

**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 JUNE 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**

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FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT 30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,559,829	4,037,170
Financial investments		5,223	-
Trade receivables		1,334,022	1,552,153
- Trade receivables from related parties	19	172,245	151,715
- Trade receivables from third parties	7	1,161,777	1,400,438
Other receivables		8,237	12,759
- Other receivables from related parties	19	5,268	8,672
- Other receivables from third parties		2,969	4,087
Inventories	6	746,120	929,156
Prepaid expenses		3,426,956	2,895,185
- Prepaid expenses to related parties	19	3,287,887	2,854,889
- Prepaid expenses to third parties	11	139,069	40,296
Current income tax assets	14	-	3,997
Other current assets		78,130	116,227
TOTAL CURRENT ASSETS		10,158,517	9,546,647
NON-CURRENT ASSETS			
Other receivables		7,679	6,462
- Other receivables from related parties	19	7,679	6,462
Financial investments	5	8,910	8,910
Investment property		1,476	1,476
Property, plant and equipment	9	4,984,172	4,691,147
Right-of-use assets		186,644	173,979
Intangible assets		36,615	35,702
Prepaid expenses		76,716	59,226
- Prepaid expenses to related parties	19	22,301	23,416
- Prepaid expenses to third parties	11	54,415	35,810
Deferred tax assets	14	261,522	261,426
Other non-current assets		16,898	16,358
TOTAL NON-CURRENT ASSETS		5,580,632	5,254,686
TOTAL ASSETS		15,739,149	14,801,333

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

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**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT 30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		3,385,750	3,741,354
- Short-term borrowings from third parties		3,353,472	3,715,680
- Bank borrowings	8	1,723,909	2,180,590
- Lease liabilities	8	24,523	24,815
- Other financial liabilities	8	1,605,040	1,510,275
- Short-term borrowings from related parties		32,278	25,674
- Lease liabilities	19	32,278	25,674
Short-term portion of long-term borrowings		354,895	295,890
- Bank borrowings	8	270,910	223,245
- Bonds issued	8	83,985	72,645
Derivative financial instruments		14,938	942
Trade payables		636,091	957,019
- Trade payables to related parties	19	274,504	533,668
- Trade payables to third parties	7	361,587	423,351
Short-term liabilities for employee benefits		20,660	19,939
Other payables		8,214	13,239
- Other payables to related parties	19	87	87
- Other payables to third parties		8,127	13,152
Deferred revenue		133,367	42,723
- Deferred revenue from related parties	19	18,990	184
- Deferred revenue from third parties	10	114,377	42,539
Current tax liabilities	14	13,268	-
Short-term provisions		25,433	36,415
- Provision for employee benefits	12	22,798	33,780
- Other short-term provisions	21	2,635	2,635
Other current liabilities		14,016	21,032
TOTAL CURRENT LIABILITIES		4,606,632	5,128,553
NON-CURRENT LIABILITIES			
Long-term financial liabilities		5,812,430	4,487,000
- Long-term borrowings from third parties		5,674,791	4,383,439
- Bank borrowings	8	1,837,065	1,385,373
- Lease liabilities	8	33,121	36,425
- Bonds issued	8	3,412,495	2,961,641
- Other Financial Liabilities	8	392,110	-
- Long-term borrowings from related parties		137,639	103,561
- Lease liabilities	19	137,639	103,561
Derivative financial instruments		53,491	23,176
Deferred revenue		226,948	194,600
- Deferred revenue from related parties	19	219,457	194,600
- Deferred revenue from third parties		7,491	-
Long-term provisions		135,305	119,123
- Provision for employee termination benefits	12	135,305	119,123
TOTAL NON-CURRENT LIABILITIES		6,228,174	4,823,899
TOTAL LIABILITIES		10,834,806	9,952,452

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
AS AT 30 JUNE 2020 AND 31 DECEMBER 2019**

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
EQUITY			
Equity Attributable to Owners of the Parent Company		4,926,121	4,859,836
Share capital	13	2,112,000	2,112,000
Adjustment to share capital	13	238,988	238,988
Share premium		64,188	64,188
Other comprehensive income/(expense) not to be reclassified to profit or loss		(37,861)	(37,861)
- Actuarial loss arising from defined benefit plan		(37,861)	(37,861)
Other comprehensive income/(expense) to be reclassified to profit or loss		(142,888)	(75,057)
- Currency translation differences		(104,567)	(61,549)
- Cash flow hedges		(38,321)	(13,508)
Restricted reserves		330,000	330,000
Retained earnings		2,227,578	1,414,287
Net profit for the period/year		134,116	813,291
Non-controlling interest		(21,778)	(10,955)
TOTAL EQUITY		4,904,343	4,848,881
TOTAL LIABILITIES AND EQUITY		15,739,149	14,801,333

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019**

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

	Notes	Reviewed 1 January - 30 June 2020	1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	1 April - 30 June 2019
PROFIT OR LOSS					
Revenue	15	5,007,961	2,241,608	5,940,555	3,108,468
Cost of sales (-)	15	(4,410,534)	(1,849,215)	(5,061,902)	(2,563,369)
GROSS PROFIT		597,427	392,393	878,653	545,099
General administrative expenses (-)	16	(170,931)	(70,378)	(150,953)	(63,748)
Selling, marketing and distribution expenses (-)		(55,773)	(27,291)	(46,333)	(22,431)
Research and development expenses (-)		(14,443)	(7,497)	(11,662)	(5,862)
Other operating income	17	179,589	68,095	211,849	116,545
Other operating expense (-)	17	(90,252)	(42,545)	(178,231)	(135,938)
OPERATING PROFIT		445,617	312,777	703,323	433,665
Income from investing activities		24,799	14,884	15,985	7,935
Expense from investing activities (-)		(346)	-	(15)	(12)
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		470,070	327,661	719,293	441,588
Financial income	18	1,297,790	546,708	1,174,134	615,335
Financial expenses (-)	18	(1,564,370)	(681,571)	(1,385,272)	(739,264)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		203,490	192,798	508,155	317,659
Tax expense from continuing operations		(68,074)	(47,601)	(68,912)	(22,237)
- Current tax expense	14	(23,030)	(23,030)	(43,631)	(22,979)
- Deferred tax (expense)/income	14	(45,044)	(24,571)	(25,281)	742
PROFIT FOR THE PERIOD FROM CONTINUED OPERATIONS		135,416	145,197	439,243	295,422
PROFIT FOR THE PERIOD		135,416	145,197	439,243	295,422
DISTRIBUTION OF INCOME FOR THE PERIOD					
- Non-controlling interest		1,300	(2,048)	(34,204)	(23,998)
- Owners of the parent company		134,116	147,245	473,447	319,420
Earnings Per Share	20	0.0635	0.0697	0.2242	0.1512
- Earnings per Krl 1 number of 1 shares from continued operations		0.0635	0.0697	0.2242	0.1512

