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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2023

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

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2023

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

	Notes	Unaudited 31 March 2023	Audited 31 December 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	5,166,902	13,251,675
Financial investments	5	835,177	1,176,533
Trade receivables		4,181,874	4,734,939
- Trade receivables from related parties	20	887,012	1,189,048
- Trade receivables from third parties	6	3,294,862	3,545,891
Other receivables		27,940	24,649
- Other receivables from related parties	20	313	-
- Other receivables from third parties		27,627	24,649
Inventories	7	4,360,538	4,383,080
Prepaid expenses		10,094,699	9,590,879
- Prepaid expenses to related parties	20	9,239,856	9,040,683
- Prepaid expenses to third parties	12	854,843	550,196
Derivative financial instruments		37,214	35,067
Other current assets		1,062,450	932,231
- Other current assets to third parties		1,062,450	932,231
Current tax assets	15	274,287	275,800
TOTAL CURRENT ASSETS		**26,041,081**	**34,404,853**
NON-CURRENT ASSETS			
Financial investments	5	8,910	8,910
Derivative financial assets		18,588	31,660
Other receivables		14,110	13,257
- Other receivables from related parties	20	14,043	13,190
- Other receivables from third parties		67	67
Investment properties	10	6,745,747	5,626,240
Property, plant and equipment	9	12,104,466	11,946,193
Right of use assets		396,333	256,466
Intangible assets		100,419	90,119
Prepaid expenses		245,096	150,936
- Prepaid expenses to related parties	20	25,919	27,590
- Prepaid expenses to third parties	12	219,177	123,346
Deferred tax assets	15	2,176,742	2,113,631
Other non-current assets		22,001	20,687
- Other non-current assets related to third parties		22,001	20,687
TOTAL NON - CURRENT ASSETS		**21,832,412**	**20,258,099**
TOTAL ASSETS		**47,873,493**	**54,662,952**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2023

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

	Notes	Unaudited 31 March 2023	Audited 31 December 2022
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		12,294,976	15,582,657
- Short-term borrowings to third parties		12,220,939	15,516,181
- Bank borrowings	8	3,048,601	3,143,887
- Short term lease liabilities	8	38,705	23,618
- Other financial liabilities	8	9,133,633	12,348,676
- Short-term borrowings to related parties		74,037	66,476
- Short term lease liabilities to related parties	20	74,037	66,476
Short-term portion of long-term borrowings		1,355,502	10,143,918
- Short-term portion of long-term borrowings to third parties		1,355,502	10,143,918
- Bank borrowings	8	1,355,502	543,418
- Bonds issued	8	-	9,600,500
Derivative financial instruments		8,557	8,239
Trade payables		3,571,875	4,407,481
- Trade payables to related parties	20	1,885,622	1,624,900
- Trade payables to third parties	6	1,686,253	2,782,581
Payables related to employee benefits		157,008	65,256
Other payables		21,427	17,922
- Other payables to related parties	20	87	87
- Other payables to third parties		21,340	17,835
Deferred revenue		555,594	322,491
- Deferred revenue from related parties	20	138,463	41,692
- Deferred revenue from third parties	11	417,131	280,799
Short term provisions		323,694	552,458
- Provision for employee benefits	13	319,388	545,020
- Other short term provisions	21	4,306	7,438
Other current liabilities		177,173	97,471
- Other current liabilities related to third parties		177,173	97,471
TOTAL CURRENT LIABILITIES		**18,465,806**	**31,197,893**
NON-CURRENT LIABITIES			
Long term financial liabilities		8,729,438	2,997,055
- Long term financial liabilities to third parties		8,451,357	2,736,793
- Bank borrowings	8	8,303,714	2,665,083
- Long-term lease liabilities to third parties	8	147,643	71,710
- Long-term borrowings to related parties		278,081	260,262
- Long term lease liabilities to related parties	20	278,081	260,262
Derivative financial instruments			-
Deferred revenue		848,628	837,688
- Deferred revenue from related parties	20	848,628	837,688
Long term provisions		642,651	517,708
- Provision for employee termination benefits	13	642,651	517,708
Deferred income tax liabilities		24,721	53,356
TOTAL NON - CURRENT LIABILITIES		**10,245,438**	**4,405,807**
TOTAL LIABILITIES		**28,711,244**	**35,603,700**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2023

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

	Notes	Unaudited 31 March 2023	Audited 31 December 2022
EQUITY			
Equity attributable to owners of the parent company		**19,155,441**	**19,024,747**
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		(247,450)	(247,450)
- Actuarial loss arising from defined benefit plan		(247,450)	(247,450)
Other comprehensive (expense/income to be reclassified to profit or loss		(557,507)	(533,526)
- Currency translation differences		(587,358)	(569,211)
- (Loss)/ Gain on hedge reserves		29,851	35,685
- (Loss)/ Gain on cash flow hedges		29,851	35,685
Restricted reserves		642,300	642,300
Retained earnings		16,325,847	9,745,594
Net profit for the year		154,675	6,580,253
Non-controlling interest		**6,808**	**34,505**
TOTAL EQUITY		**19,162,249**	**19,059,252**
TOTAL LIABILITIES AND EQUITY		**47,873,493**	**54,662,952**

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIOD ENDED 31 MARCH 2023

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

	Notes	Unaudited 1 January - 31 March 2023	Unaudited 1 January - 31 March 2022
PROFIT OR LOSS			
Revenue		9,197,862	11,420,952
Cost of sales		(9,217,361)	(9,746,003)
GROSS (LOSS)/ PROFIT		**(19,499)**	**1,674,949**
General administrative expenses	16	(375,176)	(222,179)
Selling, marketing and distribution expenses		(170,965)	(83,348)
Other operating income		165,830	429,453
Other operating expenses		(163,964)	(191,570)
OPERATING (LOSS)/ PROFIT		**(563,774)**	**1,607,305**
Income from investing activities	17	1,208,319	826,965
Expense from investing activities	17	(13)	(32)
OPERATING PROFIT BEFORE FINANCIAL EXPENSE		**644,532**	**2,434,238**
Financial income	18	538,842	1,500,316
Financial expenses	18	(1,124,374)	(1,848,393)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**59,000**	**2,086,161**
Tax Income/ (expense) from continuing operations		**71,795**	**(333,635)**
- Current tax (expense)	15	(15,583)	(220,597)
- Deferred income tax income/ (expense)	15	87,378	(113,038)
PROFIT FOR THE PERIOD CONTINUING OPERATIONS		**130,795**	**1,752,526**
PROFIT FOR THE PERIOD		**130,795**	**1,752,526**
DISTRIBUTION OF INCOME FOR THE PERIOD			
- Non-controlling interest		(23,880)	(1,181)
- Owners of the parent company		154,675	1,753,707
Earnings per share		**0.0610**	**0.6920**
- Earnings per Kr1 number of 1 shares from continued operations	19	0.0610	0.6920

