READY FOR THE FUTURE TOGETHER

2019 ANNUAL REPORT

Petkim

A SOCAR COMPANY

CONTENTS

Reporting period:	01 January - 31 December 2019
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WITH THE STRENGTH WE DERIVE FROM INTEGRATION

We are ready for the future, supported by our significant gains in the fields of logistics costs, product quality, security of supply in raw materials, efficiency of business processes, common services, use of joint administrative and technical infrastructure through the integration created by the joint management of the refinery, petrochemical and storage facilities in the Aliağa Peninsula.

WITH OUR PRODUCTIVITY AND QUALITY IN PRODUCTION

We are ready for the future, with the operational efficiency achieved at Petkim and the significant increase in capacity utilization, record levels of production and high quality standards in all areas as a result of our sustainability investments and the Digital Transformation Project which we have implemented.

WITH OUR INTELLIGENT AND EFFICIENT PROCESSES

We are ready for the future, by expanding the use of digital technologies with big data, artificial intelligence and machine learning algorithms in all functions, especially in production; by developing data-based decision making processes; and by applying the best practices in Industry 4.0 and analytical applications which increase our production and energy efficiency.

WITH OUR SUSTAINABLE CONTRIBUTION TO THE ECONOMY

As Turkey's only integrated petrochemical producer and the driving force of the industry, we are ready for the future with the pride of our contribution to the national economy through our role as a reliable petrochemical raw material supplier with higher quality production, efficiency in operational processes and raw material supply security, and the logistical advantages we have gained through our integration with the STAR Refinery.


T-401A
FUEL OIL

GENERAL INFORMATION

Carrying energy efficiency and product quality to even higher levels through digital transformation, Petkim is focused on developing high-tech and higher value-added products with its deeply rooted R&D structure. Petkim is ready for the future with the world standards level and strong sustainability vision achieved in its Industry 4.0 applications.

OUR VISION

To add to strength to the Turkish economy with our superior petrochemical products.

OUR MISSION

To maintain our development that aims for operational excellence with our strong organization and culture and our stakeholders.

OUR VALUES

- Trust
- Agility
- Inclusion
- Passion
- Efficiency
- Obligation

TURKEY'S PETROCHEMICAL GIANT

21

15 main production plants and 6 auxiliary plants

3.6 million tons

Petkim's annual gross production capacity

18%

Petkim's coverage ratio of Turkey's petrochemical raw materials need.

PETKİM IN BRIEF

Petkim is Turkey's first and only integrated petrochemical company and an indispensable supplier of raw material for the industry.

A giant manufacturing power with a strategic importance for the Turkish economy and industry, Petkim represents 54 years of experience and know-how. Petkim, which is Turkey's first and sole integrated petrochemical company with 15 main production facilities and 6 auxiliary facilities, is an indispensable raw material supplier of the industry with an annual average gross production capacity of 3.6 million tons and around 60 petrochemical products.

Meeting 18% of Turkey's petrochemical raw material demand, Petkim provides inputs to a wide array of sectors such as plastics, chemicals, packaging, piping, paint, construction, agriculture, automotive, electricity, electronics and textiles as well as the pharmaceuticals, detergents and cosmetics sectors with the high added value products in its portfolio such as thermoplastics, fiber and paint raw material. In addition to these, Petkim gives life to numerous sub-industries.

Established on 3 April 1965, Petkim Petrokimya A.Ş. began production in 1970 with 5 facilities in the Yarımca Complex. Following additional investments carried out in the Yarımca Complex, the Aliağa Complex was brought into operation in 1985 to produce with optimum capacity based on the latest technologies of the time.

PETKİM IN BRIEF

Carrying energy efficiency and product quality to even higher levels through the digital transformation, Petkim is focused on developing high-tech and higher value-added products with its deeply rooted R&D structure. Petkim is ready for the future with the world standards level and strong sustainability vision achieved in its Industry 4.0 applications.

Focusing on the development of higher value-added, high-tech products with its well-established R&D structure, Petkim prepares for the future with its vision of strong sustainability. Petkim has been moving forward with leaps and bounds towards becoming one of the few petrochemical complexes and production bases in Europe within the framework of the investment plan that includes the "Refinery-Petrochemical-Energy-Logistics-Distribution" integration which was determined for the Petkim Peninsula in line with the strategic goals of the SOCAR Group, to which it is affiliated. In this context, the integration process, which was initiated after the STAR Refinery entered operation, has been completed and a very important step which has been taken towards building the "Petkim of the future".

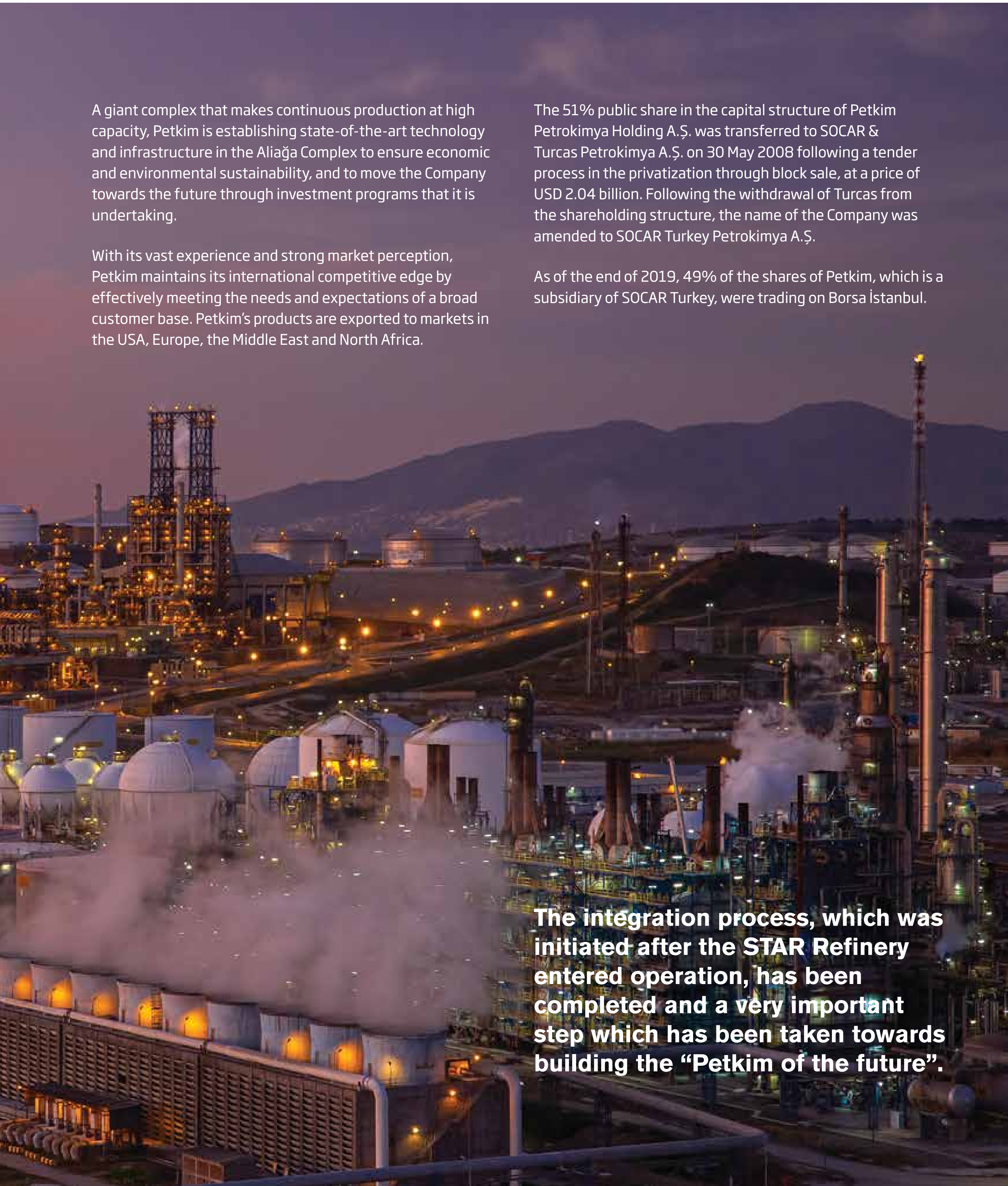
Backed by its identity of being the sole domestic producer of petrochemical raw materials in the Turkish industry and the driving force of the industry, Petkim will continue to grow and exist with our country thanks to its production technology that respects both people and the environment, sustainable contribution to the country's economy and strong social and cultural impact.

A giant complex that makes continuous production at high capacity, Petkim is establishing state-of-the-art technology and infrastructure in the Aliağa Complex to ensure economic and environmental sustainability, and to move the Company towards the future through investment programs that it is undertaking.

With its vast experience and strong market perception, Petkim maintains its international competitive edge by effectively meeting the needs and expectations of a broad customer base. Petkim's products are exported to markets in the USA, Europe, the Middle East and North Africa.

The 51% public share in the capital structure of Petkim Petrokimya Holding A.Ş. was transferred to SOCAR & Turcas Petrokimya A.Ş. on 30 May 2008 following a tender process in the privatization through block sale, at a price of USD 2.04 billion. Following the withdrawal of Turcas from the shareholding structure, the name of the Company was amended to SOCAR Turkey Petrokimya A.Ş.

As of the end of 2019, 49% of the shares of Petkim, which is a subsidiary of SOCAR Turkey, were trading on Borsa İstanbul.



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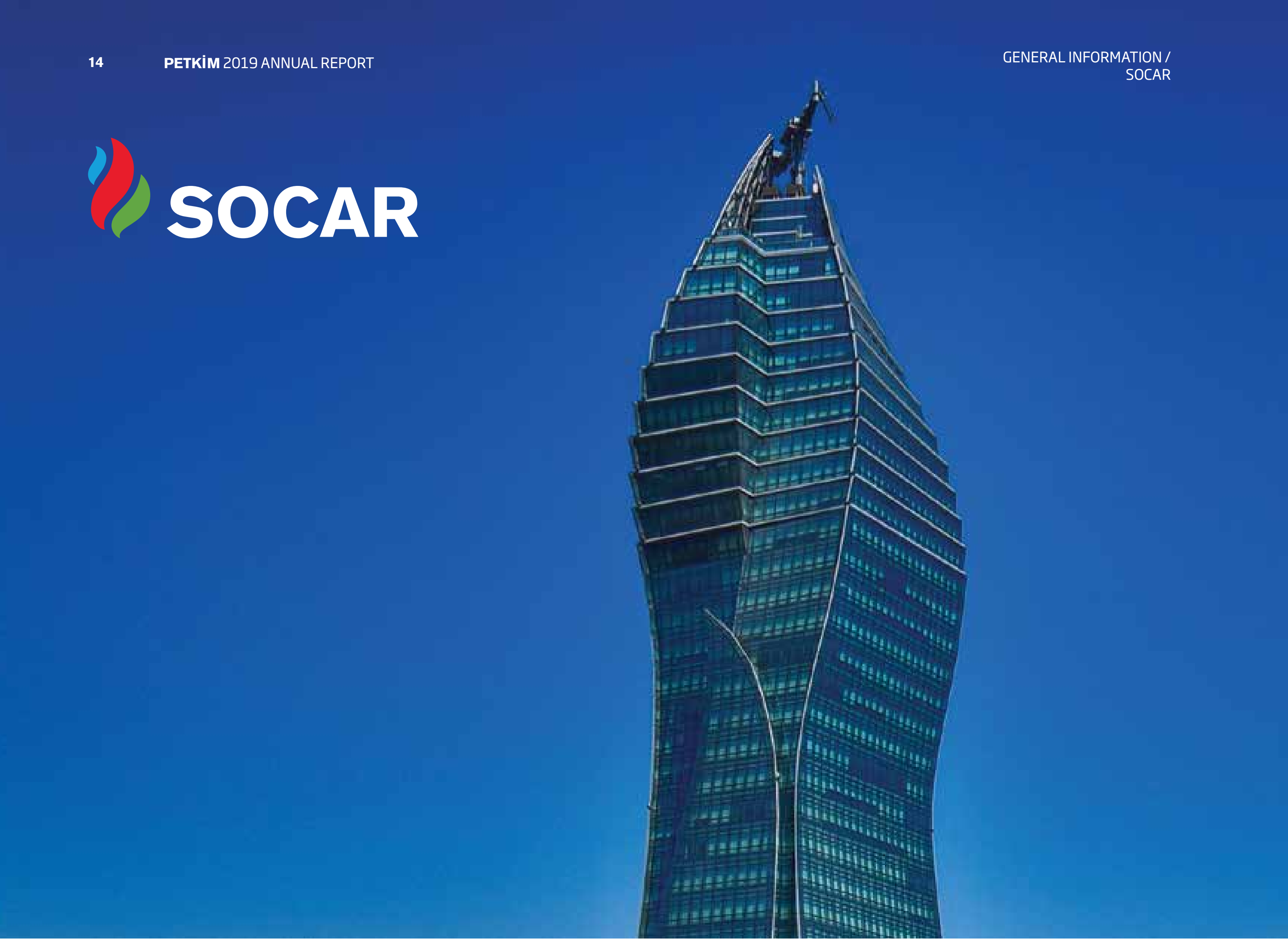


SOCAR

Employing over 51,000 people in 2019

Exporting natural gas from Azerbaijan since 2007

The Azerbaijan State Oil Company, SOCAR, was established in 1993 to utilize the resources of Azerbaijan which is one of the richest countries in the world in terms of oil and natural gas, for development on an international basis and for global benefit.

As an energy company offering integrated solutions, SOCAR is engaged in exploring oil and gas fields, producing, processing, and transporting oil, natural gas, and natural gas condensates, marketing crude oil and petrochemical products in domestic and international markets, and supplying natural gas to Azerbaijan.

There are three production units within SOCAR (oil and gas production, refinery and petrochemicals and the gas distribution network), as well as the Heydar Aliyev Baku Oil Refinery, a Gas Processing Plant, a Deep-Water Platform Fabrication Yard, two joint ventures (Integrated Drilling JV, Oil and Gas Construction JV), SOCAR Methanol, SOCAR Carbamide, a Polypropylene Plant, a High Density Polyethylene Plant, an Oil and Gas Research Institute. In addition, there are numerous sub-divisions and subsidiaries operating under the umbrella of SOCAR, each of which has become one of the largest companies in the world in its field.

Focusing on providing economic, social and environmental benefits on a global scale through strategic alliances, SOCAR strengthens its international operations in this direction. As a major energy supplier of the EU, SOCAR plays a prominent role in Europe's sustainable economic development. SOCAR is the largest foreign direct investor in Turkey through owning Turkey's largest petrochemicals production plants and gradually growing natural gas infrastructure. SOCAR's other major investment in the South Caucasus is SOCAR Georgia's natural gas distribution network. Other than that, SOCAR also has a growing retail sales network in Switzerland, Austria, Romania, Georgia, Ukraine, Turkey and Azerbaijan.

SOCAR'S GLOBAL OPERATIONS

EXPLORATION	PRODUCTION	REFINING	PETROCHEMICALS	TRANSPORTATION	SERVICES
· Absheron · Bulla Deniz · Ümid · Zafar-Mashal · Shafag-Asiman · Babek · Garabagh · Ashrafi-Dan Ulduzu-Aypara · D230	· Azeri-Chirag-Gunashli (ACG) · Bahar Gum Deniz · Binegedi · Kurovdagh · Kursengi and Garabaghli · Michovdagh Kelameddin · Muradkhanli, Jafarli and Zardab · Neftchala · Pirsahhat · Ramanı · Shahdeniz · Surakhany · South-West Gobustan · Zigh and Hovsan · REFINING · Gas Processing Plant · Haydar Aliyev Oil Refinery · STAR Refinery	· Gas Processing Plant · Haydar Aliyev Oil Refinery · STAR Refinery	· Azerikimya Production Union · Petkim · SOCAR Carbamide · Polypropylene Plant · High Density Polyethylene Plant · SOCAR Methanol	· Baku-Novorossiysk Oil Pipeline · Baku-Supsa Oil Pipeline · Baku-Tbilisi-Ceyhan Crude Oil Pipeline (BTC) · Southern Gas Corridor (South Caucasus Natural Gas Pipeline (SCP)) · TANAP · TAP · Dubendi Terminal · Kulevi Terminal · SOCAR Terminal	· AzeriGas Production Union · SOCAR Energy Ukraine · SOCAR Georgia Gas · SOCAR Georgia Petroleum · SOCAR Petroleum · SOCAR Petroleum SA Romania · SOCAR Trading · SOCAR Turkey Natural Gas Investment · SOCAR Energy Switzerland · A1 and Pronto Oil in Austria

AN INTEGRATED VALUE CHAIN CREATED IN THE ENERGY FIELD

SOCAR's strategic goal is to maintain the identity of being a vertically integrated oil and gas company with exploration and production, pipelines and logistics, refining, distribution and marketing operations.

The final objectives of this strategy are;

- To increase operational efficiency through vertical integration of operations
- To reduce the most significant economic risks through diversification of the investment portfolio.

SOCAR in numbers

Oil production in 2019
7.7 million tons

Azerbaijan's total production
37.5 million tons

Natural gas production in 2019
6.8 billion m^3

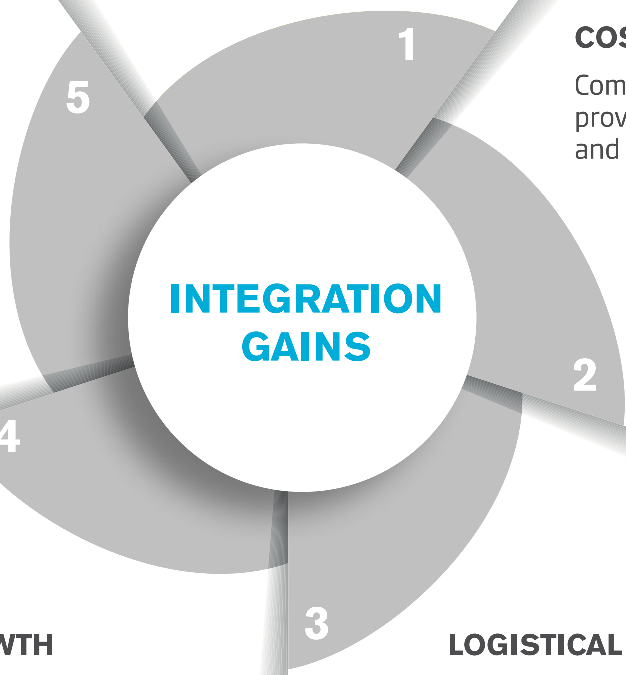
Azerbaijan's total production
35.6 billion m^3

Proven oil reserves in Azerbaijan
7 billion barrels

Proven natural gas reserves in Azerbaijan
2,6 trillion m^3

INTEGRATION PROJECT

The subsidiaries of Petkim, STAR Refinery, SOCAR Turkey Fuel Storage and SOCAR Turkey Energy Distribution are all organized under the umbrella of the SOCAR Turkey Refining and Petrochemical Business Unit.



SUSTAINABILITY IN PRODUCT AND QUALITY

Higher quality products, thanks to obtaining the required quality naphtha from the STAR Refinery, and sustainability in production with raw materials supply security

COST OPTIMIZATION

Comprehensive cost optimization provided by common purchases and common uses

LOGISTICAL GAINS

Significant savings in logistical costs achieved by obtaining NAPHTA directly from the STAR Refinery via pipeline

PRODUCTIVITY GROWTH

The efficiency provided by procuring almost all raw materials from the STAR Refinery in the medium term, and the joint management of the facilities

CONTRIBUTION TO THE TURKISH ECONOMY

Contributing to the efforts to bring down Turkey's current account deficit as our country's reliable petrochemical raw material supplier, thanks to its integration with the STAR Refinery

ACHIEVEMENTS UNDER THE INTEGRATION PROJECT

- Instead of importing its raw material, NAPHTA, from refineries in different parts of the world, Petkim started to save on logistics costs by purchasing it directly from STAR Refinery through a pipeline. This logistical advantage also reflects positively to Petkim's balance sheet. Its ability to obtain the desired quality of naphtha from the STAR Refinery, rather than importing naphtha of different grades, as previously, allows Petkim to offer higher quality production, work to greater efficiency and benefit from raw material supply security.
- 135 projects were defined under 12 categories that will create value in STAR Refinery and / or Petkim. Some of these projects have been completed, with work on others still ongoing.
- The bargaining power of companies has increased and unit costs have decreased in bulk purchases thanks to making joint service purchases.
- In human resources processes, unit costs are reduced as a result of being able to carry out common purchases for services such as training and consultancy.
- By using common warehouses and equipment, efficient stock management has created value in maintenance processes.
- Value is created with common portfolio management in finance processes.
- Within the scope of Occupational Health and Safety, common service and equipment purchases reduce company costs. Thanks to the Common Occupational Health and Safety practices, a single culture in this area is created in the group companies in the peninsula.
- Value is created as a result of the joint use of auxiliary facilities (e.g. Steam Unit, Water Treatment Unit, etc.) in Petkim and STAR Refinery.
- The electricity transmission line installed between Petkim and STAR Refinery ensures energy security for the Refinery and protects it from power outages.
- Low-value products produced during the production process at Petkim are sent to STAR Refinery to be converted into more valuable products. For example, heavy naphtha from the Petkim Aromatics Plant is converted into jet fuel at STAR Refinery.
- Through the transfer of mutual know-how in companies, processes can be improved, so work is carried out in a more agile manner.

135
135 projects under 12 categories

Finance
value-creating joint portfolio management

Common Use
efficient stock management

Purchase
ortak hizmet alımları

HR
joint process management

Know-how
Agile processes with transfer of know-how

SOCAR TURKEY

SOCAR TURKEY IS THE MOST IMPORTANT REPRESENTATIVE OF THE ECONOMIC CO-OPERATION BETWEEN AZERBAIJAN AND TURKEY, WHICH IS CONSTANTLY GROWING STRONGER AND MORE EFFECTIVE.

SOCAR Turkey is a subsidiary of one of the world's most deeply rooted oil and gas companies, the State Oil Company of the Azerbaijan Republic (SOCAR), with the official title of "SOCAR Turkey Enerji A.Ş.".

In 2008, SOCAR Turkey acquired a 51% stake in Petkim, which is one of Turkey's most deeply rooted industrial corporations, starting a strong strategic collaboration between the two countries. On 14 August 2015, Goldman Sachs International acquired a 13% stake of SOCAR Turkey, thus redefining the ownership structure of SOCAR Turkey as 87% held by SOCAR and 13% held by Goldman Sachs International.

The main investment areas in SOCAR Turkey are defined as petrochemicals, refining and natural gas. SOCAR is also the largest partner in the Trans Anatolia Natural Gas Pipeline (TANAP) project, which is planned to deliver resources in the Shahdeniz-2 region to Turkey and Europe as the longest loop of the Southern Gas Corridor.

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With powerful initiations in the Turkish market, SOCAR Turkey believes in the potential of the Turkish market, in the future of the country and in its stable growth journey, and will contribute to Turkey's transformation into a major force in international energy production platforms.

STATE SUPPORT FOR STRATEGIC INVESTMENTS

SOCAR operates in a highly strategic industry in Turkey. During the 12 year long investment process, SOCAR needed support to facilitate this process and bring flexibility while undergoing many challenging stages from the planning of the project to its activation. This support was forthcoming mainly in the form of state incentives which are provided for large scale investments. Within this context, STAR Refinery received the first Strategic Investment Incentive Certificate in December 2012, followed by Petkim which received the certificate in January 2013.

Another key development in this area took place in 2018. The land in İzmir Aliağa, home to the majority of SOCAR Turkey Enerji A.Ş.'s investments, was announced as the first Special Industrial Zone of Turkey by a Presidential decree on 19 October 2018 when STAR Refinery was officially opened.

All SOCAR Turkey Enerji A.Ş. companies located on the 1,453 hectare plot of land in Aliağa, İzmir will be able to benefit from the incentives and facilities to be provided for the Special Industrial Zone.

SOCAR TURKEY'S INVESTMENT PLAN IN THE TURKISH MARKET, WHICH IT OPERATES IN THROUGH STRONG INITIATIVES, COVERS SOME OF THE LARGEST SCALE INVESTMENTS IN THE HISTORY OF THE COUNTRY.

In Turkey, which is one of the most important regions in SOCAR's global operations, the investment value of SOCAR Turkey, which has risen on the back of the long-established brotherhood and friendship between the two countries, will reach USD 19.5 billion once its ongoing projects are completed. This amount accounts for 20% of the total foreign direct investments in Turkey, and almost half of the direct investments in the industrial sector.

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SOCAR Turkey's investments in the petrochemicals, refining, natural gas, and logistics sectors, giving direction to its activities, are aimed at turning the AliaĞa Peninsula into one of the largest chemical parks in Europe by implementing the value added chain starting with crude oil and ending with the final product.

SOCAR TURKEY

SOCAR Turkey Natural Gas Investment Co. was established to manage Bursagaz, Kayserigaz, SOCAR Energy Inc., Enervis and Millenicom, which started to operate under the umbrella of SOCAR Turkey from June 2019.

SOCAR TÜRKİYE DOĞALGAZ YATIRIM A.Ş.

SOCAR Turkey Natural Gas Investment Co. was established to manage Bursagaz, Kayserigaz, SOCAR Energy Inc., Enervis and Millenicom, which started to operate under the umbrella of SOCAR Turkey from June 17, 2019. Five companies operate under the new company.

BURSAGAZ

Founded in 1992 by BOTAŞ for to carry out natural gas distribution, Bursagaz, which is Turkey's third largest natural gas distribution company, has over 1 million subscribers. Its network length had reached 6,651 kilometers as of the end of 2019.

KAYSERİGAZ

Kayserigaz, the first natural gas distribution district which was tendered by the Energy Market Regulatory Authority (EMRA) in 2003, carries out the natural gas distribution, transmission and marketing for the Kayseri region, and is one of the most important players in the Turkish energy sector. With a network length of 5,188 kilometers and cumulative investment amount of TL 426 million, Kayserigaz has approximately 548,000 subscribers.

ENERVİS

Enervis, a service provider specialized in the energy and distribution industry, started its operations in 2012. Enervis' services focus on three areas; energy surveying and consulting services (ESCO), energy efficiency and efficient facility project development (EPC).

SOCAR ENERJİ A.Ş.

SOCAR Enerji, which offers corporate electricity sales and natural gas wholesale throughout the country, has the largest private wholesale natural gas sales portfolio in Turkey with a trading volume of 2 billion cubic meters.

MILLENICOM

Leading the alternative telecommunications sector in Turkey, Millenicom has been offering telecommunications and communication services to its customers since 2004. Millenicom, which offers an alternative in the field of telecommunications with a wide range of services and offerings, has more than 240,000 individual and corporate customers. Millenicom provides its services to more than 17,500 users through Turkey's leading Cloud-Based Exchange Network.

STAR REFINERY: THE LARGEST INVESTMENT IN TURKEY UNDERTAKEN BY THE PRIVATE SECTOR AT A SINGLE LOCATION

One of SOCAR Turkey's investments located in the Aliağa Peninsula, the STAR (SOCAR Turkey Aegean Refinery) Refinery is the most critical investment for "Refinery-Petrochemicals-Energy-Logistics-Distribution" integration and, hence, the chain value of SOCAR Turkey. With a capacity to process 10 million tons of crude oil per year, STAR Refinery has the flexibility to process various crude oil blend between 28 and 36 API. The foundations of the refinery were laid in 2011 in the Aliağa Peninsula on an area of approximately 2,860 acres. Having received the first Strategic Investment Incentive Certificate to be awarded in Turkey, construction work on the STAR Refinery was undertaken by an international consortium consisting of Técnicas Reunidas from Spain, Saipem from Italy, GS Engineering from South Korea and ITOCHU from Japan. A total of 19,500 people, including 3,000 engineers from 14 countries, were employed during the peak period of the construction phase.

As the first refinery to be established in Turkey since 1984, and the largest investment undertaken by the private sector at a single location, the STAR Refinery focuses on strategic products taking into consideration the needs of the national economy and the industrial sectors. In addition to the production of major raw materials for the petrochemicals industry such as naphtha, xylene and reformate, the STAR Refinery will also produce petroleum products such as diesel, jet fuel, LPG and petroleum coke, which are major components of the current account deficit, hence meeting more than 25% of Turkey's processed petroleum product needs in a year. To this end, Turkey's external dependency will be reduced, contributing USD 1.5 billion to bringing down the current account deficit each year.

In addition to the approvals and Environmental Impact Assessment approvals received in accordance with the Turkish environmental legislation at the foundation stage of the STAR Refinery, an International Environmental and Social Impact assessment study was carried out within the framework of the Equator Principles, EU legislation and the International Finance Corporation (IFC) requirements. Designed with the most advanced technology that is economically viable and environmentally sustainable, the STAR Refinery carries out its activities within the framework of Turkish Environmental Legislation and IFC, as well as international environmental and social sustainability performance standards.

Having completed the construction and installation studies, the official opening of the STAR Refinery was carried out on 19 October 2018. Approximately 2 million tons of the refinery's annual production volume will be used by Petkim.

With a total project cost of USD 6.3 billion, the project finance of the STAR Refinery is the largest and longest-term loan agreement so far signed in Turkey in terms of loan size and maturity. This was defined as one of the largest petroleum and gas project finance operations in the Europe, Middle East and North Africa (EMEA) region in 2014. Having completed the construction and installation studies, the official opening of the STAR Refinery was carried out on 19 October 2018. Approximately 2 million tons of the refinery's annual production volume will be used by Petkim.

On 9 January 2018, a stake sale and transfer agreements were signed between Petkim and SOCAR Turkey, ensuring Petkim held an 18% indirect stake in the STAR Refinery. Shares subject to the Agreement shall be transferred to Petkim at a date specified as Closure in the Agreement provided that the conditions stipulated in the agreement are met.

SOCAR TURKEY

SOCAR TERMINAL: THE LARGEST INTEGRATED PORT OF AEGEAN REGION

Petlim Limancılık Ticaret A.Ş. (Petlim) was established on 22 November 2010 for the development of Petkim Port, for it to be operated more economically and to build "The Largest Integrated Port of Aegean Region".

30% of Petlim's shares, which Petkim has established as a wholly owned subsidiary, were acquired by Goldman Sachs which was one of the world's leading investment banks in the last quarter of 2014. Built by Petkim, the terminal was realized to complete the logistics integration step. The port investment had a cost of USD 400 million, including financing costs.

Through the strategic collaboration established with APM Terminals in container terminal operations, the first phase of the port entered service on 6 December 2016, and started to be operated by APM Terminalleri Liman İşletmeciliği A.Ş. The second phase of the port was put into service on 4 July 2018 and started to work at full capacity.

On 27 December 2018, a 100% stake in APM Terminalleri Liman İşletmeciliği A.Ş. was acquired and transferred by SOCAR Turkey Enerji A.Ş., and the official name of the Company was amended to SOCAR Aliağa Liman İşletmeciliği A.Ş. The operation of the port has been carried out by SOCAR Aliağa Liman İşletmeciliği A.Ş. (SOCAR Terminal) since then.