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019**

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

Notes	Reviewed 1 January - 30 June 2020	1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	1 April - 30 June 2019
OTHER COMPREHENSIVE INCOME				
Items to be Reclassified to Profit or Loss	(79,954)	(14,045)	(24,983)	(22,904)
Currency translation differences	(44,505)	(16,533)	(21,345)	(12,628)
(Losses)/gains from cash flow hedges	(44,311)	3,112	(4,548)	(12,845)
Taxes relating to (loss)/gain from cash flow hedges	8,862	(624)	910	2,569
Items not to be Reclassified to Profit or Loss	-	-	2,034	2,034
Defined benefit plans remeasurement gains/(losses)	-	-	2,543	2,543
Taxes relating to remeasurements of defined benefit plans	-	-	(509)	(509)
OTHER COMPREHENSIVE EXPENSE	(79,954)	(14,045)	(22,949)	(20,870)
TOTAL COMPREHENSIVE INCOME	55,462	131,152	416,294	274,552
Attributable to:				
Non-controlling interests	(10,823)	(4,138)	(39,774)	(29,746)
Owners of the parent company	66,285	135,290	456,068	304,298

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2020 AND 2019**

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

			Other comprehensive income/(expense) not to be reclassified to profit or loss		Other comprehensive income/ (expense) to be reclassified to profit or loss							
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	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 2019	1,650,000	238,988	(29,607)	(9,911)	(29,645)	64,188	310,644	871,672	1,023,971	4,090,300	44,636	4,134,936
Transfers	462,000	-	-	-	-	-	19,356	(871,672)	390,316	-	-	-
Total comprehensive income	-	-	2,034	2,225	(21,638)	-	-	473,447	-	456,068	(39,774)	416,294
- Other comprehensive income (loss)	-	-	2,034	2,225	(21,638)	-	-	-	-	(17,379)	(5,570)	(22,949)
- Net profit for the period	-	-	-	-	-	-	-	473,447	-	473,447	(34,204)	439,243
30 June 2019	2,112,000	238,988	(27,573)	(7,686)	(51,283)	64,188	330,000	473,447	1,414,287	4,546,368	4,862	4,551,230
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	-	-	-
Total comprehensive income	-	-	-	(24,813)	(43,018)	-	-	134,116	-	66,285	(10,823)	55,462
- Other comprehensive income (loss)	-	-	-	(24,813)	(43,018)	-	-	-	-	(67,831)	(12,123)	(79,954)
- Net profit for the period	-	-	-	-	-	-	-	134,116	-	134,116	1,300	135,416
30 June 2020	2,112,000	238,988	(37,861)	(38,321)	(104,567)	64,188	330,000	134,116	2,227,578	4,926,121	(21,778)	4,904,343

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE
INTERIM PERIODS 1 JANUARY - 30 JUNE 2020 AND 2019**

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January - 30 June 2019
A. Cash flows from operating activities:		993,887	628,483
Net profit for the year (I)		135,416	439,243
Adjustments related to reconciliation of (II) net profit for the year:		868,569	441,079
Adjustments for tax losses	14	68,074	68,912
Adjustments for depreciation and amortization		190,362	154,998
Adjustments for impairments/reversals			
- Adjustments for impairment of inventories	6	1,013	(16,732)
Adjustments for provisions			
- Adjustments for provision employment termination benefits		46,713	38,876
- Adjustments for provision/other provisions		(818)	(2,914)
Adjustments for interest income/(expense)			
- Adjustments for interest income	18	(56,707)	(64,744)
- Adjustments for interest expense	18	207,580	205,430
Adjustments for unrealized foreign currency translation differences		414,224	57,247
Adjustments for gain/(losses) on sale of tangible assets		(1,872)	6
Changes in working capital (III)		41,176	(174,590)
Adjustments related to increase/(decrease) in trade receivables		179,854	(423,714)
Adjustments related to increase/(decrease) in other receivables		4,522	(9,512)
Adjustments related to increase in inventory		165,779	38,390
Increase/(decrease) in prepaid expenses		(103,019)	(42,855)
Adjustments for (decrease)/increase in trade payables		(324,129)	287,511
Adjustments for (decrease)/increase in other payable		(5,025)	21,043
Change in derivative financial instruments		(2,382)	(518)
Increase in payables to employees		720	18,010
Adjustments for increase/(decrease) in deferred revenue		94,315	39,711
Adjustments for other increase/(decrease) in working capital		30,541	(102,656)
Cash flows from operating activities (I+II+III)		1,045,161	705,732
Employee termination benefits paid		(41,512)	(50,989)
Income taxes paid	14	(9,762)	(26,260)
B. Cash flows from investing activities		(239,629)	(425,323)
Cash outflows from purchases of tangible and intangible assets		(226,731)	(244,376)
Proceeds from sale of tangible and intangible assets		1,994	76
Other advances given and payables		(14,892)	3,977
Advances and loans to related parties		-	(445,000)
Proceeds from related party loans		-	260,000
C. Cash flows from financing activities		(206,753)	(782,458)
Proceeds from borrowings	8	1,223,759	1,440,341
Repayments of borrowings	8	(1,553,489)	(1,543,103)
Proceeds from other financial liabilities	8	929,762	1,176,651
Repayments of other financial liabilities	8	(651,199)	(1,496,678)
Cash outflows for lease payments		(23,516)	(22,248)
Interest received		55,786	74,257
Interest paid		(182,856)	(182,403)
Other cash outflows		(5,000)	(229,275)
D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		547,505	(579,298)
E. Effect of currency translation differences on cash and cash equivalents		(24,846)	(47,995)
Net increase/(decrease) in cash and cash equivalents (D+E)		522,659	(627,293)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	4,037,170	3,009,408
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	4,559,829	2,382,115

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD BETWEEN 1 JANUARY AND 30 JUNE 2020**

(Amounts expressed in thousands Turkish Lira ('TL') 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.