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE MONTH PERIOD ENDED 31 MARCH 2023

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

	Notes	Unaudited 1 January - 31 March 2023	Unaudited 1 January - 31 March 2022
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss		**(27,799)**	**64,091**
Currency translation differences		(18,711)	31,943
Other comprehensive gain related to cash flow hedges		(11,360)	40,185
Taxes relating to gain on cash flow hedge		2,272	(8,037)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		**(27,799)**	**64,091**
TOTAL COMPREHENSIVE INCOME		**102,996**	**1,816,617**
Attributable to:			
Non-controlling interests		(27,698)	40,841
Owners of the parent company		130,694	1,775,776

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS INTERIM PERIOD 1 JANUARY - 31 MARCH 2023

(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 2022	**2,534,400**	**238,988**	**(46,542)**	**(23,513)**	**(433,091)**	**64,188**	**417,325**	**5,451,706**	**4,518,863**	**12,722,324**	**(3,294)**	**12,719,030**
Transfers	-	-	-	-	-	-	-	(5,451,706)	5,451,706	-	-	-
Total comprehensive income/ (expense)	-	-	-	20,245	1,824	-	-	1,753,707	-	1,775,776	40,841	1,816,617
- Other comprehensive Income/ (expense)	-	-	-	20,245	1,824	-	-	-	-	22,069	42,022	64,091
- Net profit for the period	-	-	-	-	-	-	-	1,753,707	-	1,753,707	(1,181)	1,752,526
31 March 2022	**2,534,400**	**238,988**	**(46,542)**	**(3,268)**	**(431,267)**	**64,188**	**417,325**	**1,753,707**	**9,970,569**	**14,498,100**	**37,547**	**14,535,647**
1 January 2023	**2,534,400**	**238,988**	**(247,450)**	**35,685**	**(569,211)**	**64,188**	**642,300**	**6,580,253**	**9,745,594**	**19,024,747**	**34,505**	**19,059,252**
Transfers	-	-	-	-	-	-	-	(6,580,253)	6,580,253	-	-	-
Total comprehensive income/ (expense)	-	-	-	(5,834)	(18,147)	-	-	154,675	-	130,694	(27,698)	102,996
- Other comprehensive income/ (expense)	-	-	-	*(5,834)*	*(18,147)*	-	-	-	-	*(23,981)*	*(3,818)*	*(27,799)*
- Net profit for the period	-	-	-	-	-	-	-	154,675	-	154,675	(23,880)	130,795
31 March 2023	**2,534,400**	**238,988**	**(247,450)**	**29,851**	**(587,358)**	**64,188**	**642,300**	**154,675**	**16,325,847**	**19,155,441**	**6,808**	**19,162,249**

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2023

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

	Notes	Unaudited 1 January - 31 March 2023	Unaudited 1 January - 31 March 2022
A. Cash flows from operating activities:		**(758,260)**	**676,414**
Profit for the period (I)		130,795	1,752,526
Adjustments related to reconciliation of (II) net profit (loss) for the period:		**(332,966)**	**(38,320)**
Adjustments for depreciation and amortization		322,542	183,301
Adjustments for impairments/ reversals		(34,093)	14,493
- Adjustments for impairment of inventories	*7*	*(34,093)*	*14,493*
Adjustments for provisions		231,532	76,730
- Adjustments for provision employment termination benefits		*239,844*	*76,758*
- Adjustments for provision/ other cases		*(8,312)*	*(28)*
Adjustments for interest income		472,090	160,049
- Adjustments for interest income	*18*	*(64,923)*	(47,698)
- Adjustments for interest expense	*18*	537,013	207,747
Adjustments for unrealized foreign currency translation differences		(63,195)	3,373
Adjustments for tax income/ losses	15	(71,795)	333,635
Adjustments for (gain) on sale of property, plant and equipment		(181)	(1,009)
Adjustments for fair value increase in financial investments		(69,863)	(244,566)
Adjustments for fair value increase in investment property	17	(1,119,507)	(562,324)
Adjustments for revenues from government grants		(496)	(2,002)
Changes in working capital (III)		**(201,487)**	**(788,088)**
Increase in trade receivables		676,107	(445,038)
(Increases)/ decrease in other receivables		(4,144)	3,769
Increase in inventory		(2,641)	(1,395,906)
(Increase)/ decrease in prepaid expenses		(283,820)	34,622
Decrease/ (increase) in trade payables		(879,809)	689,147
Decrease/ (increase) in other payable		3,505	2,711
Increase in payables to employees		91,751	15,974
Increase in deferred revenue		241,019	422,602
Decrease/ (Increase) in derivative financial instruments		8,375	(7,308)
Other decrease in working capital		(51,830)	(108,661)
Cash flows (generated) from operating activities (I+II+III)		**(403,658)**	**926,118**
Employee termination benefits paid		(340,532)	(10,941)
Income taxes paid		(14,070)	(238,763)
B. Cash flows from investing activities		**(44,749)**	**(1,979,238)**
Cash outflows due to purchases of tangible and intangible assets		(360,416)	(250,056)
Proceeds from sale of tangible and intangible assets		256	1,084
Cash outflows due to advances given to third parties		(95,808)	(120,264)
Other cash inflows/ (outflows)		411,219	(1,610,002)
C. Cash flows from financing activities		**(7,330,619)**	**3,077,024**
Proceeds from borrowings	8	6,513,977	1,414,185
Repayments of borrowings	8	(492,869)	(122,505)
Proceeds other financial liabilities	8	2,714,038	2,537,175
Repayments of other financial liabilities	8	(5,904,974)	(488,880)
Repayments of bond issued	8	(9,363,586)	-
Cash outflow related to lease agreements		(46,771)	(36,389)
Interest received		104,771	36,098
Interest paid		(855,205)	(256,337)
Other cash inflows/ (outflows)		-	(6,323)
D. Net (decrease)/ increase in cash and cash equivalents before foreign currency translation differences (A+B+C)		**(8,133,628)**	**1,774,200**
E. Effect of currency translation differences on cash and cash equivalents		**48,855**	**224,128**
Net increase in cash and cash equivalents (D+E)		**(8,084,773)**	**1,998,328**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**13,251,675**	**3,665,331**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**5,166,902**	**5,663,659**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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.