SOCAR Terminal maintains the port management system and operational structure as it was at the start of the process, while continuing its activities in line with the vision and goals of integration set out by SOCAR in Turkey.

With its 700-meter single-dock structure and a minimum water depth of 16 meters, the SOCAR Terminal is the first and only port facility in the Aegean Region able to efficiently serve ships of up to 18,000 TEU. The terminal is the biggest port in the Aegean Region with a container handling capacity of 1.5 million TEU.

In addition to a logistics area in the port area and a back-service area for the storage of containers, there is also a general cargo dock with a length of 150 meters and a depth of 10 meters at the port. The general cargo dock at the SOCAR Terminal has a carrying capacity of 10 tons per m^2, while an additional 30 acre storage area can be provided for the project cargo shipments that require storage.

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With its innovations brought for its customers and ship operators, its strong infrastructure and its set of values, SOCAR Terminal continues to add value to the Aegean Region and to Turkey.

POWER PLANT PROJECTS TO SERVE AS THE ENERGY PILLAR OF THE INVESTMENTS

Work on installation of the Petkim Wind Farm project with 17 wind turbines and a mechanical power of 51 MW, got underway in 2014 with the aim of increasing Petkim's energy security, reducing the energy costs included in production costs and meeting a proportion of the electricity needed in the production process from environmentally friendly renewable energy resources, and was completed in 2017. The 25 MW generation capacity was accepted by the Ministry of Energy and Natural Resources and the system was commissioned.

The process of benefiting from the Renewable Energy Resources Support Mechanism started for a duration of 10 years as of 1 January 2018.

Petkim Wind Farm, which has been developed with an investment of EUR 55 million, is anticipated to increase Petkim's electricity generation production capacity by 22%, while reducing CO_2 emissions by 120,000 tons.

THE TANAP PROJECT: THE MOST STRATEGIC STEP TAKEN SO FAR FOR TURKEY TO BECOME AN ENERGY CORRIDOR

TANAP (Trans Anatolian Natural Gas Pipeline) is the foundation of the 3,500-kilometer energy corridor reaching out from Azerbaijan to Europe and is a sign of the cooperation in Anatolia between the two countries united in brotherhood - Turkey and Azerbaijan. SOCAR Turkey is taking one of the most strategic steps ever taken for Turkey to become one of the world's energy corridors with the TANAP project, which has an investment cost of approximately USD 6.5 billion.

Having established the legal infrastructure on 26 June 2012 and receiving the "Environmental and Social Impact Assessment (ESIA) Positive Certificate" on 24 July 2014, the founding stone of TANAP was laid on 17 March 2015.

The aim of the TANAP project is to transport the natural gas produced by Azerbaijan at the Shahdeniz 2 Gas Field in the Caspian Sea and other fields located at the south of Caspian Sea to Turkey and to Europe. TANAP is connected to the South Caucasus Pipeline (SCP) and the Trans-Adriatic Pipeline (TAP) to form the Southern Gas Corridor.

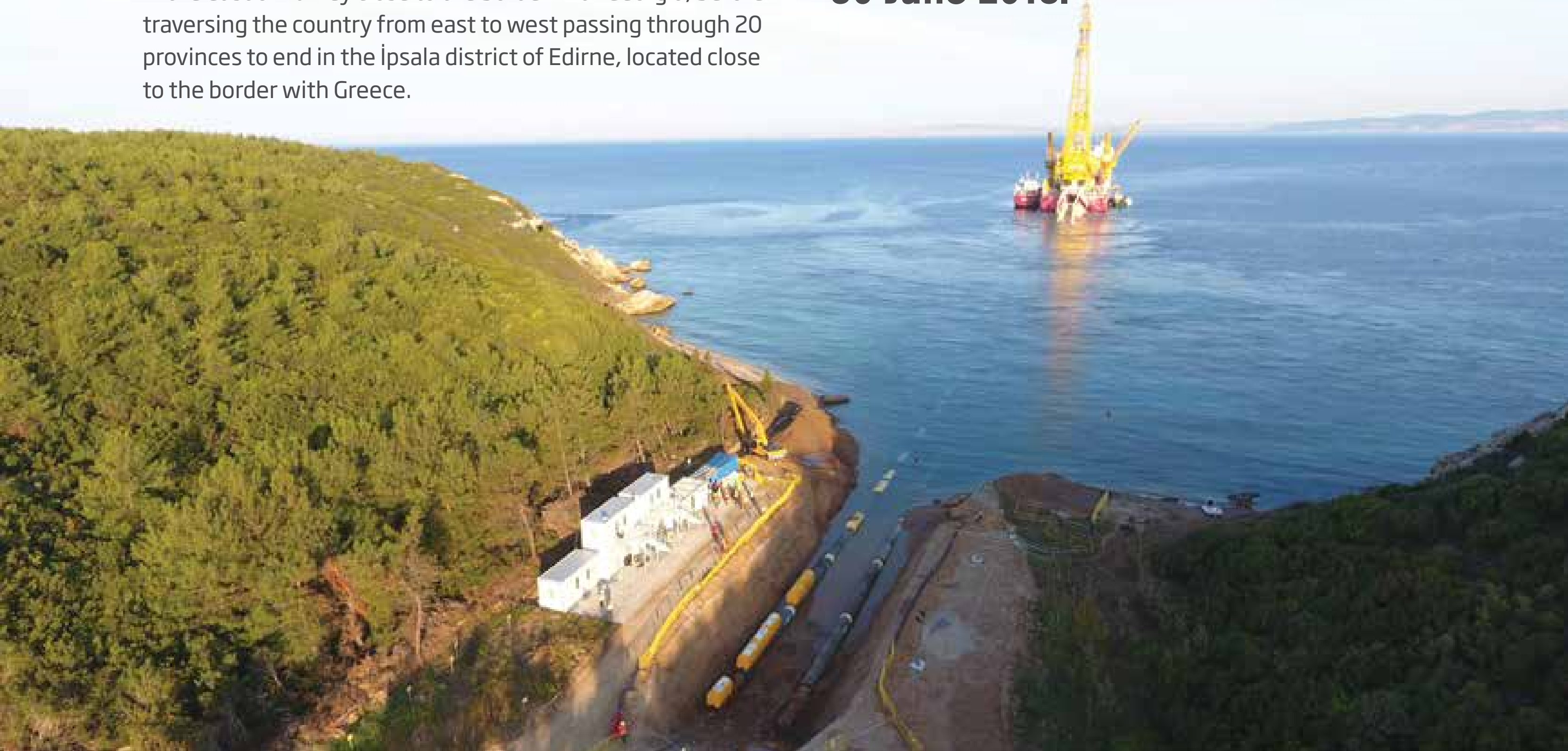
Following a course as high as 2,760 meters of altitude on land to as low as 65 meters depth at sea, and extending a route with a main line length of 1,850 kilometers, TANAP will start from Ardahan's Posof district in the Türkgözü village, located in the east of Turkey close to the border with Georgia, before traversing the country from east to west passing through 20 provinces to end in the İpsala district of Edirne, located close to the border with Greece.

Expected to meet 12% of Turkey's natural gas requirements, 16 billion m^3 of natural gas will be transported in the first phase via TANAP. 6 billion m^3 of the natural gas will be used in Turkey, while 10 billion m^3 will be transported to Europe. The throughput capacity of the pipeline is aimed to rise to 24 billion m^3 and then to 31 billion m^3 with additional investments.

The first completed phase of TANAP was opened in a ceremony held on 12 June 2018 and the first gas flowed through the pipeline on 30 June 2018. The opening ceremony of the TANAP-Europe Connection of the pipeline, which was fully prepared for gas flow to Europe as of July 1, 2019, was held on November 30, 2019.

The ownership structure of TANAP is as follows: SGC 51% (51% of SGC is owned by The Republic of Azerbaijan Ministry of Economy, while the remaining 49% belongs to "SOCAR" - The State Oil Company of the Azerbaijan Republic), SOCAR Turkey Enerji A.Ş. 7%, BOTAŞ Boru Hatları ile Petrol Taşıma A.Ş. 30% and BP Pipelines (TANAP) Limited 12%.

The first completed phase of TANAP was opened in a ceremony held on 12 June 2018 and the first gas flowed through the pipeline on 30 June 2018.



SOCAR TURKEY

SOCAR FIBER : THE OPTIC INFRASTRUCTURE THAT WILL SHARE THE ROUTE WITH TANAP

The SOCAR Fiber Optic Network is planned as a communication infrastructure project that will be rolled out in parallel with the TANAP Natural Gas Pipeline. Starting from the Georgian border, the fiber-optic network will end at the border of Greece, passing through Turkey from end to end in an east-west axis through 20 provinces and 67 districts.

Established to realize investments in fiber optic infrastructure, SOCAR Turkey Fiber Optik A.Ş. (SOCAR Fiber) will expand fiber optic infrastructure in the region with the investments that it has initiated to support the global need for the expansion of communication infrastructures, thereby providing the operators and telecommunication companies in Turkey and the region with access to world-class data transfer speeds and additional capacity and line backup to their services.

The Network Operation Centers of the line are located in Ankara and Eskişehir, and the security of the line is provided by 2 separate fiber-optic cables in 2 separate channel systems along the fiber-optic route.

The passive infrastructure construction of the SOCAR Fiber-optic line was completed in 2019.

SOCAR DISTRIBUTION: AN ENERGY DISTRIBUTION COMPANY BRINGING FUEL TO THE FINAL CONSUMER

SOCAR Turkey Petrol Enerji Dağıtım A.Ş. was founded to operate in energy distribution business, as the final step of SOCAR Turkey's "Refinery- Petrochemicals-Energy- Logistics-Distribution" value chain. The Company will also undertake the sale of the STAR Refinery products.

SOCAR Distribution operates in the fields of wholesale and retail fuel oil, air and sea vehicles fuel sales as well as LNG, CNG and auto-CNG. These operations are carried out via SOCAR in fuel distribution sector, via SOCAR CNG in auto CNG market, via SOCAR MARINE and SOCAR AVIATION at sea and air fuel market respectively, and via SOCAR CNG and SOCAR LNG brands in gas sales. With all these brands, SOCAR Distribution is ranked third in aviation sales, second in marine sales, second in industrial CNG sales in Turkey, while having most widespread station network in the auto-CNG market.

Having won the tender opened for 9 fuel stations located in İstanbul Airport, which was brought into service on 29 October 2018, SOCAR Turkey's new fuel stations at the airport and at the apron meet the fuel requirements of consumers, car rental firms, taxis and airport vehicles. Thus, SOCAR serves consumers directly in the world's largest airport with an annual capacity of 200 million passengers over a total area of 16,280 m^2. 10,000 vehicles benefit from all SOCAR stations at İstanbul Airport every day.

With STAR Refinery products, SOCAR Turkey expects to reach high market shares in the distribution segment within a short space of time, in line with its targets.

SOCAR Turkey Petrol Enerji Dağıtım A.Ş. was founded to operate in energy distribution business, as the final step of SOCAR Turkey's "Refinery- Petrochemicals-Energy- Logistics- Distribution" value chain.

SOCAR TURKEY

SPECIAL INDUSTRIAL ZONE

The land in İzmir, Aliağa, where the majority of SOCAR Turkey Enerji A.Ş. investments are located, was announced as Turkey's first Special Industrial Zone with a Presidential decree dated 19 October 2018 when STAR Refinery entered operation.

TANAP: NEW ENERGY CORRIDOR OF EUROPE

TANAP will turn both Turkey and Azerbaijan into the most important players in the sector. The 1,850 km pipeline will place Turkey and Azerbaijan as Europe's principal alternative natural gas suppliers.

1,850 km

The first completed phase of TANAP was opened with a ceremony held on 12 June 2018 and the first gas flowed through the pipeline on 30 June 2018. The opening ceremony of the TANAP-European connection was held on November 30, 2019.

A FIBER OPTIC NETWORK COVERING 20 PROVINCES

The SOCAR Fiber-Optic Network has been planned as a communications infrastructure project that will be rolled out in parallel with the TANAP Natural Gas Pipeline. Encompassing regions between the border with Georgia and the border with Greece, the fiber-optic network covers over 20 provinces.

SOCAR STORAGE: THE HIGHEST STORAGE CAPACITY IN AEGEAN REGION

SOCAR Storage initiated its operations in 2016 to perform the storage and operational ring of the SOCAR energy chain in line with the needs of SOCAR group companies and its business partners.

SOCAR Storage undertakes activities such as storage of petroleum products and natural gas in tanks, filling operations for land and sea tankers and evacuation operations from sea tankers to tanks in accordance with national and international conditions and the OHS-E policy.

Located in Aliağa, İzmir, SOCAR Storage Terminal is the largest terminal in the Aegean Region with its storage capacity of 205,000 m^3 of fuel oil and 45,000 m^3 of LPG. An

INVESTMENTS IN THE PETKİM PENINSULA AND BENEFITS TO PETKİM

STAR REFINERY

- 1.6 million tons of light naphtha supply
- Reduction in logistics costs
- Feedstock safety
- Sustainability in product specifications
- Increased efficiency in the production of aromatics
- Production of medium distillate fuels

Capacity: **10 million tons/ year (214,000 barrels/ day)**
Configuration: **High Conversion**
Refinery complexity: **9.0**
Crude oil processing range: **28-36 API**
Storage capacity: **1,640,000 m^3**
Investment cost: **USD 6.3 billion**

SOCAR TERMINAL

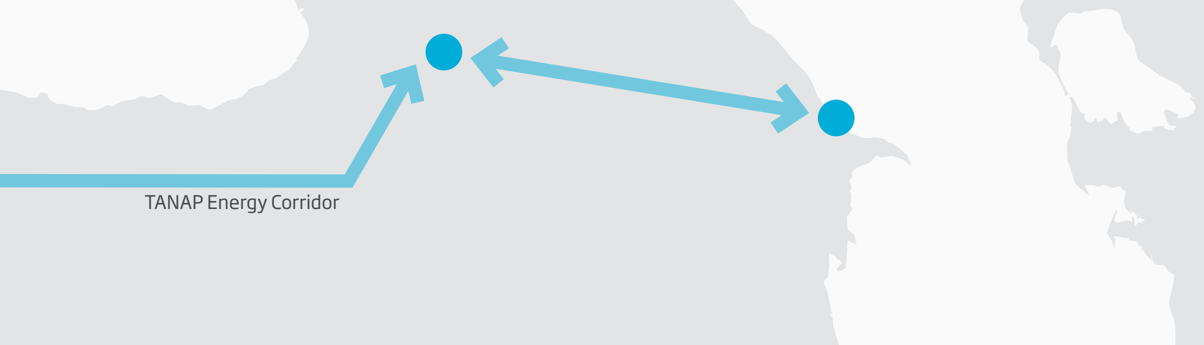
- The terminal will be able to accept vessels with capacities up to 18,000 TEU
- With the advantage of a water depth of 16 meters, it will rival the ports of Piraeus and Alexandria
- High capacity in cargo services
- The important logistics center of the region

Annual capacity: **1.5 million TEU**
Potential expansion capacity: **4 million TEU**
Port area: **42 hectares**
Dock and maneuvering area: **700 meters**
General cargo and bulk cargo docks: **150 meters**

PETKIM WIND FARM

- Energy security
- Use of renewable energy resources
- A 22% increase in electricity generation capacity
- A 120,000 ton reduction in CO_2 emissions

Investment cost: **Approximately EUR 55 million**
Total installed power: **51 MW**
Number of turbines: **Nine in the first phase, eight in the second phase (total 17)**



additional 325,000 m^3 of fuel storage capacity has been put into service in the third quarter of 2019 in order to increase service competence at the ISO9001 certified SOCAR Storage Terminal.

SOCAR Storage carries out storage and handling activities of fuel and chemical products in facilities in Kocaeli Gebze and Hatay Dörtyol, and CNG filling activities in facilities in Denizli and Ordu regions.

With the start of production at the STAR Refinery, which was brought into operation in 2018, the operating field of SOCAR Storage is planned to be expanded by providing services to all regions in Turkey.

KEY PARAMETERS AND FINANCIAL HIGHLIGHTS

Two-Year Key Indicators (TL thousand)	**2018**	**2019**
Total Assets	12,587,806	14,801,333
Net Sales	9,314,717	11,672,220
Net Profit	871,672	813,291
Exports (USD million)	755	823
Issued Capital	1,650,000	2,112,000
Number of Employees (year-end)	2,559	2,547

Summary Balance Sheet (TL thousand)	**2018**	**2019**
Current Assets	7,994,968	9,546,647
Non-Current Assets	4,592,838	5,254,686
Total Assets	**12,587,806**	**14,801,333**
Short-term Liabilities	3,862,111	5,128,553
Long-term Liabilities	4,590,759	4,823,899
Shareholders' Equity	4,134,936	4,848,881
Total Equity and Liabilities	**12,587,806**	**14,801,333**

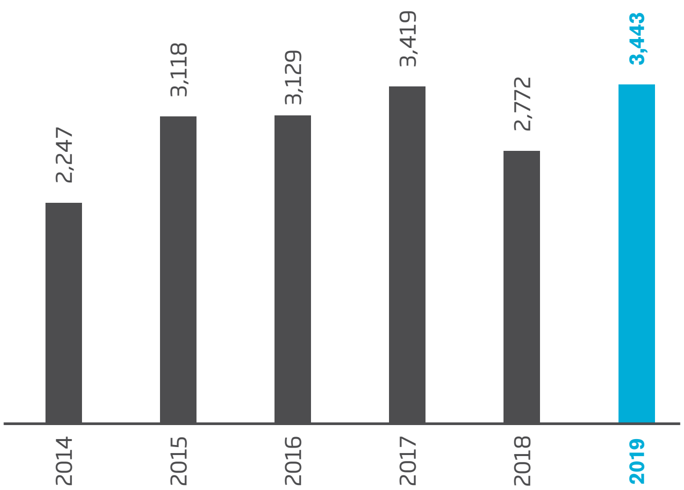
Summary Income Statement (TL thousand)	**2018**	**2019**
Net Sales	9,314,717	11,672,220
Gross Profit	1,578,960	1,601,137
Operating Profit	1,206,339	1,244,003
EBITDA	1,523,227	1,588,905
Net Profit for the Year	**871,672**	**813,291**

Key Ratios	**2018**	**2019**
Current Ratio	2.07x	1.86x
Liquidity Ratio	1.09x	1.09x
Financial Leverage Ratio	0.67x	0.67x
Debt Ratio (Total Debt/Equity)	2.04x	2.05x

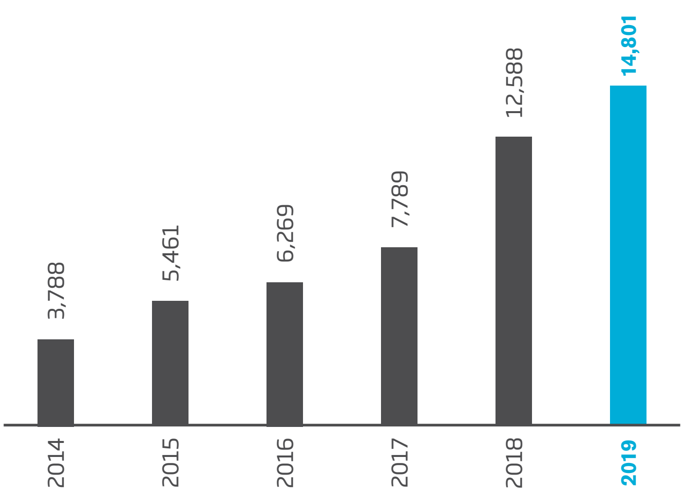
Gross Profit Margin (%)	17.0%	13.7%
Operating Profit Margin (%)	13.0%	10.7%
EBITDA Margin (%)	16.4%	13.6%
Net Profit Margin (%)	9.4%	7.0%

Petkim achieved one of the highest levels of earnings before interest, tax, depreciation and amortization (EBITDA) in its history. It closed the year with EBITDA of TL 1,589 million and a net profit of TL 813 million.

GROSS PRODUCTION (THOUSAND TONS)



TOTAL ASSETS (MILLION TL)



14,801,333

In 2019, Petkim's asset volume stood at TL 14,801,333,000

17.6%

The rate of growth in assets in 2019 stood at 17.6%.

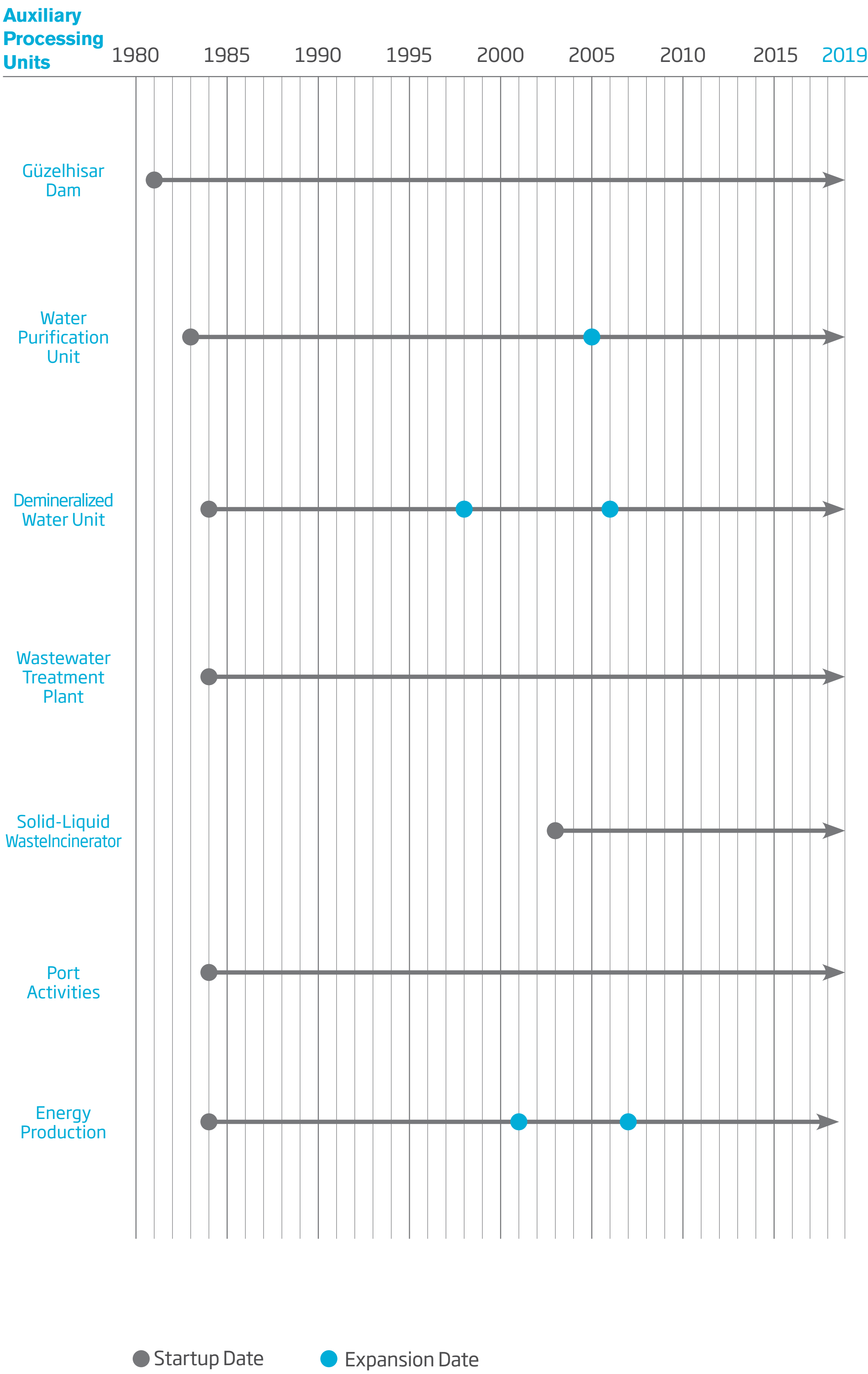
813,291

Petkim wrote a net profit of TL 813,291,000 in 2019.

3.44

Petkim produced 3.44 million tons of product in 2019.

PETKİM PLANTS



Güzelhisar Dam

Rainfall Area: 450 km²
Annual Average Rainfall: 500-600 kg/m²
Water Level: 63 m. (min.), 104 m. (normal), 107 m. (max.)
Active Volume: 137 million m³
Total Storage Volume: 150 million m³

Water Purification Unit

Capacity: 7,800 m³/h
Start up Date: 1983
Expansion Date: 2005
Total Storage Capacity of Raw Water Basins: 80,000 m³

Demineralized Water Unit

Capacity: 1,700 m³/h
Start up Date: 1984
Expansion Date: 1998, 2006

Wastewater Treatment Plant

Capacity: 1,670 m³/h
550 m³/h Oily Wastewater
120 m³/h Domestic Wastewater
1,000 m³/h Chemical Wastewater

Solid-Liquid WasteIncinerator

Capacity: 2,26 tons/h
0.85 tons/h Solid Waste
1.07 tons/h Treatment Sludge
0.34 tons/h Waste Oil

Port Activities

Handling Amount:
2.7 million tons

Energy Production

Steam Production Unit
Capacity: 1.200 tons/h XHS
Electricity Production-Distribution
Installed Capacity: 273 MW
Installed Capacity: 2001 (TG4), 2007 (Gas Turbine), 2017 (Wind Turbine)

MILESTONES FROM PETKİM'S HISTORY

1965-1970
- Petkim Petrokimya A.Ş. was established with TL 250 million in capital.
- Construction of the Ethylene, Polyethylene, CA, VCM and PVC plants at the Yarımca Complex was completed and trial operations began.
- A decision was made to establish a second petrochemical complex in the Aliağa region.

1971-1975
- Production began at the Çanakkale Plastics Processing Plant.
- The DDB Plant within the Yarımca Complex was established and began operations.
- Petkim's capital was increased to TL 1.5 billion.
- Expansions at the Ethylene and LDPE plants within the Yarımca Complex were completed.
- The Carbon Black, Synthetic Rubbers (SBR-CBR), Styrene and Polystyrene plants at the Yarımca Complex began operations.

1976-1983
- Expansions of the VCM and PVC plants at the Yarımca Complex were completed. Caprolactam units began production.
- Due to the rapid growth of the Turkish automotive industry, Petlas Lastik Sanayi A.Ş. was established to produce tires as of 19 August 1976 under the management of Petkim.
- Petkim's capital was increased to TL 8 billion, TL 40 billion and finally TL 100 billion.
- Auxiliary plants and shared facilities at the Aliağa Complex were completed.

1984-1989
- Plants at the Aliağa Complex began production.
- The Aliağa and Yarımca complexes were converted into subsidiary companies; Alpet A.Ş. and Yarpet A.Ş.
- Petkim was brought within the scope of the state privatization program under the provisions of law number 3291 dated 28 May 1986.

1990-1995
- Petkim's capital was raised to TL 2 trillion in 1990 and TL 3 trillion in 1991.
- As a result of expansion and rehabilitation projects at the Aliağa Complex's LDPE, HDPE, PP and ACN plants in 1993 and the Yarımca Complex's PVC, PS, CB, SBR, CBR and BDX plants in 1995, a significant increase was achieved in Petkim's production capacity.

1996-1999
- Petkim obtained a TS-EN-ISO 9002 Quality Assurance Certificate.
- The Company's record keeping was converted from the Paid-up Capital System to the Authorized Capital System. The Company increased its capital to TL 117 trillion, on the basis of TL 114 trillion transferred from the Revaluation of Fixed Assets Fund.

2000-2004
- Chlorine Alkali production technology was changed to membrane type to achieve lower production cost and more HSE friendly plant. Investments increased chlorine production capacity from 75,000 tons/year to 100,000 tons/year.
- Capital was increased from TL 117,000 billion to TL 204,750 billion.
- As per the Privatization High Council's decree, the Yarımca Complex was sold to Tüpraş.
- The second expansion of the HDPE Plant, which increased production capacity from 66,000 tons/year to 96,000 tons/year, was completed in 2001.
- 10,000 tons were added to the PVC plant capacity.
- The Çanakkale Plastic Processing Plant was shut down; its equipment was transferred to the Aliağa Complex.
- The construction and installation of the Solid-Liquid Waste Incineration Unit began operations in 2003.
- Petkim's dry cargo jetty was opened for service to third parties.

2005-2007
- The expansion of the Ethylene, LDPE and PP plants was completed in 2005. The capacities of the plants increased from 400,000 tons/year to 520,000 tons/year for ethylene, from 190,000 tons/year to 310,000 tons/year for LDPE and from 80,000 tons/year to 144,000 tons/year for PP. This represents the largest investment program undertaken in the past 18 years.
- At the Aromatics Plant, PX capacity was increased from 100,000 tons/year to 136,000 tons/year, whilst benzene capacity was increased from 123,000 tons/year to 134,000 tons/year.
- As a result of a USD 90 million investment, the 57 MW gas turbine went into operation at the Steam Production and Electric Power Generation units in 2007. In the steam boilers, in addition to fuel-oil, the use of environmentally friendly natural gas

has started which also provided fuel flexibility for operations.

- Elsewhere, the use of an FFS Roll Film-producing co-extruder unit was started for Bag Production operations in 2007. With a view to replacing valve bags, FFS bag packaging was introduced gradually for all solid products.
- In addition, a privatization tender using the block sale method for the state-owned shares of Petkim, equivalent to a 51% stake in the Company, was announced. The tender, which was open to the public, took place on 5 July 2007. The sale of these shares to the second highest bidder, the SOCAR & Turcas Consortium, was approved by decision number 2007/63 of the Privatization High Council on 22 November 2007.

2008-2009

- On 30 May 2008, in a privatization tender again using the block sale method, 51% of Petkim's public shares were handed over to SOCAR & Turcas Consortium for USD 2.04 billion.
- A 1.3 million m2 parcel of land owned by Petkim was allocated to the STAR Rafineri A.Ş. for the establishment of a raw materials refinery.
- Major improvements in productivity were realized by upgrading technology to increase feedstock flexibility. Petkim began cracking not only naphtha but also LPG.
- Within the scope of the Company's expansion plans, feasibility studies and detailed terminal plans were conducted for the Petkim Port.
- As a result of the Integrated Management System Certification Audit carried out by Turkish Standards Institute (TSI), the ISO 9001 Quality Management System was renewed. Petkim was granted the ISO 14001 Environmental Management System and TS 18001 Occupational Health and Safety Management System certifications.

2010

- On 23 June 2010, STAR Rafineri A.Ş. received the license for a 10 million ton capacity refinery at the Petkim Complex.
- In order to boost the efficiency of port operations, Petkim Limancılık Ticaret A.Ş. was established in November 2010.
- The enterprise Resource Planning Project (ERP) was launched on 1 October 2010 and all operational processes began being monitored through this initiative.
- Petkim's capital was increased via bonus issues from TL 204,750,000 to TL 1,000,000,000.
- Petkim also received approval for its license application to the Energy Market Regulatory Authority (EMRA) for the construction of a wind power plant on 15 December 2010, as part of the EMRA decision numbered 2922-16

2011

- The groundbreaking ceremony for the STAR Refinery located on the Petkim Peninsula was held.
- The Company also made further investments to expand the capacity of the LDPE-T Plant, increasing its capacity by 20%.
- In addition, the groundbreaking ceremony for the Heydar Aliyev Technical and Industrial Vocational High School took place.
- The Company's Atmospheric Nitrogen and Oxygen plant was handed over to French Air Liquide.
- Petkim's land in Yarımca was sold in a tender.
- An agreement to increase the capacity of Ethylene plant was also signed.
- Following the withdrawal of Turcas from the shareholding structure, 51% of Petkim shares were handed over to SOCAR Turkey Enerji A.Ş.

