

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

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2021**

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

**INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2021**

CONTENTS	PAGE
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET.....	1-3
CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4-5
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY	6
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW.....	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2020	8-45
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	8-9
NOTE 2 BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	10-17
NOTE 3 SEGMENT REPORTING.....	17-18
NOTE 4 CASH AND CASH EQUIVALENTS	19
NOTE 5 FINANCIAL INVESTMENTS.....	19
NOTE 6 INVENTORIES	20
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	20
NOTE 8 BORROWINGS AND BORROWING COSTS.....	21-23
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	24-25
NOTE 10 INVESTMENT PROPERTIES	26
NOTE 11 DEFERRED REVENUE.....	26-27
NOTE 12 PREPAID EXPENSES	27
NOTE 13 EMPLOYEE BENEFITS	27-29
NOTE 14 EQUITY	30
NOTE 15 TAX ASSETS AND LIABILITIES	30-32
NOTE 16 GENERAL ADMINISTRATIVE EXPENSES.....	32
NOTE 17 FINANCIAL INCOME/EXPENSES.....	32-33
NOTE 18 EARNINGS PER SHARE	33
NOTE 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	33-38
NOTE 20 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	38-41
NOTE 21 NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS	41-45
NOTE 22 SUBSEQUENT EVENTS.....	45

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT
30 SEPTEMBER 2021**

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

	Notes	Unaudited 30 September 2021	Audited 31 December 2020
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	5,178,297	5,502,010
Financial investments		38,499	5,198
Trade receivables		3,300,058	1,717,125
- Trade receivables from related parties	19	536,977	424,304
- Trade receivables from third parties	7	2,763,081	1,292,821
Other receivables		12,008	3,805
- Other receivables from related parties	19	297	239
- Other receivables from third parties		11,711	3,566
Inventories	6	1,975,150	958,453
Prepaid expenses		4,658,107	3,571,412
- Prepaid expenses to related parties	19	4,271,074	3,532,553
- Prepaid expenses to third parties	12	387,033	38,859
Other current assets		181,933	101,733
TOTAL CURRENT ASSETS		15,344,052	11,859,736
NON-CURRENT ASSETS			
Financial investments	5	8,910	8,910
Other receivables		9,885	8,355
- Other receivables from related parties	19	9,818	8,288
- Other receivables from third parties		67	67
Investment properties	10	2,572,167	2,078,781
Property, plant and equipment	9	5,989,235	5,429,067
Right-of-use assets		195,742	200,053
Intangible assets		56,827	41,894
Prepaid expenses		95,356	77,480
- Prepaid expenses to related parties	19	27,447	24,020
- Prepaid expenses to third parties	12	67,909	53,460
Deferred income tax assets	15	304,281	263,844
Other non-current assets		15,206	15,319
TOTAL NON-CURRENT ASSETS		9,247,609	8,123,703
TOTAL ASSETS		24,591,661	19,983,439

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

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT
30 SEPTEMBER 2021**

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

	Notes	Unaudited 30 September 2021	Audited 31 December 2020
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		2,838,933	4,110,551
- Short-term borrowings from third parties		2,807,432	4,076,014
- Bank borrowings	8	751,949	2,014,320
- Short term lease liabilities	8	24,472	40,753
- Other financial liabilities	8	2,031,011	2,020,941
- Short-term borrowings from related parties		31,501	34,537
- Short term lease liabilities	19	31,501	34,537
Short-term portion of long-term borrowings		766,206	320,839
- Bank borrowings	8	721,025	229,994
- Bonds issued	8	45,181	90,845
Derivative financial instruments		24,580	16,185
Trade payables		2,018,002	1,186,629
- Trade payables to related parties	19	1,108,761	659,947
- Trade payables to third parties	7	909,241	526,682
Payables related to employee benefits		14,108	12,713
Other payables		47,534	7,808
- Other payables to related parties	19	87	87
- Other payables to third parties		47,447	7,721
Deferred revenue		340,849	196,093
- Deferred revenue from related parties	19	29,071	14,019
- Deferred revenue from third parties	11	311,778	182,074
Short-term provisions		36,900	32,844
- Provision for employee benefits	13	34,321	30,252
- Other short term provisions	20	2,579	2,592
Other current liabilities		25,270	23,149
Current income tax liabilities	15	225,444	27,369
TOTAL CURRENT LIABILITIES		6,337,826	5,934,180
NON-CURRENT LIABILITIES			
Long-term financial liabilities		6,265,263	5,719,422
- Long-term borrowings from third parties		6,124,993	5,582,327
- Bank borrowings	8	1,623,712	1,876,387
- Long-term lease liabilities	8	60,258	42,851
- Bonds issued	8	4,441,023	3,663,089
Long-term borrowings from related parties		140,270	137,095
- Long term lease liabilities	19	140,270	137,095
Derivative financial instruments		31,778	47,488
Deferred revenue		421,255	364,536
- Deferred revenue from related parties	19	419,395	359,386
- Deferred revenue from third parties	11	1,860	5,150
Long-term provisions		153,477	131,312
- Provision for employee termination benefits	13	153,477	131,312
Deferred income tax liabilities	15	-	227,876
TOTAL NON-CURRENT LIABILITIES		6,871,773	6,490,634
TOTAL LIABILITIES		13,209,599	12,424,814

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

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT
30 SEPTEMBER 2021**

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

	Notes	Unaudited 30 September 2021	Audited 31 December 2020
EQUITY			
Equity attributable to owners of the parent company		11,435,210	7,592,629
Share capital	14	2,534,400	2,534,400
Adjustment to share capital	14	238,988	238,988
Share premium		64,188	64,188
Other comprehensive (expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(28,079)	(28,079)
Other comprehensive (expense)/income to be reclassified to profit or loss		(232,914)	(153,056)
- Currency translation differences		(199,618)	(117,397)
- (Loss) on cash flow hedges		(33,296)	(35,659)
Restricted reserves		417,325	371,941
Retained earnings		4,518,863	3,476,572
Net profit for the period/year		3,922,439	1,087,675
Non-controlling interest		(53,148)	(34,004)
TOTAL EQUITY		11,382,062	7,558,625
TOTAL LIABILITIES AND EQUITY		24,591,661	19,983,439

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH INTERIM
PERIOD ENDED 30 SEPTEMBER 2021**