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

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

As of 31 March 2023 and 31 December 2022 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 ('BIST') since 9 July 1990.

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 9 May 2023 and signed Mr. Anar Mammadov, General Manager and Mr. Ahmet Gülhan, 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 Aliağa Yönetim Binası No 6/1 Aliağa/ İZMİR

As of 31 March 2023, the Company's subsidiaries ('subsidiaries') the Company and its subsidiaries (hereinafter collectively referred to as the 'Group') and their respective operating segments are as follows:

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

As of 31 March 2023, the average number of employees working for the Group is 2,339 (31 December 2022: 2,335).

The details of the employees as of 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023	31 December 2022
Union (*)	1,727	1,733
Non - union (**)	612	595
	2,339	**2,328**

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

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

2.1 Basis of Presentation

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

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

The POAASA made a statement on the Implementation of Financial Reporting in High Inflation Economies under TFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021. There is no announcement from POAASA regarding the implementation of TAS29 for the consolidated financial statements of 2023.

The Group prepared its condensed interim consolidated financial statements fort the period ended 31 March 2023 in accordance with ("TAS") 34, "Interim Financial Reporting" in the framework of the Communique Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanting 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 2022 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 legistation and the uniformchart of account issued by the Ministry of finance.

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

According to CMB Communiqué No:14.1 and announcements made by the CMB, it is obligatory for the foreign exchange position table of the companies preparing the summary financial statements in interim periods to present the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements (Note 22).

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

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 2022 except for the following:

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

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

2.3 Basis of Consolidation

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

a) Subsidiaries

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

The balance sheets and income statements of the companies included in the consolidation have been consensated 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.

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

2.3 Basis of Consolidation (Continued)

a) Subsidiaries (Continued)

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

Subsidiaries	Direct or Indirect Control Shares of Company (%)	
	31 March 2023	31 December 2022
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

Assets in the condensed consolidated interim balance sheet As of 31 March 2023 are translated into TRY from the foreign exchange buying rates effective as of balance sheet date announced by the Central Bank of the Republic of Turkey as 19.1532 TRY = 1 USD, and liabilities are translated into TRY from the foreign exchange selling rates announced by Central Bank of the Republic of Turkey as 19.1878 TRY = 1 USD (31 December 2022 buying rate as 18.6983 TRY = 1 USD, selling rate as 18.7320 TRY = 1 USD).

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

2.4 Standards, amendments and interpretations applicable as at 31 March 2023:

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

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

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

- **IFRS 17, 'Insurance Contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which 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.

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

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

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

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

2.5 Comparative information and correction of prior period financial statements

The Group prepared its interim condensed consolidated interim financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 31 March 2023 on a comparative basis with balance sheet at 31 December 2022; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January- 31 March 2023 on a comparative basis with financial statements for the period of 1 January - 31 March 2022.

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

2.6 Significant Accounting Estimates, Judgments and Assumptions

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

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 21.

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

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

c) Deferred income tax assets

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

d) Provision for employee benefits

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

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

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (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 consideration of USD720 million. Rafineri Holding is owner of 60% shares of SOCAR Turkey Yatırım A.Ş., which is owner of the whole shares of STAR Rafineri A.Ş. ("STAR").

The shares of Rafineri Holding, which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalization of share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 March 2023 and have been subjected to exchange rate valuation.

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

2.6 Significant Accounting Estimates, Judgments and Assumptions (Continued)

f) Fair value of determination of investment properties

As of 31 March 2023, investment properties are carried in the condensed consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

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

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

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

a) Revenue

	1 January - 31 March 2023	**1 January - 31 March 2022**
Petrochemical	9,096,174	11,346,640
Port	101,688	74,312
Total before eliminations and adjustments	**9,197,862**	**11,420,952**
Consolidation eliminations and adjustments	-	-
	9,197,862	**11,420,952**

NOTE 3 - SEGMENT REPORTING (Continued)

b) Operating profit

	1 January - 31 March 2023	1 January - 31 March 2022
Petrochemical	(608,935)	1,531,824
Port	37,593	60,083
Total before eliminations and adjustments	**(571,342)**	**1,591,907**
Consolidation eliminations and adjustments	7,568	15,398
Operating profit	**(563,774)**	**1,607,305**
Financial (expenses)/ income, net	(585,532)	(348,077)
Income from investing activities, net	1,208,306	826,933
Profit before tax from continued operations	**59,000**	**2,086,161**
Tax income /(expense)	71,795	(333,635)
Profit for the period	**130,795**	**1,752,526**

c) Total assets

	31 March 2023	31 December 2022
Petrochemical	44,565,552	51,237,408
Port	6,095,022	6,071,131
Total before eliminations and adjustments	**50,660,574**	**57,308,539**
Consolidation eliminations and adjustments	(2,787,081)	(2,645,587)
	47,873,493	**54,662,952**

d) Total liabilities

Petrochemical	24,555,307	31,432,113
Port	6,081,702	5,965,483
Total before eliminations and adjustments	**30,637,009**	**37,397,596**
Consolidation eliminations and adjustments	(1,925,765)	(1,793,896)
	28,711,244	**35,603,700**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2023	31 December 2022
Banks	5,148,734	13,251,635
- Demand deposits	62,885	39,901
- Turkish Liras	20,820	2,319
- Foreign currency	42,065	37,582
- Time deposits	5,085,849	13,211,734
- Turkish Liras	626,308	1,389,311
- Foreign currency	4,459,541	11,822,423
Other	18,168	40
	5,166,902	**13,251,675**

The weighted average effective interest rates of USD and EUR monthly time deposits are 1.81% and 1.00% per annum, respectively (31 December 2022: USD 2.92%, EUR 1.50% per annum).

As of 31 March 2023, the TRY dominated time deposits consist of overnight deposits and the weighted average effective interest rate is %26.28 and 27.93% per annum (31 December 2022: 23.89% and 10.27%). The Group has no blocked deposits as of 31 March 2023 (31 December 2022: None).