2012

- A preliminary agreement for operation of the container port was signed between Petlim Limancılık A.Ş., a 100% subsidiary of Petkim and APM Terminals, a Dutch-based company active in operation and management of container terminals. It will be built at Petkim production facilities by APMT.
- Following the expansion investment completed in August 2012, the capacity of the PA plant increased from 34,000 tons/year to 49,000 tons/year.
- In the National Awards of Quality, one of the most prestigious awards of Turkey, which was held in cooperation with TÜSİAD and KalDer, Petkim was awarded National Quality Success Award in the category of Large-scale Institutions.
- A project to modify and increase the capacity of the Ethylene and PTA plants received the "Strategic Investment Incentive Certificate."
- Petkim received first prize in the large manufacturers category of the "Energy Efficiency Increase in Industry Project" competition. This initiative is organized by the Ministry of Energy and Natural Resources, and comprises seven projects that provide TL 58 million/year profit and a

MILESTONES FROM PETKİM'S HISTORY

reduction of 140,000 tons/year in CO2 emissions.
- Also, by means of Petkim's contributions, the construction of the Heydar Aliyev Technical and Industrial Vocational High School was completed. Following completion, the school was handed over to the Aliağa Directorate of National Education.

2013
- Petkim was awarded with the grand prize in the Efficiency in Industry category of The National Energy Prizes contest.
- Petkim has been the first industrial institution to obtain ISO 50001 Energy Management System Certificate among the large-scale industrialists consuming energy more than 500,000 TEP.
- Petkim crowned its customer oriented efforts with TS ISO 10002 Customer Satisfaction Management System Certificate.
- In line with the integration targets, an operation agreement was signed on 22 February 2013 with APMT BV and APM Terminals for the operation of the Container Port by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals).
- Petkim Academy was established.
- Petkim was awarded with four prizes in Successful Industrial Enterprises Ceremony, which is held every year by the Aegean Region Chamber of Industry.
- Excavation works for the Petlim Container Port were begun.
- With exports worth USD 765,751,000, Petkim became the export leader of both the Aegean Region and the overall chemical industry in the region.

2014
- As part of the Petkim Wind Power Project, a final agreement was signed with Alstom.
- Following the purchase of 30% of shares worth USD 250 million, Goldman Sachs became a shareholder of Petlim Limancılık Tic. A.Ş., a 100% subsidiary of Petkim.
- Capacity at the Ethylene plant was increased by 13% to 588,000 tons/year, while the capacity at the PTA plant reached 105,000 tons/year having risen from 70,000 tons/year. As a consequence, Petkim's gross production capacity increased by 13%. The plant underwent a comprehensive maintenance program as part of the broader structure of the Company.
- The Company's Corporate Governance Rating rose to 9.01, following a study carried out by Kobirate.
- The Plastic Processing Plant came online at its new location.
- Petkim received the ISO 27001 Information Security Management System Certificate developed by TSI.
- Petkim became one of the 15 companies listed on the BIST Sustainability Index.

2015
- Conducting its activities based on its 45 years' R&D culture, Petkim's research center reached the status of R&D Center following the certification of the Ministry of Science, Industry and Technology on 13 January 2015. The center operates on an area of 1,200 m^2 consisting of 6 laboratories, a 400 m^2 pilot plant and offices, located at Petkim complex.
- Petkim celebrated its 50th year of operation with its employees, senior officials from Petkim and SOCAR, the business and media world and distinguished guests from Turkey and Azerbaijan in a series of events.
- The capacity of the PTA plant, which supplies raw materials to textiles and PET packaging production, was increased from 70,000 tons/year to 105,000 tons/year.
- Petkim Port received the "GreenPort Certificate" following an audit carried out by the Directorate General of Merchant Marine and TSI (Turkish Statistics Institute).
- Petkim was selected as one of Turkey's most preeminent digital companies. Accenture Turkey, which is evaluating the performance of digitalization in private sector companies at all stages from production to the customer, has implemented Digitalization Index. As a result of the work performed under a systematic approach and a scientific methodology, Petkim became the leader of the "Manufacture of Chemicals and Chemical Products" sector.
- Petkim received the first prize in the Industrial Energy Efficiency Project competition organized by the General Directorate of the Renewable Energy of Ministry of Energy (YEGM). In the contest, where the projects of industrial enterprises on increasing energy efficiency of their current systems evaluated, Petkim won the first place in the SEVAP-3 (50,001 TEP and higher) category, participating with total of 8 energy projects selected from the LDPE, Ethylene, Aromatics, ACN and LDPE-T plants.

2016

- On 6 December 2016 the first phase of the 800,000 TEU capacity Petkim Container Terminal was completed and it entered operation.
- The ACN plant broke a 31-year production record and was selected as "The Best Plant" among Petkim facilities.
- Petkim started to produce organoleptic lid types with nonwoven in High Density Polyethylene plant, supplying producers of bottle lids for fizzy liquids.
- Petkim received the "Aegean Region's Top Company that Has the Biggest Exports" and "Top Company in Chemistry Sector Having the Biggest Exports" awards in recognition of its exports, which reached USD 447 million in 2016.
- The Petkim Port was awarded the GreenPort Certificate for a second time, following checks conducted by the Ministry of Transport, Maritime Affairs and Communications Directorate General of the Merchant Marine and Turkish Standards Institute.
- TS ISO 31000 Risk Management Verification performed by Turkish Standards Institute (TSE) has been successfully completed and Petkim received the certificate.

2017

- Petkim received the "Biggest Exporter in the Aegean Region" and "Biggest Exporter in the Chemicals Industry" awards, in recognition of the USD 671 million of exports it realized in 2017.
- Reaching 100% capacity in the Ethylene Plant, a record high production of 3.42 million tons was achieved with a record 97% capacity utilization rate in all facilities as a whole.
- The installation of the Wind Farm project with 17 turbines and a mechanical power capacity of 51 MW was completed in 2017 and the system, with 25 MW electricity generation, was commissioned.
- The construction of the second phase of the Petlim Container Terminal was completed.
- Petkim's Corporate Transformation Program, "Petkim Benim" started in January 2017.
- The Digital Transformation initiation has got underway at Petkim. Accordingly, the Deputy Directorate General of Digitalization and Technology was established.

2018

- Petkim's first international bills worth USD 500 million listed on the Irish Stock Exchange.
- A stake sale and transfer agreement was signed with SOCAR Turkey to acquire an 18% indirect stake in the STAR Refinery.
- The planned maintenance stop Turnaround was scheduled to last for 63 days, but was successfully completed in 53 days.
- The digitalization project, the Ethylene Furnace Optimization Model (EFOM), a world class project in terms of its size, was launched.
- The official opening ceremony of the SOCAR Turkey Aliağa Administration Building was held with the attendance of the Presidents of both countries.
- The STAR Refinery was formally opened by the Presidents of the two countries.
- SOCAR Turkey's 1,453 hectare plot in İzmir Aliağa was declared as the first Special Industrial Region in Turkey.
- The sponsorship contract with the Turkey Physically Disabled Sports Federation, Boccia National Team, was signed.
- The second phase of SOCAR Terminal became operational.

2019

- STAR Refinery made its first transaction with Petkim for the naphta it has produced within the context of refinery and petrochemicals integration of SOCAR Turkey.
- Petkim set an all-time production record with production of 3.44 million tons in 2019.
- The integration process of SOCAR Turkey group companies was completed on November 1, 2019. With this integration, the subsidiaries of Petkim, STAR Refinery, SOCAR Turkey Fuel Storage and SOCAR Turkey Energy Distribution were brought under the umbrella of the SOCAR Turkey Refinery and Petrochemicals Business Unit.
- Petkim's Cultural Transformation Program, "My Petkim", was expanded to companies in the SOCAR Turkey Refinery and Petrochemicals Business Unit and started to be rolled out under the name "My Value".
- Petkim was the only company from Turkey this year which was selected to take part in the World Economic Forum (WEF) "Global Lighthouse Network", where the world's leading facilities which make the best of Industry 4.0 technologies in production are accepted.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In 2019, Petkim maintained its strong performance in the challenging market conditions presented by the global conjuncture.

VAGİF ALİYEV
Chairman of the Board of Directors

Esteemed shareholders and stakeholders,

Petkim maintained its run of strong performance in 2019 against a backdrop of challenging market conditions presented by the global conjuncture, achieving significant gains with its accelerated digitalization breakthroughs and integrated structure which it has established, while achieving new records with its high capacity production and turnover figures.

A YEAR OF SLOWDOWN IN THE GLOBAL ECONOMY AND TRADE.

The synchronized slowdown in the world economy and decline in global demand led the IMF to revise its growth forecasts, with the growth rate for 2019 reduced to 2.9% in its January 2020 review. This level marks the lowest rate of global economic growth recorded in the 10-year period.

In 2019, as globalization faltered, global trade weakened along with a contraction in demand and decline in production. Global trade volume, which increased by about 4% in 2018, is estimated to have increased by 1.2%, according to a report by the World Trade Organization released in January 2020.

The petrochemical industry is facing a period of cyclical contraction which became more evident in 2019. Between 2014-2018, when the sector expanded, the increase in supply in petrochemicals, accelerated by large-scale new investments in the USA and Asia, especially China, was met by increased demand generated by moderate growth in the world economy. However, this balance was disrupted in 2019 by a significant decline in global demand.

The price of a barrel of Brent crude oil fluctuated between USD 54-75 in 2019, with an average of USD 64.2 / barrel - 10% below its 2018 level. While high oil prices were reflected negatively to naphtha-based producers, squeezing margins, prices of petrochemical products also decreased significantly.

TURKEY'S ECONOMY OFFERS HOPE WITH ITS STRONG DYNAMICS.

As of the last quarter of 2018, Turkey had restored some hope by swiftly correcting the negative parameters that had been suppressing the economy, with the economy returning to a path of growth with its successful economic management and strong internal dynamics.

In 2019, the integration steps we implemented were also one of the important milestones in Petkim's history.

Turkey, whose regional presence will, we believe, strengthen in the coming period with its economic potential and the advantages of its geographical position, especially in terms of its importance as an energy corridor, has also signaled its potential to become a strong regional player. At this point, I would like to point out that the TANAP project is a development in which this potential is embodied and transformed into a strong competitive advantage for Turkey. TANAP, which was fully ready for gas flow to Europe in July 2019 with the European connection completed in November 2019, won the title of "The longest and largest-scale international gas pipeline in Turkey, the Middle East and Europe", its letters etched in gold into the annals of history. Playing our part in this success is a source of great pride for SOCAR Turkey.

WE COMPLETED THE INTEGRATION PROCESS IN 2019.

In 2019, the integration steps we implemented were also one of the important milestones in Petkim's history.

With the completion of our integration process, which has been continuing for about one year, as of November 2019, our subsidiaries - Petkim, STAR Refinery, SOCAR Turkey Fuel Storage and SOCAR Turkey Energy Distribution - in Izmir Aliağa, which is Turkey's first private industrial zone and which has become an investment peninsula, were brought under the umbrella of the SOCAR Turkey Refinery and Petrochemicals Business Unit.

Thanks to the group companies operating in an integrated manner, we aim to achieve maximum synergy, especially through the joint structuring of refinery and petrochemicals operations. As the output of this process, the advantages arising in issues such as product cost, quality, continuity, efficiency of business processes, use of common service and infrastructure will provide us with significant gains. On the other hand, we are also proud to note that our product mix in STAR Refinery, which includes diesel, jet fuel and LPG, will bring important national benefits such as contributing to the effort to reduce Turkey's current account deficit.

WE ARE ACCELERATING OUR DIGITALIZATION EFFORTS

We developed the digitization roadmap and strategy which we set out in 2018, and in 2019 we were focused on expanding the digital culture throughout our company, commissioning a number of digitization projects. While using advanced analytical applications and artificial intelligence in our production processes, we have also improved our data-based decision-making processes. We have achieved the best practices in Industry 4.0 and the digital transformation.

Petkim is the only company to have been selected from Turkey for the World Economic Forum's "Global Lighthouse Network" this year thanks to the Industry 4.0 standard which it has achieved with its digital applications and systems, while our success in digitalization has been recognized in the international arena. In the coming period, we will accelerate our steps towards becoming the most digitalized company in Turkey and Azerbaijan.

MOVING FORWARD WITH "MY VALUE"...

We see our human resources and corporate culture as the most important leverage for development, and we aim to achieve efficient and optimal processes with a dynamic and agile organizational structure.

As one of the key tools in achieving this objective, we have expanded the "My Petkim" cultural transformation and value creation platform to all group companies in the Refinery and Petrochemical Business Unit under the name of "My Value" in order to expand our culture of high performance and sustainable success in other SOCAR Turkey group companies. We have thus achieved an important breakthrough by advancing the value we have generated after the integration to an even higher plane.

We believe we all have the power to claim that we are "Ready for the future together", with the leadership of our experience, knowledge and technology, and we look to our tomorrows with confidence.

I would like to thank all of our stakeholders for their support and confidence, who will be with us as we take stronger steps forward.

With my sincere regards,

VAGİF ALİYEV
Chairman of the Board of Directors

MESSAGE FROM THE CEO

Petkim has achieved significant gains in the name of economic sustainability with the stage we have reached in the integration process in 2019, while recording successful operational and financial performance results.

ANAR MAMMADOV
CEO

WE CAN TAKE PRIDE IN MEETING THE CHALLENGE IN 2019.

Despite sagging growth in the global economy and trade, and the period of contraction in the petrochemical industry, Petkim has achieved significant gains in the name of economic sustainability with the stage we have reached in the integration process in 2019, while recording successful operational and financial performance results.

Backed by our strong financial structure, we continued our activities in 2019 in line with our growth strategy with our production and marketing competencies and the unwavering support of our shareholders. Our company succeeded in overcoming the ongoing stagnation in the domestic market with its effective pricing and marketing policy and its presence in export markets. Due to the course of the Turkish Lira exchange rate, the direction of demand switched in favor of domestic producers with the Company's export advantage also playing a role in this picture.

With the digital transformation which we initiated at Petkim and the operational efficiency gained as a result of planned maintenance in the last quarter of last year, we followed a strategy that would bring our production level to a record level and increased our profitability. We rounded off this period in the best way, with the greatest efficiency, with the synergy of STAR Refinery.

We broke an all-time sales record with total sales of 2.4 million tons in 2019. Our total turnover increased by 25% to TL 11.7 billion, and we attained USD 824 million in exports. We recorded one of the highest ever earnings before interest, tax, depreciation and amortization (EBITDA) in USD terms in Petkim's history, ending the year with EBITDA of TL 1,589 million and a net profit of TL 813 million.

COMPLETING THE INTEGRATION PROCESS REPRESENTS A LEAP FORWARD FOR PETKIM

In 2019, when we focused on activities in the field of integration, we have put in place a strong integrated structure which will capture the administrative and operational synergy in our value cycle, from purchasing and logistics to finance and human resources. In this context, while our activities continue to be integrated with STAR Refinery, which was officially opened in 2018 and started full capacity production in 2019, we have started to cut our logistics costs by purchasing our raw material - naphtha - directly from the STAR Refinery through a direct pipeline, instead of importing it from refineries in different parts of the world. In addition, instead importing naphtha of different qualities, we obtain the naphtha of our desired quality from STAR Refinery, resulting in higher quality production, productivity and security in our raw material supply. In addition, we aim to increase synergies and profitability in our business processes through the joint services received by companies in the SOCAR Turkey Refinery and Petrochemicals Business Unit and the joint administrative and technical infrastructure created. The storage of the products produced at STAR Refinery by SOCAR Storage provides production flexibility for STAR Refinery, thus ensuring the continuity of supply of raw materials at Petkim.

The results of the integrated operations processes have started to reflect positively to our financial statements and this effect will increase exponentially in the coming period.

Meanwhile, our ability to support the effort to bring down the current account deficit each year, thanks to our business model, reinforces our motivation and our goal-oriented commitment to our work.

WE ARE CONSTANTLY RAISING THE BAR ON DIGITIZATION.

During 2019, we started to reap the fruits of the digital transformation process at Petkim. While expanding the use of digital technologies in all functions, especially in production, projects have been implemented which increase our production and energy efficiency, improve our processes and improve occupational safety with the use of real-time data, big data, artificial intelligence and machine learning algorithms. Petkim reaped financial benefits with our 7 advanced analytical projects which we completed during the year.

While the Petkim Institute of Digitalization, which we founded in 2018, continued its activities in 2019, we organized programs in order to ensure its reflection to our business processes by placing a digital thinking structure throughout the entire organization, to move to data-based processes in our working methods and to improve the digital and analytical competencies of our employees.

We are constantly expanding Petkim's digitization ecosystem through Turkey's largest entrepreneurial networks, technopolises, leading technology companies, start-ups and collaborations with universities. We are conducting joint projects with start-ups on production and process development in cooperation with ITU, Boğaziçi University and METU. On the other hand, as a result of our collaboration with the Massachusetts Institute of Technology (MIT), we have advanced our digital transformation process one step forward, taking advantage of the University's vast experience.

As evidence of the achievement of our goals under the leadership of our digitization team, Petkim was the only company to be selected from Turkey this year for the "Global Lighthouse Network", where the World Economic Forum (WEF) accepted the facilities which create benchmarks for companies in the world regarding the innovative and digital applications standard and make the best use of the Industry 4.0 technologies in production.

Our journey of digital transformation at Petkim will continue to carry our product quality further with our production and energy efficiency.

WE CONTINUE TO PREPARE FOR THE FUTURE...

We make use of our intellectual capital and human resources, which we consider to be our most valuable asset, in the most effective way to create more value for our Company.

Within the scope of our value creation platform, which we have expanded to include all group companies in the Refinery and Petrochemicals Business Unit, under the name of "My Value", we created USD 52 million of additional value from the projects carried out in 2019.

We aim to add value to our brand with innovative management practices in the field of human resources. As the first company in the world to successfully implement the Business Agility Transformation Program, which promotes faster ways of doing business and increases business performance and employee motivation, as a single team of different functions, we have started to expand the program to the Refinery and the Petrochemicals Business Unit as well.

Another issue which we attach great importance to at the human resources level is occupational health and safety. We consider occupational health and safety as the basis of business continuity, and we are constantly achieving progress in the field of process safety.

Transforming the economic value we create into social benefit is just as important for us as financial profit. In this vein, our official sponsorship of the Boccia National Team, which is affiliated to the Turkish Sports Federation for the Physically Disabled, and the role we have played in integrating our severely disabled citizens into social life through Boccia sports are of particular value to us.

We consider continuous development and innovation as the most important driving force of our ability to generate sustainable growth and added value. At Petkim, we continue to implement our investment plan, which we have established in line with the criteria of adding value as well as contribution to sustainability, in line with our principle of high quality and efficient production. In 2019, our company placed priority on Occupational Health and Safety, Process Safety and maintenance investments which will ensure the continued operation of the plants. In addition to these investments, we also implemented energy efficiency projects and different projects which were classified as strategic.

As Turkey's petrochemicals production giant, we will continue to roll out our action plan which will take our position to the highest level in the coming period with steady and sure steps, without sacrificing our quality in production; we will further increase the company and brand value of Petkim and we will strive unwaveringly to increase our contribution to the country's economy.

I extend my sincere gratitude to all of our stakeholders.

Best regards,

ANAR MAMMADOV
CEO

ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE OF THE COMPANY

ORGANIZATIONAL STRUCTURE

The organizational structure of the company was determined as the “General Manager” and “Internal Audit” Unit under the Board of Directors, the “Senior CFO in charge of Financial Affairs” and “Other Positions Under the General Manager”. The Company’s senior management prior to November 1, 2019 is listed below.

Name	Position
Anar Mammadov	General Manager
Riza Bozoklar	Assistant General Manager (Financial Affairs)
Ali Semih Şansal	Assistant General Manager (Operations)
Dinçer Akbaba	Assistant General Manager (Projects and Maintenance)
Khalig Mustafayev	Assistant General Manager (Business Support)
Kanan Mirzayev	Assistant General Manager (Strategy and Business Development)
Agshin Salimov	Assistant General Manager (Sales and Marketing)
Levent Kocagül	Assistant General Manager (Human Resources)
Murad Abdullayev	Assistant General Manager (Digitalization and Technology)
Tolga Demirözü	Assistant General Manager (Supply Chain)

STAR Refinery, one of our group companies, located on the Aliağa Peninsula where Petkim continues its activities and which provides raw material to our company, and which signed a share transfer agreement for 18% indirect partnership, is integrated with SOCAR Turkey Fuel Storage and SOCAR Turkey Energy Distribution, and a new organizational structure has been established to take advantage of the synergies to be created in the field of refining and petrochemicals at the highest level.

In this context, a Refinery and Petrochemicals Business Unit has been established within SOCAR Turkey. This organizational change has been carried out by preserving the legal personality of our Company, Petkim Petrokimya Holding A.Ş., in its current form and by fully complying with the regulations.

With effect from November 1, 2019, the financial affairs, sales, purchasing, human resources, business excellence, asset management, information technologies, occupational health safety and environmental functions, which had been carried out at the level of assistant general manager in our company, are now managed by the Refinery And Petrochemicals Business Unit. In this structure, the legal affairs, corporate communication, public relations and corporate services functions of Petkim and other group companies will be carried out by SOCAR Turkey Enerji, which is the indirect main shareholder of our group.

As of November 1, 2019, the senior management of the Refinery and Petrochemicals Business Unit consisted of one President and ten Vice-Presidents.

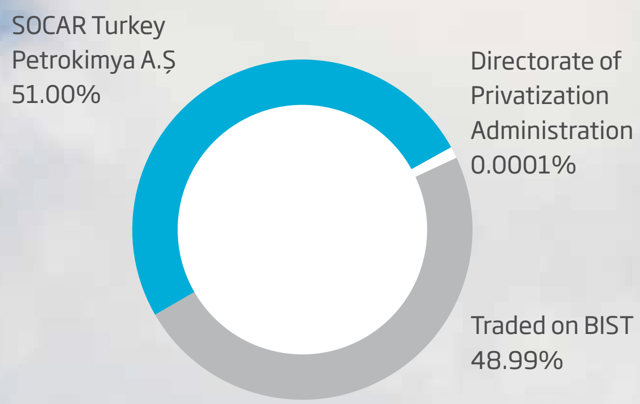
Name	Position
Anar Mammadov	President
Riza Bozoklar	Vice President (Supply Chain and Procurement)
Haluk Urul	Vice President (Petrochemical Business Unit)
Ergun Binboğa	Vice President (Refinery Business Unit)
Deniz Hıfzı Uzel	Vice President (Storage Business Unit)
Kanan Mirzayev	Vice President (Business Excellence)
Elchin İbadov	Vice President (Financial Affairs)
Levent Kocagül	Vice President (Human Resources)
Murat Erdoğan	Vice President (Trading)
Rıza Acar	Vice President (Asset Management)
Murad Abdullayev	Vice President (Digitalization and Technology)

CAPITAL AND SHAREHOLDING STRUCTURE

Natural and legal persons directly holding 5% or higher share or voting rights in the capital (other than the Privatization Administration)

Shareholder	Paid-in Capital (TL)	%
SOCAR Turkey Petrokimya A.Ş.	1,077,120,000.00	51.00
Directorate of Privatization Administration	0.01	0.0001
Traded on BIST (Publicly Held)	1,034,879,999.99	48.9999
Total	**2,112,000,000.00**	**100.00**

In 2019, the Company's issued capital was increased from TL 1,650,000,000 to TL 2,112,000,000 to be fully covered by internal sources as a bonus issue.



INFORMATION ON PRIVILEGED SHARES AND VOTING RIGHTS OF SHARES

- Article 32 of the Company's Articles of Association stipulated that each share entitles its holder to one vote in General Assembly Meetings. Group C shares enjoy the privilege of making nominations to the Board of Directors.
- Furthermore, Board of Directors decisions passed in relation to matters specified in Article 15 of the Company's Articles of Association become valid if Group C shares cast affirmative votes.

BOARD OF DIRECTORS

VAGİF ALİYEV
Chairman of the Board of Directors
Born in 1959, Vagif Aliyev graduated from Azerbaijan Civil Engineering Institute in 1981. Mr. Aliyev began his career in 1981 as an engineer at the Caspian Sea Oil & Gas Production Union's Azer Sea Oil Construction Trust and successfully took up many positions. He served as Department Head at the Republic of Azerbaijan Ministry of Energy between 2003-2005. In 2005, he was appointed as the Head of Investments at the State Oil Company of Azerbaijan Republic (SOCAR). He was appointed as a member of the Board of Directors of Petkim Petrokimya Holding A.Ş. in 2008, a member of the Board of Directors of SOCAR Turkey Enerji A.Ş. in 2009 and a member of the Board of Directors of STAR Rafineri A.Ş. in 2012. He has been the Chairman of the Board of Directors of Petkim Petrokimya Holding A.Ş. since 2009, the Chairman of the Board of Directors of SOCAR Turkey Enerji A.Ş. and STAR Rafineri A.Ş. since 2013. Vagif Aliyev is also a member of the Audit Committee and Risk Committee under the SOCAR Turkey Enerji A.Ş. Board of Directors.

DAVİD MAMMADOV
Vice Chairman of the Board of Directors
Born in 1955, David Mammadov graduated from the M. Azizbeyov Petroleum and Chemicals Institute, Azerbaijan, in 1980 with a Chemical Engineering degree. He began his career in 1976 as an Operator at the Baku Oil Refinery. He has been the Vice President for Refineries at the State Oil Company of Azerbaijan Republic (SOCAR) since 2005, a Member and the Vice Chairman of the Board of Directors of SOCAR Turkey Enerji A.Ş. since 2007, a member of the Board of Directors of Petkim Petrokimya Holding A.Ş. since 2008 and a member of the Board of Directors of STAR Rafineri A.Ş. since 2012. David Mammadov is also a member of the Early Detection of Risk Committee under the SOCAR Turkey Enerji A.Ş. Board of Directors.

FARRUKH GASİMOV
Board Member
Born in 1959, Farrukh Gasimov graduated with a law degree from Baku State University in 1981 and earned his Ph.D. from Moscow Public Studies and Law Institute in 1985. From 1985 to 1998, he served as a Lecturer, Associate Professor and the Head of Law Department at the Baku Public Administration and Politics University. He has been Deputy Head of the Legal Department at SOCAR and a member on the Board of Directors of SOCAR Turkey Enerji A.Ş. since 2006, a member on the Board of Directors of Petkim Petrokimya Holding A.Ş. since 2009, and a member on the Board of Directors of STAR Rafineri A.Ş. since 2012. Farrukh Gasimov is also the Chairman of the Early Detection of Risk Committee and a member of the Corporate Governance Committee under the SOCAR Turkey Enerji A.Ş. Board of Directors.

PROF. DR. SÜLEYMAN GASİMOV
Board Member
Born in 1961, Süleyman Gasimov graduated from the Azerbaijan National Economic Institute (now Azerbaijan State Economic University) in 1982 and from Academy of Public Administration under the President of the Republic of Azerbaijan in 2003. He worked in various positions such as accountant, economist, deputy chief accountant and chief accountant in the oil and gas industry from 1982 to 1991. Between 1991-2003, he was a chief accountant at the Khazardenizneftgas (Caspian Sea Oil and Gas) Production Unit of Azerineft (Azeri Oil) Oil and Gas Production Department, Offshore Oil and Gas Production Unit. In 2004-2006, he was Chief of Division of Economics and Accounting Department of SOCAR, Deputy Chief of the Department and Chief of the Department. In 2006, Mr. Gasimov became the Company's Vice President for Economic Issues. He was awarded the Taraggi (Progress) Medal in 2006 and the Shohrat (Glory) Order and second-degree Order of Labor in 2011. He has a Ph.D. in Economics and is the author of many scientific works and more than 40 scientific articles. He has been a Board Member at SOCAR Turkey Enerji A.Ş. since 2011, Petkim Petrokimya Holding A.Ş. since 2012 and at STAR Rafineri A.Ş. since 2014. Süleyman Gasimov is also the Chairman of the Audit Committee under the SOCAR Turkey Enerji A.Ş. Board of Directors.

İLHAMİ ÖZŞAHİN
Board Member
Born in Kastamonu in 1950, İlhami Özşahin graduated with a degree in Electrical Engineering from İstanbul State Engineering and Architecture Academy. Having started his professional career at Turkish Electricity Administration (TEK) as System Operating Engineer, in 1976, Mr. Özşahin was appointed as the Head of Load Dispatching Department in the same corporation in 1995 after serving at the positions of Chief Engineer, Assistant Manager and Manager. In March 2003, he was assigned as the General Manager and Chair of Board of Directors positions at Türkiye Elektrik İletim A.Ş. (TEİAŞ) General Directorate which was established as a result of partitioning of Turkish Electricity Administration into three in 2009, and then retired when he was acting as General Manager. Over the course of his career, he attended various domestic and overseas education activities and received long-term educational training related to energy planning and coordination in Japan, and completed Energy Management studies in England. Özşahin is currently serving as a freelance consultant in electrical energy related issues.

BOARD OF DIRECTORS

MEHMET BOSTAN
Board Member - Independent

Born in 1971 in İstanbul, Mehmet Bostan graduated from İstanbul University, Faculty of Economics with a degree in international relations, and received his MBA from İstanbul Bilgi University. Mr. Bostan, who started his professional career in 1995, served at various positions in banking sector, the latest of which was the Chief Representative of Turkey Operations at Dresdner Bank AG. Mehmet Bostan became Assistant General Manager of Finance at Güneş Sigorta in 2009. He then served as General Manager of Vakıf Emeklilik for six years. Between November 2016 and September 2017, he worked as the General Director of the Turkey Asset Fund while serving as Chairman of the Board. He served as an Independent Member of the Turkcell Board of Directors between 2013-2018. He has been a Member of the Board of Directors of Petkim since June 2016 and a Member of the Board of Directors of Boğaziçi Ventures Technology Fund since October 2018.

*Mehmet Bostan complies with the requirements of Capital Markets Board's Corporate Governance Principles of independent board member. He does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.