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')

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE PERIOD BETWEEN 1 JANUARY AND 30 JUNE 2020**

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

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

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

As of 30 June 2020 and 31 December 2019 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 17 August 2020 and signed by Mr. Anar Mammadov, General Manager and Elchin Ibadov, Vice President of Finance, 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 June 2020, 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 2,499 as of 30 June 2020 (31 December 2019: 2,494). The details of the employees as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Union (*)	1,862	1,869
Non-union (**)	624	627
	2,486	2,496

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

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

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

2.1 Basis of Presentation of Financial Statements

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

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

The Group prepared its condensed interim consolidated financial statements for the period ended 30 June 2020 in accordance with ('TAS') 34 'Interim Financial Reporting' in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

The Group's condensed interim consolidated financial statements do not include all disclosure and notes that should be included at year end financial statements. Therefore the condensed interim financial statements should be read in conjunction with the Group's annual consolidated financial statements dated 31 December 2019 and group's public announcements during the financial year.

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

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

According to CMB Communiqué No:14 and announcements made by the CMB, it is obligatory for the foreign exchange position table of the companies preparing the summary financial statements in interim periods to present the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements. (Note 22).

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

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

2.2 Summary of Significant Accounting Policies

Significant accounting policies applied in the preparation of the financial statements in the interim condensed consolidated statements are consistent with the explanations in the financial statements for the period 1 January - 31 December 2019 except for the following:

Income tax expense is recognised in each 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.

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

2.3 Basis of Consolidation (Continued)

a) Subsidiaries (Continued)

The table below sets out the associates and the proportion of ownership interest as of 30 June 2020 and 31 December 2019.

<u>Subsidiaries</u>	Direct or Indirect Control Shares of Company (%)	
	30 June 2020	31 December 2019
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company of the Group are measured in the currency in which the entity is located and in which the operations are maintained ('functional currency'). As a result of the Group management's assessment, the functional currency of Petlim, a subsidiary of the Group, has been designated as US Dollars beginning from 1 January 2017. In the interim condensed consolidated financial statements, the financial statements have been prepared and presented in Turkish lira ('TL') which is the parent company's functional and presentation currency of the Group.

ii) Transactions and balances

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

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

As of 30 June 2020, 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.

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

2.3 Basis of Consolidation (Continued)

b) Foreign currency translation (Continued)

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

The end of the period:

	30 June 2020	31 December 2019
Turkish Lira/US Dollars	6.8422	5.9402

Average:

	30 June 2020	30 June 2019
Turkish Lira/US Dollars	6.4731	5.6197

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2020:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies', changes in accounting estimates and errors', and consequential amendments to other TFRSs:
 - i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting,
 - ii) Clarify the explanation of the definition of material and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - 'definition of a business';** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to TFRS 9, TAS 39 and TFRS 7 - Benchmark interest rate reform;** It is valid for annual reporting periods starting on January 1, 2020 or after this date. These changes provide certain facilitating practices regarding benchmark interest rate reform. These practices relate to hedge accounting, and the effect of the IBOR reform should generally not lead to the end of hedge accounting. However, any hedging ineffectiveness should continue to be recorded in the income statement. Considering the prevalence of hedge accounting in IBOR-based contracts, these facilitating practices will affect all companies in the industry.

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**NOTE 2 - BASIS OF PRESENTATION OF INTERIM CONDENSED CONSOLIDATED
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2.4 Amendments in Turkish Financial Reporting Standards (Continued)

- **TFRS 16, 'Leases' - Covid-19 related rent concessions;** effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to 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.

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

- b) **New standards, amendments and interpretations issued and effective as of 30 June 2020 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**
- c) **Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:**
 - **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
 - **Amendments to 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 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - o **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

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

2.4 Amendments in Turkish Financial Reporting Standards (Continued)

**c) Standards, amendments and interpretations that are issued but not effective as at
30 June 2020 (Continued):**

- **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.
- **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'.

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 Restatement of Previous Year Financial Statements

The Group prepared its interim condensed consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 30 June 2020 on a comparative basis with balance sheet at 31 December 2019; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 30 June 2020 on a comparative basis with financial statements for the period of 1 January - 30 June 2019. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

2.6 Critical Accounting Estimates and Judgments

Preparation of consolidated 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 21.

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

2.6 Critical Accounting Estimates and Judgments

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. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petkim in via operator agreement dated 22 February 2013. 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 June 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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (Note 14).

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 12.

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

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase consideration of USD 720 million. Rafineri Holding has 60% shares in SOCAR Turkey Yatırım A.Ş., which holds all of the shares of STAR Rafineri A.Ş. ("STAR"). The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalization of share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 30 June 2020 and have been subjected to exchange rate valuation.

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

2.7 Important Developments Regarding the Current Period

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

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 June 2020, 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 June 2020, and no impairment has been identified.

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

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NOTE 3 - SEGMENT REPORTING (Continued)

a) Revenue

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Petrochemical	4,946,973	2,208,957	5,888,902	3,081,774
Port	60,988	32,651	51,653	26,694
Total before eliminations and adjustments	5,007,961	2,241,608	5,940,555	3,108,468
Consolidation eliminations and adjustments	-	-	-	-
	5,007,961	2,241,608	5,940,555	3,108,468

b) Operating profit

Petrochemical	411,819	297,926	736,373	473,566
Port	29,001	12,260	7,422	3,090
Total before eliminations and adjustments	440,820	310,186	743,795	476,656
Consolidation eliminations and adjustments	4,797	2,591	(40,472)	(42,991)
Operating profit	445,617	312,777	703,323	433,665
Financial (expenses)/income, net	(266,580)	(134,863)	(211,138)	(123,929)
Income from investing activities, net	24,453	14,884	15,970	7,923
Profit before tax from continued operations	203,490	192,798	508,155	317,659
Tax expense	(68,074)	(47,601)	(68,912)	(22,237)
Profit for the period	135,416	145,197	439,243	295,422