NOTE 5 – FINANCIAL INVESTMENTS

a) Short-term financial investments

	31 March 2023	31 December 2022
Exchange rate-protected TRY time deposits (*)	645,554	975,731
Marketable securities	189,623	200,802
	835,177	**1,176,533**

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

As of 31 March 2023 and 31 December 2022, the nominal and fair value amounts of exchange rate-protected TRY time deposit accounts are as follows;

	31 March 2023		
Currency	Nominal amount (original currency)	Fair value (in TRY)	Maturity
TRY	565,923	645,554	May and August 2023
		645,554	

	31 December 2022		
Currency	Nominal amount (original currency)	Fair value (in TRY)	Maturity
TRY	932,979	975,731	March 2023
		975,731	

NOTE 5 - FINANCIAL INVESTMENTS (Continued)

b) Long-term financial investments

	31 March 2023		31 December 2022	
	Amount	**Shareholding rate (%)**	**Amount**	**Shareholding rate (%)**
SOCAR Power Enerji Yatırımları A.Ş.	8,910	9.90	8,910	9.90
	8,910		**8,910**	

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties:

	31 March 2023	**31 December 2022**
Trade receivables	3,310,245	3,566,454
Provision for doubtful trade receivables (-)	(15,383)	(20,563)
	3,294,862	**3,545,891**

b) Short-term trade payables from third parties:

Trade payables	1,686,253	2,782,581
	1,686,253	**2,782,581**

NOTE 7 - INVENTORIES

	31 March 2023	**31 December 2022**
Raw materials	1,000,108	1,061,292
Work-in-progress	1,090,220	1,155,436
Finished goods	1,567,584	1,175,257
Trade goods	235,196	335,613
Goods in transit	283,487	528,470
Other inventories	239,950	217,112
Less: Provision for impairment on inventories	(56,007)	(90,100)
	4,360,538	**4,383,080**

NOTE 7 - INVENTORIES (Continued)

Movements of provision for impairment on inventory for the periods ended 1 January - 31 March 2023 and 2022 were as follows:

	2023	2022
1 January	**(90,100)**	**(6,144)**
Realized due to sales of inventory	90,100	6,144
Current year additions	(56,007)	(20,637)
31 March	**(56,007)**	**(20,637)**

NOTE 8 - BORROWINGS AND BORROWING COSTS

	31 March 2023	31 December 2022
Short-term borrowings	3,048,601	3,143,887
Short-term portions of long-term borrowings	1,355,502	543,418
Bond issued (**)	-	9,600,500
Short-term lease liabilities (***)	38,705	23,618
Other financial liabilities (*)	9,133,633	12,348,676
Short-term financial liabilities	**13,576,441**	**25,660,099**
Long-term borrowings	8,303,714	2,665,083
Long-term lease liabilities (***)	147,643	71,710
Long-term borrowings	**8,451,357**	**2,736,793**
	22,027,798	**28,396,892**

(*) Other financial liabilities consist of letters of credits, naphta financing, murabaha loan arising from naphtha purchases and commercial product financing. The average remaining maturity of other financial liabilities is 155 days as of 31 March 2023 (31 December 2022: Average remaining maturity 174 days).

(**) Petkim issued bonds listed on Ireland stock exchange and release of these bonds were realized on 26 January 2018. Total amount of these issued bonds 500 million USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5.875%. The bonds paid as of January 2023.

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

NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

Bank borrowings and bond issued

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Short-term borrowings:						
TRY borrowings	-	18.25	-	220,627	-	220,627
USD borrowings	6.75 – 9.75	5.90 -9.75	158,882	156,057	3,048,601	2,923,260
Short-term portions of long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67 - 8.13	Libor + 4.67	52,325	22,247	1,004,008	416,723
Euro borrowings	Euribor + 0.72 - 1.64	Euribor + 0.72 -1.64	16,832	6,344	351,494	126,695
Bond issued	-	5.88	-	512,519	-	9,600,500
Total short-term borrowings					**4,404,103**	**13,287,805**
Long-term borrowings and bond issued:						
USD borrowings	Libor + 4.67, SOFR+5.60	Libor + 4.67	432,759	142,274	8,303,714	2,665,083
Total long-term borrowings					**8,303,714**	**2,665,083**
Total borrowings					**12,707,817**	**15,952,888**

NOTE 8 - BORROWINGS AND BORROWING COSTS (Continued)

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

	31 March 2023
1 April 2024 - 31 March 2025	691,551
1 April 2025 - 31 March 2026	6,509,378
1 April 2026 - 31 March 2027	732,207
1 April 2027 and over	370,578
	8,303,714

	31 December 2022
2024	615.555
2025	774.381
2026	754.525
2027	476.542
2028	44.080
	2.665.083

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.

Movements financial liabilities (excluding lease liabilities) as of 1 January - 31 March 2023 and 31 March 2022 are as follows:

	2023	**2022**
1 January	**14,110,776**	**8,105,635**
Proceeds from financial liabilities	9,228,015	3,951,360
Repayments of financial liabilities	(15,761,429)	(611,385)
Changes in foreign exchange	428,656	1,141,403
Changes in interest accrual	(355,356)	47,393
Change in cash and cash equivalents and financial investments (*)	8,448,195	(3,648,862)
31 March	**16,098,857**	**8,985,544**

(*) Change in the financial investments as of 31 March 2023 excludes fair value changes of currency protected deposits.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2023
Cost:						
Land	126,262	-	-	-	96	126,358
Land improvements	488,802	-	-	-	229	489,031
Buildings	199,493	-	-	-	72	199,565
Machinery and equipment	11,185,990	-	190,446	-	-	11,376,436
Motor vehicles	94,184	-	15,239	-	-	109,423
Furniture and fixtures	238,780	-	12,752	(185)	59	251,406
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	5,463,922	-	-	-	127,896	5,591,818
Construction in progress (*)	2,752,001	360,416	(218,437)	-	55	2,894,035
	20,551,101	**360,416**	**-**	**(185)**	**128,407**	**21,039,739**
Accumulated depreciation:						
Land improvements	(201,515)	(9,785)	-	-	(161)	(211,461)
Buildings	(131,733)	(1,287)	-	-	(64)	(133,084)
Machinery and equipment	(7,134,207)	(238,560)	-	-	-	(7,372,767)
Motor vehicles	(29,074)	(5,247)	-	-	-	(34,321)
Furniture and fixtures	(128,169)	(6,511)	-	110	(52)	(134,622)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(978,543)	(45,166)	-	-	(23,642)	(1,047,351)
Leasehold improvements	(671)	-	-	-	-	(671)
	(8,604,908)	**(306,556)**	**-**	**110**	**(23,919)**	**(8,935,273)**
Net book value	**11,946,193**					**12,104,466**

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

NOTE 9 - PROPERTY. PLANT AND EQUIPMENT (Continued)