MEHMET CEYLAN
Board Member - Independent

Born in 1958 in Safranbolu, Mehmet Ceylan completed his secondary and high school education in Safranbolu and Karabük. He graduated with a degree in mechanical engineering from Konya State Engineering Architectural Academy (now Selçuk University) at the top of his class in 1979 and then his master's degree in the same field from İstanbul State Engineering and Architectural Academy (now Yıldız Technical University). He worked as an assistant and member of faculty at Zonguldak Karaelmas University from 1981 to 1985, and then graduated from the Middle East Technical University, School of Foreign Languages where he pursued his academic studies as a research associate. He was transferred to State Planning Organization as an assistant specialist in 1986, where he was appointed as planning specialist in 1991. After successfully completing his second master's degree in economics at the Western Illinois University, USA, between 1989 and 1991, he returned to his position at the State Planning Organization. He embarked upon a political career with the local elections held on 18 April 1999. He served as Mayor of Safranbolu for one term. He was elected as a Member of the Parliament for the constituency of Karabük twice as a result of the general elections held on 3 November 2002 and 22 July 2007. As an MP, he served as a Member of the Planning and Budgeting Commission and the EU Harmonization Commission and as Vice President of the Turkey-EU Joint Parliamentary Commission during the 22nd term. During the 23rd term of the Parliament, he acted as Deputy President of the Foreign Affairs Commission and as a member of the NATO Parliamentary Assembly as a member of the parliament. For eight years, he presided the Turkey-Saudi Arabia Friendship Group, which he founded. After his duty as MP ended, he served as Deputy Minister of Development between 2011-2015 and as Deputy Minister of Environment and Urbanization between 2016-2018. He resigned from his duty as Deputy Minister as of 24 July 2018. He has been a Board Member at Petkim A.Ş. since 2016. Fluent in English, Mehmet Ceylan is married and has 3 children.

* Mehmet Ceylan complies with the requirements of Capital Markets Board's Corporate Governance Principles of independent board member. He does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.

NESLİHAN TONBUL
Board Member

Neslihan Tonbul completed her primary, secondary and high school education in USA and received her undergraduate degree at Rutgers University (New Jersey) in Economics and Political Sciences in 1981. Later she received her graduate degree at Tufts University Fletcher School of Law and Diplomacy in International Finance (M.A.L.D) in 1983. She worked at various international finance institutions in New York, London and İstanbul (The Irving Trust Company, The Bank of New York and BNY Mellon) in executive positions between 1983 and 2008 and finally appointed as Regional Manager responsible for Middle East, Africa, Eastern Europe and Turkic Republics. She was selected as a member of Board of Directors in many leading companies and holdings of Turkey since 2008 and currently serves as a member of Board of Directors at Tofaş, Petkim, Alarko Holding and Vakıfbank AG. Recently she attended a program at Harvard Business School and specialized in Family Business Management at CFEG in Boston. She teaches classes on Family Business Management at Koç University Faculty of Economics and Administrative Sciences since 2017 as a faculty member. She is a member of American Research Institute in Turkey (ARIT), Young Presidents Organization (YPO) and Educational Volunteers Foundation of Turkey (TEGV) Board of Trustees and a founder member of Turkish- American Business Forum. She has been mentoring women entrepreneurs within EBRD since 2014. Ms. Tonbul has a good command of English, French and Azerbaijani and currently learning Italian and French. She has been a Board Member at Petkim A.Ş. since March 2018.

OSMAN DİNÇBAŞ
Board Member - Independent

Osman Dinçbaş started his career as an audit assistant in Ernst Young İstanbul Office in 1984. He was transferred to Hartford Office in CT, USA then to New York Office of Ernst & Young and worked in the USA for a total of three years. Upon returning to Turkey he was promoted as Audit Manager. In 1994, he was promoted to Audit Partner. In 1998, Dinçbaş was assigned as the Management Consulting Leader of the Turkish practice and he developed the MC business from zero to 60-consultant group specialized in ERP (Baan, SAP, Oracle), Business Process Reengineering and Risk Management services. In 2002, he was assigned as the Chief Operating Officer of Ernst & Young Turkey, which had become a major professional company with over 800 professionals in 4 cities in the country. He also began to serve at the Executive Committee of Ernst & Young Southeast Europe and performed as the People Leader for this Region. At the end of 2003, Dinçbaş was promoted to Managing Partner position of Turkish Practice and continued to perform in this role until the end of 2010. Then, for a year, he acted as the Markets Leader of the company, until he left Ernst & Young in January 2012, to start his own business. Dinçbaş served as a Board Member of Foreign Investment Association in Turkey (YASED), for 6 consequent years (3 terms). He was also the Chairman of the Turkish Chapter of US based Junior Achievement for 8 years. Dinçbaş is also one of the founding members of the Turkish Chapter of Endeavour. After leaving Ernst & Young, Dinçbaş was deeply involved in promoting and supporting new businesses, helping startups. He established “Early Stage Seeding Fund” investment vehicles in Turkey and Europe and supported several startups. Dinçbaş also started his boutique consulting services company, providing corporate governance and risk advisory services as well as strategic advisory services. In September, 2018, Dinçbaş has been assigned as the Deputy Minister at the Ministry of Treasury and Finance, in Ankara. He has been a Board Member at Petkim A.Ş. since December 2018.

*Osman Dinçbaş complies with the requirements of Capital Markets Board’s Corporate Governance Principles of independent board member. He does not have relationship of interest between Petkim Petrokimya Holding A.Ş. and its related parties.

DECLARATIONS OF INDEPENDENCE OF INDEPENDENT BOARD MEMBERS

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

e) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

f) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

g) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

h) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

i) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

15 February 2019
Name/Surname: Osman DİNÇBAŞ

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I will not work in public institutions or organizations on a full-time basis after being elected as a member, except for the position of lecturer in universities provided that they comply with the legislation they are bound to,

e) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

f) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

g) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

h) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

i) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

j) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

12 February 2019
Name/Surname: Mehmet CEYLAN

DECLARATIONS OF INDEPENDENCE OF INDEPENDENT BOARD MEMBERS

I hereby stand for serving as an "Independent Member" on the Board of Directors of Petkim Petrokimya Holding A.Ş. (the Company) as per the criteria specified in the legislation, articles of association, and the Capital Markets Board of Turkey (CMB) Corporate Governance Principles set out in the Corporate Governance Communiqué (II-17.1) of the CMB enforced upon its publication in the Official Gazette issue 28871 dated 3 January 2014.

Within this context, I hereby declare for the information of the Company's Board of Directors, General Assembly, shareholders and all stakeholders as follows:

a) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Company, any company in which the Company has management control as per Turkish Financial Reporting Standards 10 or significant influence as per Turkish Accounting Standards 28, or any shareholder having management control or significant influence over the Company or any corporate entity in which these shareholders have management control,

b) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for, and/or served as a member on the boards of directors of any company from/to which, under a contract, the Company purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Company, in the past five years,

c) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

d) I will not work in public institutions or organizations on a full-time basis after being elected as a member, except for the position of lecturer in universities provided that they comply with the legislation they are bound to,

e) I am considered to be a resident of Turkey for the purposes of the Income Tax Law (ITL) no. 193 dated 31 December 1960,

f) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Company's operations, maintaining my independence in possible conflicts of interest between the Company and its shareholders, and making decisions freely taking into consideration the rights of stakeholders,

g) I shall dedicate sufficient amount of time to be able to follow up the execution of the Company's affairs and to fully meet the requirements of the duties I undertake and to fulfill the representation duties on behalf of the company that I have been assigned by the Board of Directors,

h) I have not held a seat on the Company's Board of Directors for more than six years in the past ten years,

i) I am not serving as an independent board member in more than three companies controlled by the Company or by shareholders having management control over the Company, or in more than a total of five companies traded on the stock exchange.

j) I declare that I have not been registered and announced in the name of the legal entity elected as a member of the board of directors and will not be registered and announced.

12 February 2019
Name/Surname: Mehmet CEYLAN

INFORMATION ON OUTSIDE POSITIONS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES

Name - Surname	Title		Positions Outside the Company
SOCAR Turkey Petrokimya A.Ş. (Representative Vagif Aliyev)	Chairman	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Head of Capital Management
David Mammadov	Vice Chairman	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Vice President, Refinery
SOCAR Turkey Enerji A.Ş. (Representative Farrukh Gasimov)	Member	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Vice President, Law
Süleyman Gasimov	Member	Non-executive	In-group/SOCAR Vice President, Economy
Neslihan Tonbul	Member	Non-executive	Out-group/University Lecturer and Board Member in various companies
Mehmet Ceylan	Member	Independent	-
Mehmet Bostan	Member	Independent	Boğaziçi Ventures Technology Fund, Board Member
İlhami Özşahin	Member	Non-executive	Out-group/Freelance Consultant
Osman Dinçbaş	Member	Independent	Out-group/Treasury and Finance Deputy Minister

COMMITTEES OF BOARD OF DIRECTORS

AUDIT COMMITTEE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Mehmet Ceylan	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	-
Mehmet Bostan	Committee Member	Independent Member of Board of Directors (Non-Executive)	Independent	Chairman of the Corporate Governance Committee

The Audit Committee acts with the consent of the Board and within the framework of the Board's working principles. The Audit Committee consists of two independent Board members.

The Audit Committee is responsible for ensuring the overall soundness of financial and operational activities; specifically, transparency of internal and independent auditing activities, efficiency of internal control system, analysis and election of independent auditing firm, compliance of financial statements of the Company to international accounting standards and prevailing legislation.

In 2019 the Audit Committee convened four times and submitted four reports to the Board of Directors.

COMMITTEE FOR EARLY DETECTION OF RISK

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Osman Dinçbaş	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	None
Vagif Aliyev	Committee Member	Chairman of the Board of Directors	-	Corporate Governance Committee
Süleyman Gasimov	Committee Member	Member of Board of Directors (Non-Executive)	-	None

Made up of three members of the Board, the Chairman of the Risk Management Committee is an independent Board member. Operating principles of the Committee are defined by the Board of Directors resolution dated 29 June 2012, numbered 111-199. The existing Risk Management Committee's name has been changed as "The Committee for Early Detection of Risk" at the Company's Board of Directors meeting no: 103/184 held on 21 March 2012.

In 2019 the Committee for Early Detection of Risk convened four times and submitted six reports to the Board of Directors.

CORPORATE GOVERNANCE COMMITTE

Members	Title	Relationship with the Company	Dependent/ Independent	Duties in Other Committees
Mehmet Bostan	Committee Chairman	Independent Member of Board of Directors (Non-Executive)	Independent	Audit Committee
Vagif Aliyev	Committee Member	Chairman of the Board of Directors	-	Committee for Early Detection of Risk
Farrukh Gasimov	Committee Member	Member of Board of Directors (Non-Executive)	-	None
Neslihan Tonbul	Committee Member	Member of Board of Directors (Non-Executive)	-	None
Mustafa Çağatay	Committee Member	Manager of Investor Relations (Executive)	-	None

In accordance with the Article 11-2 of the Capital Markets Board Corporate Governance Communiqué (II-17.1), Investor Relations Manager Mr. Mustafa Çağatay was appointed as a member of the Corporate Governance Committee.

Made up of three members of the Board, the Chairman of the Corporate Governance Committee is an independent Board member.

Within the framework of the CMB's Communiqué Serial IV, No: 56 on Determination and Implementation of Corporate Governance Principles, article 4.5.1, it was decided that the duties of the Nomination Committee and Remuneration Committee will be carried out by the Corporate Governance Committee at the meeting of the Company's Board of Directors dated 21 March 2012 and numbered 103/184.

In 2019 the Corporate Governance Committee convened four times and submitted four reports to the Board of Directors.

AN ASSESSMENT OF THE COMMITTEES BY THE BOARD OF DIRECTORS

It has been stated by the Board of Directors that the committees complied with their respective operating principles and held meetings at defined frequencies in the January-December 2019 period. The minutes on the outcomes of the meetings have been submitted to the Board of Directors. It has been established that the committees effectively fulfilled their functions.

EXECUTIVE MANAGEMENT

(Before 1 November 2019)

ANAR MAMMADOV
General Manager

Born in 1971 in Baku, Anar Mammadov graduated from Azerbaijan Medical University with a degree in medicine and received his degree in law from Baku State University. He received his Ph.D. in oil supply, logistics, and trading from the College of Petroleum Studies in England. He received his MBA from TRIUM Global Executive. Between 1995 and 1998, he managed Avista Company of which he was the founder. Between 1998 and 2007, he worked at Milio International as Regional Director. He served as CEO of Arxiel Carbonexis (2007-2009), of SOCAR Georgia (2009-2014) and of SOCAR Greece (2014-2016). After taking over the position of General Manager at Petkim in 2016, he was also appointed as President of SOCAR Turkey Refinery and Petrochemistry Business Unit as of November 2019. Anar Mammadov has more than 15 years of experience in the oil and energy industry. In September 2018, he was granted the Taraggi (Advancement) Medal given by the President of the Republic of Azerbaijan. Fluent in English, Russian and Turkish, Anar Mammadov is married and has 3 children.

RİZA BOZOKLAR
Assistant General Manager (Financial Affairs)

Born in 1969 in İzmir, Riza Bozoklar is a graduate of İzmir Saint Joseph College, İzmir Sciences High School and Boğaziçi University Industrial Engineering Department. He received his MBA from Bilgi University, Ph.D. degree in financial economics at Doğuş University, and completed Paris Essec University Delphi Management Program. He has over 20 years of job experience in the industrial field; he has spent nearly 6 years working in Italy and France. After starting his career at the Italcementi Group, he worked as the CFO for Fiat and Ata Holding groups, Delphi Automotive and finally of Çimko A.Ş., a joint venture of Sanko Holding and Barbetti. Starting from October 2013, he served as Assistant General Manager for Finance at Petkim for 6 years and he is acting as Vice President of Supply Chain and Logistics in SOCAR Turkey Refinery and Petrochemistry Business Unit since November 2019. In 2016, he was selected by Fortune to be within the Most Influential 50 CFOs and in 2019, the CFO of the year in Petrochemistry by Acquisition International. Fluent in Italian, French and English, Riza Bozoklar is a CPA. He is married and has two children.

ALI SEMIH ŞANSAL
Assistant General Manager (Operations)

Born in İzmir Karşıyaka in 1962, Ali Semih Şansal graduated from Ege University Department of Chemical Engineering in 1983. He started his career as production engineer at Özyurt Kimya Sanayi in 1984. In 1986, Mr. Şansal started working at Petkim Aromatics Plant as Production Engineer, and assumed various roles in the same plant such as Chief Engineer between 1995 and 2008, Head Engineer between 2008 and 2014. He was appointed as Manager in charge of Production at Aromatics and Glycol in 2015 and his assigned position was then expanded to include ACN Plant in August 2016. Semih Şansal, who was assigned to the position of Enterprises Assistant General Manager in January 2019, was appointed as Managing Director of Petkim Production in November. He has 33 years of professional experience and speaks English. Mr. Şansal is married and has one child.

DINÇER AKBABA
Assistant General Manager (Projects and Maintenance)

Born in Adana in 1976, Mr. Akbaba received his undergraduate degree at Yıldız Technical University Department of Mechanical Engineering in 1999 and Executive MBA at Sabancı University in 2017. He started his career at DAF Tırsan in 2001 as after sales service engineer and later served as production team leader in Gölcük Plant of Ford Automotive between 2002 and 2006, as chief of maintenance in Akçansa Cement Çanakkale Plant between 2006 and 2010, as Natural Gas Power Plants Maintenance Manager and Bandırma Plant Manager at Enerjisa Energy Production between 2010 and 2018. He served as a manager, for one year in 2015 at Enerjisa Energy Production Tufanbeyli Coal Plant, during its commissioning phase. Following his onboarding at Petkim as Assistant General Manager for Projects and Maintenance in 2018, he left Petkim to serve as General Manager of the group company Kayserigaz Kayseri Doğalgaz Dağıtım Pazarlama Ticaret A.Ş. in September 2019. He is married. He is fluent in English and has an intermediate knowledge of German.

KHALIG MUSTAFAYEV
Assistant General Manager (Business Support)

Born in 1971 in Baku, Azerbaijan, Khalig Mustafayev graduated from Baku State University, earning a degree in history in 1993 and in law in 2001; he acquired a degree in economics and management from Azerbaijan State Oil Academy in 2007. At the 2019-2020 semester, he completed the MBA program at the GISMA Business School, Berlin, and Graduate Program on New Technologies in London. His MBA training at Moscow Government International Relations University of Russian Federation Ministry of Foreign Affairs is continuing since 2018. He started his professional career working on activities for protection of public order in divisions of Ministry of Interior, between 1993-2005. He then worked as Ata Holding Security and Surveillance Department Director, SOCAR Security Department Internal Affairs Branch Manager (2006-2010), and as Assistant General Manager of Human Resources, Regime, and Information Technology at SOCAR Azerikimya Production Unit (2010-2016). He has been appointed as Assistant General Manager for Business Support at Petkim in November 2016. Mr. Mustafayev was appointed to the Aliağa Corporate Services Group Director position in November 2019. Mr. Mustafayev was granted the 10th Year Medal for Ministry of State of Emergencies in 2015 and Taraggi (Advancement) Medal in 2017 given by the President of the Republic of Azerbaijan. Having more than 20 years of experience, Khalig Mustafayev speaks English and is fluent in Russian. He is married and has two children.

KANAN MIRZAYEV
Assistant General Manager (Strategy and Business Development)

Born in 1987 in Azerbaijan, Kanan Mirzayev graduated from the Department of Finance at Azerbaijan State University of Economics and then received his master's degree in industrial enterprise management from the Aston University in the UK. He also holds an Executive Diploma in Management from the Chartered Management Institute in the UK and currently attending the Leadership Development program at Harvard Business School. He was an Operator and HSE Consultant at Azfen-Tekfen Consortium from August 2004 to August 2007, and HSE Engineer at SOCAR Rodan LLC from August 2008 to March 2009. He worked in the Finance Department at Interenergy LLC from May 2009 until November 2009, before working as a Quality Control Supervisor at Azeri Fugro JV from October 2009 until March 2010. He was an HSE Supervisor for the Baku Wind Energy Project at Gamesa between March 2010 and October 2011, Business Analyst in the Investment Department of SOCAR between October 2011 and June 2012, and Senior Business Analyst and Deputy CEO at SOCAR Energy Greece between June 2014 and October 2016. He has been appointed as Assistant General Manager of Strategy and Business Development at Petkim in October 2016. He was appointed as Vice President of Business Excellence of Refinery and Petrochemistry Business Unit in November, 2019. Fluent in English, Russian and Greek, Kanan Mirzayev is married and has two children.

EXECUTIVE MANAGEMENT

(Before 1 November 2019)

AGSHIN SALIMOV
Assistant General Manager (Sales, Marketing and Trade)

Born in 1989 in Azerbaijan, Agshin Salimov graduated from the Department of Political Science and Public Administration at the Middle East Technical University. He received a degree of Executive Master in Energy Management at ESCP Europe Business School. He worked in international trade and energy companies in Azerbaijan, Switzerland and the UK, as an Operations Specialist, Commerce Officer, Senior Commerce Officer and Head of Commerce. He has been appointed as Assistant General Manager of Sales, Marketing and Trade at Petkim in November 2016. He was appointed as Director of Petkim Supply, Export and Petrochemicals Sales Management in November 2019. Agshin Salimov is fluent in English and Russian.

LEVENT KOCAGÜL
Assistant General Manager (Human Resources)

Born in 1978 in Turgutlu, Manisa, Levent Kocagül graduated from Dokuz Eylül University with a degree in business administration in 2000. He worked as Human Resources Services Manager at Japan Tobacco International (JTI) from November 2001 to September 2007, and Human Resources Shared Services Manager at Coca-Cola İçecek (CCI) from October 2007 to March 2016. He joined Petkim in May 2016 as Organizational Development Manager, where he became Assistant General Manager of Human Resources in November 2016. He was appointed as Vice President for Human Resources at Refinery and Petrochemistry Business Unit in November 2019. Additionally, he was appointed as the Chairman of the Board of Directors of Chemicals, Petroleum, Rubber and Plastics Industry Employers' Association of Turkey as of 5 September 2018 where he had been serving as Vice President of the Board of Representatives of Aegean Region since 2016. Fluent in English, Levent Kocagül is married and has two children.

MURAD ABDULLAYEV
Assistant General Manager (Digitalization and Technology)

Born in Baku in 1983, Mr. Murad Abdullayev graduated from the Department of Chemistry at the Baku State University and completed his Master's degree in the Chemistry Department of Sumgayit State University. He received MBA training at the INSEAD Business School in France in 2016. Mr. Abdullayev is expecting to complete the Innovation and Technology certificate program at MIT (Massachusetts Institute of Technology) in 2021, which he started in 2019. He worked as the Senior Science Research Officer at Alkan between 2003 and 2006, as an Auditor at Ernst & Young between 2006 and 2008, as Product Development Manager at Bakcell between 2008 and 2010, as a Senior Consultant at PwC between 2010 and 2012 and as a consultant at the Walgreens Boots Alliance between 2012 and 2015. Mr. Murad Abdullayev, who has been serving as the Strategy and Business Development Manager at Petkim since July 2017, was appointed as the Assistant General Manager of Technology and Digitalization in February 2018. He was appointed as the Vice President for Information Technologies and Digitalization at Refinery and Petrochemistry Business Unit in November 2019. Married with two children, Mr. Abdullayev is fluent in English, Russian and Turkish.

TOLGA DEMIRÖZÜ
Assistant General Manager (Supply Chain)

Born in İstanbul in 1976, Mr. Demirözü completed his high school education at İstanbul Kadıköy Anadolu High School. He received his undergraduate degree at Yıldız Technical University Department of Chemical Engineering in 1998 and graduate degree at the same university in Chemical Engineering in 2000. He started his career at Topkim Pharmaceuticals in 1999 as a production engineer. Between 2001 and 2007 he worked at Nestle and took part in supply chain projects and operations in Asia-Africa-Oceania regions. He worked as a strategy and operations consultant at Deloitte between 2007 and 2008. He served at various posts at BASF between 2008 and 2018, as Supply Chain Senior Consultant, Supply Chain & Information Systems Manager and Operations Director. During this period, he worked on developing and integrating supply chain strategies and operations; and establishing and managing end-to-end supply chain structures in emerging markets (Russia & CIS, Eastern Europe, Middle East and Africa). Mr. Demirözü was appointed as Assistant General Manager of Supply Chain at Petkim on 5 November 2018. He was appointed as Group Director in charge of Procurement and Supply Chain within SOCAR Turkey Projects and Investments Presidency as of November 2019. He is married and has two children. He is fluent in English.

EXECUTIVE MANAGEMENT

Refinery and Petrochemicals Business Unit Executive Management (After 1 November 2019)

ANAR MAMMADOV
President

Born in 1971 in Baku, Anar Mammadov graduated from Azerbaijan Medical University with a degree in medicine and received his degree in law from Baku State University. He received his Ph.D. in oil supply, logistics, and trading from the College of Petroleum Studies in England. He received his MBA from TRIUM Global Executive. Between 1995 and 1998, he managed Avista Company of which he was the founder. Between 1998 and 2007, he worked at Milio International as Regional Director. He served as CEO of Arxiel Carbonexis (2007-2009), of SOCAR Georgia (2009-2014) and of SOCAR Greece (2014-2016). After taking over the position of General Manager at Petkim in 2016, he was also appointed as President of SOCAR Turkey Refinery and Petrochemistry Business Unit as of November 2019. Anar Mammadov has more than 15 years of experience in the oil and energy industry. In September 2018, he was granted the Taraggi (Advancement) Medal given by the President of the Republic of Azerbaijan. Fluent in English, Russian and Turkish, Anar Mammadov is married and has 3 children.

RİZA BOZOKLAR
Vice President (Supply Chain and Logistics)

Born in 1969 in İzmir, Riza Bozoklar is a graduate of İzmir Saint Joseph College, İzmir Sciences High School and Boğaziçi University Industrial Engineering Department. He received his MBA from Bilgi University, Ph.D. degree in financial economics at Doğuş University, and completed Paris Essec University Delphi Management Program. He has over 20 years of job experience in the industrial field; he has spent nearly 6 years working in Italy and France. After starting his career at the Italcementi Group, he worked as CFO within Fiat and Ata Holding groups, Delphi Automotive and finally of Çimko A.Ş., a joint venture of Sanko Holding and Barbetti. Starting at October 2013, he served as Assistant General Manager for Finance at Petkim for 6 years and he is acting as Vice President of Supply Chain and Logistics in SOCAR Turkey Refinery and Petrochemistry Business Unit since November 2019. In 2016, he was selected by Fortune to be within the Most Influential 50 CFOs and in 2019, the CFO of the year in Petrochemistry by Acquisition International. Fluent in Italian, French and English, Riza Bozoklar is a CPA. He is married and has two children.

HALUK URUL
Vice President (Petrochemistry Production Unit)

Haluk Urul, who was born in 1963 in Mersin, graduated from Chemical Engineering Department at the Middle East Technical University in 1987. Between 1989-2004 he took up positions of Process Engineer, Production Planning Supervisor, Manager of Commerce at ATAŞ Mersin Refinery. Following his responsibilities of Terminal Operations Manager at ATAŞ BP Petroleum Terminal, Operations Manager at ATAŞ Storage and Handling Terminal and Terminal Operations Manager at BP Turkey Joint Initiatives and Third Parties, he joined SOCAR Turkey Enerji A.Ş. as Terminal and Operations and Technical Services Manager in 2012. Having acted as General Manager of SOCAR Akaryakıt Depolama A.Ş. since 2016, Mr. Urul has been appointed to the position of Vice President for Petrochemistry Production Unit in November 2019. Haluk Urul is married with two children and is fluent in English.

ERGUN BİNBOĞA
Vice President (Refinery Production Unit)

Born in 1964 in Ankara, Ergun Binboğa graduated from Middle East Technical University, Department of Chemistry in 1988. He started his professional career at TÜPRAŞ İzmir Refinery in 1989. During the period of 1989 -2009 he took over responsibilities of Technical Services and R&D Manager, Planning and Sales Manager and Operations Manager within the body of TÜPRAŞ İzmir Refinery. As of 2015, Mr. Binboğa continued his professional career by taking over the responsibilities of Process and Equipment Development Manager within TÜPRAŞ Directorate General, and finally Operations Group Manager in TÜPRAŞ İzmir Refinery. Taking up responsibilities of Enterprise Director and Assistant General Manager for Operations in STAR Rafineri A.Ş. in 2017, Mr. Binboğa was appointed as Vice President of Refinery Production Unit as of November 2019. Fluent in English, Ergun Binboğa is married and has a child.

DENİZ HIFZI UZEL
Vice President (Storage Production Unit)

Born in 1967 in İstanbul, Deniz Hıfzı Uzel graduated from Mechanical Engineering Department at Middle East Technical University in 1990. He served as Marketing Engineer, Project Chief, Transportation Manager, Aviation Manager and finally Terminal Operations Manager in Petrol Ofisi A.Ş. between 1991-2012. He took over the responsibility of Director of Supply Chain in SOCAR Turkey in 2012 and assigned as Vice President of Storage Production Unit as of November 2019. Mr. Uzel is fluent in English and married with two children.

KANAN MİRZAYEV
Vice President (Business Excellence)

Born in 1987 in Azerbaijan, Kanan Mirzayev graduated from the Department of Finance at Azerbaijan State University of Economics and then received his master's degree in industrial enterprise management from the Aston University in the UK. He also holds an Executive Diploma in Management from the Chartered Management Institute in the UK and currently attending the Leadership Development program at Harvard Business School. He was an Operator and HSE Consultant at Azfen-Tekfen Consortium from August 2004 to August 2007, and HSE Engineer at SOCAR Rodan LLC from August 2008 to March 2009. He worked in the Finance Department at Interenergy LLC from May 2009 until November 2009, before working as a Quality Control Supervisor at Azeri Fugro JV from October 2009 until March 2010. He was an HSE Supervisor for the Baku Wind Energy Project at Gamesa between March 2010 and October 2011, Business Analyst in the Investment Department of SOCAR between October 2011 and June 2012, and Senior Business Analyst and Deputy CEO at SOCAR Energy Greece between June 2014 and October 2016. He has been appointed as Assistant General Manager of Strategy and Business Development at Petkim in October 2016. He was appointed as Vice President of Business Excellence of Refinery and Petrochemistry Business Unit in November, 2019. Fluent in English, Russian and Greek, Kanan Mirzayev is married and has two children.

EXECUTIVE MANAGEMENT

Refinery and Petrochemicals Business Unit Executive Management (After 1 November 2019)

ELCHİN İBADOV
Vice President (Finance)
Born in Azerbaijan in 1978, Elchin İbadov, started to work as a Research Assistant at World Trade Center, Chicago in 2002, after graduating from Chicago Illinois University. He worked in PwC between 2003-2014. Between 2014-2019, Elchin İbadov acted as Chief Financial Officer (CFO) at STAR Refinery, and appointed to the CFO position at Petkim as of November 2019, and concurrently serves as Vice President for Finance at Refinery and Petrochemistry Business Unit. In line with his vision of continuous learning and improvement, Mr. Ibadov also completed several professional training and certification programs at Harvard Business School. He wrote a number of textbooks in fields of economy, accounting, International Financial Reporting Standards and financial audit. He is a permanent member of several international finance and audit organizations like ACCA, ACFE and IIA. He proudly serves as Deputy Chairman of Petkimspor Basketball Club, with the aim of contributing to the improving success of children and youngsters living in Aegean Region. Married with four children, Mr. İbadov is fluent in English, Azerbaijani, Russian and Turkish.

LEVENT KOCAGÜL
Vice President (Human Resources)
Born in 1978 in Turgutlu, Manisa, Levent Kocagül graduated from Dokuz Eylül University with a degree in business administration in 2000. He worked as Human Resources Services Manager at Japan Tobacco International (JTI) from November 2001 to September 2007, and Human Resources Shared Services Manager at Coca-Cola İçecek (CCI) from October 2007 to March 2016. He joined Petkim in May 2016 as Organizational Development Manager, where he became Assistant General Manager of Human Resources in November 2016. He was appointed as Vice President for Human Resources at Refinery and Petrochemistry Business Unit in November 2019. Additionally, he was appointed as the Chairman of the Board of Directors of Chemicals, Petroleum, Rubber and Plastics Industry Employers' Association of Turkey as of 5 September 2018 where he had been serving as Vice President of the Board of Representatives of Aegean Region since 2016. Fluent in English, Levent Kocagül is married and has two children.

MURAT ERDOĞAN
Vice President (Commerce)
Murat Erdoğan was graduated from Environmental Engineering Department at Middle East Technical University in 1995. He served at pricing, export, transportation, strategy and planning management positions and as Director of Commerce in the subsidiary company in London which operates in international commerce field between 1996-2010. He started to serve as General Manager within the body of SOCAR Trading S.A. in 2010, which he joined with the aim of establishing and developing commercial activities across Turkey. He acts as President of Commerce in SOCAR Turkey since November 2016, and appointed as Commercial Excellence President as of November 2019. Additionally he is Vice President of Commerce (acting) at Petkim.

RIZA ACAR
Vice President (Asset Management)

Born in Bursa, in 1957, Rıza Acar completed his graduate degree at Mechanical Engineering Department at İstanbul Technical University in 1981, after graduating from the same Department in 1979. Mr. Acar worked at TÜPRAŞ İzmir Refinery between 1980- 2015, respectively as Project Engineer, Project Manager, Maintenance Supervisor, Maintenance Manager and Project and Investments Manager. He started to serve as Director of Maintenance at STAR Refinery A.Ş. in 2017, followed by his assignment as Vice President for Asset Management at Petkim in November 2019. Mr. Acar is fluent in English, married and has two children.