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

	Notes	Unaudited 1 January - 30 September 2021	Unaudited 1 July - 30 September 2021	Unaudited 1 January - 30 September 2020	Unaudited 1 July - 30 September 2020
PROFIT OR LOSS					
Revenue		19,165,166	6,734,715	8,045,830	3,037,869
Cost of sales (-)		(14,718,721)	(5,382,705)	(6,960,487)	(2,535,510)
GROSS PROFIT		4,446,445	1,352,010	1,085,343	502,359
General administrative expenses (-)	16	(311,060)	(112,885)	(253,881)	(82,950)
Selling, marketing and distribution expenses (-)		(125,403)	(50,899)	(86,511)	(30,738)
Other operating income		623,907	148,931	332,880	153,291
Other operating expense (-)		(498,076)	(154,509)	(155,791)	(65,539)
OPERATING PROFIT		4,135,813	1,182,648	922,040	476,423
Income from investing activities		526,832	505,257	33,335	8,536
Expense from investing activities (-)		(63)	(51)	(626)	(280)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		4,662,582	1,687,854	954,749	484,679
Financial income	17	2,647,346	479,234	2,454,085	1,156,295
Financial expenses (-)	17	(2,808,167)	(538,107)	(2,837,382)	(1,273,012)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		4,501,761	1,628,981	571,452	367,962
Tax (expense)/income from continuing operations		(593,040)	63,481	(125,029)	(56,955)
- Current tax (expense)/income	15	(821,095)	(227,872)	(77,552)	(54,522)
- Deferred tax (expense)/income	15	228,055	291,353	(47,477)	(2,433)
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		3,908,721	1,692,462	446,423	311,007
PROFIT FOR THE PERIOD		3,908,721	1,692,462	446,423	311,007
DISTRIBUTION OF INCOME FOR THE PERIOD					
- Non-controlling interest		(13,718)	(9,966)	21,741	20,441
- Owners of the parent company		3,922,439	1,702,428	424,682	290,566
Earnings Per Share	18	1.5477	0.6717	0.1676	0.1146
- Earnings per Kr 1 number of 1 shares From continued operations		1.5477	0.6717	0.1676	0.1146

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH INTERIM
PERIOD ENDED 30 SEPTEMBER 2021**

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

Notes	Unaudited 1 January - 30 September 2021	Unaudited 1 July - 30 September 2021	Unaudited 1 January - 30 September 2020	Unaudited 1 July - 30 September 2020
OTHER COMPREHENSIVE INCOME				
Items to be reclassified to Profit or Loss	(85,284)	(25,651)	(117,155)	(37,201)
Currency translation differences	(91,137)	(25,010)	(77,171)	(32,666)
Other comprehensive (loss)/income related with cash flow hedges	7,316	(801)	(49,980)	(5,669)
Tax relating to (loss)/gain on cash flow hedge	(1,463)	160	9,996	1,134
OTHER COMPREHENSIVE INCOME / (EXPENSE)	(85,284)	(25,651)	(117,155)	(37,201)
TOTAL COMPREHENSIVE INCOME	3,823,437	1,666,811	329,268	273,806
Attributable to:				
Non-controlling interests	(19,144)	(14,741)	10,574	21,397
Owners of parent company	3,842,581	1,681,552	318,694	252,409

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

			Other comprehensive (expense)/income not to be reclassified to profit or loss	Other comprehensive (expense)/ income to be reclassified to profit or loss								
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	(Loss)/gain on cash flow hedges	Currency translation differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non- controlling interests	Total equity
1 January 2020	2,112,000	238,988	(37,861)	(13,508)	(61,549)	64,188	330,000	813,291	1,414,287	4,859,836	(10,955)	4,848,881
Transfers	-	-	-	-	-	-	-	(813,291)	813,291	-	-	-
- Net profit for the period	-	-	-	-	-	-	-	424,682	-	424,682	21,741	446,423
- Other comprehensive income (expense)	-	-	-	(28,055)	(77,933)	-	-	-	-	(105,988)	(11,167)	(117,155)
Total comprehensive income	-	-	-	(28,055)	(77,933)	-	-	424,682	-	318,694	10,574	329,268
30 September 2020	2,112,000	238,988	(37,861)	(41,563)	(139,482)	64,188	330,000	424,682	2,227,578	5,178,530	(381)	5,178,149
1 January 2021	2,534,400	238,988	(28,079)	(35,659)	(117,397)	64,188	371,941	1,087,675	3,476,572	7,592,629	(34,004)	7,558,625
Transfers	-	-	-	-	-	-	45,384	(1,087,675)	1,042,291	-	-	-
- Net profit for the period	-	-	-	-	-	-	-	3,922,439	-	3,922,439	(13,718)	3,908,721
- Other comprehensive income (expense)	-	-	-	2,363	(82,221)	-	-	-	-	(79,858)	(5,426)	(85,284)
Total comprehensive income	-	-	-	2,363	(82,221)	-	-	3,922,439	-	3,842,581	(19,144)	3,823,437
30 September 2021	2,534,400	238,988	(28,079)	(33,296)	(199,618)	64,188	417,325	3,922,439	4,518,863	11,435,210	(53,148)	11,382,062

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021

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

	Notes	Unaudited 1 January - 30 September 2021	Unaudited 1 January - 30 September 2020
A. Cash flows from operating activities:		1,911,249	1,713,334
Net profit for the period (I)		3,908,721	446,423
Adjustments related to reconciliation of (II) net profit (loss) for the year:		557,955	1,310,592
Adjustments for depreciation and amortization		388,176	301,814
Adjustments for impairments/reversals			
- Adjustments for impairment/(reversal) of inventories	6	(3,578)	2,245
Adjustments for provisions			
- Adjustments for provision employment termination benefits		58,334	58,092
- Adjustments for provision/other cases		(13)	(818)
- Adjustments for fair value increase in investment properties	10	(493,386)	-
Adjustments for interest income/(expense)			
- Adjustments for interest income	17	(244,979)	(87,585)
- Adjustments for interest expense	17	330,052	309,171
Adjustments for unrealized foreign currency translation differences		(57,889)	610,654
Adjustments for tax expenses	15	593,040	125,029
Adjustments for (gain) on sale of property, plant and equipment		(2,030)	(8,010)
Adjustments for income from government incentives		(9,772)	-
Changes in working capital (III)		(1,927,674)	29,250
Adjustments related to increase/(decrease) in trade receivables		(1,451,650)	(35,019)
Adjustments related to increase/(decrease) in other receivables		(9,539)	2,484
Adjustments related to increase in inventory		(987,582)	(49,153)
Increase/(decrease) in prepaid expenses		(350,776)	(96,602)
Adjustments for (decrease)/increase in trade payables		795,603	48,140
Adjustments for (decrease)/increase in other payable		39,726	(5,627)
Change in derivative financial instruments		(13,492)	(6,584)
Increase in payables to employees		1,395	(8,423)
Adjustments for increase/(decrease) in deferred revenue		126,607	171,723
Adjustments for other increase/(decrease) in working capital		(77,966)	8,311
Cash flows from operating activities (I+II+III)		2,539,002	1,786,265
Employee termination benefits paid		(32,100)	(44,878)
Income taxes (paid)	15	(595,651)	(28,053)
B. Cash flows from investing activities		(592,489)	(476,285)
Proceeds from sale of property, plant and equipment		2,132	11,635
Cash outflows from purchases of property, plant and equipment	9	(582,419)	(482,095)
Other cash advances and payables given		(12,202)	(5,825)
C. Cash flows from financing activities		(1,820,665)	(159,183)
Proceeds from borrowings	8	1,158,972	2,088,379
Repayments of borrowings	8	(2,616,594)	(2,401,595)
Proceeds from other financial liabilities	8	1,575,687	1,510,061
Repayments of other financial liabilities	8	(1,753,986)	(1,067,052)
Principal payments for lease liabilities		(45,031)	(40,101)
Interest paid		(348,038)	(330,390)
Interest received		239,906	82,515
Other cash inflow/(outflows)		(31,581)	(1,000)
D. Net (decrease)/increase in cash and cash equivalents before foreign currency translation differences (A+B+C)		(501,903)	1,077,866
E. Effect of currency translation differences on cash and cash equivalents		178,190	202,276
Net (decrease)/increase in cash and cash equivalents (D+E)		(323,713)	1,280,142
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	5,502,010	4,037,170
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	5,178,297	5,317,312