	1 January 2022	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2022
Cost:						
Land	125,063	-	-	(18)	355	125,400
Land improvements	469,147	-	-	-	860	470,007
Buildings	197,348	-	-	-	269	197,617
Machinery and equipment	8,699,122	-	28,701	(54)	-	8,727,769
Motor vehicles	76,912	-	10,280	-	-	87,192
Furniture and fixtures	199,875	-	1,927	(197)	173	201,778
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	3,829,569	-	-	-	475,002	4,304,571
Construction in progress (*)	1,204,919	250,056	(46,548)	-	203	1,408,630
	14,803,622	**250,056**	**(5,640)**	**(269)**	**476,862**	**15,524,631**
Accumulated depreciation:						
Land improvements	(161,003)	(9,649)	-	-	(502)	(171,154)
Buildings	(125,897)	(1,259)	-	-	(213)	(127,369)
Machinery and equipment	(6,533,916)	(115,861)	-	-	-	(6,649,777)
Motor vehicles	(13,114)	(3,751)	-	-	-	(16,865)
Furniture and fixtures	(105,468)	(5,404)	-	140	(161)	(110,893)
Other fixed assets	(996)	-	-	-	-	(996)
Assets subject to operating lease	(559,339)	(33,710)	-	-	(71,546)	(664,595)
Leasehold improvements	(671)	-	-	-	-	(671)
	(7,500,404)	**(169,634)**	**-**	**140**	**(72,422)**	**(7,742,320)**
Net book value	**7,303,218**					**7,782,311**

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

NOTE 10 - INVESTMENT PROPERTIES

Fair value	1 January 2023	Fair value increase	Transfers	31 March 2023
Land	5,626,240	1,119,507	-	6,745,747
	5,626,240			**6,745,747**

Fair value	1 January 2022	Fair value increase	Transfers	31 December 2022
Land	2,872,594	2,753,646	-	5,626,240
	2,872,594			**5,626,240**

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

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

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

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

NOTE 11 - DEFERRED REVENUE

a) Short-term deferred revenue

	31 March 2023	31 December 2022
Advances received	417,012	279,137
Deferred revenue	119	1,662
	417,131	**280,799**

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

NOTE 12 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 March 2023	31 December 2022
Advances given for inventory	780,225	500,716
Prepaid insurance and other expenses	73,145	48,408
Advances given for customs procedures	1,473	1,072
	854,843	**550,196**

b) Long-term prepaid expenses

Advances given for property, plant and equipment	217,479	121,671
Prepaid insurance and other expenses	1,698	1,675
	219,177	**123,346**

NOTE 13 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	31 March 2023	31 December 2022
Provision for bonus premium	285,764	524,746
Provision for seniority incentive bonus	33,624	20,274
	319,388	**545,020**

b) Long-term employee benefits:

Provision for employment termination benefits	421,582	398,080
Provision for unused vacation rights	178,443	92,404
Provision for seniority incentive bonus	42,626	27,224
	642,651	**517,708**

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 TRY 19,982.83 for each year of service as of 31 March 2023 (31 December 2022: Full TRY 15,371.40).

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits (Continued):

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TRY 19,982.83 which is effective from 1 January 2022, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2022: Full TRY 10.848,59).

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

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

NOTE 13 - EMPLOYEE BENEFITS (Continued)

Provision for seniority incentive bonus (Continued):

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

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

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

NOTE 14 - EQUITY

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

		31 March 2023		31 December 2022	
Group:	**Shareholder:**	**Share (%)**	**Amount**	**Share (%)**	**Amount**
A	Socar Turkey Petrokimya A.Ş.	1,292,544	51.00	1,292,544	51.00
A	Publicly traded and other	1,241,856	49.00	1,241,856	49.00
C	Privatization Administration	-	0.01	-	0.01
Total paid in share capital		**2,534,400**	**100**	**2,534,400**	**100**
Adjustment to share capital		238,988		238,988	
Total share capital		**2,773,388**		**2,773,388**	

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

NOTE 15 - TAX ASSSETS AND LIABILITIES

a) Corporate tax:

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

	31 March 2023	31 December 2022
Calculated corporation tax (*)	15,583	-
Less: Prepaid taxes (-)	(289,870)	(275,800)
Total corporation tax (asset)	**(274,287)**	**(275,800)**

(*) In accordance with the Law No. 7440 on the "Bazı Alacakların Yeniden Yapılandırılması İle Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun" published in the Official Gazette on March 12, 2023, the exception and deduction subject to deduction from the corporate income, pursuant to the regulations in the laws, by being shown in the declaration of the year 2022. An additional tax of 10% must be calculated over the tax bases subject to reduced corporate tax, without being associated with the period income, and at the rate of 5% over the exempted earnings. As of 31 March 2023, the Group's accrued amount for the related tax, in addition to the corporate tax, is TL 15,583, and the payment for the said tax will be realized in 2023.

Tax income/ (expenses) included in the income statement for the consolidated consolidated interim periods ended
31 March 2023 and 2022 are summarized below:

	1 January - 31 March 2023	1 January - 31 March 2022
Deferred tax income/ (expense)	87,378	(113,038)
Current period tax (expense)	(15,583)	(220,597)
Total tax income/ (expense)	**71,795**	**(333,635)**

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

In Turkey, the corporate tax rate is 20% for 2023 (2022:23%). Institutions tax rate is applied to the tax base that will result in deducting expenses not included in the deduction according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits, exception of investment discount etc.) and discounts (such as R&D discount). No further tax is payable unless the profit is distributed (except for the withholding tax at the rate of 19.8% calculated and paid on the exemption amount utilized in case of investment reduction exemption utilized under Article 61 of the Income Tax Law).

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

NOTE 15 - TAX ASSSETS AND LIABILITIES (Continued)

b) Deferred taxes

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

In accordance with the regulation numbered 7316, published in Official Gazette on 22 April 2021, "Amme Alacaklarının Tahsil Usulü Hakkında Kanun ile Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", In the provisional tax return declarations to be submitted atfer July 1, 2021, corporate tax rate has increased from 20% to 25% and to %23 for the year 2022. it will be applied as 20% from 2023. The exemption to be applied on the capital gains obtained from the sales of the real estates held by the corporate taxpayers for at least two years has been reduced from 75% to 50% with the regulation published in the Official Gazette dated 5 December 2017.