MURAD ABDULLAYEV
Vice President (Information Technologies and Digitalization)

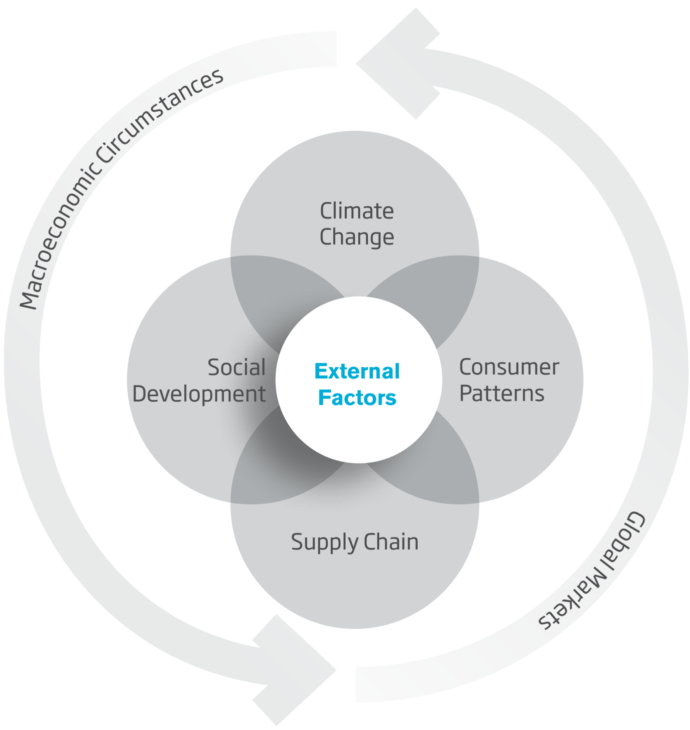
Born in Baku in 1983, Mr. Murad Abdullayev graduated from the Department of Chemistry at the Baku State University and completed his Master's degree in the Chemistry Department of Sumgayit State University. He received MBA training at the INSEAD Business School in France in 2016. Mr. Abdullayev is expecting to complete the Innovation and Technology certificate program at MIT (Massachusetts Institute of Technology) in 2021, which he started in 2019. He worked as the Senior Science Research Officer at Alkan between 2003 and 2006, as an Auditor at Ernst & Young between 2006 and 2008, as Product Development Manager at Bakcell between 2008 and 2010, as a Senior Consultant at PwC between 2010 and 2012 and as a consultant at the Walgreens Boots Alliance between 2012 and 2015. Mr. Murad Abdullayev, who has been serving as the Strategy and Business Development Manager at Petkim since July 2017, was appointed as the Assistant General Manager of Technology and Digitalization in February 2018. He was appointed as the Vice President for Information Technologies and Digitalization at Refinery and Petrochemistry Business Unit in November 2019. Married with two children, Mr. Abdullayev is fluent in English, Russian and Turkish.

KEY MARKET DEVELOPMENTS IN 2019

A SYNCHRONOUS SLOWDOWN IN THE GLOBAL ECONOMY

The growth trend of the economies of the US, Europe, Japan and China, which form the engine of the world economy, slowed synchronously in the same direction in 2019. The slowdown in economic growth was caused by the intensifying trade war between the United States and China and the increasingly widespread protectionist trade policies. While the debate raged over whether the globalization process had been reversed as a result of the protectionist trade policy applied in the US being followed in other countries, it became clear that it would take time for the world economy to move back to an expansionary trend.

Between 2014-2018, the world economy posted relatively rapid growth. During this period, the petrochemical sector, which is highly sensitive to economic growth, experienced a cyclical expansion. Due to the increase in profit margins during the expansionary period of the conjuncture, large-scale new investments in the USA and Asia, especially in China, significantly increased the supply of petrochemicals. Until 2018, the increase in supply during this period could be absorbed by the demand generated by the moderate growth in the world economy. However, the contraction in demand during 2019, resulting from the global trade war and the synchronized slowdown in the world economy meant that there was not enough demand to meet the increasing supply. The petrochemical sector entered a period of cyclical contraction in the second half of 2018. The contraction in margins in the sector was felt throughout 2019. As oil prices decreased in the last month of the year, the sector entered 2020 with a sense of hope as product prices rebounded from their bottom.



DEMAND FOR PETROCHEMICAL PRODUCTS COMES UNDER PRESSURE FROM A CONTRACTING GLOBAL ECONOMY AND TRADE, AND THE CYCLICAL ECONOMY

The global trade war led to a contraction in trade volumes as well as a shift in direction in 2019. US petrochemical exports shifted to other markets, especially to Western Europe as China raised its customs duties on petrochemical products imported from the USA. The petrochemical industry experienced double-edged demand pressure as the USA, which has an excess supply, entered the market with aggressive prices due to the contraction in demand caused by the slowdown in the world economy. Within the scope of the circular economy, the reduction of plastics consumption and the use of recycled products instead of virgin products were also instrumental in this contraction in demand.

The contraction in the petrochemical industry affected products in different dimensions. For example, new ethane-based investments in the USA piled serious pressure on prices of ethylene and derivative products, especially MEG and PE products. Prices of ACN, where supply and demand are balanced, were less affected by the contraction in demand.

The Turkish economy suffered a severe contraction due to the exchange rate shock in the second half of 2018. A program of balancing, discipline and change in the economy was put into practice to exit the economic contraction. Measures aimed at achieving macroeconomic balances were implemented in the second half of 2019 and the economy started to rebound in the last quarter.

The contraction in the Turkish economy coincided with the contraction in the petrochemical sector, and was reflected in the domestic market. There was a sharp decline in demand for petrochemical products, especially in plastic products. For example, in the first six months of 2019, production of plastic products decreased by 11% in quantity and 18% in value terms compared to the same period of the previous year. Falling prices in petrochemical product prices from the second half of 2018 caused some traders to withdraw from the market. In this process, the increase in the exchange rate contributed to the increase in direct and indirect exports, favoring domestic production over imports. Therefore, Petkim was less affected by the contraction in the petrochemical industry and the domestic market. The mood of optimism in the economy and the rise in prices and margins since the last month of the year had a positive impact on 2020 expectations.

PETKIM IN 2019

In 2019, Petkim set new records with its production figures and sales volumes, while achieving great strides for the future with its accelerated digital transformation.

PRODUCTION

High capacity and record production levels

Operating activities continued throughout the year in line with the program objectives; as a result of the high capacity and longer-term operations of the factories, record production was achieved on the basis of all products. On a plant basis, record production levels were reached in the Ethylene, Acrylonitrile (ACN), Ethylene Glycol (EG), Polypropylene (PP), Pure Terephthalic Acid (PTA) and High Density Polyethylene (HDPE) plants.

Improvement activities at the facilities continue without interruption

Investments in the transition to a bipolar system for process improvement and energy saving at the Chlorine Alkali Plant was completed in the first quarter of the year, resulting in an increase in chlorine and caustic production, as well as a 15% decrease in energy consumption and stability in the process. Within the scope of planned maintenance throughout the year, ethylene compressor maintenance was performed in the LDPE first plant and catalyst regeneration and replacement was carried out in the Aromatics plant.

Improvement studies on energy efficiency continued and energy efficiency projects defined for 2019 were carried out within the framework of the action plan. Over the last 10 years, unit energy consumption per product has decreased by 16%.

15%

A 15% reduction in energy consumption was achieved with the completion of the bipolar system transition investment at the Chlorine Alkali Plant.

16%

Over the last 10 years, unit energy consumption per product has decreased by 16%.

With the synergy created by the transition to integration, work on joint projects, utilization of by-products and opportunities for cooperation in the peninsula gained momentum.

The Gas Turbine connection has been transferred from 154 kV to 34.5 kV in order to increase the electrical system security; a new 100 MVA transformer was commissioned. In addition, a 154 kV power cable, which connects the TEİAŞ Aliağa-1 Transformer Center with the Petkim Transformer Center, was commissioned. The renovation of the 34.5 kV Electricity Distribution System was also completed. Petkim Wind Power's license capacity was increased from 25 MW to 38 MW.

Support continued to be extended to the work of other SOCAR organizations in the field on the peninsula. The continued supply of light naphtha from STAR Refinery increased the raw material supply security and quality stability of the Ethylene Plant. With the synergy created by the transition to integration, work on joint projects, utilization of by-products and opportunities for cooperation in the peninsula gained momentum. With the move towards a more competitive structure, significant progress has been achieved on issues such as raw materials and energy security.

Auxiliary Units; Water Production (Water Pre-treatment, Demineralized Water, Cooling Water), Waste Treatment and Disposal (Wastewater Treatment, Waste Incineration), Joint Pipe and Port Loading-Unloading activities have ensured the continuity of production in the Complex by meeting the requirements of the facilities. In addition to the water requirements of the neighboring organizations, the external requirements for hazardous waste disposal were met in Petkim's waste incineration unit under the existing license.

While efforts to reduce the use of natural resources were accelerated, a campaign to reduce water consumption was launched together with the Corporate Communications Department.

726,789.06 tons

In 2019, Petkim shipped an average of 64,870 tons of solid products per month with an annual total of 726,789.06 tons of solid products.

1,692,434 tons

In 2019, Petkim managed the loading and unloading operations of 1,692,434 tons of liquid chemical cargo.

673 Vessels

A total of 673 ships arriving at the Petkim ports were provided with piloting, tugs, waste and refuse collection services.

SUPPLY CHAIN AND PURCHASING

With the completion of the integration process in 2019, as a result of the structuring of the supply chain planning and logistics activities of the Refinery and Petrochemicals Business Unit, Petkim aimed to achieve maximum synergy, increase efficiency by integrating common processes and achieve the operational excellence targets more effectively and rapidly.

SUPPLY CHAIN PLANNING AND LOGISTICS SERVICES;

- In 2019, a total of 726,789.06 tons of solid products were shipped from Petkim stores and 12 different shipment exit points, corresponding to a monthly average of 60,565.75 tons of solid product shipments.
- In 2019, the total amount of solid products packed as part of the logistics packaging activities reached 826,475.79 tons, with a year-on-year increase of 20.57%.
- In 2019, the total amount of CIP delivery shipments to local and international destinations amounted to 425,906 tons, and 19,000 expedition organizations were carried out.
- A total of 369,994 tons of CIP solid product shipments were carried out. The logistics of 53.71% of Petkim's solid product shipments belong to the supply chain.
- In addition to the cargo shipped to the Gaziantep and Adana region, a total of 21,370.43 tons of products were transported by train, reducing transportation costs while ensuring active steps in terms of green logistics.
- A total of 673 ships arriving at the Petkim ports were provided with piloting, tugs, waste and refuse collection services.
- In addition, loading and unloading operations of 1,692,434 tons of liquid chemical cargo were managed, with USD 7,756,214 of gross revenue generated from the said activities.
- In order to ensure supply security and shorten supply times, catalog and contract purchase processes in 60 different material categories were successfully implemented.
- As a result of the effective and efficient execution of the process with the improvements made in the planning process for chemical materials, an annual saving of approximately US $ 900,000 was achieved.
- In 2019, 85,000 items were processed in the material warehouse.
- The plastic pallet deposit application was continued as an example of the zero waste studies being undertaken by the Ministry of Environment and Urbanization.
- After the integration studies, work the main data project got underway on the use of common master data to cover all companies in the Refinery and Petrochemicals Business Unit.

The plastic pallet deposit application was continued as an example of the zero waste studies being undertaken by the Ministry of Environment and Urbanization.

- The RFID (Radio Frequency Identification) system was established in the material warehouse, which includes product brand tracking, ID number tracking, warranty period, preventive maintenance management and pressurized gas cylinder tracking, with many world firsts. With the counting kit developed within the scope of RFID technology in the metal dense warehouse, the digital counting of the warehouse was performed with 100% accuracy.

PURCHASING OPERATIONS

- Purchasing units in the Refinery and Petrochemicals Business Unit were integrated and started to serve all the group companies within the scope of the Business Unit. In this context, purchasing procedures of all group companies have been made common.
- In 2019, 5,205 orders were placed, 344 of which were abroad.
- E-tender and e-auction solutions started to be used in purchasing auctions.
- Preliminary studies for digitizing purchasing processes with the E-Purchasing module got underway.
- The Robotic Process Automation began to be used in invoice pre-registration. Labor savings were achieved in operational transactions.
- Preliminary work has been performed for the SAP Central Procurement module, which is scheduled to be deployed in 2020 and will improve the efficiency of integrated processes.
- In 2019, the needs of group companies in the Refinery and Petrochemicals Business Unit were consolidated and acquired as part of integration efforts. As a result of this integrated operation, additional benefits were provided for all group companies in the Refinery and Petrochemicals Business Unit.
- The Supply Chain and Purchasing Unit, which the Purchasing Unit is affiliated to, was awarded for being the business unit to create the most value in the Refinery and Petrochemicals Business Unit.

SUPPLY CHAIN AND PURCHASING

CUSTOMS SERVICES

- The total savings achieved in the operational expenses of the work and transactions realized within the scope of 2019 activities amounted to TL 451.028,25.
- In 2019, there were a total of 1,083 import declarations for import transactions and 2,339 export declarations for export transactions.
- Two projects were developed as a result of the digitization studies, and a total of 1,587 man hours of savings were achieved on an annual basis.
- The Robotic Process Automation application started in Petkim export processes (end to end).

STATUS OF AUTHORIZED ECONOMIC OPERATOR (AEO)

Petkim holds the “Status of Authorized Economic Operator (AEO)” document, which is the most prestigious status in terms of customs and foreign trade. The “Authorized Economic Operator” is an international status which provides a number of advantages and concessions in customs procedures to reliable companies which are able to fulfill their customs obligations successfully, have a system of record and order, operate with financial competence, safety and security standards and which are able to perform their own auto control. In addition to the operational benefits it provides, it also brings a competitive advantage in the market, given its international status. As an importer and exporter, Petkim was the first company to receive this document from the Aegean Region Directorate.

Petkim holds the “Status of Authorized Economic Operator (AEO)” document, which is the most prestigious status in terms of customs and foreign trade.

AUTHORIZED ECONOMIC OPERATOR (AEO) ACTIVITIES IN 2019

Submission of the Annual Activity Report

Petkim was audited by the audit firm for the last 12 month period, in accordance with the provisions of the regulation, and the annual report was prepared and submitted to the Directorate of Customs Services. Within the scope of the audit activity carried out, there were no negative findings or penalties regarding the continuity of the status.

Updating the Questionnaire

Work was carried out to answer the questions in the questionnaire content in all units, and the answers to all questions were prepared with their annexes and submitted to the Directorate of Customs Services within the specified period.

In terms of the fulfillment of monitoring activity, as of 2019, all information and documents which required updating within the scope of the monitoring activity had been submitted to the Directorate of Customs Services.

Updating Lump Sum Guarantee Authority

The required information and documents regarding lump sum guarantee authority were submitted to the Directorate of Customs Services in 2019.

Port And Terminal Services
The activities of the Port include the unloading of liquid chemical raw materials required for the production in Petkim facilities from vessels and the transfer of these materials to the facilities through pipelines, the transfer of liquid chemical products manufactured in Petkim's facilities from the storage areas of the facilities to the pier through pipelines, and the loading of these materials to vessels. The Petkim Port operates in accordance with national and international legislations and regulations.

Pilot And Tug Services
The Pilotage and Tug Organization provides docking and tug services to vessels on a 24/7 basis with 7 tugs, 3 mooring boats and 1 pilot vessel.

Furthermore, the "Green Port" certificate, which aims to improve the quality of sea water around ports, reduce the environmental pollution resulting from vessel or port operations, increase energy efficiency, ensure waste recycling and ensure the sustainability of occupational health and safety with integrated quality management approach, was renewed following the successful inspection period.

SALES AND MARKETING

Sales volumes reach 2.4 million tons, breaking an all-time record
In 2019, Petkim's sales from production amounted to 1,860,000 tons, while commercial product sales amounted to 491,000 tons, corresponding to a total sales volume of 2.4 million tons - an all-time record high. Total sales increased to TL 11,672 million in 2019, marking an increase of 25% YoY. 60% of the sales were made in the domestic market while 40% of sales were exported.

In addition to sales from production, Petkim also concentrated on commercial activities in 2019. Trade volume, which was 274,000 tons in 2018, increased by 79% to reach 491,000 tons in 2019.

Exports reached USD 824 million.
Petkim has concentrated on international commercial activities in recent years, focusing on exports with both production sales and transit trade sales; in 2019, its exports amounted to 1,168,000 tons. In addition to the trade of existing products, Petkim increased its new customer and product portfolio with transit trade, and entered into long-term agreements with suppliers to ensure that exports were orderly and sustainable.

The plastic pallet deposit application, which can be evaluated within the scope of the Zero Waste Project being undertaken by the Ministry of Environment and Urbanization, has been applied widely in product shipments. In solid product shipments, the pallet carrying capacity was increased from 1,375 Kg to 1,500 Kg, freight costs were reduced and a contribution was made to the Zero Waste Project by using fewer pallets. Petkim, which develops railway transportation as an alternative to the highways in the transportation of containers and shipments to customers in the Adana and Gaziantep regions, adds value to its customers while implementing its green logistics approach.

We increased our trade volume and product portfolio by touching new and more customers.
In the first half results of the Customer Satisfaction Survey, which is conducted twice a year, customer expectations were met at 90.26%, surpassing the target value of 88%. The results of the survey were evaluated in the Customer Relations Board and formed an input to the continuous improvement process. In parallel with the increase in commercial activities, attention was placed on domestic and international customer visits. In this context, new collaborations were established with nearly 600 producers and traders in 2019, increasing the number of new customers by 27%. The total number of customers also increased by 19%, from 1,578 to 1,874. We also continued to meet new customers through our participation in national and international sectoral fairs and various events.

In line with new product demands from customers and the market, the existing EH 251 type of polypropylene was modified and developed as a non-woven grade. This product was approved by customers as a result of trials and started to be sold to new customers. The YYPE S0459 blow molding type with a higher ESCR value was developed in the High Density Polyethylene product. It was tested and approved by customers, and started to be used.

Total sales increased to TL 11,672 million in 2019, marking an increase of 25% YoY. 60% of the sales were made in the domestic market while 40% of sales were exported.

2.4 million tons

With its sales volumes of 2.4 million tons, Petkim broke an all-time record in 2019.

824 million $

Exports reached USD 824 million.

90.26%

In the first half results of the Customer Satisfaction Survey, customer expectations were met at 90.26%, surpassing the target value of 88%.

R&D CENTER ACTIVITIES

Petkim attended the ILP (Industrial Liaison Program) hosted by the Massachusetts Institute of Technology (MIT), which allows the transfer of information mutually for a two year period, and has taken its place among the 250 global companies involved in the program.

The Petkim R&D Center maintains its status as an R&D Center in accordance with the Commission Decision taken by the Ministry of Industry and Technology, having successfully completed its 4th year of operation. In 2019, the Petkim R&D Center continued its activities with 32 full-time researchers consisting of Chemical Engineers, Chemists and Biologists, two of which hold a PhD and six have a Master's degree.

40 projects carried out in 2019, including two projects under the TÜBİTAK-TEYDEB status.

In 2019, 40 projects were carried out, including two projects under the TÜBİTAK-TEYDEB status and two H2020 projects in which Petkim is partnering. In 2018, an H2020 project (CARMOF) with the theme of "CO_2 capture" started to be undertaken, in which Petkim is also partnering, and another project (CO_2 Fokus) with the theme of "CO_2 capture/utilization" was also deemed worthy of European Commission funding. Six new H2020 project applications were made throughout the year.

A 54% portion of the total budget of the projects, which were carried out in the areas of new product development, the creation of new application areas for products, the improvement of product properties, energy and raw material efficiency in production processes and biological waste treatment in wastewater and drinking water was funded through Petkim's own resources, while 46% of the amount was funded by TÜBİTAK and the Ministry of Industry and Technology.

Strong collaborations, value-added projects

In 2019, in line with the objective of increasing the level of digitalization, Petkim attended the ILP (Industrial Liaison Program) hosted by the Massachusetts Institute of Technology (MIT), one of the most prestigious technical institutions in the world in the fields of R&D and chemistry. With this membership, which allows the transfer of information mutually for a two year period, Petkim has taken its place among the 250 global companies involved in the ILP program.

Within the context of improving collaboration between industry and academia, process improvement and product development project cooperation protocols were signed with ITU, METU, Boğaziçi University, the İzmir Institute of Technology, Fatih Sultan Mehmet University, Katip Çelebi University and Yaşar University to develop high performance polymers and create added value for the products. Within the context of the protocol, scholarship opportunities were provided to Master's and PhD students who will work in the research activities of the projects.

In 2019, three patent applications were filed. This took the number of registered patents to eight with the inclusion of one registered Turkish patent.

THE PETKIM R&D CENTER

The Petkim R&D Center, which benefits from a 50 year background in R&D, was certified by the Ministry of Industry and Technology on 13 January 2015 and attained the status of an R&D center. The Petkim R&D Center, which covers an area of 1,200 m² in the Petkim complex, includes six laboratories, a 400 m² pilot facility and offices. The Petkim R&D Center continues its work in the petrochemicals, materials, metallurgy and chemistry, plastic and packaging sectors with suppliers, customers and universities, and acts with a special focus on the vision of strengthening collaboration between industry and academia.

The Petkim R&D Center has Rheology, Catalyzer, Polymer Characterization, Environment and Biotechnology, Chemical Analysis and Chromatography laboratories. The R&D Center Pilot Plant is host to extensive equipment infrastructure with state-of-the-art technology which enables polymer processing, polymerization and chemical process operations to be carried out.The Petkim R&D Center continues to carry out product development and improvement efforts aimed at improving efficiency in the use of energy and raw materials and activities aimed at cost reduction and protecting the environment with its strong team, advanced infrastructure and laboratories. Focusing on the development of high value-added technological products, Petkim also carries out patent acquisition and commercialization processes based on the results of its studies.

In 2019, three patent applications were filed. This took the number of registered patents to eight with the inclusion of one registered Turkish patent.

6 LABORATORIES

Rheology

Catalyzer

Polymer Characterization

Environment and Biotechnology

Chemical Analysis

Chromatography

DIGITALIZATION AND TECHNOLOGY

A wave of projects carried out with successful results in 2019, as digitalization efforts gain pace.

Petkim has taken significant steps in the digital conversion process that continued with the goal of becoming the most digital company in Turkey and Azerbaijan. The use of digital technologies in all functions, especially in production, is spreading, and projects aimed at improving production and energy efficiency, enhancing processes and increasing occupational safety are activated by keeping real-time data with machine learning algorithms. Additionally, in this process, where ways of conducting business are converted to a digital form with data-based approaches, all employees adopting a digital thinking reflex gain importance in this cultural change, which is the equivalent of supporting infrastructure with appropriate investments.

A wave of projects carried out with successful results in 2019, as digitalization efforts gain pace

The digitalization roadmap and strategy determined in 2018 in line with Petkim's vision continued to be developed in 2019, with a focus on rolling out the digital culture throughout the Company, and a wide range of digitization projects were put into operation.

Seven advanced analytical projects were completed in 2019, bringing great financial benefit for Petkim. One of these was the soft-sensor application in the Aromatics Plant. In this project, a soft sensor model which estimates the ratio of non-aromatic compounds in the extract at 5 minutes intervals was developed and integrated into the DCS system by examining plant process data and laboratory sample results. Thus, the capacity of the Aromatics Plant sulfolan unit was increased by 5%.

In another example, an estimating machine learning model developed using number of process parameters such as feed, circulated gas composition, temperature and pressure began to predict when adhesion problems would occur in the VCM Plant oxychlorination reactor. Dynamic monitoring of adhesion causes and reduction of production loss caused by adhesion problems in the reactor was achieved with the web graphic panel opened for use in the Plant.

In a third example, an energy optimization program was developed which assessed the instantaneous electricity swap prices on the market, wind energy estimates, steam and electricity generation costs. With this program, the steam and electricity generation plan was created and the most optimal offers to be given to the markets during the day/before the day started to be created.

ROBOTIC PROCESS AUTOMATION

As the digital assistants, formally the Robotic Process Automation (RPA), started to perform routine, rule-based, high-volume activities in our lives in various applications on our behalf in 2019, the operational burdens on employees were reduced, allowing them to focus more on strategic business. We believe the digital assistants will have an even more important role in Petkim's digital transformation in the coming period.

In 2019, from the very moment an order was placed, the entire customs clearance process could start in real time, complete and error-free with digital assistants for each shipment to be exported.

The e-invoice processes, which are pre-registered by the purchasing units, have now entered the system thanks to the new digital assistants.

THE PETKİM INSTITUTE OF DIGITALIZATION

The Petkim Institute of Digitalization continued its operations in 2019 within the context of the digital transformation process, in order to expand the 'digitalization' awareness within the organization, to move to data-based processes in the ways of conducting business and to improve the digital and analytic competencies of the employees.

The Institute operates with two main objectives:

- To create digital awareness among all employees and ensure that employees adapt quickly to digitalization
- To raise and train employees who are experts in the field of digitalization and to produce digital projects such as machine learning and artificial intelligence.

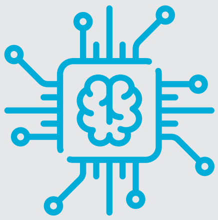
In 2019, 300 employees were given advanced digital awareness and advanced analytical training under the umbrella of the digital institute. In addition, all field employees were given OHS-E training with virtual reality applications.

DIGITALIZATION ECOSYSTEM

Petkim's digitalization ecosystem grows day by day thanks to collaborations with Turkey's largest entrepreneurial networks, technopolises, leading technology companies, start-ups and collaborations with universities.

Petkim became one of the main stakeholders of the "Big Bang | Start-Up Challenge" event organized by Istanbul Technical University in line with the strategy of collaborating with start-ups in 2019.

Bringing together early-stage technology start-ups and the business community, this event is held every November and ensures entrepreneurs are best guided through the corporate stages of gaining access to potential customers, finance and meeting investors.



The Institute of digitization operates with two main objectives:

Creating digital awareness among all employees and ensuring that employees adapt quickly to digitalization

To train specialists in the field of digitalization and to produce digital projects such as machine learning and artificial intelligence.

DIGITALIZATION AND TECHNOLOGY

INFORMATION SECURITY IN GLOBAL STANDARDS

The expansion of cyber security solutions to secure end-to-end information across business platforms was completed in 2019. In this context, installation and dissemination work on two-phase authentication, data labeling and classification, authorized account management, mobile device management, endpoint detection-intervention and data leakage prevention systems have been completed, and periodic safety inspections and tightening studies have been carried out.

The expansion of cyber security solutions to secure end-to-end information across business platforms was completed in 2019.

The validity of the certificate was extended following the ISO 27001 Information Security Management System surveillance audit.

Through various information security awareness activities carried out, Petkim aimed to create a culture of information security. "Information security awareness trainings" were given as part of the orientation for the new employees and "Information Security Training" was offered through the Learning Management System Platform. The Company aimed to raise employees' awareness of angling phishing attacks through angling phishing aimed at employees.

INFORMATION TECHNOLOGIES ACTIVITIES

In addition to keeping the current systems of the Information Technologies Department operative and fulfilling the software and hardware demands of all computer users, work continued on ensuring processes became faster, easier and safer.

The second phase of the project, which was launched with the aim of establishing the security technology infrastructure of all facilities in Aliağa Business Unit, was carried out. Work on installing the data analysis application continued.

Petkim became one of the main stakeholders of the "Big Bang | Start-Up Challenge" event organized by Istanbul Technical University.

THE PROCESS ARCHITECTURE AND VALUE CHAIN

In line with the operational excellence strategy and with the objective of utilizing resources more efficiently, Petkim's process architecture was created in 2019 by comparing the processes in the sector and other sectors, and the Petkim Value Chain Project was activated. Within the scope of this project, interviews were carried out with 162 employees from 71 business units, existing processes were analyzed on an end-to-end basis and more than 300 processes were documented taking into account areas requiring improvement. Over the course of the project, more than 150 rapid acquisition and improvement opportunities were achieved, and a 3-year Petkim roadmap was constituted covering 50 project suggestions. As part of the Value Chain study, all of the Company's investment processes were reviewed and revised, and the whole process was digitalized.

WORLD ECONOMIC FORUM

Petkim was the only company to have been selected from Turkey in 2019 for inclusion in the "Global Lighthouse Network", which includes facilities which the World Economic Forum (WEF) recognizes as making the best of Industry 4.0 technologies in production.

Petkim Value Chain Project

In 2019, the Petkim Value Chain Project was launched and a 3-year roadmap was created.

Cyber Security Operation Center

The Cyber Security Operation Center, which monitors cyber-attack attempts against Petkim's information systems 24/7, was put into operation in September.

INVESTMENTS

Petkim continues to shape its future with its investments, by following innovations and supporting change in an integrated manner with SOCAR Turkey group companies.

In the 2019 Petkim investment strategy, priority was placed on Occupational Health and Safety, Process Safety and maintenance investments which will ensure the continuity of the plants. In addition to these investments, value creation projects and projects which are classified as being of strategic importance were implemented. Investment expenditures for 2019 (excluding R&D) amounted to TL 646,920,533.

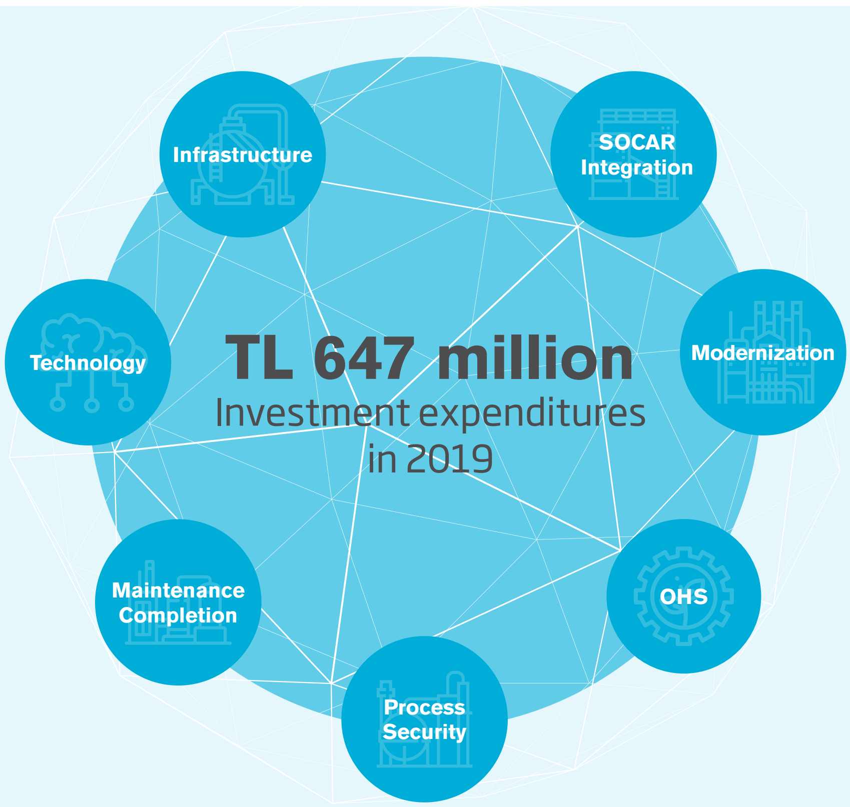
New investment demands were examined with investment boards organized in each quarter, and those offering a high return were chosen for implementation in the shortest possible time. Each request was discussed in detail with all stakeholders as the next year's investment budget work was created with the aim of managing investment projects in the most optimal manner by selecting projects offering the highest added value and sustainability among the 1000+ investment demands. While carrying out all these studies, the short and medium term investment strategy was determined with due consideration of Petkim's cash flow.