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NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	30 June 2020	31 December 2019
Petrochemical	14,561,197	13,791,030
Port	2,549,875	2,266,664
Total before eliminations and adjustments	17,111,072	16,057,694
Consolidation eliminations and adjustments	(1,371,923)	(1,256,361)
	15,739,149	14,801,333

d) Total liabilities

Petrochemical	9,173,047	8,529,570
Port	2,631,849	2,312,556
Total before eliminations and adjustments	11,804,896	10,842,126
Consolidation eliminations and adjustments	(970,090)	(889,674)
	10,834,806	9,952,452

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Banks	4,559,829	4,037,170
- Demand deposits	2,008	6,049
- Turkish Lira	704	597
- Foreign currency	1,304	5,452
- Time deposits	4,557,821	4,031,121
- Turkish Lira	440,632	593,909
- Foreign currency	4,117,189	3,437,212
	4,559,829	4,037,170

As of 30 June 2020, foreign currency time deposits consist of monthly deposits. The weighted average effective interest rates of USD and EUR monthly deposits are 1.41% and 0.55% per annum, respectively. (31 December 2019: USD - 2.24%, EUR - 1.25%).

As of 30 June 2020, the TRY dominated time deposits consist of monthly deposits and the weighted average effective interest rates are 8.22% (31 December 2019: overnight 9.75%, monthly 11.62%).

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NOTE 5 - FINANCIAL INVESTMENTS

Long-term financial investments

	30 June 2020		31 December 2019	
	Shareholding		Shareholding	
	Amount	rate (%)	Amount	rate (%)
SOCAR Power Enerji Yatırımları A.Ş.	8,910	9.90	8,910	9.90
	8,910		8,910	

8,910,000 shares having a nominal price of TL0.001 per share corresponding to 9.9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TL8,910) 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 June 2020, and 31 December 2019, the cost of financial assets approximates to its fair value.

NOTE 6 - INVENTORIES

	30 June 2020	31 December 2019
Raw materials	196,040	201,929
Work-in-progress	192,420	275,846
Finished goods	144,112	236,747
Trade goods	83,776	62,775
Goods in transit	73,138	108,851
Other inventories	70,535	55,896
Less: Provision for impairment on inventories	(13,901)	(12,888)
	746,120	929,156

Movements of provision for impairment on inventory for the periods ended 30 June 2020 and 2019 were as follows:

	2020	2019
1 January	(12,888)	(33,315)
Realised due to sale of inventory	12,888	33,315
Charged within the period	(13,901)	(16,583)
30 June	(13,901)	(16,583)

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties

	30 June 2020	31 December 2019
Trade receivables	1,185,457	1,424,935
Provision for doubtful trade receivables (-)	(23,680)	(24,497)
	1,161,777	1,400,438

The balances of trade receivables as of 30 June 2020 and 31 December 2019 are as follows:

Overdue receivables	12,845	18,447
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The trade receivables that are not overdue are as stated below:

0 to 30 days due	499,002	705,108
31 to 60 days due	283,161	260,574
61 to 90 days due	190,788	246,637
91 days and over due	175,981	169,672
	1,161,777	1,400,438

b) Short-term trade payables to third parties:

Trade payables	361,587	423,351
	361,587	423,351

NOTE 8 - BORROWINGS AND BORROWING COSTS

	30 June 2020	31 December 2019
Short-term borrowings	1,723,909	2,180,590
Short-term portions of long-term borrowings	270,910	223,245
Bonds issued (**)	83,985	72,645
Lease liabilities	24,523	24,815
Other financial liabilities (*)	1,605,040	1,510,275
Short-term financial liabilities	3,708,367	4,011,570
Long-term borrowings	1,837,065	1,385,373
Bond issued (**)	3,412,495	2,961,641
Lease liabilities	33,121	36,425
Other financial liabilities (*)	392,110	-
Long-term borrowings	5,674,791	4,383,439
Total financial liabilities	9,383,158	8,395,009

(*) Other financial liabilities consist of letters of credits and murabaha loan arising from naphtha purchases. The average remaining maturity of other financial liabilities is 200 days as (31 December 2019: Average remaining maturity is 147 days).

(**) Petkim issued bonds listed on Ireland stock exchange and release of these bonds were realized on 26 January 2018. Total amount of these issued bonds USD500 million, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5.875%.

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NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Short-term borrowings:						
TRY borrowings	No interest	13.75 – No interest	13,444	33,433	13,444	33,433
USD borrowings	Libor 0.50 + 0.65	Libor + 0.50 + 2.25	227,456	361,462	1,556,301	2,147,157
EUR borrowings	Libor 0.50	-	20,000	-	154,164	-
Short-term portions of long-term borrowings and bond issued:						
TRY borrowings	11.26 – 13.00	11.26 - 13.00	74,014	71,170	74,014	71,170
USD borrowings	Libor + 4.67-4.26	Libor + 4.67 - 4.26	15,650	13,017	107,080	77,322
Euro borrowings	Euribor+0.72 + 3.00-1.64	Euribor + 0.72 + 3.00 - 1.64	11,652	11,240	89,816	74,753
Bond issued	5.88	5.88	12,275	12,229	83,985	72,645
Total short-term borrowings and bond issued					2,078,804	2,476,480
Long-term borrowings and bond issued:						
USD borrowings	Libor + 0.75+4.67 - 4.26	Libor + 4.67 - 4.26	244,529	202,830	1,673,119	1,204,849
Euro borrowings	Euribor 0.72+3.00 – 1.64	Euribor + 0.72+3.00-1.64	21,269	27,144	163,946	180,524
Bond issued	5.88	5.88	498,742	498,576	3,412,495	2,961,641
Total long-term borrowings and bond issued					5,249,560	4,347,014
Total borrowings					7,328,364	6,823,494

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NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings and bonds issued as of 30 June 2020 and 31 December 2019 is as follows:

	30 June 2020
1 July 2021-30 June 2022	554,053
1 July 2022-30 June 2023	3,636,758
1 July 2023-30 June 2024	186,824
1 July 2024-30 June 2025	275,604
1 July 2025-30 June 2026	275,604
1 July 2026 and over	320,717
	5,249,560
	31 December 2019
2021	171,302
2022	194,664
2023	3,135,916
2024	195,195
2025	245,568
2026 and over	404,369
	4,347,014

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions. As of 30 June 2020, the fair value of bonds issued is TRY 3,496,480, which are in fixed interest rate financial liabilities and whose carrying value is TRY 3,521,595.