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

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
Fair value increase in investment properties	(6,735,667)	(5,553,396)	(673,567)	(555,340)
Fair value difference of derivative financial instruments	(53,282)	(66,727)	(10,656)	(13,345)
Deferred income tax liabilities	**(6,788,949)**	**(5,620,123)**	**(684,223)**	**(568,685)**
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	5,208,021	5,727,482	1,041,604	1,152,354
Unused investment incentives	2,687,831	2,585,060	1,042,577	1,072,634
Provision for employee benefits	962,039	1,062,728	192,408	212,546
Carry forward tax losses	2,231,448	483,453	447,153	97,554
Deferred revenue related to the port rental agreement	232,687	132,666	46,537	26,533
Fair value difference of derivative financial instruments	6,037	8,239	1,207	1,648
Inventory provision	56,007	90,100	11,201	18,020
Rent allowance fee	3,556	3,598	711	720
Provision for legal cases	2,597	2,597	520	519
Other	261,617	232,166	52,326	46,432
Deferred income tax assets	**11,651,840**	**10,328,089**	**2,836,244**	**2,628,960**
Deferred tax assets- net			**2,152,021**	**2,060,275**

NOTE 15 - TAX ASSSETS AND LIABILITIES (Continued)

b) Deferred tax (Continued):

The movement of deferred income tax is as follows:

	2023	2022
1 January	**2,060,275**	**150,311**
Recognized in the profit or loss statement	87,378	(113,038)
Recognized in other comprehensive income	2,272	(8,037)
Foreign currency translation differences	2,096	6,203
31 March	**2,152,021**	**35,439**

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY19,901 unused investment incentive within the scope of strategic investment incentive certificate at of 31 March 2023. In this context, as of 31 March 2023 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY9,951.

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of June 15, 2012. The Group will be able to deduct 30% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 70% deduction from corporate tax. The group has TL 1,894,834 unused investment incentive within the scope of strategic investment incentive certificate as of March 31, 2023. In this context, as of March 31, 2023, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 839,352.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY 773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 March 2023, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY 193,274.

As a result of projections made as of 31 March 2023, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TRY 2,687,831 (31 December 2021: TRY 2,585,060).

NOTE 16 - GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 March 2023	1 January - 31 March 2022
Personnel expenses	(204,660)	(108,168)
Outsourced services	(91,145)	(48,315)
Depreciation and amortization	(26,618)	(20,263)
Energy expenses	(19,303)	(25,437)
Taxes, funds and fees	(1,334)	(3,090)
Other	(32,116)	(16,906)
	(375,176)	**(222,179)**

NOTE 17 - INCOME/ (EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 March 2023	1 January - 31 March 2022
Fair value increase in investment properties	1,119,507	562,324
Fair value difference on exchange rate-protected deposit accounts	59,209	244,566
Rent income	29,422	19,034
Gain on sale of property, plant and equipment	181	1,041
	1,208,319	**826,965**

b) Expenses from investment activities

Loss on sale of property, plant and equipment	(13)	(32)
	(13)	**(32)**

NOTE 18 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January- 31 March 2023	1 January - 31 March 2022
Foreign exchange gains	463,934	1,451,491
Interest income	64,923	47,698
Other	9,985	1,127
	538,842	**1,500,316**

NOTE 18 - FINANCIAL INCOME AND EXPENSES (Continued)

b) Financial expense

	1 January- 31 March 2023	1 January - 31 March 2022
Foreign exchange losses	(564,854)	(1,603,804)
Interest expense	(537,013)	(207,747)
Commission expense	(7,748)	(28,140)
Interest expense on employee benefits	(11,483)	(8,702)
Other	(3,276)	-
	(1,124,374)	**(1,848,393)**

NOTE 19 - EARNINGS PER SHARE

	1 January- 31 March 2023	1 January - 31 March 2022
Net profit for the period of the equity holders of the parent	154,675	1,753,707
Weighted average number of shares with nominal value of Kr1 each (thousand)	253,440	253,440
Earnings per share (Kr)	**0.0610**	**0.6920**

NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

	31 March 2023	31 December 2021
a) Trade receivables from related parties:		
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	611,222	702,133
STAR (2)	267,948	241,289
SOCAR Enerji Ticaret A.Ş. (2)	6,553	223,587
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	384	21,404
STEAŞ (1)	277	5
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	266	-
SOCAR Turkey Petrol Ticaret A.Ş. (2)	189	103
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	136	-
Other (2)	37	527
	887,012	**1,189,048**

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

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

i) Balances with related parties (Continued)

b) Short term other receivables from related parties:

	31 March 2023	31 December 2022
SOCAR Logistics DMCC (2)	313	-
	313	**-**

c) Long term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. (2)	14,043	13,190
	14,043	**13,190**

d) Short term trade payables to related parties:

STAR (2)	1,296,999	1,015,425
SOCAR Enerji Ticaret A.Ş. (2)	346,439	389,877
STEAŞ (1)	136,591	174,157
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	51,406	16,524
SOCAR Logistics DMCC (2)	28,162	-
SCR Müşavirlik ve İnşaat A.Ş. (2)	8,996	10,829
SOCAR Turkey Petrol Ticaret A.Ş. (2)	8,739	1,869
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	7,177	9,352
Azoil Petrolcülük A.Ş. (2)	693	1,413
SOCAR Sigorta ve Reasürans Brokerlığı A Ş. (2)	211	-
SOCAR Trading SA (2)	86	4,430
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	60	992
SOCAR Turkey Fiber Optik A.Ş. (2)	54	-
Other (2)	9	32
	1,885,622	**1,624,900**

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

e) Other payables to related parties:

	31 March 2023	31 December 2022
Due to shareholder (1)	87	87
	87	**87**

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

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

i) Balances with related parties (Continued)

f) Short term deferred revenue from related parties

	31 March 2023	31 December 2022
STAR [(2)]	92,875	6,370
SOCAR Aliağa Liman İşletmeciliği A.Ş. [(2)]	38,055	35,097
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	7,089	152
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	398	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [(2)]	46	73
	138,463	**41,692**

g) Long term deferred revenue from related parties

SOCAR Aliağa Liman İşletmeciliği A.Ş. [(2)] (*)	844,070	833,076
STAR [(2)]	4,472	4,524
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	86	88
	848,628	**837,688**

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

h) Short term prepaid expense to related parties

	31 March 2023	31 December 2022
STEAŞ [(1)] (*)	9,218,250	9,012,642
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	18,890	76
STAR [(2)]	1,671	1,813
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	543	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [(2)]	115	128
SIBC Sigorta Aracılık Hizmetleri A.Ş. [(2)]	-	16,740
SOCAR Sigorta ve Reasürans Brokerlığı A Ş. [(2)]	-	9,116
Other [(2)]	387	168
	9,239,856	**9,040,683**

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

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

i) Balances with related parties (Continued)

h) Short term prepaid expense to related parties (Continued)