A digital process has been designed to evaluate all investment demands. All relevant units are involved in the process, and all investment demands come to the investment team through the opinions of the technical teams and financial analysis teams. Thus, while ideas are allowed to mature, funds are transferred to the right option. The realization of the investment proposals for which the funds are transferred is monitored in the monthly evaluation commissions and the Investment Board in the quarterly periods, with the aim of maximum realization in the planned projects.

Within the scope of Occupational Health and Safety projects, one of the biggest investments is for the renovation of pipelines at the common pipe site which poses an HSE risk, and the replacement of their routing. In strategic projects, the most important investments involve the modernization investments of piers. With these investments, the infrastructure of the piers will be strengthened, HSE risks will be eliminated and the piers will be modernized in such a way as to adapt to the latest technology.

Projects to ensure the continuity of plants and to increase the capacity utilization rate include the replacement and modernization of critical equipment.

In 2019, in addition to these projects, projects that will increase Petkim's profitability, provide synergies on the peninsula, have a short payback period and which will be carried out in the Value Creation program were also included in the investment program and implemented.



Petkim continues to shape its future with its investments, by following innovations and supporting change in an integrated manner with SOCAR Turkey group companies.

Priority investment areas

In the 2019 Petkim investment strategy, priority was placed on Occupational Health and Safety, Process Safety and maintenance investments which will ensure the continuity of the plants.

SUSTAINABILITY

Petkim's Sustainability Vision

The petrochemicals sector is one of the main drivers of sustainable development. Industrially developed countries are, at the same time, the world's leading petrochemical producers. Petkim's products are used as raw materials in the most important sectors of Turkish manufacturing industry. This production and value-added chain is one of the key elements of sustainable development.

Aware of its responsibilities towards its stakeholders as a corporate citizen, Petkim has been operating without compromising ethics, transparency and integrity while increasing the value it adds to the economy. In addition, the Company sets itself apart with a corporate identity who has adopted the concept of sustainability to the core with dedication and determination so as to minimize the environmental impacts of its activities and to contribute to the environment, to act with a human-centered approach at all times in full sensitivity for occupational health and safety and to provide the maximum contribution to society through social responsibility projects with a vision of future.

HIGHLIGHTS IN 2019

BİST

Sixth year in the BIST Sustainability Index

My Value

The cultural transformation and value creation platform was expanded to all group companies in the Refinery and Petrochemicals Business Unit.

BOCCIA

Petkim became the official sponsor of the Boccia National Team of the Turkish Sports Federation for the Physically Disabled.

Petkim's sixth year in the BIST Sustainability Index

Having been included in the Borsa İstanbul's Sustainability Index in 2014, Petkim maintained its position following the review conducted in 2019, continuing its success.

Human Resources at Petkim

Continuously increasing and reinforcing its considerable know-how with its competent human resources, Petkim offers unique intellectual capital. Petkim has been building an agile organization with human resources that are dynamic, open to development and focused on common targets.

SUSTAINABILITY

HUMAN RESOURCES POLICY

Petkim's human resources policy aims to create a corporate culture that is fair, transparent and which gives voice to the employees and offers them opportunities to reveal their potential, where every employee contributes to the future of Petkim by creating value and where every employee is valued. It aims to create a high-performance and development focused corporate culture which demonstrates strong and effective leadership in every arena and reflects the one-Petkim spirit; and a highly loyal, happy, productive, successful and healthy workforce.

In order to attract, develop and maintain the most valuable talent needed towards meeting this goal, Petkim adopts fair, transparent and integrated practices that are in accordance with trends in global human resources under three main headings, and develops them. Thus, the Company aims achieve giant strides forward to become the most preferred employer and the best work place.

At Petkim, the human resources department acts with a managerial mindset that works with all units in the spirit of a strategic business partner, constantly analyzing Company and employee needs, creating value and adapting quickly to changing conditions.

I. TALENT ACQUISITION PROCESS

Based on its mission, vision and values, Petkim effectively uses all recruitment means for placing the most suitable and competent candidates in existing positions.

Competence-based interviews, potential analysis, technical interviews, ability tests and, for certain positions, foreign language tests are also used in the recruitment process.

Employees taking up blue collar positions at Petkim prepare for their new positions in collaboration with İşkur and university with the "Petrochemical Production Employee Training" course program.

Petkim aims to contribute to the personal and professional development of interns through its "Internship Development Program" which is developed for vocational high school and university interns. The intern employment process is also seen as a social responsibility approach for Petkim. In the recruitment processes for employees and interns, competency-based interviews, potential analysis, technical interviews, ability tests and case studies are used in addition to foreign language tests where deemed necessary.

II. TALENT MANAGEMENT PROCESS

In the performance management system applied at Petkim, corporate and functional success indicators are defined at the beginning of each year, and corporate goals are broken down from top to bottom within the framework of a certain model so that everyone works for the same goals.

In order to focus not only on what is done, but also on "how" it is done in the implementation of goals and following up the behavior that feeds the Company culture, a structure of corporate values has been constructed and included in the performance management system.

A performance management system is implemented in which sustainable and successful performance is rewarded, where performance that is open to development is improved through the development program, and performance results are integrated with other human resources systems.

Additionally, the potential evaluation and backup activities, in which the potential of employees within their current roles are evaluated and the value they add is enhanced and supported through opportunities for development, are carried out on the digital platform in accordance with our digital transformation vision.

Backed by Petkim's strong corporate culture, which has been maintained and adopted by all of its employees since its foundation, increasing employee loyalty and sustainability has served as one of the most important building blocks in the retention process.

III. RETENTION PROCESS

One of the most important building blocks in the retention process is ensuring that employee loyalty is sustainable, something that is supported by Petkim's strong and long-lasting corporate culture which has been shared by all its employees since Petkim's foundation. Trends in remuneration and benefit packages in the sector, in the country and across the world are followed closely, and a remuneration policy which is in line with these trends is applied. A reward system is applied to reinforce employee behavior which creates added value and appreciates their professional endeavors.

Working hours are adopted with the aim of protecting the work-life balance of employees, and supporting efficiency in the workplace. For open positions, an assessment process for internal candidates is carried out. An inter-departmental rotation program is also implemented with the aim of promoting the development of employees.

For new recruitment and job changes, a work adjustment and orientation program is implemented, which is structured within the framework of the work adjustment program.

IV. REPRESENTATIVE TO CONDUCT RELATIONS WITH EMPLOYEES

Within the scope of Article 27, entitled "Assignment and Duties of the Trade Union Representative" of Law No: 6356, "Trade Unions and Collective Bargaining Agreement Law", there is a Chief Representative and Representatives in the workplace. The Collective Bargaining Agreement negotiations, which started in January 2017, covering the period 1 January 2017 - 31 December 2019, resulted in the final agreement minutes signed on 22 June, 2017.

SUSTAINABILITY

Workplace trade union representatives and the chief representative are responsible for listening to the requests of workers and resolving any complaints (limited to workplace issues), ensuring cooperation, a peaceful work environment and harmony between the worker and the employer, while upholding the rights and interests of the workers, assisting in the implementation of the working conditions set out in the labor laws and the collective labor agreements.

Trade union representatives are authorized to express their opinions on issues related to occupational health and safety, to submit offers, to implement new technologies and to consider the effects of selected work equipment, the working environment and the conditions concerning the health and safety of employees. Additionally, trade union representatives have the right to table suggestions to the employer and to ask the employer to take the necessary measures in order to eliminate the source of danger or reduce the risk arising from the danger. In accordance with the Regulation on Occupational Health and Safety Committees based on this Law, the chief representative and foreman representative also participate in the occupational health and safety committees, whose duty is to assess the hazards and precautions related to occupational health and safety and to inform the employer.

CHANGES IN THE NUMBER OF EMPLOYEES

Working to a principle of investing in qualified human resources, Petkim is adding new employees to its organization in line with its needs and growth targets. In 2019, the average number of people working at Petkim stood at 2,494 in total, including 633 white-collar employees and 1,861 blue-collar employees. At the end of the year, a total of 2,547 employees were working at Petkim.

TRAINING ACTIVITIES

The Training and Development Department works from the perspective of implementing programs in which development tools address different learning styles and individual development needs, supporting career development, where development activities and competencies complement each other in line with the current and future strategies which SOCAR Turkey has determined for all its subsidiaries.

With Occupational Health and Safety always a priority, the training programs offered under the orientation, professional development, corporate development, academic development, quality systems, information systems, personal development and leadership categories are carried out through business partnerships with internal trainers and external companies and are aimed to ensure the development of employees in all areas.

2.494

Average number of employees working in Petkim in 2019

2.547

Total number of employees at Petkim as of the year-end

In 2019, The Learning Management System (LMS) was also updated with the goal of moving all Human Resource processes to a single system infrastructure.

The leadership program, launched in 2017 under the name "Chemistry of Leadership", has been expanded to include all SOCAR Turkey Leaders in 2019 and continues under the name "Lead Together".

The Training and Development team revised the orientation process to include all SOCAR Turkey employees and transformed it into a comprehensive program which is carried out every month in Izmir, which includes Corporate Development Programs, group companies promotion, being a SOCAR employee simulation and a field trip to the Refinery and Petrochemicals Business Unit.

The "Next Generation Program" which was initiated by the Petkim Academy in 2017 for the children of Petkim employees, was expanded in all SOCAR Turkey group companies in 2019, contributing to the personal and professional development of 80 young people in four different cities in Turkey. The program, which aims to help children get one step ahead when they start their working life, covers a wide array of topics such as leadership, communication, presentation skills, conflict management and cooperation.

The Training and Development team, who believe in and support a continuous and living learning process, design the training and development tools which will support the professional and personal development of employees in an easily accessible and needs-based manner.

*2019 Yıl sonu itibarıyla toplam çalışan sayısıdır.

FROM “MY PETKIM” TO “MY VALUE”

The “My Petkim” cultural transformation and value creation platform was expanded to all group companies in the Refinery and Petrochemicals Business Unit with the name “My Value” from November 1, 2019, with the aim of capturing our high performance culture and sustainable success in other SOCAR Turkey group companies.

More than 200 of the ideas coming in 2019 were detailed, while 109 were evaluated and conceptualized by the Program Management Office. An additional value of USD 52 million was created for Petkim from the projects offered under the platform.

In the “My Value” platform, projects involving more than one group company are evaluated in the integration category, projects that can be solved with methodologies such as Lean Six Sigma, Kaizen, Agile are evaluated in the value creation category, and projects requiring advanced analytical solutions are evaluated and monitored in the digitization category.

With the completion of first wave studies of Lean Six Sigma methodology in the first half of 2019, additional value was created by presenting 12 projects. Within the scope of Lean Six Sigma studies, 12 employees received green belt training and two employees received black belt training. The second wave of Lean Six Sigma studies started in October 2019.

The Employee Suggestion System “Fikrimce (In my opinion)” attracted a high level of participation also in 2019, a total of 1,300 suggestions submitted into the system were examined. With the employee suggestions implemented in 2019, a total of TL 3.67 million in value was realized. The “Fikrimce” program was expanded to all group companies in the Aliağa Peninsula from 1 November.

Business Agility (Agile) is a globally accepted transformation program that enables different functions to work as a single team, promotes the way to do business quickly, enhancing business performance and employee motivation. As the first company to successfully implement Agile studies in the petrochemical industry in the world, efforts were launched to expand it to the Refinery and Petrochemicals Business Unit.

SUSTAINABILITY

USD 10.5 million

USD 10.5 million of value was created in the budget in conjunction with cost optimization work carried out in 2019.

These studies were implemented in four factories including the chlorine chain and PTA. As a result of the studies, there was an increase in the duration of the plant's stay in operation, while awareness of Occupational Health, Safety and Environment issues increased.

In 2019, the Last Planner methodology introduced by the Lean Construction Institute started to be deployed as a pilot scheme in the STAR-TOTAL Diesel transfer line project and was successfully implemented. The Last Planner methodology enables effective management of the project by evaluating the project stages, milestones and important stages together with the turn-key date for lean project planning. By increasing the communication and transparency between all stakeholders of the project, including outsourcing, it enables project management through mutual commitment.

With the zero-based budgeting technique, which was launched in 2018 and continued to be implemented throughout the Company in 2019, the needs were analyzed and budgeted accurately and unnecessary expenses were prevented. Along with these and other cost optimization efforts, a value of USD 10.5 million was created in the budget.

OCCUPATIONAL HEALTH, SAFETY AND THE ENVIRONMENT

SOCAR Turkey has a culture that adopts the best OHS-E (Occupational Health & Safety-Environment) practices of the industry, which forms the basis for the provision of occupational health & safety and environmental excellence. SOCAR Turkey aims to ensure that its work is always safe, reliable and efficient wherever it operates. In this vein, the SAFE Management System consisting of four bases, 16 principles and 100 expectations was established by the SOCAR OHS-E Directorate. Petkim continues its activities under the SAFE Management System.

Occupational Health and Safety

Petkim ensures that all operations carried out by the Company are evaluated in terms of compliance with the legislation on occupational health and safety. The Company also ensures the constitution of occupational health and safety enforcement system, its registration, and association of these operations with integrated management systems and other processes.

Internal audits are planned and carried out within OHSAS 18001: 2007 standards. An external audit is carried out each and every year by an external auditor. In addition, necessary actions are planned through updating occupational safety risks in the processes by third-party inspections.

At the end of each year, a fire drill plan for the following year is prepared by OHS-E. Fire drills for at least 13 scenarios (environmental fire, arson, gas leak fires, rescue-fire, evacuation) are carried out annually. Related plant managers and senior management representatives take part in the drills, ensuring continuous improvement.

SAFE

The SAFE Management System, consisting of 4 procedures, 16 principles and 100 expectations has been established by SOCAR Turkey HSE Directorate.

The activities carried in 2019 regarding legal compliance, adaptation of the activities to the occupational health and safety systematics and recording and working in an integrated manner with other management systems are listed below:

- To improve the efficiency of OHS-E training, 4-hour practical OHS and fire training sessions were planned and included in the 16-hour compulsory education within the scope of the Training Plan. Accordingly, all employees were given training on subjects such as appropriate use of PPE, hot work, closed vessels, fire risks and interventions in the Training Implementation Zone which was set up within this scope. In addition, as part of the Petkim Academy's activities, employees at the Occupational Health, Safety and Environment Directorate were given training on tackling industrial fires, industrial First Aid, industrial rescue and working at height with support from international companies.
- Within the scope of the Occupational Health and Safety Law No. 6331, distance learning was prepared for all training subjects and the training started to be provided through the SOCAR LINK.
- After the work conducted within the framework of Occupational Health and Safety, the Lost Time Injury Frequency Rate was reduced by 24% compared to 2018.
- In 2019, a total of 29,192 hot and closed vessel work permits were issued by the OHS -E personnel and no work accidents were recorded within the scope of these permits.
- A total of 336 periodic inspections were carried out by blue-collar personnel in 2019 in areas such as facilities, workshops, switch rooms, warehouses and laboratories on a monthly basis. A total of 56 periodic audits were carried out by white-collar personnel within the six-month periods. The findings identified as a result of the audits were followed up under the SAP-HSE (Health-Safety & Environment) module.
- The OHS theatre was organized in 2019 to raise OHS awareness.
- Follow-up and coordination of periodic controls were carried out within the framework of the Petkim Periodic Control Plan, which was prepared under Law No. 6331 on Occupational Health and Safety and the OHSAS 18001: 2007-Occupational Health and Safety standard. Review meetings were convened twice during the year under the presidency of the General Directorate of Businesses.
- Toolbox training sessions started to be provided on Tuesdays in all Petkim plants.
- All HSE training was provided in accordance with the Regulation on the Procedures and Principles of the Occupational Health and Safety Training of Employees, within the framework of the Occupational Health and Safety Law No. 6331. The Risk Assessment Procedure was revised within the scope of the legislation, and updating work in the field had been completed by the end of the year.
- A total of 37 field inspections were conducted, led by the Assistant General Managers.
- In order to meet the most basic Personal Protective Equipment (PPE) needs of the employees, PPE vending machines were placed in the pilot areas designated in Petkim in 2019, for the convenience of employees.
- Committee meetings with OHS issues started to be held every month in plant and maintenance administrations.
- Collar type gas measuring devices were purchased throughout the field.
- Awards were given for developing a safe working culture within the scope of SOCAR SAFE. Improvement (agile) work started in the PTA, PVC, VCM, KA plants and daily meetings were held.
- During the control phase of the piers installed by the pier teams, the approval process of a separate inspection company was initiated and a more secure operation process was initiated at the piers with the control performed by the third party.
- Procedures related to the authorization of Petkim work and Hazard Analysis and risk management processes began to be drawn up. A total of 652 employees of Petkim and contractor companies received training on the subject, and began to be implemented in some pilot areas determined within Petkim, with a target to rollout the processes throughout Petkim.
- In order to spread the Occupational Health and Safety culture and operational discipline, OHS-E boards in all plants have been updated. In coordination with the Corporate Communications Department, a video on the use of personal protective equipment was prepared and broadcast on corporate TVs.

SUSTAINABILITY

- An ATEX certified telephone sample was purchased for use in the zone regions that determine the hazard levels in the plants and started to be used throughout the field.
- In the various operations undertaken at STAR Refinery, Petlim and Petkim Wind Farm projects, occupational health and safety processes were carried out in a coordinated manner and technical safety and fire services were provided in the common areas.
- In line with Petkim's policy on sustainability, the following activities were carried out to raise employees' awareness on occupational health and safety:
  - Site visits were organized.
  - HSE (Health Security Environment) training programs were provided.
  - Contests were held.
  - Health Security Environment Boards were set up.
  - Technique security videos were broadcast on the corporate TV channel.
  - HSE Bulletins were issued.
- Vehicles found to be a potential danger during entry and exit checks, to check for dangerous goods, were not permitted to enter through the PETKİM B Gate. The checks were conducted within the scope of the European Convention on the International Carriage of Dangerous Goods by Road in compliance with both ADR and OHS standards. No criminal proceedings were filed against the Company as a result of inspections carried out by the traffic police, gendarmerie or municipal police officers at roadside inspection stations. No accidents occurred during the filling and discharging operations.
- Events were organized with the participation of the General Manager in order to raise awareness within Petkim, within the scope of the OHS Week held during May. Various gifts were given to participants as a memento of the day.
- Within the scope of social responsibility efforts, 400 pupils from the Petkim Primary School, the Gazi Secondary School and TED College received talks on work safety training as part of the activities held for Occupational Health and Safety week in 2019.
- Occupational Safety Approach meetings were held, under the leadership of the upper management, and OHS work was reviewed. Actions for the implementation of projects on this subject were followed.

Environment and Waste Management Activities

As an organization that has succeeded in integrating sustainability into its deeply rooted production culture dating back half a century, Petkim has achieved significant progress in optimum use of resources, energy productivity, minimizing the environmental impact of its operations under a holistic and preventive environmental strategy, increasing the number of environmental R&D projects and raising the level of investment in environment areas.

Petkim's environmental activities are carried out in line with the Integrated Management System, which includes the ISO 9001: 2015 Quality Management System, the OHSAS 18001: 2007 Occupational Health and Safety Management System and the ISO 14001: 2015 Environmental Management System.

Continuously monitored environmental performance through environmental indicators which include water and waste water analysis, measurements of emissions, waste management, control of marine pollution, constant reviewing of environmental impact dimension assessment analysis, the efficient and effective operation of the wastewater treatment plant and the hazardous waste incineration plant, the development of company-wide environmental culture, management of chemicals, monitoring greenhouse gas emissions, evidence the ambition to go beyond legal obligations in Petkim.

In 2019;

- The Environmental Permit and License Document, which covers "Air Emission, Wastewater Discharge, Waste Incineration and Combustion, Waste Acceptance Facility" and which will be valid for 5 years, has been renewed with the approval of the Ministry of Environment and Urbanization dated 4 October, 2019.
- Continuous Emission Measurement and Continuous Wastewater Monitoring Systems were activated by fulfilling all obligations. The emission values of the wastewater outlet and six chimneys within the scope of the legislation can now be monitored online by the Ministry.
- Confirmation measurements, which must be repeated every two years, have been completed in accordance with the industry-derived Air Pollution Control Regulation; it was found that the results of the parameters measured in 44 emission sources were within the limits. In addition, the "Greenhouse Gases Monitoring, Reporting and Verification" information system was verified by the authorized body with the publication of a greenhouse gas emissions report for 2018.
- As it is each year, theoretical and practical Environmental and Waste Management training was provided to all Petkim employees.
- The Petkim Port was awarded the GreenPort Certificate for a fifth time by the Directorate General of Maritime Commerce under the Ministry of Transport and Infrastructure.

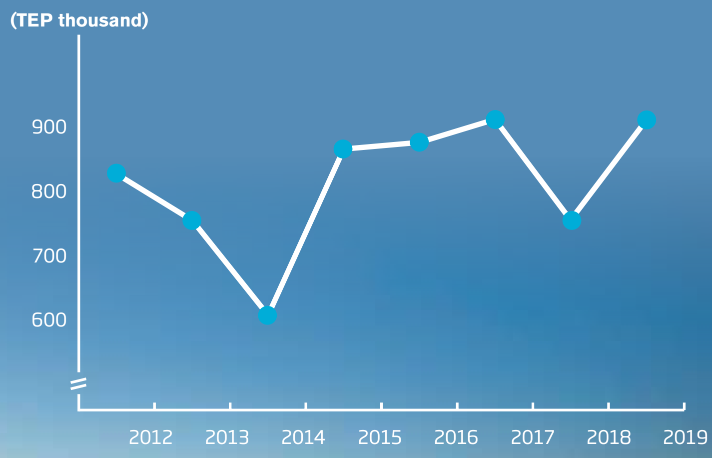
Petkim, which has demonstrated its determination to go beyond legal obligations, continuously monitors environmental performance and implements the necessary development investments.

- For all coastal facilities operating within the scope of the Refinery and Petrochemicals Business Unit in the SOCAR Turkey Special Industrial Zone, a company authorized by the Ministry and working in the international arena has been deployed in Aliağa Peninsula to provide service on a 24/7 basis to monitor marine pollution and take immediate action. Emergency response centers were established at different locations in the facilities, and the current capacity and the area's response capacity has been increased with supplies, equipment and technical personnel.

Energy Efficiency Activities

Petrochemical processes in the world have among the highest energy needs and energy consumption of any of the industrial branches. As such, studies into energy efficiency have gained great importance in petrochemical processes. With the "Energy Efficiency" work carried out systematically within the scope of Energy Management in Petkim, various projects have been implemented every year and these projects have been spread across the field. The energy consumption trend of the complex in terms of TEP is shown below.

Petkim Energy Consumption



SUSTAINABILITY

Energy Efficiency and Saving projects are carried out at the plants. There were a total of 23 EE projects in 2019 including the "Value is Mine" projects; the total amount of savings had reached USD 3.3 million. In addition, Efficiency Enhancing Projects (EEP) are also implemented at the plants. The following table provides information about EEP applications scheduled to be completed in the first quarter of 2020. Accordingly, a grant of at least TL 1 million will be received in 2020. Opinions were collected until November 9th for the Draft Regulation on the Amendment of the Regulation on Increasing Efficiency in the Use of Energy Sources and Energy, where the EEP filing fee was increased from TL 1 million to TL 5 million excluding VAT and the support rate was fixed at 30% in 2019, and it is expected to be published in the Official Gazette. Thus, the grant support amount per EEP file will increase to TL 1.5 million. Following the publication of the regulation, the application preparations for new projects have started in order to replace the finished projects.

Energy Efficiency Potential is regularly assessed in all plants every year through a systematic approach; projects deemed worthy of implementation by technical and financial analysis are implemented as soon as possible, resulting in increased productivity and reduced energy costs.

Within the scope of Energy Management, studies on the ISO 5001: 2018 Energy Management System are also carried out. A business plan is being prepared within the scope of the targets for the completion of the transition of the Petkim ISO 50001:2018 Energy Management System to a high build system and the completion of STAR Refinery ISO 50001:2018 Energy Management System Certification for 2020. It was determined that this would be realized by July 2020.

ONGOING EEP (THE EFFICIENCY ENHANCING PROJECTS) PROJECTS

Project Code	Project Name	Project Cost	Savings Amount	Grant %	Grant Amount
		2018			
VAP 2018-01/01	VSD Application (AROM, LDPE-T, PTA)	959,940 TL	264,520 TL	30	272,844 TL
		2019			
January 2019-01/01	Cooling Towers Wing Design Change Project 1	871,823 TL	316,974 TL	30	261,547 TL
January 2019-01/02	Cooling Towers Wing Design Change Project 2	699,324 TL	219,769 TL	30	209,797 TL
January 2019-01/03	Cooling Towers Wing Design Change Project 3	871,823 TL	362,574 TL	30	261,547 TL

QUALITY MANAGEMENT SYSTEMS

Petkim Integrated Management System

The Petkim Integrated Management System consists of the following systems;

- ISO 9001:2015 Quality Management System
- ISO 14001:2015 Environmental Management System
- OHSAS 18001: 2007 Occupational Health and Safety Management System
- ISO 50001:2011 Energy Management System
- ISO 27001:2013 Information Technology Security Management System
- TS ISO 10002: 2018 Customer Satisfaction Management System
- TS ISO 31000: 2018 Risk Management Verification System
- GreenPort
- ISO 17025 Laboratory Accreditation System

In 2019, management systems certification work continued in line with the objective of managing the processes and activities effectively and to a high level of quality.

The ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, the OHSAS 18001 Occupational Health and Safety Management System inspections conducted on 26-27-28 November 2019 were completed successfully and the sustainability of the systems was confirmed by the accredited certification institution.

As a result of the TS ISO 10002: 2018 Customer Satisfaction Management System and TS ISO 31000: 2018 Risk Management Verification System audits conducted on 26-27-28 November 2019, it was decided to re-certify existing systems with the 2018 version transitions.

The ISO 50001: 2011 Energy Management System audit conducted on 2-3-4-5 December 2019 was successfully concluded and the continuity of the existing system was decided.

The "GreenPort Recertification Inspection" conducted by 4 inspectors from the Ministry of Transport and Infrastructure, the Marine and Communication General Directorate and the Turkish Standards Institute İzmir Region on 7-8 November 2019 were completed successfully, and the decision was taken to renew the certification of Petkim based on the GreenPort Sectoral Criteria.

The decision was taken to give ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System, OHSAS 18001: 2007 Occupational Health and Safety Management System and ISO 50001: 2011 Energy Management System certification to the Petkim Wind Power Plant after expanding the scope of management systems audits conducted on November 26-27-28, 2019 and December 2-3-4-5, 2019.

PETKIM LABORATORY DEPARTMENT 2019 ACTIVITIES

Laboratory Activities

- In 2019, a total of 490,568 analytical studies were carried out in 230,574 samples within the scope of Input, Process, Product, Packaging, Technical Support and R&D activities in laboratories that provide services in accordance with TS EN ISO / IEC 17025 Laboratory Accreditation.
- Modern devices which meet world standards are used in the laboratory services, with the most advanced technological developments being followed continuously. As of 2019, a total of 400 devices were installed in the Quality Assurance Laboratories, with the total investment amount for installed equipment being USD 15.5 million.
- The lift project, which was included in the investment plan for sample and load handling, was implemented in 2019 and commissioned at the end of the year.
- For Petkim's first TSE certified product, Caustic, under TS EN 896 and TS 1865 standards, the surveillance inspection conducted by the TSE on 12 November was successful, with the TSE extending the validity of our certificate.
- A team was established for the LIMS system, which has formed the backbone of the laboratory data since 2010, and version upgrades were carried out and the system upgraded from version 9.2.1 to version 12.2. In addition, new LIMS training were was provided to white and blue collar personnel working in all plants which provided analytical services.
- Under the TS EN ISO/IEC 17025 laboratory accreditation standard, internal audits were carried out at material characterization and Auxiliary Enterprises and Environmental laboratories accredited from a total of 66 parameters from plastic/polymer, natural gas, Fuel gas and wastewater matrices. Corrective actions were opened for the open areas identified in the audits and activities were closed by taking the necessary actions as a result of root cause analysis studies.

SUSTAINABILITY

- Within the scope of the TS EN ISO / IEC 17025 laboratory accreditation standard, participation in international proficiency testing programs, which are indicators of the reliability and sustainability of the analysis carried out by the laboratories, was achieved in 7 different matrices (wastewater, polymer, gasoline, diesel oil, naphtha, mineral oil, natural gas) from 140 parameters. The achieved z score success rate was 94%.
- In laboratories, 98 analysis requests were met from institutions such as the TSE, especially from the polymer and plastics sector, as required by the legislation.
- A total of 84 suggestions were given to "Fikrimce" ("In My Opinion") campaigns.
- Contributions were made to digitization projects with a value of USD 2.5 million and Value Creation projects with a value of USD 2.6 million.
- Analytical support was provided on 306 ship transfers (export and import) on land tanks, first foot and closing samples.
- 15 new test methods were validated in laboratories and the methods were included in the experiment / test portfolio. These include the determination of viscosity required under the MARPOL contract and the corrosive sulfide method, which is started to be measured in transformer oils in accordance with insurance legislation.

Customer Solutions Activities

- Petkim is known not only for supplying products to its customers, but also for providing all kinds of technical support with superior service. With the pride of offering high quality products and technical services, Petkim responds great dedication in ensuring the loyalty of its customers.
- Petkim's extensive experience in domestic petrochemical production also ensures that it has a strong heritage of knowledge and experience to meet the technical demands of its customers. Petkim's Customer Solutions team offers a variety of services and values. These include on-site technical support visits in trial production, product features and usage areas and processing conditions information visits, participation in customer-focused continuous improvement workshops and providing guidance on how to best use products to increase business volume and minimize in-process errors. In this context, 588 customer requests were answered in writing or verbally in 2019 with visits and face to face discussions with 186 customers.
- In line with the feedback received from customers and new product demands, the PETILEN YY S 0459 product for the blow molding application, which was started to be produced at the HDPE Plant, played an active role in customer trials and the trials of the product in question were carried out successfully.
- In order to provide customers with faster and up-to-date information on the technical specifications of products and their compliance with legal regulations, the necessary work is regularly carried out to include these documents on the website. In this context, 226 documents on the website were reviewed and kept up to date in 2019.
- Because most of the thermoplastic products are used in packaging production in contact with food, a GMP (Good Manufacturing Practices) approach is applied at Petkim. In this context, 28 audits were successfully carried out at every stage of the production process (raw materials, production, packaging, storage, distribution) in 2019 and product suitability assessments were performed for 42 suppliers.
- The Petkim Laboratory and Customer Solutions management started the 5S application at 5 different points, which form the basis of simple and other improvement work used to provide a regular and ergonomic working environment in businesses. While work in the witness storage rooms in the hydrocarbon and gas chromatography laboratories is nearing completion, the 5S studies initiated in the Polymer, Material Characterization and Utilities & Environmental Laboratories are ongoing.