As of 30 June 2020, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 21. The Group is subject to some key performance indicators to for the bonds issued and the Group has met those indicators as of 30 June 2020.

Movements of financial liabilities are as of 30 June 2020 and 2019 as follows:

	2020	2019
1 January	4,296,599	4,315,873
Proceeds from financial liabilities	2,153,521	2,616,992
Repayments of financial liabilities	(2,204,688)	(3,039,781)
Changes in foreign exchange	1,025,678	398,520
Changes in interest accrual	17,234	(12,521)
Change in cash and cash equivalents	(522,659)	627,293
30 June	4,765,685	4,906,376

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	30 June 2020
<u>Cost:</u>						
Land	123,896	-	-	-	-	123,896
Land improvements	225,088	-	22,793	-	465	248,346
Buildings	189,637	-	2,966	-	146	192,749
Machinery and equipment	7,660,869	-	187,856	(1,885)	-	7,846,840
Motor vehicles	11,628	-	698	(591)	-	11,735
Furniture and fixtures	144,586	-	6,840	(1,453)	100	150,073
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1,818,385	-	-	-	257,579	2,075,964
Construction in progress (*)	838,492	248,919	(227,045)	-	110	860,476
	11,014,248	248,919	(5,892)	(3,929)	258,400	11,511,746
<u>Accumulated depreciation:</u>						
Land improvements	(106,454)	(5,957)	-	-	(172)	(112,583)
Buildings	(115,453)	(2,318)	-	-	(87)	(117,858)
Machinery and equipment	(5,865,400)	(136,150)	-	151	-	(6,001,399)
Motor vehicles	(10,618)	(385)	-	586	-	(10,417)
Furniture and fixtures	(77,103)	(6,999)	-	1,199	(88)	(82,991)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(146,406)	(31,651)	-	-	(22,602)	(200,659)
	(6,323,101)	(183,460)	-	1,936	(22,949)	(6,527,574)
Net book value	4,691,147					4,984,172

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

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NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Additions	Transfers	Disposals	Foreign currency translation differences	30 June 2019
<u>Cost:</u>						
Land	16,216	-	-	(2)	-	16,214
Land improvements	206,498	-	-	-	255	206,753
Buildings	187,797	-	-	-	80	187,877
Machinery and equipment	7,408,282	-	14,604	-	-	7,422,886
Motor vehicles	11,628	-	-	-	-	11,628
Furniture and fixtures	124,523	-	4,722	(115)	59	129,189
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	1,624,656	-	-	-	141,150	1,765,806
Construction in progress (*)	555,530	236,808	(31,135)	-	311	761,514
	10,136,797	236,808	(11,809)	(117)	141,855	10,503,534
<u>Accumulated depreciation:</u>						
Land improvements	(97,567)	(4,274)	-	-	(64)	(101,905)
Buildings	(110,919)	(2,231)	-	-	(39)	(113,189)
Machinery and equipment	(5,687,677)	(110,610)	-	-	-	(5,798,287)
Motor vehicles	(9,758)	(441)	-	-	-	(10,199)
Furniture and fixtures	(65,887)	(5,820)	-	41	(47)	(71,713)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(77,927)	(28,233)	-	-	(7,485)	(113,645)
	(6,051,402)	(151,609)	-	41	(7,635)	(6,210,605)
Net book value	4,085,395					4,292,929

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

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NOTE 10 - DEFERRED REVENUE

Short-term deferred revenue

	30 June 2020	31 December 2019
Advances received	109,489	42,028
Deferred revenue	4,888	511
	114,377	42,539

Advances received from customers for the sales in the subsequent periods are all short term and mature within less than one year. (31 Aralık 2019: less than one year). The fair values of advances received are assumed to approximate their carrying values.

NOTE 11 - PREPAID EXPENSES

a) Short-term prepaid expenses

	30 June 2020	31 December 2019
Advances given for inventory orders	112,513	28,531
Prepaid rent, insurance and other expenses	26,556	8,439
Advances given for customs procedures	-	3,326
	139,069	40,296

b) Long-term prepaid expenses

Advances given for property, plant and equipment	52,590	33,941
Prepaid rent, insurance and other expenses	1,825	1,869
	54,415	35,810

NOTE 12 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	30 June 2020	31 December 2019
Provision for bonus premium	13,882	24,500
Provision for seniority incentive bonus	8,916	9,280
	22,798	33,780

b) Long-term employee benefits:

Provision for employment termination benefits	96,113	94,821
Provision for unused vacation rights	32,583	19,196
Provision for seniority incentive bonus	6,609	5,106
	135,305	119,123

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NOTE 12 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation:

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

	2020	2019
1 January	19,196	16,702
Changes in the period, net	13,387	8,133
30 June	32,583	24,835

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of full TRY7,117.17 for each year of service as of 1 July 2020 (31 December 2019: full TRY6,730.15).

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 June 2020	31 December 2019
Net discount rate (%)	3.50	3.50
Probability of retirement (%)	100.00	100.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY7,117.17 which is effective from 1 July 2020, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2020 - full TL6,730.15).

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NOTE 12 - 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 Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 35 and 40 years seniority for the seniority levels in which they are entitled as of the aforementioned date and 30 days of gross salary for the following seniority levels that they are going to be entitled is paid with the gross salary of the month when they are reached to the seniority level. In case of termination of employment for any reason that does not prevent gaining severance pay, 20% of seniority incentive which the employee will gain, for each year last first seniority incentive level. In this calculation the periods which are shorter than six months are not considered. Periods which are more than six months are considered as one year.

