881,128</b> | -       | <b>2,881,128</b> |
| Derivative financial liabilities                         | -       | (54,179)         | -       | (54,179)         |
| <b>Total liabilities</b>                                 | -       | <b>(54,179)</b>  | -       | <b>(54,179)</b>  |

NOTE 33 - EVENTS AFTER BALANCE SHEET DATE

For the purpose of financing repayment of the Group USD 500 million eurobonds maturing in January 2023, and strengthening its short-term financial stability, it is resolved to sign a credit agreement in an amount of USD 300 million between the Group and J.P. Morgan Securities PLC. The mentioned credit has a bullet maturity of 3 years and has interest rate of SOFR + 5.60%, per annum.

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