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THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

On 22 June 2012, the public shares amounting to 10.32% of the Company capital which belonged to Prime Ministry Privatization Administration was sold to SOCAR İzmir Petrokimya A.Ş. ('SİPAŞ') which is the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ('STEAS').

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

As of 30 September 2021 and 31 December 2020 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ('SOCAR').

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

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 8 November 2021 and signed by Mr. Anar Mammadov, General Manager and Mr. Elchin Ibadov, Chief Financial Officer, on behalf of the Board of Directors.

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

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

As of 30 September 2021, the Company's subsidiaries ('subsidiaries') the Company and its subsidiaries (hereinafter collectively referred to as the 'Group') and their respective operating segments are as follows:

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

The number of personnel in the Group is 2,351 as of 30 September 2021 (31 December 2020: 2,448). The details of the employees as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Union (*)	1,816	1,859
Non-union (**)	544	520
	2,360	2,379

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.1 Basis of Presentation

The condensed consolidated interim financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, 'Principals of Financial Reporting in Capital Markets' published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, condensed consolidated interim financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ('TAS'/'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 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Group prepared its condensed interim consolidated financial statements for the period ended 30 September 2021 in accordance with ('TAS') 34 'Interim Financial Reporting' in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

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

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

According to CMB Communiqué No:14.1 and announcements made by the CMB, it is obligatory for the companies preparing condensed financial statements in interim periods to present the foreign exchange position table, the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements (Note 21).

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.2 Summary of Significant Accounting Policies

Significant accounting policies applied in these condensed consolidated interim financial statements are consistent with the accounting policy applied in the consolidated financial statements for the period 1 January - 31 December 2020 except for the followings:

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

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

2.3 Basis of Consolidation

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

a) Subsidiaries

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.3 Basis of Consolidation (Continued)

a) Subsidiaries (Continued)

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 30 September 2021 and 31 December 2020 are;

<u>Subsidiaries</u>	<u>Direct or Indirect Control Shareholding rates of the Group (%)</u>	
	<u>30 September 2021</u>	<u>31 December 2020</u>
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Transactions in foreign currencies have been translated into functional currency at the exchange rates prevailing at the date of the transaction. Exchange 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.

As of 30 September 2021, Petlim's assets and liabilities are translated into TRY from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TRY at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in 'currency translation differences' in other comprehensive income.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 September 2021:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Group's risk, which is directly affected by the interest rate reform, TL equivalent is 2,927,634 for floating rate loans. After Phase-2 published in August 2020, the Group makes the necessary assessments with the relevant financial institutions so that the variability in the cash flows of the debt does not create a cash flow risk due to the changes in the current benchmark interest EURIBOR and USD LIBOR.

These changes do not have any impact on the Group's financial statements.

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2021:

- **IFRS 17, 'Insurance contracts';** 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.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.
- **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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.4 Amendments in Turkish Financial Reporting Standards (Continued)

**b) Standards, amendments and interpretations that are issued but not effective as at
30 September 2021: (Continued)**

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'.

- **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;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The Group will assess the effects of the above amendments on its operations and apply them from the effective date. The impact of the above standards and interpretations on the implementation of the above is assessed.

2.5 Comparative Information and Correction of Prior Period Financial Statements

The Group prepared its condensed consolidated interim financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 30 September 2021 on a comparative basis with balance sheet at 31 December 2020; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 30 September 2021 on a comparative basis with financial statements for the period of 1 January - 30 September 2020. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.5 Comparative Information and Correction of Prior Period Financial Statements (Continued)

The effects of the classifications are summarized below:

- Expenses amounting to TL21,438 included in research and development expenses in the profit or loss statement for the accounting period 1 January - 30 September 2020 are classified under cost of sales.

2.6 Significant Accounting Estimates, Judgments and Assumptions

Preparation of condensed consolidated interim financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Group management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Group management are as follows:

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 20.

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

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 30 September 2020.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 15). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 13.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.6 Significant Accounting Estimates, Judgments and Assumptions (Continued)

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

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement ("Agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase consideration of USD720 million. The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalization of share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 30 September 2021 and have been subjected to exchange rate valuation.

f) Fair value of determination of investment properties

As of 30 September 2021, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

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

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

2.7 Important Developments Regarding the Current Period

Necessary actions have been taken by the Group management to minimize the possible effects of COVID-19 on the Group's operations and financial position. Due to epidemic of COVID-19, which affected the whole world, the slowdown in economic activities, supply, production and sales has occurred in country and sector where the Company operates and, in the countries, where the sales are made in parallel with the developments in general economic activities. In this process, the necessary actions were taken by the Group to minimize investment expenditures, operational expenses and inventory, also cash management strategy was reconsidered in order to strengthen the Group's liquidity position.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

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

2.7 Important Developments Regarding the Current Period (Continued)

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

For now, it is not possible to estimate for how long the effect of COVID-19 will carry on in Turkey and also in the world, or how much it may spread. As the severity and duration of the effects become clearer, it will be possible to make a more specific and healthy evaluation for the medium and long term. However, while preparing the interim consolidated financial statements dated 30 September 2021, the possible effects of the COVID-19 outbreak were evaluated, and the estimates and assumptions used in the preparation of the interim condensed consolidated financial statements were reviewed. In this context, the Group evaluated the possible impairment in the values of financial assets, stocks, property, plant and equipment included in the interim financial statements dated 30 September 2021, and no impairment has been identified.