(*) As a result of negotiations between the Group and its main shareholder STEAŞ, a share sale and transfer agreement ('Agreement') has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. ('Rafineri Holding') from STEAŞ with a purchase price of USD720 million. Rafineri Holding owns 60% shares of SOCAR Turkey Yatırım A.Ş., who owns all the shares of STAR. The shares of Rafineri Holding which are subject to the contract may be acquired by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. The closing date is defined as 31 March 2019 in the contract at the latest, with the first amendment protocol signed on 7 March 2019 and 30 June 2020 at the latest, with the second amendment protocol signed on 15 May 2020 and the third amendment signed on 25 June 2021, with the latest on 30 June 2021. It has been amended to be 3 January 2022 at the latest with the amendment protocol and to 31 December 2022 at the latest with the fourth amendment protocol signed on 27 December 2021. As the aforementioned agreement is subject to various conditions that should be mutually agreed by the parties and could be terminated at Petkim's initiative depending on the Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 March 2023 and have been subject to exchange rate valuation. The first two installment amounting to USD480 million has been paid by the Company and remaining USD240 million will be paid with the closing date. Please refer to Note 23 for subsequent event which is related this Agreement.

i) Long term prepaid expense to related parties

	31 March 2023	31 December 2022
STAR [(2)]	16,189	22,489
STEAŞ [(1)]	9,730	5,101
	25,919	**27,590**

j) Short term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. [(2)]	65,980	58,766
STEAŞ [(1)]	8,057	7,710
	74,037	**66,476**

k) Long term operational lease liabilities from related parties

SCR Müşavirlik ve İnşaat A.Ş. [(2)]	250,229	232,307
STEAŞ [(1)]	27,852	27,955
	278,081	**260,262**

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

NOTE 20 - 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 - 31 March 2023	1 January - 31 March 2022
STEAŞ [(1)]	210,233	631,789
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [(2)]	17,144	2,565
SOCAR Power Enerji Yatırımları A.Ş. [(2)]	722	571
SOCAR Aliağa Liman İşletmeciliği A.Ş. [(2)]	13	2,672
SOCAR Enerji Ticaret A.Ş. [(2)]	-	18,771
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [(2)]	(8)	593
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	(116)	(30,011)
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	(226)	(429)
SOCAR Logistics DMCC [(2)]	(228)	(231)
SOCAR Turkey Fiber Optik A.Ş. [(2)]	(999)	(25)
SOCAR Turkey Petrol Ticaret A.Ş. [(2)]	(11,506)	85
STAR [(2)]	(37,551)	32,552
Other [(2)]	(47)	(2,147)
	177,431	**656,755**

The breakdown of expense from STAR is as follows; TRY 13,149 is foreign exchange loss, TRY 24,102 other expense and the breakdown of income from STEAŞ is as follows; TRY 217,051 is foreign exchange gain and TRY 7,380 other expense.

b) Service and rent purchases from related parties:

	1 January - 31 March 2023	1 January - 31 March 2022
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [(2)]	91,139	27,441
STEAŞ [(1)]	44,158	20,993
SCR Müşavirlik ve İnşaat A.Ş. [(2)]	28,012	2,622
SOCAR Sigorta ve Reasürans Brokerlığı A Ş. [(2)]	24,409	-
SIBC Sigorta Aracılık Hizmetleri A.Ş. [(2)]	16,739	-
STAR [(2)]	9,628	3,464
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [(2)]	1,172	45
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	-	49
SOCAR Turkey Fiber Optik A.Ş. (2)	-	316
Other [(2)]	6	10
	215,263	**54,940**

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

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

ii) Transactions with related parties (Continued)

c) Product purchase from related parties:

	1 January- 31 March 2023	1 January - 31 March 2022
STAR (2)	2,958,267	4,825,814
SOCAR Enerji Ticaret A.Ş. (2)	883,152	411,255
SOCAR Logistics DMCC (2)	206,600	121,564
Azoil Petrolcülük A.Ş. (2)	1,288	19,047
SOCAR Turkey Petrol Ticaret A.Ş. (2)	811	-
	4,050,118	**5,377,680**

Purchases made from related parties consist of raw materials and commercial products purchases. Purchases made from STAR consist of 238.885 tone of naphta purchasing, amounting to TRY 2,937,622 and other products purchasing TRY 20,645.

d) Product and service sales to related parties:

	1 January- 31 March 2023	1 January - 31 March 2022
STAR (2)	656,536	487,579
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	107,549	77,834
SOCAR Enerji Ticaret A.Ş. (2)	41,267	22,414
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	1,918	843
SCR Müşavirlik ve İnşaat A.Ş. (2)	586	576
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	384	282
SOCAR Azerikimya Production Union (2)	160	-
SOCAR Turkey Petrol Ticaret A.Ş. (2)	120	-
Azoil Petrolcülük A.Ş. (2)	65	163
	667,038	**589,691**

e) Rent income from related parties:

STAR (2)	31,165	20,648
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	2,296	1,385
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	694	480
STEAŞ (1)	242	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	221	103
SCR Müşavirlik ve İnşaat A.Ş. (2)	135	95
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	159	36
	34,912	**22,747**

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

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

ii) Transactions with related parties (Continued)

	1 January- 31 March 2023	1 January - 31 March 2022
f) Key management emoluments:		
• **Key management emoluments-short term:**		
Payments for salary and seniority incentives	91,037	12,007
	91,037	**12,007**
• **Key management emoluments-long term:**		
Provision for unused vacation	1,755	1,657
Provision for employment termination benefits	(80)	639
Provision for seniority incentives	19	8
	1,694	**2,304**
	92,731	**14,311**

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 21 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short-term provisions:

	31 March 2023	31 December 2022
Provision for legal cases	2,597	2,597
Other	1,709	4,841
	4,306	**7,438**

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

b) Guarantees received:

	31 March 2023	31 December 2022
Receivable insurance	10,163,349	6,970,531
Bank guarantees within the context of DOCS	3,477,602	3,395,297
Letters of guarantee received from customers	1,573,606	1,932,026
Letters of guarantee received from suppliers	750,116	730,860
Letters of credit	37,905	20,178
Mortgages	2,000	2,000
	16,004,578	**13,050,892**

c) Guarantees given:

Mortgages given to banks (*)	3,035,018	3,082,058
Custom offices	212,765	210,942
Guarantees given to banks	40,784	1,270,394
Other	331,099	261,819
	3,619,666	**4,825,213**

(*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD212 million which Petlim has remaining loan balance amounting to TRY3,035,018 as of 31 March 2023. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TRY105,000 has been pledged. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land which was sold by Petkim at a price of TRY5,650. In terms of the risk occured by the given mortgage, it is considered that it would be appropriate to consider the land amount instead of the mortgage amount.