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

NOTE 13 - EQUITY

The shareholders of the Company and their shareholdings as of 30 June 2020 and 31 December 2019 were as follows:

Group:	Shareholder:	30 June 2020		31 December 2019	
		Amount	Share (%)	Amount	Share (%)
A	Socar Turkey Petrokimya A.Ş.	1,077,120	51.00	1,077,120	51.00
A	Publicly traded and other	1,034,880	49.00	1,034,880	49.00
C	Privatization administration	-	0.01	-	0.01
Total paid share capital		2,112,000	100	2,112,000	100
Adjustment to share capital		238,988		238,988	
Total share capital		2,350,988		2,350,988	

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

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NOTE 14 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

	30 June 2020	31 December 2019
Calculated corporate tax	23,030	50,677
Less: Prepaid taxes	(9,762)	(54,674)
Corporate tax liability/(asset)	13,268	(3,997)

Tax expenses included in the income statement for the condensed consolidated period end 30 June 2020 and 2019 are summarized below:

	1 January - 30 June 2020	1 April- 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Deferred tax (loss)/income	(45,044)	(24,571)	(25,281)	742
Current period tax expense	(23,030)	(23,030)	(43,631)	(22,979)
Total tax expense	(68,074)	(47,601)	(68,912)	(22,237)

b) Deferred taxes

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, 'Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun', corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%.

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NOTE 14 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)
(Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 30 June 2020 and 31 December 2019 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(340,723)	(185,629)	(68,145)	(37,126)
Deferred income tax liabilities	(340,723)	(185,629)	(68,145)	(37,126)
Unused investment incentives	856,322	860,956	226,952	228,251
Carry forward tax losses	205,644	121,212	41,129	24,242
Provision for employee benefits	158,104	152,898	31,621	30,580
Fair value difference of derivative financial instruments	68,429	24,118	13,686	4,824
Inventory provision	13,901	12,888	2,780	2,578
Deferred revenue related to the port	9,624	14,504	1,925	2,901
Rent allowance fee	4,058	4,141	812	828
Provision for legal cases	2,635	2,635	527	527
Other	51,177	19,105	10,235	3,821
Deferred income tax assets	1,369,894	1,212,457	329,667	298,552
Deferred tax assets/(liabilities), net			261,522	261,426

The movement of deferred income tax is as follows:

	2020	2019
1 January	261,426	270,900
Charged to consolidated statement of profit or loss	(45,044)	(25,281)
Charged to consolidated statement of comprehensive income	8,862	401
Foreign currency translation differences	36,278	22,008
30 June	261,522	268,028

As of 30 June 2020, the Group has TRY856,322 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2019: TRY860,956).

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NOTE 15 - REVENUE AND COST OF SALES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Domestic sales	3,300,625	1,557,360	3,351,609	1,767,487
Foreign sales	1,989,270	809,553	2,647,373	1,381,142
Other sales	42,285	29,582	54,047	24,627
Discounts (-)	(324,219)	(154,887)	(112,474)	(64,788)
Net revenue	5,007,961	2,241,608	5,940,555	3,108,468
Raw materials	(2,185,608)	(729,963)	(3,180,448)	(1,691,723)
Cost of trade goods sold	(1,148,733)	(530,912)	(1,180,199)	(601,329)
Energy	(410,058)	(199,569)	(349,910)	(187,845)
Personnel expense	(237,812)	(126,240)	(177,886)	(94,091)
Depreciation	(162,295)	(95,715)	(128,818)	(69,380)
Changes in finished goods and work in progress	(176,060)	(130,038)	(5,273)	113,345
Other	(89,968)	(36,778)	(39,368)	(32,346)
Cost of Sales (-)	(4,410,534)	(1,849,215)	(5,061,902)	(2,563,369)

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Personnel expense	96,808	41,699	74,346	26,335
Depreciation and amortization	23,792	7,357	22,014	11,836
Outsourced services	22,979	12,279	20,921	7,846
Energy expenses	10,830	3,574	10,303	3,284
Taxes, funds and fees	3,833	1,595	6,383	4,041
Other	12,689	3,874	16,986	10,406
	170,931	70,378	150,953	63,748

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NOTE 17 - OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gain	162,919	63,614	161,357	97,650
Term sales income	3,048	1,148	29,874	4,943
Rent income	5,796	3,060	8,775	5,449
Other	7,826	273	11,843	8,503
	179,589	68,095	211,849	116,545

b) Other operating expenses:

Foreign exchange losses	(66,587)	(32,827)	(80,086)	(56,504)
Consultancy expenses	(6,353)	-	(23,764)	(21,633)
Provision for doubtful receivables	(2,073)	(1,661)	(727)	(594)
Term purchase expense	(1,650)	(698)	(15,940)	(8,155)
Other	(13,589)	(7,359)	(57,712)	(49,052)
	(90,252)	(42,545)	(178,231)	(135,938)

NOTE 18 - FINANCIAL INCOME/EXPENSES

a) Financial income

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Foreign exchange gain	1,238,553	519,041	1,107,882	582,742
Interest income	56,707	25,798	64,744	32,079
Other	2,530	1,869	1,508	514
	1,297,790	546,708	1,174,134	615,335

b) Financial expenses

Foreign exchange losses	(1,333,970)	(564,927)	(1,160,309)	(623,062)
Interest expense	(207,580)	(102,298)	(205,430)	(107,363)
Commission expense	(16,934)	(11,403)	(11,825)	(4,985)
Interest expense on employee benefits	(5,886)	(2,943)	(7,708)	(3,854)
	(1,564,370)	(681,571)	(1,385,272)	(739,264)

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 30 June 2020 and 31 December 2019 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Trade receivables from related parties:

	30 June 2020	31 December 2019
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	170,949	151,695
Other ⁽²⁾	1,296	20
	172,245	151,715

(*) The last installment of total rental fee prepayments regarding the agreement between the Group and SOCAR Aliğa Liman İşletmeciliği A.Ş. and the process of the transferring all land and operation rights has not yet completed. The Group will bill 20 million USD after all legal requirements will be fulfilled.

b) Short-term other receivables from related parties:

SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	4,156	-
STAR ⁽²⁾	710	541
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	136	7,009
Other ⁽²⁾	266	1,122
	5,268	8,672

c) Long-term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	7,679	6,462
	7,679	6,462

⁽¹⁾ Shareholders of the Company

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

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

d) Short-term trade payables to related parties:

	30 June 2020	31 December 2019
STAR ⁽²⁾	129,465	273,692
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	72,485	-
STEAS ⁽¹⁾	66,501	115,374
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	5,294	15,235
SOCAR Turkey Petrol Ener. Dağ. A.Ş. ⁽²⁾	515	45,051
SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	-	71,285
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	-	11,810
Other ⁽²⁾	244	1,221
	274,504	533,668