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

a) Revenue

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Petrochemical	19,045,191	6,692,509	7,950,541	3,003,568
Port	119,975	42,206	95,289	34,301
Total before eliminations and adjustments	19,165,166	6,734,715	8,045,830	3,037,869
Consolidation eliminations and adjustments	-	-	-	-
	19,165,166	6,734,715	8,045,830	3,037,869

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

NOTE 3 - SEGMENT REPORTING (Continued)

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
b) Operating profit				
Petrochemical	4,043,235	1,161,167	859,689	447,870
Port	83,141	18,161	56,711	27,710
Total before eliminations and adjustments	4,126,376	1,179,328	916,400	475,580
Consolidation eliminations and adjustments	9,437	3,320	5,640	843
Operating profit	4,135,813	1,182,648	922,040	476,423
Financial (expenses)/income, net	(160,821)	(58,873)	(383,297)	(116,717)
Income from investing activities, net	526,769	505,206	32,709	8,256
Profit before tax from continued operations	4,501,761	1,628,981	571,452	367,962
Tax expense	(593,040)	63,481	(125,029)	(56,955)
Profit for the period	3,908,721	1,692,462	446,423	311,007

c) Total assets

	30 September 2021	31 December 2020
Petrochemical	23,043,873	18,615,441
Port	3,259,617	2,824,859
Total before eliminations and adjustments	26,303,490	21,440,300
Consolidation eliminations and adjustments	(1,711,829)	(1,456,861)
	24,591,661	19,983,439

d) Total liabilities

Petrochemical	11,002,776	10,513,775
Port	3,446,159	2,949,953
Total before eliminations and adjustments	14,448,935	13,463,728
Consolidation eliminations and adjustments	(1,239,336)	(1,038,912)
	13,209,599	12,424,816

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
Banks	5,177,969	5,496,779
- Demand deposits	32,925	5,505
- Turkish Liras	2,555	985
- Foreign currency	30,370	4,520
- Time deposits	5,145,044	5,491,274
- Turkish Liras	1,662,729	900,978
- Foreign currency	3,482,315	4,590,296
Other	328	5,231
	5,178,297	5,502,010

As of 30 September 2021, foreign currency time deposits consist of monthly deposits. The weighted average effective interest rates of USD and EUR monthly deposit is respectively 0.98% 0.36% per annum. (31 December 2020: USD 3.06%, EUR 1.70%).

As of 30 September 2021, TRY dominated time deposits consist of overnight and montly deposits and the weighted average effective interest rate is %19.16 per annum respectively. (31 December 2020:%17.45).

NOTE 5 - FINANCIAL INVESTMENTS

Long-term financial investments

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

TRY8,910,000 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. As of 30 September 2021 and 31 December 2020, the cost of financial assets approximates to its fair value.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

NOTE 6 - INVENTORIES

	30 September 2021	31 December 2020
Raw materials	574,023	319,582
Work-in-progress	486,999	324,248
Finished goods	443,310	129,244
Trade goods	187,925	70,009
Goods in transit	186,301	34,111
Other inventories	98,664	86,909
Less: Provision for impairment on inventories	(2,072)	(5,650)
	1,975,150	958,453

Movements of provision for impairment on inventory for the periods 30 September 2021 and 2020 were as follows:

	2021	2020
1 January	(5,650)	(12,888)
Sold items	5,650	12,888
Current year additions	(2,072)	(15,133)
30 September	(2,072)	(15,133)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	30 September 2021	31 December 2020
Trade receivables	2,784,367	1,314,107
Provision for doubtful trade receivables (-)	(21,286)	(21,286)
	2,763,081	1,292,821

b) Short-term trade payables to third parties:

Trade payables	909,241	526,682
	909,241	526,682

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD BETWEEN 1 JANUARY AND
30 SEPTEMBER 2021**

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

NOTE 8 - BORROWINGS AND BORROWING COSTS

	30 September 2021	31 December 2020
Short-term borrowings	751,949	2,014,320
Short-term portions of long-term borrowings	721,025	229,994
Bonds issued (**)	45,181	90,845
Short-term lease liabilities	24,472	40,753
Other financial liabilities (*)	2,031,011	2,020,941
Short term financial liabilities	3,573,638	4,396,853
Long term borrowings	1,623,712	1,876,387
Bonds issued (**)	4,441,023	3,663,089
Operational lease liabilities	60,258	42,851
Long term borrowings	6,124,993	5,582,327
	9,698,631	9,979,180

(*) Other financial liabilities consist of letters of credits and murabaha loan arising from naphtha purchases. The average remaining maturity of other financial liabilities is 132 days as of 30 September 2021 (31 December 2020: average remaining maturity 164 days).

(**) Petkim issued bonds listed on Ireland Stock Exchange and release of these bonds were finalized on 26 January 2018. Total amount of these issued bonds 500 thousand 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%.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD
ENDED 30 SEPTEMBER 2021**

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

NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Short-term borrowings:						
TRY borrowings	-	No Interest	-	8,711	-	8,711
USD borrowings	Libor 0.20 + 0.70 + 0.75	Libor 0.30 + 0.60	84,541	273,225	751,949	2,005,609
Short-term portions of long-term borrowings:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 4.67 - 4.26	70,219	17,148	624,558	125,872
Euro borrowings	Euribor + 0.72 + 3.00 - 1.64	Euribor + 0.72 + 3.00 - 1.64	9,355	11,559	96,467	104,122
Bond issued	5.88	5.88	5,078	12,376	45,181	90,845
Total short-term borrowings and bonds issued					1,518,155	2,335,159
Long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 0.75 + 4.67 - 4.26	172,789	236,441	1,536,876	1,735,594
Euro borrowings	Euribor +0.72 – 1.64	Euribor +0.72+ 3.00- 1.64	8,421	15,630	86,836	140,793
Bond issued	5.88	5.88	499,299	499,025	4,441,023	3,663,089
Total long-term borrowings and bonds issued					6,064,735	5,539,476
Total borrowings					7,582,890	7,874,635

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings and bonds issued as of 30 September 2020 and 31 December 2020 is as follows:

	30 September 2021
1 October 2022-30 September 2023	4,750,667
1 October 2023-30 September 2024	256,039
1 October 2024-30 September 2025	377,127
1 October 2025-30 September 2026	348,842
1 October 2026 and over	332,060
	6,064,735
	31 December 2020
2022	611,682
2023	3,883,438
2024	241,209
2025	303,456
2026	295,675
2027 and over	204,016
	5,539,476

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

As of 30 September 2021, the carrying amount of which is in fixed rate financial debts and as of 30 September 2021 is TRY4,486,204. The fair value of the debt instruments issued (31 December 2020: TRY3,753,934) is TRY4,823,848 (31 December 2020: TRY4,082,565).