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

	31 March 2023	31 December 2022
A. Total amount of CPMs given for the Company's own legal personality	584,648	1,743,155
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	3,035,018	3,082,058
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	-	-
	3,619,666	**4,825,213**

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

d) Operational leases

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

	31 March 2023	31 March 2022
0-5 years	2,352,639	1,788,210
5-10 years	2,815,920	1,931,842
10 years and more	9,793,194	6,373,301
Total	**14,961,753**	**10,093,353**

NOTE 22 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

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

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

Foreign currency position

	31 March 2023				31 December 2022			
	TL equivalent	US Dollar	EUR	Other	TL equivalent	US Dollar	EUR	Other
1. Trade receivables	2,746,268	113,931	27,063	-	2,954,208	135,488	21,109	-
2a. Monetary financial assets (Cash, bank accounts included)	13,669,111	682,491	28,646	70	20,812,909	1,107,316	5,414	54
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**16,415,379**	**796,422**	**55,709**	**70**	**23,767,117**	**1,242,804**	**26,523**	**54**
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)	**16,415,379**	**796,422**	**55,709**	**70**	**23,767,117**	**1,242,804**	**26,523**	**54**
9. Trade payables	970,703	35,295	8,040	121,657	2,320,977	82,231	32,874	133,628
10. Financial liabilities	13,090,013	583,176	90,992	-	23,198,363	1,231,699	6,318	-
11a. Monetary other liabilities	788,699	-	-	788,699	852,130	3,548	-	785,667
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short term liabilities (9+10+11)	**14,849,415**	**618,471**	**99,032**	**910,356**	**26,371,470**	**1,317,478**	**39,192**	**919,295**
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	5,716,155	297,906	-	-	-	-	-	-
15a. Monetary other liabilities	76,334	-	-	76,334	308,375	14,458	-	37,544
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long term liabilities (13+14+15a+15b)	**5,792,489**	**297,906**	**-**	**76,334**	**308,375**	**14,458**	**-**	**37,544**
17. Total liabilities (12+16)	**20,641,904**	**916,377**	**99,032**	**986,690**	**26,679,845**	**1,331,936**	**39,192**	**956,839**
18. Net (liability)/ asset contract value of derivative instruments (18a-18b)	**794,858**	**41,500**	**-**	**-**	**2,099,333**	**112,274**	**-**	**-**
18a. Amount of asset contract value of derivative İnstruments	**794,858**	**41,500**	**-**	**-**	**2,099,333**	**112,274**	**-**	**-**
18b. Amount of liability contract value of derivative İnstruments	-	-	-	-	-	-	-	-
19. Net foreign (liability)/ asset position (8-17+18)	**(3,431,667)**	**(78,455)**	**(43,323)**	**(986,620)**	**(813,395)**	**23,142**	**(12,669)**	**(956,785)**
20. Net foreign currency (liability)/ asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**(4,226,525)**	**(119,955)**	**(43,323)**	**(986,620)**	**(2,912,728)**	**(89,132)**	**(12,669)**	**(956,785)**
21. Total fair value of financial instruments used for foreign currency hedging	**2,519**	**132**	**-**	**-**	**(8,259)**	**(441)**	**-**	**-**
22. Hedged amount for foreign currency assets	**794,858**	**41,500**	**-**	**-**	**2,099,333**	**112,274**	**-**	**-**
23. Hedged amount for foreign currency liabilities	-	-	-	-	-	-	-	-
24. Export	**3,596,676**	**112,912**	**65,783**	**137,096**		**20,064,325**	**902,381**	**320,063**
25. Import	**4,040,825**	**124,378**	**82,037**	**48,008**	**14,192,255**	**733,386**		**149,781**

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

Table of sensitivity analysis for foreign currency risk

31 March 2023

	Profit/ (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/ Liability denominated in USD - net	(229,752)	229,752	(229,752)	229,752
2- The part hedged for USD risk (-)	57,460	-	79,486	(22,026)
3- USD effect - net (1+2)	**(172,292)**	**229,752**	**(150,266)**	**207,726**
Change of EUR by 10% against TRY:				
4- Asset/ Liability denominated in EUR - net	(90,307)	90,307	(90,307)	90,307
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	**(90,307)**	**90,307**	**(90,307)**	**90,307**
Change of other currencies by 10% against TRY:				
7- Assets/ Liabilities denominated in other foreign currencies - net	97,854	(97,855)	97,854	(97,855)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**97,854**	**(97,855)**	**97,854**	**(97,855)**
Total (3+6+9)	**(164,745)**	**222,204**	**(142,719)**	**200,178**

31 December 2022

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

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

Fair value estimation

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Depend on registered price (unadjusted) in the active market.

Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.

Level 3: Not depend on observable market data.

31 March 2023 and 31 December 2022, fair value and book value of financial statement were as follows:

31 March 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments – exchange rate-protected TRY time deposits	-	645,554	-	645,554
Derivative financial instruments	-	55,802	-	55,802
Investment properties- Land	-	6,745,747	-	6,745,747
Total assets	**-**	**7,447,103**	**-**	**7,447,103**
Derivative financial liabilities	-	8,557	-	8,557
Total liabilities	**-**	**8,557**	**-**	**8,557**

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments – currency-protected time deposits	-	975,731	-	975,731
Derivative financial instruments	-	66,727	-	66,727
Investment properties- Land	-	5,626,240	-	5,626,240
Total assets	**-**	**6,668,698**	**-**	**6,668,698**
Derivative financial liabilities	-	8,239	-	8,239
Total liabilities	**-**	**8,239**	**-**	**8,239**

NOTE 23 - SUBSEQUENT EVENTS

With the decision of Petkim's Board of Directors dated April 10, 2023, it has been decided to sign a new protocol with STEAŞ in addition to the terms of the existing agreement between Petkim and STEAŞ. In accordance with the protocol, Petkim's indirect shareholding in STAR was reduced from 18% to 12%, and accordingly, the shares of Rafineri Holding to be purchased from STEAŞ were reduced from 30% to 20%, and in this context, the Share Transfer Value was 480 million USD. It has been decided that no other payment will be made under the agreement except for the USD 480 million payment already made to STEAŞ under the Petkim agreement, and the contract will be amended accordingly. Negotiations were held with STEAŞ regarding this issue and reached an agreement. In this context, the revelant share transfer and closing transactions will be carried out without any additional payment when the conditions stipulated in the contract are met.

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