Short-term payables to the related parties mainly consist of consultancy and product purchases. Average maturity of short-term payables to the related parties is 10 days. (31 December 2019 - 11 days)

e) Other payables to related parties:

	30 June 2020	31 December 2019
Due to shareholders ⁽¹⁾	87	87
	87	87

f) Short-term deferred revenue from related parties

	30 June 2020	31 December 2019
STAR ⁽²⁾	17,196	184
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	1,305	-
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	397	-
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	92	-
	18,990	184

g) Long-term deferred revenue from related parties

	30 June 2020	31 December 2019
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	215,178	190,228
STAR ⁽²⁾	4,279	4,372
	219,457	194,600

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

h) Short-term prepaid expense to related parties

	30 June 2020	31 December 2019
STEAS ^{(1) (*)}	3,285,720	2,852,279
STAR ⁽²⁾	1,813	1,813
SOCAR Logistics DMCC ⁽²⁾	204	604
Other ⁽²⁾	150	193
	3,287,887	2,854,889

(*) As a result of negotiations between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAS), a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAS with a purchase price of USD720 million. Rafineri Holding A.Ş. owns 60% shares of SOCAR Turkey Yatırım A.Ş. The shares of Rafineri Holding which are subject to the contract may be purchased by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. Closing date defined as 31 March 2019 as per agreement is modified as no later than 30 June 2021 by modification memorandum signed at 15 May 2020. As the agreement, Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transfer is subject to Group's operational performance and cash flows, advances paid are reclassified as prepaid expenses to related parties in the balance sheet as of 30 June 2020 and have been subject to Exchange rate valuation.

i) Long-term prepaid expense to related parties

	30 June 2020	31 December 2019
STAR ⁽²⁾	21,030	21,935
STEAS ⁽¹⁾	1,271	1,481
	22,301	23,416

j) Short-term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	26,456	22,793
STEAS ⁽¹⁾	3,219	2,881
STAR ⁽²⁾	2,603	-
	32,278	25,674

k) Long-term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	133,719	92,293
STEAS ⁽¹⁾	3,920	11,268
	137,639	103,561

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

ii) Transactions with related parties

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

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
STEAS ⁽¹⁾	430,913	154,079	238,543	63,194
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. ⁽²⁾	2,588	(22)	-	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	2,505	1,918	-	-
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	1,038	183	13,678	5,005
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	1,302	958	-	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	1,218	1,089	321	(215)
SOCAR TRADING SA ⁽²⁾			20	19
SCR Müşavirlik ve İnşaat A.Ş. ⁽²⁾	(32,910)	(9,476)	(14,141)	(4,915)
SOCAR Turkey Petrol Ener. Dağ. A.Ş. ⁽²⁾	(2,197)	(837)	(6,606)	(1,114)
STAR ⁽²⁾	(13,908)	(7,449)	(5,626)	(2,914)
SOCAR Azerikimya Production Union ⁽²⁾	-	-	(1)	(21)
	390,549	140,443	226,188	59,039

TL 13,008 of the expenses arising from STAR consists of exchange difference expenses and TL 900 is from other expenses, TL 432,960 of the income obtained from STEAS is foreign exchange income and TL 2,047 consists of other expenses. Income obtained from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

b) Service and rent purchases from related parties:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
STEAS ⁽¹⁾	18,358	15,405	9,015	4,241
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. ⁽²⁾	13,366	7,300	-	-
SCR Gayrimenkul İnşaat ve Müşavirlik A.Ş. ⁽²⁾	6,191	2,432	10,025	5,804
STAR ⁽²⁾	4,145	1,671	8,700	4,408
SOCAR Turkey Petrol Ener. Dağ. A.Ş. ⁽²⁾	879	-	17	-
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	26	-	-	-
	42,965	26,808	27,757	14,453

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

c) Product purchase from related parties:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
STAR ⁽²⁾	1,029,128	398,346	727,605	513,015
SOCAR Enerji Ticaret A.Ş. ⁽²⁾	383,703	181,331	-	-
SOCAR Logistics DMCC ⁽²⁾	59,623	21,814	-	-
Azoil Petrolcülük A.Ş. ⁽²⁾	834	256	-	-
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. ⁽²⁾	-	-	364,544	174,648
SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	-	-	308,671	154,920
Petrokim ⁽²⁾	-	-	1,269	650
	1,473,288	601,747	1,402,089	843,233

Purchases made from STAR consist of 571,088 tone of naphta purchasing, amounting to TRY 1,015,132 and 5,553 tone of other products purchasing amounting to TRY13,996. Purchases made from related parties consist of natural gas, commercial products and fuel purchases.

d) Product and service sales to related parties:

STAR ⁽²⁾	97,677	56,944	33,433	18,457
SOCAR Aliğa Liman İşletmeciliği A.Ş. ⁽²⁾	62,937	33,546	1,875	877
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	1,989	606	1,769	1,180
SOCAR Azerikimya Production Union ⁽²⁾	1,053	664	2,354	1,847
Other ⁽²⁾	133	65	266	157
	163,789	91,825	39,697	22,518

e) Rent income from related parties:

STAR ⁽²⁾	17,023	8,511	19,570	10,822
SOCAR Turkey Akaryakıt Depolama A.Ş. ⁽²⁾	653	245	1,071	662
Other ⁽²⁾	630	468	-	-
	18,306	9,224	20,641	11,484

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

f) Key management emoluments:

i. Key management emoluments - short-term:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Payments for salary and seniority incentives	18,264	7,312	15,362	5,466
	18,264	7,312	15,362	5,466

ii. Key management emoluments - long-term:

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Provision for unused vacation	395	(110)	881	165
Provision for employment termination benefits	25	17	25	16
Provision for seniority incentives	361	209	178	29
	781	336	1,014	210
	19,045	7,648	16,376	5,676

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

(1) Shareholders of the Company

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

NOTE 20 - EARNINGS PER SHARE

	1 January - 30 June 2020	1 April - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2019
Net profit for the period of the equity holders of the parent	134,116	147,245	473,447	319,420
Weighted average number of shares with nominal value of Krl each (thousand)	211,200	211,200	211,200	211,200
Earnings per share (Kr)	0.0635	0.0697	0.2242	0.1512