As of 30 September 2021, details of collaterals given by the Group for US Dollar and Euro loans are explained in Note 20. As of 30 September 2021, the Group has met a number of key performance indicators related to the contractual obligations of the Group in relation to long-term US dollar debts and other debt instruments issued.

Movements of financial liabilities are as of 30 September 2021 and 2020 as follows:

	2021	2020
1 January	4,393,566	4,296,599
Proceeds from financial liabilities	2,734,659	3,598,440
Repayments of financial liabilities	(4,370,580)	(3,468,647)
Unrealized foreign exchange losses	1,396,997	2,085,650
Changes in interest accrual	(42,751)	(35,615)
Changes in cash and cash equivalents	323,713	(1,280,146)
30 September	4,435,604	5,196,281

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD
ENDED 30 SEPTEMBER 2021**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2021
Cost:						
Land	123,896	-	-	-	324	124,220
Land improvements	412,073	-	32,832	-	775	445,680
Buildings	194,272	-	1,689	-	243	196,204
Machinery and equipment	8,047,394	-	476,767	(912)	-	8,523,249
Motor vehicles	11,144	-	1,998	(561)	-	12,581
Furniture and fixtures	153,858	-	38,675	(221)	162	192,474
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	2,219,152	-	-	-	429,328	2,648,480
Construction in progress (*)	1,011,804	582,419	(577,089)	-	183	1,017,317
	12,175,260	582,419	(25,128)	(1,694)	431,015	13,161,872
Accumulated depreciation (-):						
Land improvements	(123,496)	(26,343)	-	-	(389)	(150,228)
Buildings	(120,291)	(3,672)	-	-	(174)	(124,137)
Machinery and equipment	(6,150,223)	(271,465)	-	848	-	(6,420,840)
Motor vehicles	(10,175)	(378)	-	556	-	(9,997)
Furniture and fixtures	(89,386)	(11,833)	-	188	(153)	(101,184)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(250,955)	(60,257)	-	-	(53,372)	(364,584)
	(6,746,193)	(373,948)	-	1,592	(54,088)	(7,172,637)
Net book value	5,429,067					5,989,235

(*) The investments in progress mainly consist of factory improvement projects.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD
ENDED 30 SEPTEMBER 2021**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2020
<u>Cost:</u>						
Land	123,896	-	-	-	-	123,896
Land improvements	225,088	-	22,793	-	963	248,844
Buildings	189,637	-	2,966	-	302	192,905
Machinery and equipment	7,660,869	-	188,534	(1,885)	-	7,847,518
Motor vehicles	11,628	-	698	(591)	-	11,735
Furniture and fixtures	144,586	-	7,268	(2,401)	206	149,659
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1,818,385	-	949	-	533,531	2,352,865
Construction in progress	838,492	482,095	(229,101)	-	228	1,091,714
	11,014,248	482,095	(5,893)	(4,877)	535,230	12,020,803
<u>Accumulated depreciation (-):</u>						
Land improvements	(106,454)	(9,247)	-	-	(383)	(116,084)
Buildings	(115,453)	(3,504)	-	-	(188)	(119,145)
Machinery and equipment	(5,865,400)	(209,420)	-	151	-	(6,074,669)
Motor vehicles	(10,618)	(572)	-	586	-	(10,604)
Furniture and fixtures	(77,103)	(10,600)	-	1,574	(187)	(86,316)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(146,406)	(48,981)	-	-	(50,963)	(246,350)
	(6,323,101)	(282,324)	-	2,311	(51,721)	(6,654,835)
Net book value	4,691,147					5,365,968

(*) The investments in progress mainly consist of factory improvement projects.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 10 – INVESTMENT PROPERTIES

Net asset value	1 January 2021	Fair value increase	Transfers	30 September 2021
Land	2,078,781	493,386	-	2,572,167
	2,078,781			2,572,167

Net asset value	1 January 2020	Fair value increase	Transfers	30 September 2020
Land	1,905,182	-	-	1,905,182
	1,905,182			1,905,182

A construction right was established to STAR Rafineri A.Ş. ('STAR') for 30 years in 2014 for an annual cost of 4.6 million USD on a total land of 2,076,506 m² in Aliğa District, which is among the investment properties owned by the Group. The right of construction is increased by Libor+1% every year, and the annual rental amount is US\$ 5.8 million as of 2021.

The fair value of the land has been appraised according to the Group's valuation report dated 30 September 2021 prepared by a real estate appraisal company authorized by the CMB.

There are no guarantees, pledges or mortgages on the Group's investment properties.

As of 30 September 2021, the Group's right of construction have been measured at their fair values determined by an independent professional valuation company using other valuation techniques containing directly or indirectly observable inputs.

NOTE 11 - DEFERRED REVENUE

a) Short-term deferred revenue

	30 September 2021	31 December 2020
Advances received	307,523	177,384
Deferred revenue	4,255	4,690
	311,778	182,074

Advances received from customers for the sales in the subsequent periods are all short term and mature within less than one year. (31 December 2020: less than one year). The fair values of advances received are assumed to approximate their carrying values.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 11 - DEFERRED REVENUE (Continued)

b) Long-term deferred revenue

	30 September 2021	31 December 2020
Deferred income	1,860	5,150
	1,860	5,150

NOTE 12 - PREPAID EXPENSES

a) Short-term prepaid expenses

	30 September 2021	31 December 2020
Advances given for inventory purchases	344,929	28,149
Prepaid rent, insurance and other expenses	41,668	10,626
Advances given for customs procedures	436	84
	387,033	38,859

b) Long-term prepaid expenses

Advances given for property, plant and equipment purchases	66,156	51,677
Prepaid rent, insurance and other expenses	1,753	1,783
	67,909	53,460

NOTE 13 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	30 September 2021	31 December 2020
Provision for bonus premium	26,360	20,823
Provision for seniority incentive bonus	7,961	9,429
	34,321	30,252

b) Long-term employee benefits:

Provision for employment termination benefits	94,260	93,109
Provision for unused vacation rights	47,590	29,849
Provision for seniority incentive bonus	11,627	8,354
	153,477	131,312

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation:

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

	2021	2020
1 January	29,849	19,196
Changes in the period, net	17,741	11,435
30 September	47,590	30,631

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of full TRY8,284.51 for each year of service as of 30 September 2021 (31 December 2020: TRY7,638.96).