Product Quality Assurance Management Activities

- As part of the LIMS version upgrade activities, all Quality Control Plans were reviewed in terms of parameters, specifications, units and frequency, and were installed on the system by November 11, 2019.
- Product feature specifications, customer demands, rival product feature specifications, parameter, specs, unit, frequency and formats of MEG, DEG, Pygas, Caustic, PSP, P-Xylene, Toluene, C5, Benzene, VCM, Crude C4, Cutterstock, Ethylene, o-Xylene and Arom oil were reviewed and uploaded to the QDMS. In total, 27 of 179 parameters were improved in 15 product feature specifications.
- Honeywell INSIGHT software started to be used to monitor the LIMS analysis results of the same sample point and online device results, to evaluate the deviating results, and to take actions related to maintenance and calibration, and as a pilot study, the analysis results of ACN and EO / EG plants were transferred to this software.

Input Quality Assurance Management Activities

- In 2019, input control activities were carried out for 1,463 samples within the scope of chemicals and basic raw materials, with parameters exceeding specification limits of 9.7%.
- In other input materials, input control and approval procedures were performed in a total of 3,814 input control files. In this context, a total of 1,126,337 input materials of 12,176 varieties were subject to conditional acceptance at a rate of 0.11% and rejection at a rate of 2.45%. In addition, a quality plan was created for 4,366 of the standard mechanical production materials.
- As part of the LIMS version upgrade activities, all Quality Control Plans have been reviewed in terms of parameters, specifications, unit, frequency and were installed on the system by November 11, 2019.

SUSTAINABILITY

TOUCHING THE LIVES OF THE SEVERELY DISABLED…

As Turkey's first and only integrated petrochemicals company, Petkim continues to contribute to the community, as it does for the Turkish economy, with its sense of social responsibility. Petkim has supported the Boccia National Team in recent years with the aim of raising awareness of the participation of mobility impaired individuals in social life and in order to contribute to the further development of the Boccia disability sport. Petkim became the official sponsor of the Boccia National Team after signing a 2-year agreement covering the years 2019-2020 with the Turkish Sports Federation for the Physically Disabled.

Petkim carries out a wide array of social responsibility projects in different fields such as education, the environment, sports, culture and the arts in a sustainable manner. The level of integration of the severely disabled individuals into social life is one of the major indicators of the level of development of a country. It is with this understanding that Petkim is a sponsor of the Turkish Sports Federation for the Physically Disabled. The Boccia National Team has a special meaning for Petkim.

Petkim became the official sponsor of the Boccia National Team of the Turkish Sports Federation for the Physically Disabled.

In 2019 Boccia National Team represented our country in international tournaments with Petkim's Official Sponsorship:

- BISFed 2019 Zagreb Boccia Regional Open
- 26-31/03/2019
- European Para Youth Games 2019, Pajulahti
- 25-30/06/2019
- BISFed 2019 Seville Boccia European Regional Championships 26-31/08/2019
- BISFed 2019 Nymburk Boccia Regional Open
- 23-28/09/2019

BOCCIA

Boccia is a game played by throwing or rolling colored balls towards a white target ball, known as the 'jack' at the closest possible distance. In the game, which is played either in doubles or in teams, the players whose balls are closest to the jack win the game. Initially designed for those with Cerebral Palsy, the game is currently played in more than 50 countries worldwide.

Who can participate in Paralympic Boccia?

- Cerebral Palsy,
- Muscular Dystrophy,
- Neurodegenerative diseases such as Multiple Sclerosis, ALS,
- High level spinal cord injuries, meningomyelocele,
- Other conditions affecting the whole body,
- Individuals that are Wheelchair bound or have lost general muscle strength and coordination. All those over 15 years of age with the conditions stated above may play Paralympic Boccia.

PETKİMSPOR BRINGS THE ENERGY OF THE TURKISH BASKETBALL LEAGUE TO ALİAĞA

Believing in the unifying power of sport, Petkim provides Aliağa residents with an atmosphere where they can spend quality time with their families on weekends and be proud of their communities thanks to Petkimspor, which successfully competes in the Turkish Basketball League. With matches played in Aliağa, Petkimspor has achieved success in the field of sport in Aliağa and has hosted many nail-biting matches.

Petkim, has already gone to great lengths to promote basketball in our country and our region through the Petkim Sports Club, which has successfully competed in the Turkish Basketball League.

PETKIM CONTINUES TO DEVELOP SPORTING OPPORTUNITIES IN THE DISTRICT THROUGH ITS SOCIAL INVESTMENTS IN ALIAĞA.

Petkim touches the lives not only of disabled people, but also sports fans in Aliağa with its social responsibility projects for Aliağa.

Having already gone to great lengths to promote basketball in our country and our region through the Petkim Sports Club, which has successfully competed in the Turkish Basketball League, Petkim has this time implemented a social responsibility project which will delight the people of Aliağa who are interested in basketball. Undertaking the construction of three basketball courts in the Aliağa Avcı Ramadan Park, Petkim opened the courts in September 2019 and transferred these courts to the Aliağa Municipality so they would be available to the people of Aliağa. With these courts, which Petkim has brought to Aliağa, young people from Aliağa now have more opportunities to play sports.

SUSTAINABILITY

FREE TRAINING, VOLLEYBALL AND BASKETBALL SPORTS SCHOOLS FROM PETKIMSPOR

As Petkim values the sporting development of children and young people, it offers sports and training opportunities for fans between the ages of 6-12 through the Petkim Sports Club. Under the umbrella of the Petkimspor Sports Schools, a total of 225 students, 75 girls playing in volleyball teams and 150 boys playing in basketball teams were entitled to scholarships during the winter season of 2019-2020.

With these sport schools, Petkimspor can discover children who have the potential to be professional athletes; it directs children and their families living in Aliağa to sport and increases awareness in society in the field of sport. In this way, it aims to provide society with happy individuals who are physically, mentally and psychologically healthy, with self-confidence and life skills.

DONATION OF COMPUTERS TO CHILDREN IN NEED IN ALİAĞA

Petkim, which takes on social responsibility in the field of education as well as sport, continues to contribute to the development of education opportunities in Aliağa. With this approach, Petkim cooperated with Aliağa District National Education Directorate in September 2019 and donated 100 desktop computers to the District National Education Directorate to be distributed to primary schools and high schools in Aliağa, where technological infrastructure is lacking. This donation met the needs for computers, which are among the most important tools in education today, in schools in Aliağa.

STUDENTS IN ALİAĞA COMPETE IN INTER-SCHOOL CHESS TOURNAMENT.

In order to contribute to the strategic thinking ability of elementary school pupils in Aliağa and to ensure that the joy of chess is spread among students, the third Inter-Schools Chess Tournament was organized in cooperation with Petkim and the Aliağa District National Education Directorate, Culture, Arts and Sports Project Team. The tournament, which was held in Aliağa in January 2019 with 112 school pupils attending, attracted a great deal of attention from the children and their parents in Aliağa. At the end of the tournament, the third of which was held this year and which lasted for one day, an award was given to the pupils who reached the finals.

Supporting Development in the field of Sport

Petkim, which has a social responsibility approach in the field of education as well as sport activities, continues to support the development of education opportunities in Aliağa.

Petkimspor Sports Schools

Since Petkim values the development of children and young people, it offers sports and training opportunities to sporting fans between the ages of 6-12.

INVESTOR RELATIONS

Petkim maintained its position in the Borsa İstanbul's Sustainability Index, in which it was first included in 2014, following reviews conducted in 2019 which recognized its production approach based on efficiency which respects the environment and society.

The interest payments of the 5-year bond, which was successfully sold abroad in January 2018 and provided long-term financing to our Company, were made in 2019 and disclosed at the KAP.

Despite the instability and fluctuations in the financial markets in 2019, we have maintained our profitability. Petkim shares underperformed the BIST 100 index in 2019.

During the Annual General Meeting of our Company held on 29 March 2019, the decision was taken to distribute a cash dividend of gross TL 462 million as bonus shares corresponding to 28% of our Company's issued capital.

The bonus capital increase was realized on 19 June 2019. The necessary amendments were made to the articles of association regarding the bonus capital increase.

Petkim's Investor Relations Department works diligently to increase customer satisfaction and shareholder value through social responsibility, corporate governance and investor relations practices at international standards. The fulfillment of the obligations set out in Capital Markets Legislation, ensuring coordination in corporate governance practices and carrying out relations with shareholders are also gathered under the roof of this department. The Investor Relations Department carries out a number of activities at Petkim, including ensuring compliance with the legislation, the articles of association and other in-house regulations regarding the use of shareholder rights, taking measures to ensure that rights are exercised, reporting to the Board of Directors within the scope of the defined duties and to strengthen the Company's compliance capacity with CMB legislation and the relations with investors, analysts and institutions that regulate capital markets.

A total of 26 material event disclosures were submitted to the KAP (Public Disclosure Platform) in 2019 within the framework of the CMB's "Communiqué on Principles Regarding Public Disclosure of Material Events".

The Investor Relations Department received a monthly average of 45 information requests by e-mail and telephone in 2019 and all requests were answered. In the same period, a total of 8 investor information meetings were organized including 4 analyst meetings and 4 teleconferences, and investors were informed of the Company's financial status, strategies and activities by the upper management.

INVESTOR RELATIONS DEPARTMENT

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PETKIM'S 2019 SHARE PRICE PERFORMANCE

Petkim Petrokimya Holding A.Ş. shares have been trading under the PETKM ticker on the BIST Star Market since 9 July 1990.

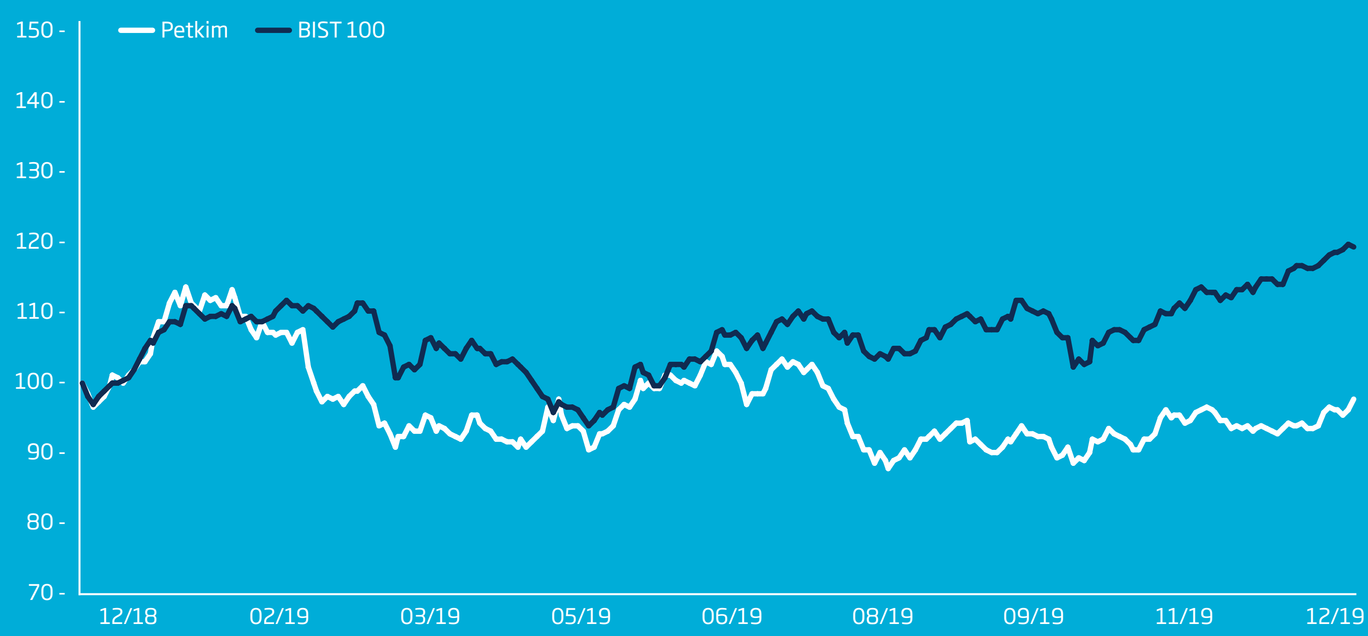
As of the end of 2019, the Company was included in the BIST 30 and BIST Sustainability indices. Petkim maintained its position in the "BIST Sustainability Index" in 2019, which includes companies that are traded on the Borsa İstanbul and currently have a high corporate sustainability performance.

In 2019, the Company's share price fluctuated between a minimum of TL 3.27 and a maximum of TL 4.70. While the BIST 100 and BIST 30 indices declined by 25.4% and 19.6%, respectively, in value during 2019, Petkim's share price decreased by 3.2% in the same period. Petkim's shares declined by 29.6% relative to the BIST 100 Index and 25.5% to the BIST 30 Index.

Reuters Code: PETKM.IS
Bloomberg Code: PETKM.IT

Date of Public Offering: 19.06.1990
Paid-in Capital: TL 2,112,000,000

PETKIM'S 2019 SHARE PRICE PERFORMANCE



INTERNAL AUDIT SYSTEMS

Information is shared with the Audit Committee during its meetings held within the year to ensure healthy execution of the internal control mechanism. The Committee constantly supervises the operation and efficiency of the system, and communicates the issues relating to risk management and internal control mechanism and suggested solutions to the Board of Directors as and when necessary.

In addition to its activities in the corporate risk management, Internal Audit Unit runs internal audit activities. Carrying out its business with a risk-focused and proactive approach, the unit particularly focuses on the most risky fields; shares the results with related departments, ensures that required action plans are made and follows up the improvements.

The Internal Audit Unit classifies its activities under four groups: compliance, operations, financial tables and specific audits. Compliance audits focus on the compliance of the Company with legal legislation as well as rules and principles set by the senior management. Operational controls include the monitoring efficiency of the Company's policies and activities, work flowcharts, organizational structure and improvement of internal control systems. The unit also controls and reports the compliance of financial tables to generally accepted accounting standards, in addition to external audit, if necessary. Within the context of specific controls, a department, an issue or an incident is audited upon the request of top management or as a result of professional initiative of an auditor.

The corporate integrated management system is used in drawing up the Company's consolidated financial statements, and the Company's subsidiaries are also audited within the frame of the annual audit plan.

Information on the Company's Internal Control System and Internal Audit Activities and the Opinion of the Governing Body.

Risk management and internal control procedures in relation to the Company's financial and operational activities have been brought to completion, and their execution and efficiency in accordance with the applicable capital market legislation and regulations are being followed up by the Internal Audit Department.

INFORMATION ON ASSOCIATES

ASSOCIATES IN WHICH MORE THAN 5% OF THE CAPITAL IS DIRECTLY HELD

Subsidiaries, Financial Fixed Assets and Financial Investments

Company Name	Company's Field of Activity	Paid-in/Issued Capital (TL)	Share in Capital (%)
Petlim Limancılık Ticaret A.Ş.	Port operation services	150,000,000.00	70
Petkim Specialities Mühendislik Plastikleri San. ve Tic. A.Ş.	Engineering, plastics manufacturing	100,000.00	100
SOCAR Power Enerji Yatırımları A.Ş.	Energy	90,000,000.00	9.9

No changes occurred in the interests the Company owns in its associates and subsidiaries during 2019.

The Company has no cross-shareholding relationship with any other company.

REPURCHASED OWN SHARES BY THE COMPANY

The Company did not repurchase any of its own shares during 2019.

DISCLOSURE ON SPECIAL AUDIT AND PUBLIC AUDIT

Shareholders did not request a special audit under Article 438 of the Turkish Commercial Code. The Company undergoes independent audits for the full year at 12-month periods and interim independent audits at 6-month periods by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., the independent audit firm appointed by the General Assembly.

LAWSUITS FILED AGAINST THE COMPANY AND POTENTIAL RESULTS

There were no lawsuits filed against the Company, which may affect the Company's financial standing and operations as at 31 December 2019.

DISCLOSURE OF ADMINISTRATIVE OR JUDICIAL FINES AGAINST THE COMPANY AND/OR BOARD OF DIRECTORS MEMBERS

There were no fines of material nature imposed against the Company and/or members of its board due to practices that breach the provisions of legislation in 2018.

In 2014, the Group was issued with a demand for VAT payments and fines by the Customs Administration on the basis that Pygas, which was imported in 2014, had a Customs Tariff Statistics Position ("GTIP") Number including SCT (Special Consumption Tax). The Group appealed against the fines, and took the case to court as the appeal was rejected.

While these cases were continuing, a limited tax investigation into SCT was initiated by the Ministry of Finance in 2014 regarding the Pygas production based on the claims that Pygas has a GTIP number including SCT. Following the investigation, the Group was notified of a SCT penalty of TL 66 million and a tax loss penalty of TL 99 million on 25 August 2017. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. A case regarding the issue was filed on 22 January 2020.

In the meantime, during 2017, two of the three ongoing objection cases filed against the Customs Authority for the additional VAT and Customs Tax Accruals related to the imported Pygas were resolved in favor of the Group given that the product does not have a GTIP number with SCT, whereas in the third case it was ruled that the product did include SCT, but the fine was ruled to be unfair. Subsequently, on 28 September 2017, the Regional Administrative Court ("Court of Appeal") ruled that the product did not have a GTIP number with SCT, and all cases were resolved in favor of the Company. The case was then referred to the Council of State.

However, following the notification related to the SCT covering tax losses, a new investigation was initiated by the Ministry of Finance of the Republic of Turkey regarding our use of Pygas for the years concerning 2013, 2015 and 2016. Following the investigation, in contrast with the results of the investigation conducted in 2014, the Ministry of Finance of the Republic of Turkey calculated the SCT capital amount to be 0.75% of the total amount, taking into account that the Group had the right to return at a rate of 99.25% of the total amount for the related period. Thus, TL 937 thousand in original tax charges and TL 1,405 thousand as a tax loss was accrued and notified to the Company for the years 2013, 2015 and 2016. With the inclusion of principal and interest payments, a total of TL 479 thousand was paid for the notified tax and penalties by benefiting from Law No: 7143 on restructuring. The case files of the relevant investigations have been closed.

The calculation methodology for the original tax and tax loss by the Ministry of Finance of the Republic of Turkey for the years concerning 2013, 2015 and 2016 resulted in a charge that was 99.25% lower than the original tax and tax loss compared to the calculation for 2014. It was considered that the calculation methodology applied by the Ministry of Finance of the Republic of Turkey for the years 2013, 2015 and 2016 may serve as a precedent for the original tax charges and tax loss calculation for the year 2014, and this situation supports Petkim's anticipation that original tax charges and penalties for 2014's SCT would result in without leading to a major risk, through settlement and/or through lawsuits.

Following the confirmation also by the Regional Administrative Courts that the relevant imported Pygas did indeed have a GTIP number without SCT during the litigation initiated against the additional assessment by the Customs Administration, the Company management and the legal consultants anticipate that the original tax charges and penalties notified by the Ministry of Finance of the Republic of Turkey are contrary to the law and therefore, the outcome of the lawsuit should not bear a major financial risk. Hence, no provisions were set aside for this matter in the consolidated financial statements for the period ended 31 December 2019.

At the end of the litigation, the Group anticipates it to be adjudged that -as opposed to the Customs Administration's claim- PYGAS does not have the GTIP number with SCT, but that it indeed has the GTIP number without SCT as claimed by the Group.

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ASSESSMENT OF PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY DECISIONS

In view of the shrinkage in the petrochemicals industry in 2019, maintaining the maximum profitability in the current conditions was targeted for 2019 on the back of maximum production and effective sales strategy. In line with this strategy, the Company registered a high level operating profitability through high capacity utilization ratio, production volume and turnover in 2019.

The actions as required by the decisions adopted in the Ordinary General Assembly meeting convened during 2019 have been carried out. There are no unfulfilled decisions.

INFORMATION ON EXTRAORDINARY GENERAL MEETINGS

The Company did not call any Extraordinary General Meeting in 2019.

RELATIONS WITH THE CONTROLLING COMPANY

The Company did not engage in any transactions apart from those on an arms' length basis with its principal shareholder SOCAR Turkey Enerji A.Ş. and other group companies at the direction of the group companies, which would be to the benefit of other group companies and which would require equalization.

Risk management, oversight and audit activities are carried out taking into consideration the legislation provisions governing the Board of Directors and the committees set up thereunder. The report drawn up pursuant to Article 199 of the TCC in relation to 2019 activities within this context concluded as follows: "According to the conditions and circumstances known to us, a commensurate counter-performance was provided in all legal transactions Petkim Petrokimya Holding A.Ş. realized in 2019 with the controlling company or the subsidiaries specified in Article 199 of the TCC; there were no actions taken or avoided, nor the Company sustained any loss due to an action taken or avoided."

CONFLICTS OF INTEREST BETWEEN THE COMPANY AND FIRMS FROM WHICH SERVICES ARE PROCURED SUCH AS INVESTMENT ADVISORY AND RATING AND MEASURES ADOPTED BY THE COMPANY TO PREVENT SUCH CONFLICTS OF INTEREST

No conflicts of interest arose between the Company and the firms from which services are procured such as investment advisory and rating.

MAIN FACTORS AFFECTING THE COMPANY'S PERFORMANCE, MATERIAL CHANGES IN THE ENVIRONMENT WHERE THE COMPANY OPERATES, MEASURES ADOPTED BY THE COMPANY IN RELATION TO SUCH CHANGES

Material changes in the environment where the Company operates and main factors affecting its performance are addressed in risk management activities, and controls are added as deemed necessary.

EXPENSES INCURRED IN RELATION TO DONATIONS AND GRANTS AND SOCIAL RESPONSIBILITY PROJECTS (TL)

Donation to Aliağa Municipality Animal Shelter Construction	625,000
Donation to Aliağa District Governorate	30,000
Donation to İzmir Provincial Police Department	133,730
Insurance Fees of 23 Azerbaijani Students	3,480
Work Permit and Residence Fees of 23 Azerbaijani Students	7,508
Donation to Baku Ali Neft High School	33,927
Repairing Costs of Haydar Aliyev High School	6,633,626
Total	**7,467,271**

AN ASSESSMENT OF THE FINANCIAL STANDING BY THE MANAGEMENT

a) In 2019, the Company defined its strategy as maximizing production and sales despite the contraction in the petrochemicals industry. The capacity utilization rate was realized at 97.2%, with the annual production reaching 3.4 million tons, an all-time record for Petkim. Our revenues grew by 25% and reached TL 11,672 million with a 14% gross profit margin.

The Company paid the planned installments in connection with the share purchase agreement signed in 2018 that will result in an 18% indirect shareholding in STAR Rafineri A.Ş. The final installment is planned to be paid in 2020, upon which share transfer will take place.

The balance sheet composition, which is formed so as to minimize the effects of the economic conjuncture, was preserved and our risks were maintained at the minimum level thanks to our conservative and value-creating approach to our financial risks.

b)

KEY FINANCIAL HIGHLIGHTS

	2018	2019
Turnover (TL million)	9.315	11.672
Gross Profit Margin	%17	%14
EBITDA (TL million)	1.523	1.589
Debt/Equity	2,044	2,053

c) The Company's capital did not remain uncovered during the fiscal year. The Company enjoys a solid financial standing on the back of its profitability generated on its operations. Therefore, the Company did not see any need to improve its financial standing. Our Company has exhibited that it is capable of attaining maximum profitability levels by making optimum use of current market conditions.

PROFIT DISTRIBUTION POLICY

With our Board of Directors' decision no: 3/10 taken on 25/02/2014, our Company's Profit Distribution Policy was determined as follows:

In the 37th Article "Determining the Profit", the 38th Article "Reserve Funds" and the 39th Article "Method and Timeframe for Profit Distribution" of the Articles of Association of our Company, profit distribution policy is specified in conformity with the relevant provisions of the Turkish Commercial Code and Capital Markets Board.

- Within this framework; as our Company's Profit Distribution Policy for 2013 and succeeding years; our Company has adopted the principle of distributing the maximum amount of dividends in cash in line with its medium and long term strategies and investment and financial plans, and by taking the market conditions and developments in the economy into consideration.
- In conformity with the 37th Article of the Articles of Association of our Company, the Company may distribute advance dividends.
- In the event that distributable profit is available in accordance with relevant communiqués, the profit distribution resolution is to be taken by the Board of Directors in the form of cash and/or shares and/or installments, as long as the amount is not below 50% of the distributable profit, within the framework of the provisions of Capital Markets Board and Turkish Commercial Code, and shall be submitted to the approval of General Assembly; and the distribution shall be completed within the legal time allotted.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0.1% of distributable profits remaining after distribution of first dividend, shall be distributed to Board Members.
- A consistent policy shall be followed recognizing both the interests of the shareholders and the Company in the implementation of the Profit Distribution Policy.
- The date of distribution shall be decided by the General Assembly upon proposal of the Board. Profit distribution payments shall be completed within the legal time allotted. The relevant legislation, communiqués, and regulations of CMB shall be followed in regards to other profit distribution matters.
- In the event that the calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at the General Assembly meeting about the reasons and how the undistributed profits are to be allocated.

RISKS AND AN ASSESSMENT BY THE GOVERNING BODY

CORPORATE RISK MANAGEMENT PRACTICES

The Company conducts its operations in a transparent, accountable, fair and responsible manner. The Board of Directors sets up the internal control systems incorporating the risk management, information systems and processes for minimizing the risks that might have an impact on the Company's stakeholders and particularly its shareholders, by taking into consideration the feedback from the relevant Board of Directors committees, as well.

The Early Detection of Risk Committee makes proposals and suggestions to the Board of Directors regarding early detection and assessment of all kind of risks such as strategic, financial, operational project-related and external risks that might affect the Company, regarding calculation of their impact and probability, management and reporting of these risks in accordance with the corporate risk appetite of the Company; taking necessary actions in relation to identified risks, their consideration in decision-making mechanisms creation of efficient internal control systems along this line and the risks arising from the integration process. In 2019, the Early Detection of Risk Committee presented five reports to the Board of Directors.

As a result of analyses and assessments made in risk evaluation process, the decisions are taken among four different risk attitudes: Accept, mitigate, transfer and avoid. The risks related to the Company are evaluated under four categories to systematically manage the corporate risk management activities: Strategic, financial, operational and external risks

STRATEGIC RISKS

Strategic risks are composed of sales, supply chain, investment, R&D and compliance risks, which can create an obstacle for Company's short, medium and long-term strategies.

The management of sales risks is a continuum. Within this framework, market analyses are completed; global capacities and competition in the sector are monitored. Therefore, the most appropriate sales strategies are determined in line with the target of maximum customer satisfaction.

Regarding supply chain risks, naphtha, the most important feedstock for the Company, is analyzed. Additionally, analyses are made to ensure effective management of supply processes of other raw materials, equipment and services.

In its domestic and international activities, the Company is subject to a series of laws and legislation. Within the framework of compliance risk, these laws and legislation are closely monitored; employees are informed through training activities and seminars and relative tables are periodically updated. The Company gets consultancy service when required in order to mitigate the risks that it may encounter.

FINANCIAL RISKS

Within the scope of financial risks, the Company manages interest rate, currency, credit and liquidity risks. Closely monitoring the economic developments at national and international level, the Company takes necessary actions considering the possible impacts of economic developments on its assets and liabilities.

Regarding the management of interest rate risk, the quantities, terms and interest rates of interest-sensitive assets and liabilities are carefully monitored and balanced in favor of the Company.

The Company makes large amount of foreign currency transactions for its commodity sales and purchases. The related department closely monitors foreign currency transactions and targets to manage the currency risks through in-balance sheet transactions.

The Company attaches importance to asset-liability balance in the management of liquidity risk and monitors liquidity on daily basis to avoid maturity mismatch and payment problems. Systems that ensure facility of payment are actively used to make the collections easier through credit risk management policies. With this method, the Company guarantees its collections and increases the liquidity.

OPERATIONAL RISKS

Environment, work health and safety, human resources, information technologies and security risks are managed within the framework of operational risks. Basically targeting to manage the operations in a reliable manner, the works in this field also aim at preserving physical assets and being in compliance with laws and regulations.

Environmental risks as well as work health and safety risks are the fields that the Company attaches great importance by carefully considering the risks that may threat the environment and work health during its operations, continuously and carefully monitoring the laws and legislation and training its employees. In addition, emergency operations plans and drills are made in order to ensure effective response in emergencies. To control that the waste are in conformity with laws and legislation, sample analyses are made and monitored with daily and spot checks. The results of periodical audits done during the year and incident notification forms are evaluated to determine if environment and work health and safety risks arise due to the weaknesses in the processes and systems or human errors. The required improvements are made and thus the security of operations is increased.

The risks in the field of human resources are monitored to ensure the realization of the Company's targets and strategies, to maximize employee satisfaction and to enhance corporate loyalty. The works in this field are conducted with the Company's employee focused approach, which also takes place among the corporate values of Petkim. Professional knowledge and motivation of employees are increased by various training programs and social activities.

The Company uninterruptedly invests in information technologies. The risks that may arise in this field are managed either by its own employees or through external consultancy services received when required. During the periods of program changes and revisions, the advices of consultants are immediately put into practice. Backups are taken periodically and measures are taken to prevent loss of company information.

The Security Department uses aversive and preventive techniques in its actions and activities conducted in line with Security Management Standard and related laws and legislation. Effectively benefiting from technology as well, the Department has sufficient number of vehicles and equipment. The training and drills and exercises of security staff are periodically carried out and audited. The Company's assets are also secured with extensive insurance policies in addition to security measures.

EXTERNAL RISKS

The Company also carries out activities against the risks stems from natural disasters, economic risks at national and international level as well as political risks.

Against natural disaster risks, emergency and business continuity plans are prepared and the employees are provided emergency response training periodically Periodical drills are done in the units. Additionally, all assets are insured against natural disaster risks.

Regarding the procurement of feedstock, the Company is largely dependent on imports. As such, economic and political situation in both domestic market and foreign countries, from which the feedstock is procured, are followed through national and international publications and the relevant studies are periodically updated.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In corporate governance practices, the Company makes the utmost effort to comply with the Corporate Governance Principles (the Principles) of the Capital Markets Board (CMB). In areas where compliance cannot be met, Petkim provides reasons for the failure to comply and announces precautions taken against potential conflicts of interest that could arise from non-compliance. The Company updates its annual report and website in compliance with the Principles and for the use of its stakeholders. Stakeholders can access detailed information via the corporate web site or direct their inquiries to the Investor Relations Department.

During the year 2019, 26 material event disclosures were made to Public Disclosure Platform (KAP) in accordance with the CMB's Communiqué on Public Disclosure of Material Events. No additional information was requested by the Capital Markets Board and BIST for the announcements made for material events. The Capital Markets Board has not imposed any sanctions on the Company caused by any non-compliance to material event disclosures. All of the Company's material event disclosures were made in a timely fashion.