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NOTE 21 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	30 June 2020	31 December 2019
Provision for legal cases	2,635	2,635
	2,635	2,635

b) Guarantees received:

Bank guarantees within the context of DOCS (*)	996,257	1,059,061
Letters of guarantee received from customers	673,237	596,343
Insurance for receivables	634,980	617,505
Letters of guarantee received from suppliers	290,668	251,510
Letters of credit	112,582	131,342
Mortgages	2,000	2,000
	2,709,724	2,657,761

(*) Direct Order and Collection System

c) Guarantees given:

Guarantees given to banks	2,583,198	2,511,496
Mortgages given to banks (**)	1,291,131	1,127,219
Custom offices	101,748	99,400
Other	27,218	26,869
	4,003,295	3,764,984

(**) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD212 million which Petlim has remaining loan balance amounting to TRY1,291 thousand as of 30 June 2020. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. 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 at a price of TRY5,650. Guarantees given has been considered as total risk amount.

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

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

	30 June 2020	31 December 2019
A. Total amount of CPMs given for the Company's own legal personality	2,712,164	2,637,765
B. Total amount of CPMs given on behalf of fully consolidated companies	1,291,131	1,127,219
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	4,003,295	3,764,984

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 TL66 thousand and penalty of TL99 thousand. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. The case was filed on January 22, 2020 regarding the issue.

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

Furthermore, the Turkish Ministry of Finance started a new tax inspection for 2013, 2015 and 2016 regarding our use of Pygas, following the tax loss and late payment interest notification about SCT for 2014. As a result of this inspection, an SCT loss and late payment penalty of 0.75% of the total amount was calculated by the Turkish Ministry of Finance for the relevant years, considering that the Group is entitled to receive a tax refund of 99.25%. This result is different from the result of the inspection conducted in 2014, and the tax principal and tax losses for 2013, 2015 and 2016 were accrued and the Group was informed that the sum of such losses were TL937 and TL1,405, respectively. In accordance with 7143 numbered Law regarding restruction, a fine amounting TL479 was levied to the Group. Group has paid TL 479 and these inspections has been closed.

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

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

The Group management and the Group legal consultants estimate that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded with a settlement and/or litigation in a way that does not constitute any material financial risk. Thus, no provision has been recognised in the consolidated financial statements as of 31 December 2019.

As a result of this judicial process, the Group expects that Pygas will not have the GTIP number with the excise duty claimed by the Customs administration, and that the Group will have the GTIP number without the excise duty claimed.

e) Operational leases

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
0 - 5 years	789,864	708,633
5 - 10 years	823,370	736,636
10 years and more	2,958,681	2,835,333
Total	4,571,915	4,280,602

NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

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

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

Foreign currency position

	30 June 2020				31 December 2019			
	TRY Equivalent	USD Dollar	Euro	Other	TRY Equivalent	USD Dollar	Euro	Other
1. Trade receivables	880,013	107,333	18,891	-	1,132,694	153,573	33,146	-
2a. Monetary financial assets (Cash, bank accounts included)	7,392,836	1,045,908	30,641	334	6,300,018	1,034,880	22,934	102
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	8,272,849	1,153,241	49,532	334	7,432,712	1,188,453	56,080	102
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	-	-	-	-	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	-	-	-	-	-	-	-	-
8. Total assets (3+7)	8,272,849	1,153,241	49,532	334	7,432,712	1,188,453	56,080	102
9. Trade payables	523,609	42,222	6,140	187,343	743,571	87,119	14,913	149,016
10. Financial liabilities	3,554,863	483,891	31,652	-	3,865,262	638,111	11,240	-
11a. Monetary other liabilities	794,835	4,337	15	765,040	765,040	-	-	765,040
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	4,873,307	530,450	37,807	952,383	5,373,873	725,230	26,153	914,056
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	4,397,190	618,697	21,269	-	3,242,809	515,519	27,144	-
15a. Monetary other liabilities	137,639	20,123	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	4,534,829	638,820	21,269	-	3,242,809	515,519	27,144	-
17. Total liabilities (12+16)	9,408,136	1,169,270	59,076	952,383	8,616,682	1,240,749	53,297	914,056
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	-	-	-	-	-	-	-	-
18a. Amount of asset nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
18b. Amount of liability nature-off balance sheet derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability)/asset position (8-17+18)	(1,135,290)	(16,029)	(9,544)	(952,049)	(1,183,970)	(52,296)	2,783	(913,954)
20. Net foreign currency (liability)/asset position of monetary items (IFRS 7.B23)	-	-	-	-	-	-	-	-
(=1+2a+4+5a-9-10-11a-13-14-15a)	(1,135,290)	(16,029)	(9,544)	(952,049)	(1,183,970)	(52,296)	2,783	(913,954)
21. Total fair value of financial instruments used for foreign currency hedging	-	-	-	-	-	-	-	-
22. Hedged amount for current assets	-	-	-	-	-	-	-	-
23. Hedged amount for current liabilities	-	-	-	-	-	-	-	-
24. Export	1,728,884	172,444	85,113	44,003	4,666,598	532,289	258,664	14,287
25. Import	2,530,106	355,057	34,787	30,577	5,714,698	941,396	61,936	39,954

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

Table of sensitivity analysis for foreign currency risk

30 June 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	(10,967)	10,967	(10,967)	10,967
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	(10,967)	10,967	(10,967)	10,967
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(7,357)	7,357	(7,357)	7,357
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	(7,357)	7,357	(7,357)	7,357
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies - net	95,116	(95,116)	95,116	(95,116)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	95,116	(95,116)	95,116	(95,116)
Total (3+6+9)	76,792	(76,792)	76,792	(76,792)

31 December 2019

	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	(31,065)	31,065	(31,065)	31,065
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	(31,065)	31,065	(31,065)	31,065
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	1,851	(1,851)	1,851	(1,851)
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	1,851	(1,851)	1,851	(1,851)
Change of other currencies by 10% against TRY:				
7- Assets/Liabilities denominated in other foreign currencies - net	88,807	(88,807)	88,807	(88,807)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	88,807	(88,807)	88,807	(88,807)
Total (3+6+9)	59,593	(59,593)	59,593	(59,593)