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

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

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

	30 September 2021	31 December 2020
Net discount rate (%)	4.60	4.60
Probability of retirement (%)	100.00	100.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 8,284.51 which is effective from 1 July 2021, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2020: TRY 7,638.96).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

Provision for seniority incentive bonus:

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 14 - EQUITY

The shareholders of the Company and their shareholdings as of 30 September 2021 and 31 December 2020 were as follows:

Group: Shareholder:	30 September 2021		31 December 2020	
	Amount	Share (%)	Amount	Share (%)
A SOCAR Turkey Petrokimya A.Ş.	1,292,544	51.00	1,292,544	51.00
A Publicly traded and other	1,241,856	49.00	1,241,856	49.00
C Privatization Administration	-	0.01	-	0.01
Total paid share capital	2,534,400	100	2,534,400	100
Adjustment to share capital	238,988		238,988	
Total share capital	2,773,388		2,773,388	

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

NOTE 15 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 30 September 2021 and 31 December 2020 are summarized below:

	30 September 2021	31 December 2020
Calculated corporation tax	821,095	102,783
Less: Prepaid taxes (-)	(595,651)	(75,414)
Total corporation tax liabilities	225,444	27,369

Tax expenses included in the income statement for the condensed consolidated interim periods ended 30 September 2021 and 2020 are summarized below:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Deferred tax income/(expense)	228,055	291,353	(47,477)	(2,433)
Current period income tax (expense)	(821,095)	(227,872)	(77,552)	(54,522)
Total tax (expense)/gains	(593,040)	63,481	(125,029)	(56,955)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 15 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes

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

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, "Amme Alacaklarının Tahsil Usulü Hakkında Kanun ile Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", In the provisional tax return declarations to be submitted after July 1, 2021, corporate tax rate has increased from 20% to 25% and to %23 for the year 2022, it will be applied as 20% from 2023.

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 companies can benefit from the provision of the article 31 December 2021. The covered assets will be valued with the D-PPI 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 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 condensed consolidated statement of profit or loss.

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 30 September 2021 and 31 December 2020 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	1,200,561	(451,410)	211,151	(90,282)
Fair value increase in investment properties	(2,563,568)	(2,077,305)	(256,357)	(207,731)
Deferred revenue related to the port rental agreement	(7,539)	(6,014)	(1,508)	(1,203)
Deferred income tax liabilities	(1,370,546)	(2,534,729)	(46,714)	(299,216)
Unused investment incentives	796,359	831,699	204,906	220,088
Provision for employee benefits	187,799	161,564	37,560	32,313
Carry forward tax losses	364,596	279,374	73,782	55,875
Fair value difference of derivative financial instruments	56,358	63,673	11,272	12,735
Inventory provision	2,072	5,650	414	1,130
Rent allowance fee	3,681	3,974	736	795
Provision for legal cases	2,579	2,592	516	518
Other	109,044	58,650	21,809	11,730
Deferred income tax assets	1,522,488	1,407,176	350,995	335,184
Deferred income tax assets/(liabilities) - net			304,281	35,968

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 15 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The movement of deferred tax asset is as follows:

	2021	2020
1 January	35,968	261,426
Recognized in the profit or loss statement	228,055	(47,477)
Recognized in other comprehensive income	(1,463)	9,996
Foreign currency translation differences	41,721	71,810
30 September	304,281	295,755

As of 30 September 2021, the Group has TRY796,359 unused investment incentive for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2020: TRY831,699).

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Personnel expense	130,603	45,951	137,245	40,437
Outsourced services	82,057	33,177	41,846	18,867
Depreciation and amortization	45,946	16,590	36,368	12,576
Energy expenses	14,599	4,269	11,881	1,051
Taxes, funds and fees	7,647	3,593	5,226	1,393
Other	30,208	9,305	21,315	8,626
	311,060	112,885	253,881	82,950

NOTE 17 - FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Foreign exchange gains	2,379,787	385,135	2,361,515	1,122,962
Interest income	244,979	80,788	87,585	30,878
Other	22,580	13,311	4,985	2,455
	2,647,346	479,234	2,454,085	1,156,295

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 17 - FINANCIAL INCOME/EXPENSES (Continued)

b) Finance expense

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Foreign exchange loss	(2,436,042)	(409,885)	(2,486,374)	(1,152,404)
Interest expense	(330,052)	(114,139)	(309,171)	(101,591)
Commission expense	(31,261)	(10,479)	(33,007)	(16,073)
Interest expense on employee benefits	(10,812)	(3,604)	(8,830)	(2,944)
	(2,808,167)	(538,107)	(2,837,382)	(1,273,012)

NOTE 18 - EARNINGS PER SHARE

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
Net profit for the period of the equity holders of the parent	3,922,439	1,702,428	424,682	290,566
Weighted average number of shares with nominal value of Krl each (thousand)	253,440	253,440	211,200	211,200
Earnings per share (Kr)	1.5477	0.6717	0.1676	0.1146

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 30 September 2021 and 31 December 2020 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

30 September 2021 31 December 2020

a) Short-term trade receivables from related parties:

SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	383,793	332,376
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	112,583	-
STAR ⁽²⁾	28,059	25,753
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	12,501	752
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	-	65,343
Other ⁽²⁾	41	80
	536,977	424,304

⁽¹⁾ Shareholders of the Company

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Short-term other receivables from related parties:

	30 September 2021	31 December 2020
STAR ⁽²⁾	297	92
Other ⁽²⁾	-	147
	297	239

c) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	9,818	8,288
	9,818	8,288

d) Short-term trade payables to related parties:

STAR ⁽²⁾	895,971	452,624
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	100,991	67,912
STEAS ⁽¹⁾	87,622	124,524
Other ⁽²⁾	24,177	14,887
	1,108,761	659,947

Short-term trade payables to related parties mainly consist of product and consulting services purchases. Average maturity of short term trade payables is 9 days. (31 December 2020: 10 days).

e) Other payables to related parties:

Due to Shareholders ⁽¹⁾	87	87
	87	87

f) Short-term deferred revenue from related parties

SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	16,781	13,720
STAR ⁽²⁾	11,411	289
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	820	10
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	59	-
	29,071	14,019

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

30 September 2021 31 December 2020

g) Long-term deferred revenue from related parties

SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾ (*)	414,608	354,441
STAR ⁽²⁾	4,787	4,945
	419,395	359,386

h) Short-term prepaid expense to related parties

STEAŞ ⁽¹⁾ (**)	4,268,520	3,530,058
STAR ⁽²⁾	1,842	1,929
SOCAR TRADING SA ⁽²⁾	454	-
Diğer ⁽²⁾	258	566
	4,271,074	3,532,553

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

(**) 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 defined as 31 March 2019 at the latest in the initial contract has been amended as 3 January 2022 at the latest with the third amendment protocol signed on 25 June 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 30 September 2021 and have been subject to exchange rate valuation.

i) Long-term prepaid expense to related parties

STAR ⁽²⁾	18,725	20,119
STEAŞ ⁽¹⁾	8,722	3,901
	27,447	24,020

⁽¹⁾ Shareholders of the Company

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

j) Short-term operational lease liabilities from related parties

	30 September 2021	31 December 2020
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	27,108	31,154
STEAŞ ⁽¹⁾	2,803	3,883
STAR ⁽²⁾	1,590	-
	31,501	34,537

k) Long-term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	127,879	133,212
STEAŞ ⁽¹⁾	12,391	3,883
	140,270	137,095

ii) Transactions with related parties

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

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
STEAŞ ⁽¹⁾ *	738,162	77,514	892,941	462,028
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	7,098	2,822	4,753	2,248
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	2,985	2,432	450	(852)
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	1,297	471	1,240	202
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	891	463	1,128	(90)
SOCAR Turkey Araştırma Geliş. ve İnovasyon A.Ş. ⁽²⁾	534	46	2,553	(35)
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	98	-	3	3
SOCAR Azerikimya Production Union ⁽²⁾	7	1	6	6
AZOIL Petrolcülük A.Ş. ⁽²⁾	(8)	(8)	-	-
SOCAR Logistics DMCC ⁽²⁾	(135)	(131)	138	138
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. ⁽²⁾	(221)	(221)	-	-
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	(7,129)	(2,743)	-	-
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	(7,949)	(2,095)	-	-
STAR ⁽²⁾ *	(61,577)	(1,095)	(37,096)	(23,188)
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(44,327)	(5,376)	(61,845)	(28,935)
SOCAR Turkey Petrol Ener. Dağ. A.Ş. ⁽²⁾	-	-	(293)	1,904
	629,726	72,080	803,978	413,429

(*) TRY64,167 of the expenses arising from STAR consists of foreign exchange losses and TRY 2,590 is from other income, TRY 749,185 of the income obtained from STEAŞ is foreign exchange gain and TRY11,023 consists of other expenses. Expenses to SCR Müşavirlik ve İnşaat A.Ş. are mainly consists of foreign exchange losses.

(1) Shareholders of the Company

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Service and rent purchases from related parties:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	55,270	21,165	25,491	12,125
STEAS ⁽¹⁾	52,374	30,954	25,061	6,703
STAR ⁽²⁾	10,495	2,803	5,516	1,371
SCR İnşaat ve Müşavirlik A.Ş. ⁽²⁾	7,922	4,522	9,007	2,816
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	2,348	3	-	-
SOCAR Trading SA. ⁽²⁾	1,348	454	-	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	682	32	513	487
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	85	48	-	-
SOCAR Turkey Petrol Ener. Dağ. A.Ş. ⁽²⁾	-	-	886	7
Other ⁽²⁾	264	102	298	298
	130,788	60,083	66,772	23,807

c) Product purchase from related parties:

STAR ⁽²⁾	5,496,019	2,417,400	1,981,206	952,078
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	660,570	241,063	537,555	153,852
SOCAR Logistics DMCC ⁽²⁾	165,191	5,965	69,684	10,061
Azoil Petrolcülük A.Ş. ⁽²⁾	1,962	759	1,424	590
SOCAR Turkey Petrol Ticaret A.Ş. ⁽²⁾	743	398	-	-
SOCAR Turkey Fiber Optik A.Ş. ⁽²⁾	101	-	-	-
	6,324,586	2,665,585	2,589,869	1,116,581

Product purchases from related parties are mainly consist of raw materials and commercial product purchases. Purchases from STAR consist of 1,052,012 tons of TRY5,099,039 naphtha purchases, TRY396,980 other purchases.

d) Product and service sales to related parties:

STAR ⁽²⁾	166,277	55,546	150,920	53,243
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	123,724	43,910	98,361	35,424
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	99,991	95,517	-	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	12,591	11,791	2,649	660
SOCAR Turkey Araştırma Geliş. ve İnovasyon A.Ş. ⁽²⁾	133	21	-	-
SCR İnşaat ve Müşavirlik A.Ş. ⁽²⁾	110	10	162	29
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. ⁽²⁾	-	-	60,906	60,906
SOCAR Azerikimya Production Union ⁽²⁾	-	-	1,908	855
STEAS ⁽¹⁾	-	-	47	47
	402,826	206,795	314,953	151,164

⁽¹⁾ Shareholders of the Company

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Rent income from related parties:

	1 January - 30 September 2021	1 July - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2020
STAR ⁽²⁾	32,237	10,866	25,535	8,512
SOCAR Turkey				
Akaryakıt Depolama A.Ş. ⁽²⁾	2,438	821	1,227	574
Other ⁽²⁾	1,298	430	973	343
	35,973	12,117	27,735	9,429

⁽¹⁾ Shareholders of the Company

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

f) Key management compensation:

i. Key management compensation - short-term:

Payments for salary and seniority incentives	23,660	7,232	25,303	7,039
	23,660	7,232	25,303	7,039

ii. Key management compensation - long term:

Provision for unused vacation	967	489	588	193
Provision for seniority incentives	736	399	471	110
Provision for employment termination benefits	48	33	33	8
	1,751	921	1,092	311
	25,411	8,153	26,395	7,350

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	30 September 2021	31 December 2020
Provision for legal cases	2,579	2,592
	2,579	2,592

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) Guaranties received:

	30 September 2021	31 December 2020
Receivable insurance	2,013,849	771,274
Bank guarantees within the context of DOCS	1,992,232	1,347,712
Letters of guarantee received from customers	1,058,285	692,303
Letters of guarantee received from suppliers	376,195	270,224
Letters of credit	6,003	140,228
Mortgages	2,000	2,000
	5,448,564	3,223,741

c) Guaranties given:

Mortgages given to banks	1,427,350	2,874,603
Mortgage given to banks (*)	1,605,806	1,369,604
Custom offices	106,627	104,347
Other	28,982	26,615
	3,168,765	4,375,169

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

	30 September 2021	31 December 2020
A. Total amount of CPMs given for the Company's own legal personality	1,562,958	3,005,565
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	1,605,806	1,369,604
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	3,168,764	4,375,169

(*) The amount consist of the pledge and mortgage for the loan of Petlim. The initial amount of the loan was USD212 million, which is amounting to TRY1,606 thousand as of 30 September 2021. According to the loan agreement signed with the financial instititon, Petkim is the guarantor of the loan repayment and Petkim shares in Petlim amounting TRY105 thousand has been pledged. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land which was sold by Petkim to Petlim at a price of TRY5,650. In terms of the risk posed by the given mortgage, it is considered appropriate to consider the value of the land instead of the total mortgage amount.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2021**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

However, pursuant to the decision taken by the Group Management, the provisions of the "Law No. 7326 on Restructuring of Certain Receivables and Amending Certain Laws" published in the Official Gazette dated 9 June 2021 and numbered 31506 will be utilized and after a payment of TRY 6.7 thousand was made, all of the aforementioned lawsuits were waived. Except for Court Case dated 2nd half of December 2014 of which the Notification of the Court is still not arrived to Company but will be notified soon.

e) Operational leases

As of 31 December 2021 and 31 December 2020, the annual income plans and amounts (undiscounted) regarding rental income, which are not included in the consolidated financial statements of the Group, are as follows:

	30 September 2021	31 December 2020
0-5 year	1,039,572	876,036
5-10 year(s)	960,765	890,376
10 years and more	3,645,119	3,225,437
Total	5,645,456	4,991,849

NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS

Foreign exchange risk

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH INTERIM PERIOD
ENDED 30 SEPTEMBER 2021**

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

NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position

	30 September 2021				31 December 2020			
	TRY Equivalent	US Dollar	Euro	Other	TRY Equivalent	US Dollar	Euro	Other
1. Trade receivables	2,222,057	214,967	30,454	-	933,137	114,686	10,134	-
2a . Monetary financial assets								
Cash, bank accounts included)	7,761,951	747,143	109,595	280	8,107,614	1,077,212	22,212	254
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	9,984,008	962,110	140,049	280	9,040,751	1,191,898	32,346	254
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	9,984,008	962,110	140,049	280	9,040,751	1,191,898	32,346	254
9. Trade payables	1,987,780	154,520	8,489	534,152	1,076,872	99,411	8,393	271,546
10. Financial liabilities	3,446,508	376,642	9,355	-	4,288,686	570,066	11,559	-
11a. Monetary other liabilities	800,067	3,369	-	770,102	799,577	4,705	-	765,040
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	6,234,355	534,531	17,844	1,304,254	6,165,135	674,182	19,952	1,036,586
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	4,564,229	503,389	8,421	-	4,232,699	557,443	15,630	-
15a. Monetary other liabilities	121,209	13,627	-	27,598	137,095	18,677	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	4,685,438	517,016	8,421	27,598	4,369,794	576,120	15,630	-
17. Total liabilities (12+16)-	10,919,793	1,051,547	26,265	1,331,852	10,534,929	1,250,302	35,582	1,036,586
18. Amount of asset contract value of derivative instruments (18a-18b)	(598,425)	(32,500)	(30,000)	-	-	-	-	-
18a. . Amount of asset contract value of derivative instruments	-	-	-	-	-	-	-	-
18b. . Amount of liability contract value of derivative instruments	(598,425)	(32,500)	(30,000)	-	-	-	-	-
19. Net foreign (liability)/ asset position (8-17+18)	(1,534,210)	(121,937)	83,784	(1,331,572)	(1,494,178)	(58,404)	(3,236)	(1,036,332)
20. . Net foreign currency (liability)/asset Position of monetary items (TFRS7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	(935,785)	(89,437)	113,784	(1,331,572)	(1,494,178)	(58,404)	(3,236)	(1,036,332)
21. Total fair value of financial instruments used for foreign currency hedging	(6,469)	(368)	(311)	-	-	-	-	-
22. . Hedged amount for foreign currency assets	-	-	-	-	-	-	-	-
23. Hedged amount for foreign currency liabilities	(598,425)	(32,500)	(30,000)	-	-	-	-	-
24. Export	8,033,691	649,558	271,635	52,357	4,035,794	410,930	133,910	111,673
25. Import	6,226,796	693,386	59,919	54,017	4,154,432	536,613	60,137	93,767

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 201**

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

**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

Table of sensitivity analysis for foreign currency risk

30 September 2021

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/Liability denominated in USD - net				
2- The part hedged for USD risk (-)	(79,407)	79,407	(79,407)	79,407
3- USD effect - net (1+2)	(79,407)	79,407	(108,262)	108,262
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	117,121	(117,121)	117,121	(117,121)
5- The part hedged for EUR risk (-)	-	-	(30,880)	30,880
6- EUR effect - net (4+5)	117,121	(117,121)	86,241	(86,241)
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies - net	132,000	(132,000)	132,000	(132,000)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	132,000	(132,000)	132,000	(132,000)
Total (3+6+9)	169,714	(169,714)	109,979	(109,979)

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 201**

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**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

31 December 2020

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/(Liability) denominated in USD - net	(42,871)	42,871	(42,871)	42,871
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	(42,871)	42,871	(42,871)	42,871
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	(2,915)	2,915	(2,915)	2,915
5- The part hedged for EUR risk (-)	-	-	-	-
6- Avro Net Etki (4+5)	(2,915)	2,915	(2,915)	2,915
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	102,995	(102,995)	102,995	(102,995)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	102,995	(102,995)	102,995	(102,995)
Total (3+6+9)	57,209	(57,209)	57,209	(57,209)

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.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 201**

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

**NOTE 21 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL
INSTRUMENTS (Continued)**

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

30 September 2021	Level 1	Level 2	Level 3	Total
Investment properties- Land	-	2,572,167	-	2,572,167
Total assets	-	2,572,167	-	2,572,167
Derivative financial liabilities	-	(56,358)	-	(56,358)
Total liabilities	-	(56,358)	-	(56,358)
31 December 2020	Level 1	Level 2	Level 3	Total
Investment properties- Land	-	2,078,781	-	2,078,781
Total assets	-	2,078,781	-	2,078,781
Derivative financial liabilities	-	(63,673)	-	(63,673)
Total liabilities	-	(63,673)	-	(63,673)

NOTE 22 - SUBSEQUENT EVENTS

None.

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