There are no principles, which the Company is granted an exemption for and/or which the Company does not implement by reason of having obtained a clearance from the CMB.

a) Compulsory Principles that we fail to implement

None.

b) Non-compulsory Principles

The Company does not comply with the following principle: "1.4.2. Concession of the right to vote is avoided. In the event of concession of right to vote, it is essential to abate concessions which may restrain the representation of public shareholders.
C group share has the concession of 1 nomination for the Board of Directors.

The validity of the resolutions taken by the Board of Directors on the following subjects depends on the affirmative vote of the Board Member selected from C group of the Privatisation Administration.

a) Amendments to the articles of association which may have an impact on the concessions for C group,

b) Registering the nominative shares in the share ledger,

c) Determining the form of power of attorney quoted in the Item 31 of the articles of association herein,

ç) Decisions which propose a minimum of 10% capacity reduction for any plant owned by the Company,

d) Establishment or acquirement of a new company or joint enterprise, association or merger with an existing company, demerger, change in the legal form, dissolution and liquidation of the Company.

There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

- The Company does not comply with the following principle: "1.5.2. Minority rights may be defined in the articles of association for shareholders holding less than one twentieth of the capital of the corporation. The scope of minority rights may be enlarged in the articles of association."
- Our Company's articles of association do not incorporate a provision granting minority rights also to shareholders holding less than one twentieth of the capital, or a provision enlarging the scope of minority rights. The requests of all shareholders are received via our Investor Relations Unit. In addition, information requests by all shareholders are fulfilled within the frame of the principle of equal information and in a manner to exclude insider information to the extent necessary. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.2.8. Corporation's damage that may be caused due to the faults of the board of directors during the charge of their duties shall be insured for an amount exceeding 25% of the corporation's capital and this matter shall be disclosed at the KAP."
- The Company has obtained a Directors' and Officers' Liability policy for the losses that the Board of Directors members may cause to the Company by reason of their faults during the performance of their duties; however, the insured amount does not exceed 25% of the Company's capital. The Company has considered an amount lower than the one stipulated in the said principle to be adequate in view of the existing risks, the Company's corporate structure and its business procedures. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company does not comply with the following principle: "4.3.9. Corporation shall determine a target rate provided that it is not less than 25% and a target time for membership of women in the board of directors and form a policy for this target. The Board of directors shall annually evaluate the progress in respect to achieving this target."
- The Company did not establish a policy in this context. A woman member has been appointed to the Company's Board of Directors in 2018. A major step has been taken with respect to the representation of women on the Board of Directors with this appointment. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

- The Company partially complies with the following principle: "4.4.7. Members of the board of directors shall allocate a reasonable time for the business of the corporation. In cases where the member of the board of directors is a manager or board member in another corporation or renders consultancy services to another corporation, in principal this situation should not cause a conflict of interest and the member shall not hinder his/her duty in the corporation. Within this context, external duties that the member conducts shall be conditional on certain rules or become limited. The external duties conducted by the member of the board of directors and the grounds thereof shall be submitted for the shareholders' information, by distinguishing either such corporation is intragroup or out of the group, together with the agenda item regarding election, at the general assembly meeting in which the election is discussed."
- No restrictions are applied to external positions to be undertaken by the Board of Directors in other corporations. The investors are informed about the external duties undertaken by the Board members, primarily through annual reports. Board members allocate sufficient time to the Company's affairs as required by their respective duties. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.5.5. It shall be noted that any member of the board of directors shall not have a duty in more than one committee."
- Each Board member cannot be assigned to one committee only, due to the requirement that all committees should include an independent Board member and that the Audit Committee must consist exclusively of independent members under the Principles. Committee members are able to allocate sufficient time for the duties and activities of the respective committees. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- "4.5.7. Committees may benefit from the opinions of the independent specialists on matters that they find necessary with regard to their activities. The fee of the consultancy services required by the committees shall be paid by the corporation. However in this case, information as to the person/institution that the service is purchased and as to whether this person/institution has any relation with the corporation shall be stated in the annual report."
- The Committees did not receive consultancy service from third parties in 2019. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.6.1. The Board of directors shall be responsible for the corporation's achievement of its targets on operational and financial performance designated and disclosed to the public. Evaluation as to whether the corporation has achieved its targets on operational and financial performance disclosed to public or not, and if not achieved, reasoning thereof shall be included in the annual report. The board of directors shall undertake self-criticism and performance evaluation on the basis of both the board, the member and the executive. Members of the board of director and executives shall be either awarded or discharged subject to these evaluations."
- The Board of Directors evaluated whether the Company has achieved its targets on operational and financial performance. These assessments are covered in the annual reports. The Board of Directors does not undertake any specific activity with respect to self-assessment of its own performance. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.
- The Company partially complies with the following principle: "4.6.5. Remunerations provided for members of the board of directors and executives and all other benefits provided shall be disclosed via the annual report to the public. Principally, public disclosure shall be made on the basis of the persons."
- Remunerations provided to the members of the Board of Directors and executives with administrative responsibility are disclosed not individually but collectively in the financial statement footnote: 29. There are no plans to make any changes in the Company's future management practices within the frame of the said principle.

There are no conflicts of interests arising from not fully complying with these principles.

There are no plans to make any changes in the Company's future management practices within the frame of the said principles. The matter shall be considered if and when there is such a plan.

CORPORATE GOVERNANCE PRACTICES

The Company's website provides up-to-date information and is effectively used as a public disclosure tool.

Annual report was reviewed and necessary revisions were made in terms of fully complying with the principles.

At the General Assembly, the rules on the following issues were abided by: provision of information as concerns the candidates to Board membership, the announcement of the agenda and relevant information documents at least three weeks prior to the Assembly, provision of information on privileged shares, participation of managers at the meeting, invitation of the media and stakeholders to the meeting, open voting via raising hands and the announcement of this procedure to partners, and the publication of examples of power of attorney documents.

Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) templates that our Company has drawn up in accordance with the principles and procedures set out in the CMB's resolution no. 2/49 dated 10 January 2019 have been sent to the address www.kap.org.tr.

PRINCIPLES OF THE BOARD OF DIRECTORS' ACTIVITIES

Board of Directors is structured in a manner that will create maximum impact and effectiveness. In this issue, utmost attention is paid to comply with the Law, CMB Regulations and Decisions. Principles regarding this issue are specified in the Articles of Association of our Company.

The Board of Directors is formed of nine members, three of which are independent members. One woman member serves on the Board of Directors.

The procedures for the Board meetings are defined in Article 15 of the articles of association. The Board of Directors does not utilize electronic portal.

Meetings of the Board of Directors in which there is physical participation are held at the Company headquarters or at another suitable location. Board of Directors convenes -with the attendance of at least 5 (five) members- The Board of Directors of the Company convened 4 times in 2019 with physical participation. Average attendance ratio in meetings is 92%. The Board of Directors resolves with the affirmative vote of five members. Pursuant to the articles of association, information and documents relevant to the Board meetings are made available to the members three days in advance of the related meeting.

In 2019, there were no administrative and/or judicial sanctions of a material nature imposed against the members of the governing body on account of practices that are contradictory to the provisions of the legislation.

There is a Directors' and Officers' Liability policy for the losses that the Board of Directors members may cause to the Company by reason of their faults during the performance of their duties; the insured amount does not exceed 25% of the capital.

Remunerations provided to the members of the Board of Directors and executives with administrative responsibility are disclosed not individually but collectively in the financial statement footnote: 29.

CHANGES TO THE ARTICLES OF ASSOCIATION

"Article 6 - Capital" and "Article 9 - Share Certificates" of the Company's articles of association have been amended due to the fact that the Company's issued capital has been increased from TL 1,650,000,000 to TL 2,112,000,000, which has been covered totally from internal resources. The said amendment has been registered on 12 June 2019. The amended text is provided in App. 2.

App. 2/ Amended Text for the Articles of Association

OLD VERSION	NEW VERSION
CAPITAL: Article 6- The Company has adopted the registered capital system in conformity with the provisions of the Capital Market Law with number 2499 and has passed to this system as per the permission of the Capital Markets Board dated 07.12.1998 and with number 11838.	**CAPITAL:** Article 6- The Company has adopted the registered capital system in conformity with the provisions of the Capital Market Law with number 2499 and has passed to this system as per the permission of the Capital Markets Board dated 07.12.1998 and with number 11838.
The upper limit permit issued by the Capital Markets Board for registered capital is valid for the years between 2018-2022 (5 years). Even if the upper limit permit given is not reached by the end of year 2022, in order for the Board of Directors to be able to adopt a resolution for capital increase after 2022, it is mandatory that an authorization is given in the General Meeting for the upper limit permitted before or a new upper limit by means of getting a permit from the Capital Market Board. If the aforementioned authorization is not taken, capital increase cannot be made with the decision of the Board of Directors.	The upper limit permit issued by the Capital Markets Board for registered capital is valid for the years between 2018-2022 (5 years). Even if the upper limit permit given is not reached by the end of year 2022, in order for the Board of Directors to be able to adopt a resolution for capital increase after 2022, it is mandatory that an authorization is given in the General Meeting for the upper limit permitted before or a new upper limit by means of getting a permit from the Capital Market Board. If the aforementioned authorization is not taken, capital increase cannot be made with the decision of the Board of Directors.
a) Registered Capital: The Registered capital of the company is 4,000,000,000 (four billion) Turkish liras. This capital has been divided into 400,000,000,000 (four hundred billion) shares each having a nominal value of 1 (One) Kurush.	a) Registered Capital: The Registered capital of the company is 4,000,000,000 (four billion) Turkish liras. This capital has been divided into 400,000,000,000 (four hundred billion) shares each having a nominal value of 1 (One) Kurush.
b) Issued Capital: The issued capital of the company is 1,650,000,000 (one billion six hundred and fifty million) Turkish liras, divided into 165,000,000,000 (one hundred sixty five billion) shares, each having a nominal value of 1 (One) Kurush. All the capital has been paid in.	b) Issued Capital: The issued capital of the company is 2,112,000,000 (two billion one hundred and twelve million) Turkish liras, divided into 211,200,000,000 (two hundred and eleven billion two hundred million) shares, each having a nominal value of 1 (One) Kurush. All the capital has been paid in.
c) The Board of Directors shall be authorized to increase the issued capital for years 2018 - 2022 when it deems appropriate, on condition that the provisions of the Capital Market Law are adhered to and that such increase is within the upper limit for registered capital.	c) The Board of Directors shall be authorized to increase the issued capital for years 2018 - 2022 when it deems appropriate, on condition that the provisions of the Capital Market Law are adhered to and that such increase is within the upper limit for registered capital.
The shares constituting the capital will be followed up within the framework of the shares representing capital.	The shares constituting the capital will be followed up within the framework of the shares representing capital.

CHANGES TO THE ARTICLES OF ASSOCIATION

SHARE CERTIFICATES:
Article 8- The shares of the company have been divided into two groups as A and C Groups and they have been distributed to the shareholders pro rata to their shareholdings as shown herein below:

SHARE GROUP	SHAREHOLDER	SHARE TYPE	NUMBER OF SHARES	SHARE AMOUNT (TL)
A	SOCAR Turkey Petrokimya A.Ş.	Bearer	84,150,000,000.28	841,500,000.00
A	OTHERS	Bearer	80,849,999,998.72	808,499,999.99
C	DIRECTORATE OF PRIVATIZATION ADMINISTRATION	Bearer	1	0.01
Total			165,000,000,000.00	1,650,000,000.00

C group share belongs to Privatization Administration.
The privileges granted to C group share by the Articles of Association shall continue to be valid as long as Privatization Administration owns the C group share. With the conversion of the C group share into A group, the "right to nominate member for the Board of Directors" granted to C group as per Article 11 of the Articles of Association shall cease to exist.

In case it is decided to abolish the rights granted to C group share as per the last paragraph of Article 15, such share shall transform into A group share. In this case, C group's right to nominate a candidate for Board of Directors shall cease to exist.

SHARE CERTIFICATES:
Article 8- The shares of the company have been divided into two groups as A and C Groups and they have been distributed to the shareholders pro rata to their shareholdings as shown herein below:

SHARE GROUP	SHAREHOLDER	SHARE TYPE	NUMBER OF SHARES	SHARE AMOUNT (TL)
A	SOCAR Turkey Petrokimya A.Ş.	Bearer	107,712,000,000.36	1.077.120.000.00
A	OTHERS	Bearer	103,487,999,998.64	1,034,879,999.99
C	DIRECTORATE OF PRIVATIZATION ADMINISTRATION	Bearer	1	0,01
Total			211,200,000,000.00	2,112,000,000.0

C group share belongs to Privatization Administration.
The privileges granted to C group share by the Articles of Association shall continue to be valid as long as Privatization Administration owns the C group share. With the conversion of the C group share into A group, the "right to nominate member for the Board of Directors" granted to C group as per Article 11 of the Articles of Association shall cease to exist.

In case it is decided to abolish the rights granted to C group share as per the last paragraph of Article 15, such share shall transform into A group share. In this case, C group's right to nominate a candidate for Board of Directors shall cease to exist.

AGENDA

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF
PETKİM PETROKİMYA HOLDİNG A.Ş.
RELATED TO 2019 ACTIVITY YEAR

1. Opening and composition of the Meeting Presidency,

2. Reading, discussion and approval of the Activity Report of the Board of Directors for activity year of 2019,

3. Reading the report of the Auditor pertaining to activity year of 2019,

4. Reading, discussion and approval of the financial statements pertaining to activity year of 2019,

5. Release of the Chairman and members of the Board of Directors on account of their activities and accounts for activity year of 2019,

6. Discussion of the proposal of the Board of Directors on the usage of the profit pertaining to the activity year of 2019,

7. Submitting the "Dividend Distribution Policy", which has been revised within the scope of the Communiqué on Dividends numbered (II-19.1) of the Capital Markets Board, to the approval of the General Assembly,

8. Determination of the monthly gross remunerations to be paid to the members of the Board of Directors,

9. Approval of the election of the Independent Audit Firm by the Board of Directors pursuant to Turkish Commercial Code and Capital Markets legislation,

10. Informing the Shareholders on the aid and donations granted by our Company within the activity year of 2019,

11. Taking a resolution on the limit of aid and donation of our Company that will be made until 2020 Ordinary General Assembly Meeting pursuant to the Article 19/5 of the Capital Markets Law,

12. Informing the General Assembly regarding respective transactions of the persons mentioned in the clause (1.3.6) of "Corporate Governance Principles" which is annexed to Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1),

13. Granting the Members of the Board of Directors authorization to perform the transactions stated in Articles 395 and 396 of Turkish Commercial Code,

14. Informing the General Assembly with regard to the guarantees, pledges and mortgages given by the Company in favor of third parties in 2019 and of any benefits or income thereof, pursuant to Clause 12/4 of Communiqué of the Capital Markets Board "Corporate Governance" numbered (II-17.1),

15. Wishes and closing.

PROFIT DISTRIBUTION TABLE

PETKİM PETROKİMYA HOLDİNG A.Ş.
PROFIT DISTRIBUTION TABLE FOR 2019 TO BE SUBMITTED FOR THE APPROVAL OF THE ORDINARY GENERAL ASSEMBLY (TL)

	According to Capital Market Regulations	According to Legal Records
DISTRIBUTION OF CURRENT PERIOD PROFIT		
1) Paid In/ Issued Capital	2,112,000,000.00	2,112,000,000.00
2) Total Legal Reserve Funds (Per Legal Records)	330,000,000.00	330,000,000.00
Information on privileges in profit distribution if any in the Articles of Association		
3) Current Period Profit	904,234,000.00	889,504,746.83
4) Taxes Payable	-90,943,000.00	-50,677,221.42
5) NET PROFIT	**813,291,000.00**	**838,827,525.41**
6) Previous Years Losses	-	-
7) First Legal Reserves	41,941,376.28	41,941,376.28
8) NET DISTRIBUTABLE PROFIT FOR THE PERIOD	**771,349,623.72**	**796,886,149.13**
9) Donations Made During The Year	7,467,270.86	7,467,270.86
10) NET DISTRIBUTABLE PROFIT ADDED DONATIONS	778.816.894,58	804,353,419.99
11) First Dividend to Shareholders	422,400,000.00	
- Cash	-	
- Bonus	422,400,000.00	
12) Dividend to Privileged Shareholders	-	
13) Dividend to Board Members and Employees, etc.	-	
14) Dividend to Redeemed Shareholders	-	
15) Secondary Dividend to Shareholders	-	
16) General Legal Reserves	-	
17) Statutory Reserves	-	-
18) Special Reserves	-	-
19) EXTRAORDINARY RESERVES	348,949,623.72	374,486,149.13
20) Other Resources Payable		
- Previous Years Profit	-	-
- Extraordinary Reserves	-	-
- Other Distributable Reserves As Per the Law and the Articles of Association	-	-
Earnings Per Share (Krş)	0.3851	
Earnings Per Share (Krş) (Gross)	0.2	

INFORMATION ON DIVIDEND RATIO

Information on Dividend Ratio

	Group	Total Dividend Amount TL		Dividend to 1 Krş Nominal Shares	
		Cash TL	Bonus TL	Amount Krş	Ratio %
GROSS	A				
	SOCAR Turkey Petrokimya A.Ş.	-	215,424,000.00	0.2	20
	Others (Publicly Held Shares)	-	206,976,000.00	0.2	20
	C				
	Directorate of Privatization Administration	-	0	0.2	20
	Total:	-	422,400,000.00		
NET	A				
	SOCAR Turkey Petrokimya A.Ş.	-	215,424,000.00	0.2	20
	Others (Publicly Held Shares)	-	206,976,000.00	0.2	20
	C				
	Directorate of Privatization Administration	-	0	0.2	20
	Total:	-	422,400,000.00		

THE RATIO OF DIVIDEND DISTRIBUTED OVER NET DISTRIBUTABLE PROFIT ADDED DONATIONS

Dividend Distributed to Shareholders (TL)	The Ratio of Dividend Distributed Over Net Distributable Profit Added Donations (%)
422,400,000.00	54.24

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
DECISION DATE: 2 MARCH 2020
DECISION NO: 2020 - 5
2 MARCH 2020

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL: II-14.1, SECTION TWO, ARTICLE 9 WE HEREBY DECLARE THAT;

a) We have examined the consolidated balance sheet, statement of profit or loss, statement of cash flows and statement of changes in equity and notes to the consolidated financial statements for the period ended 31 December 2019;

b) The consolidated financial statements do not contain any misrepresentation of the facts in material aspects or any omissions that may turn out to be misleading as of the date of the disclosure based on the information we have obtained in the scope of our duty and responsibility in the organization;

c) The financial statements drawn up pursuant to the CMB Communiqué Serial: II-14.1 present a fair and true view of the and the organization's assets, liabilities, financial position and profit & loss, together with those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

Anar MAMMADOV	Mehmet CEYLAN	Mehmet BOSTAN
General Manager	Chairman of the Audit Committee	Member of the Audit Committee

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY
BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT
DECISION DATE: 5 MARCH 2020
DECISION NO: 2020-8
5 MARCH 2020

STATEMENT OF RESPONSIBILITY PURSUANT TO CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL: II-14.1, SECTION TWO, ARTICLE 9
WE HEREBY DECLARE THAT;

a) We have examined the Board of Directors' Annual Report for the period ended 31 December 2019, the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) stated in the CMB Resolution no. 2/39 dated 10 January 2019;

b) The Annual Report, CRF and CGIF do not contain any misrepresentation of the facts in material aspects or any omissions that may turn out to be misleading as of the date of the disclosure based on the information we have obtained in the scope of our duty and responsibility in the organization;

c) CRF and CGIF present a true and fair view, and the Annual Report drawn up pursuant to the CMB Communiqué Serial: II-14.1 presents a fair view of the development and performance of the business and the financial position, major risk exposure and uncertainties of the organization, including those subject to consolidation, based on the information we have obtained in the scope of our duty and responsibility in the organization;

Sincerely,

Anar MAMMADOV General Manager	Mehmet CEYLAN Chairman of the Audit Committee	Mehmet BOSTAN Member of the Audit Committee

AUDIT COMMITTEE REPORTS

To the Board of Directors of PETKİM Petrokimya Holding A.Ş.
01.01.2019-31.12.2019 Accounting Period Financial Statements

The independently audited comparative consolidated financial statements, (in comparison with previous period's financials) prepared for the accounting period of 01.01.2019-31.12.2019, in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards ("TAS" and "TFRS") published by the Public Oversight Authority and the Turkish Accounting and Auditing Standards Board within the scope of the Communiqué (Serial: II, No: 14.1) of Capital Markets Board ("CMB"), and prepared in compliance with the presentation principles that were determined with the Decision (dated 07.06.2013, No: 20/670) of CMB and announced in the weekly CMB Bulletin (dated 07.06.2013, No: 2013/19), was audited by getting the opinions of the executives who are responsible for the preparation of the Company's financial statements.

Limited within the scope of the information we have and we have been given, our opinion relating to this financial statements, were presented to the executives who have responsibility in the preparation of the financial statements. Within the framework of this opinion, we have reached a conclusion that this financial statements; truly reflects the facts regarding the Company's activity results and does not contain any significant deficiency that may cause misleading results, and complies with the CMB regulations.

Sincerely,

Audit Committee

Mehmet CEYLAN
Chairman of the Audit Committee

Mehmet BOSTAN
Member of the Audit Committee

AUDIT COMMITTEE REPORTS

To the Board of Directors of PETKİM Petrokimya Holding A.Ş.
01.01.2019-31.12.2019 Accounting Period Annual Activity Report

The independently audited comparative consolidated annual report, (in comparison with previous period's annual report) prepared for the accounting period of 01.01.2019-31.12.2019, in compliance with the Turkish Accounting Standards and the Turkish Financial Reporting Standards ("TAS" and "TFRS") published by the Public Oversight Authority and the Turkish Accounting and Auditing Standards Board within the scope of the Communiqué (Serial: II, No: 14.1) of Capital Markets Board ("CMB"), and prepared in compliance with the presentation principles that were determined with the Decision (dated 07.06.2013, No: 20/670) of CMB and announced in the weekly CMB Bulletin (dated 07.06.2013, No: 2013/19), was audited by getting the opinions of the executives who are responsible for the preparation of the Company's financial statements.

Limited within the scope of the information we have and we have been given, our opinion relating to this financial statements, were presented to the executives who have responsibility in the preparation of the financial statements. Within the framework of this opinion, we have reached a conclusion that this financial statements; truly reflects the facts regarding the Company's activity results and does not contain any significant deficiency that may cause misleading results, and complies with the CMB regulations.

Sincerely,

Audit Committee

Mehmet CEYLAN
Chairman of the Audit Committee

Mehmet BOSTAN
Member of the Audit Committee

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the General Assembly of Petkim Petrokimya Holding A.Ş

1. Opinion

We have audited the annual report of Petkim Petrokimya Holding A.Ş (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2019 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 2 March 2020 on the full set consolidated financial statements for the 1 January - 31 December 2019 period.

4. Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Group's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

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

Çağlar Sürücü, SMMM
Partner

İstanbul, 5 March 2020

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

3. Key Audit Matters

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

Key Audit Matter	*How our audit addressed the key audit matter*
Contingent liabilities and disclosures related to tax proceedings (See Note 31).	
There are tax proceedings against the Group related to the special consumption tax ("SCT") practices for a product that the Group uses in its production processes. For the inspection related to transactions in 2014, as explained in detail in Note 31, the total of tax base principle and penalty levied by the Ministry of Finance to the Group amounts to TRY165 million, and there are significant judgements regarding whether a provision should be recognized in relation to the tax proceedings according to related TFRS requirements such as the product does not have a Customs Tariff Statistics Position ("CTSP") number subject to SCT and even if it had, calculated SCT should be significantly lower than the amount claimed. As a result of the technical judgements as disclosed in Note 31, no provision has been recognized in the consolidated financial statements as of 31 December 2019. We focused on this issue during our audit work and identified this issue as a key audit matter due to the following reasons: - As a result of the assessments performed by the Group management, there is possibility that the impact of this matter could have a material impact on the Group's consolidated financial statements as of 31 December 2019. - Due to the complex processes specific to the petrochemical industry, assessment regarding whether the product is subject to SCT requires technical examination and assessment by considering the composition of the product. The Group management used tax and legal experts in the evaluation of the matter for not recognizing any provision for this complex issue. - Involvement of tax law experts in the audit process regarding the issue.	For the ongoing tax proceedings , we had meetings with Group's top management and tax specialists; obtained their assessments and opinions and performed the following audit procedures, with the involvement of our tax law specialists in the audit process: - We had meetings with the top management of the Group with the involvement of our tax experts to evaluate the Group management's opinions and judgements on the issue and current SCT practices. - We obtained letters from the lawyers of the Group regarding ongoing cases and our own experts evaluated their opinions. - We conducted interviews with the internal legal counsels of the Group and we obtained their evaluations regarding the ongoing cases. Our tax specialists also participated in those meetings and after reviewing the case records, they shared their risk assessment about the cases with the audit team. PwC experts assessment do not include any material discrepancies with the Group management assessment. - We considered similar examples as benchmarks with our tax experts in order to make an assessment regarding the probability of realization of the mentioned risk amount. The result of this considerations also supported the opinions of the Group management. - Appropriateness and sufficiency of disclosures in the consolidated financial statement notes as per relevant accounting standards were evaluated. As a result of our work, we did not identified any significant findings in the audit procedures regarding the contingent liabilities and disclosures related to these continuing tax proceedings.

INDEPENDENT AUDITOR'S REPORT

4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

5. Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 2 March 2020.

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

Çağlar Sürücü, SMMM
Partner
İstanbul, 2 March 2020

CONTENTS

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	4,037,170	3,009,408
Trade receivables		1,552,153	1,194,398
- Trade receivables from related parties	29	151,715	168,543
- Trade receivables from third parties	7	1,400,438	1,025,855
Other receivables		12,759	5,226
- Other receivables from related parties	29	8,672	3,043
- Other receivables from third parties	8	4,087	2,183
Inventories	5	929,156	1,129,581
Prepaid expenses		2,895,185	2,562,435
- Prepaid expenses to third parties	15	40,296	36,011
- Prepaid expenses to related parties	29	2,854,889	2,526,424
Derivative instruments	18	-	1,129
Other current assets		116,227	60,866
- Other current assets to third parties	17	116,227	60,866
Current income tax assets	20	3,997	31,925
TOTAL CURRENT ASSETS		**9,546,647**	**7,994,968**
NON - CURRENT ASSETS			
Financial investments	6	8,910	8,910
Other receivables		6,462	109,745
- Other receivables from related parties	29	6,462	109,745
Investment properties	10	1,476	1,476
Property, plant and equipment	11	4,691,147	4,085,395
Right of use assets	2.5	173,979	-
Intangible assets	12	35,702	27,793
Prepaid expenses		59,226	72,110
- Prepaid expenses to third parties	15	35,810	52,115
- Prepaid expenses to related parties	29	23,416	19,995
Derivative financial instruments	18	-	624
Deferred income tax assets	20	261,426	270,900
Other non-current assets		16,358	15,885
- Other non-current assets related to third parties	17	16,358	15,885
TOTAL NON - CURRENT ASSETS		**5,254,686**	**4,592,838**
TOTAL ASSETS		**14,801,333**	**12,587,806**

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2019	Audited 31 December 2018
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		3,741,354	2,784,469
- Short-term borrowings from third parties		3,715,680	2,784,469
- Bank borrowings	9	2,180,590	1,261,339
- Short term lease liabilities	9	24,815	-
- Other financial liabilities	9	1,510,275	1,523,130
- Short-term borrowings from related parties		25,674	-
- Short term lease liabilities to related parties	29	25,674	-
Short-term portion of long-term borrowings		295,890	234,491
- Short-term portion of long-term borrowings from third parties		295,890	234,491
- Bank borrowings	9	223,245	170,377
- Bonds issued	9	72,645	64,114
Derivative instruments	18	942	13,954
Trade payables		957,019	697,145
- Trade payables to related parties	29	533,668	55,336
- Trade payables to third parties	7	423,351	641,809
Payables related to employee benefits	16	19,939	10,062
Other payables		13,239	48,712
- Other payables to related parties	29	87	25,302
- Other payables to third parties	8	13,152	23,410
Deferred revenue		42,723	23,519
- Deferred revenue from related parties	29	184	1,495
- Deferred revenue from third parties	14	42,539	22,024
Short term provisions		36,415	33,119
- Provision for employee benefits	16	33,780	30,051
- Other short term provisions	31	2,635	3,068
Other current liabilities		21,032	16,640
- Other current liabilities related to third parties	17	21,032	16,640
TOTAL CURRENT LIABILITIES		**5,128,553**	**3,862,111**
NON-CURRENT LIABITIES			
Long term financial liabilities		4,487,000	4,306,321
- Long term financial liabilities from third parties		4,383,439	4,306,321
- Bank borrowings	9	1,385,373	1,681,996
- Long-term lease liabilities to third parties	9	36,425	-
- Bonds issued	9	2,961,641	2,624,325
- Long-term borrowings from related parties		103,561	-
- Long term lease liabilities to related parties	29	103,561	-
Derivative financial instruments	18	23,176	-
Deferred revenue		194,600	178,668
- Deferred revenue from related parties	29	194,600	178,668
Long term provisions		119,123	105,770
- Provision for employee termination benefits	16	119,123	105,770
TOTAL NON - CURRENT LIABILITIES		**4,823,899**	**4,590,759**
TOTAL LIABILITIES		**9,952,452**	**8,452,870**

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

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 31 December 2019	Audited 31 December 2018
EQUITY			
Equity attributable to owners of the parent company		**4,859,836**	**4,090,300**
Share capital	19	2,112,000	1,650,000
Adjustment to share capital	19	238,988	238,988
Share premium		64,188	64,188
Other comprehensive income/(expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(37,861)	(29,607)
Other comprehensive (expense)/income to be reclassified to profit or loss		(75,057)	(39,556)
- Currency translation differences		(61,549)	(29,645)
- (Loss)/Gain on cash flow hedges		(13,508)	(9,911)
Restricted reserves		330,000	310,644
Retained earnings		1,414,287	1,023,971
Net profit for the period/year		813,291	871,672
Non-controlling interest		**(10,955)**	**44,636**
TOTAL EQUITY		**4,848,881**	**4,134,936**
TOTAL LIABILITIES AND EQUITY		**14,801,333**	**12,587,806**

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	21	11,672,220	9,314,717
Cost of sales	21	(10,071,083)	(7,735,757)
GROSS PROFIT		**1,601,137**	**1,578,960**
General administrative expenses	22	(285,163)	(243,759)
Selling, marketing and distribution expenses	23	(96,187)	(77,586)
Research and development expenses	24	(24,867)	(22,303)
Other operating income	25	330,244	447,985
Other operating expense	25	(311,575)	(499,521)
OPERATING PROFIT		**1,213,589**	**1,183,776**
Income from investing activities	26	40,942	22,827
Expense from investing activities	26	(10,528)	(264)
		1,244,003	**1,206,339**
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)			
Financial income	27	1,694,730	2,408,338
Financial expenses	27	(2,080,023)	(2,610,877)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**858,710**	**1,003,800**
Tax expense from continuing operations		**(94,473)**	**(167,538)**
- Current tax expense	20	(50,677)	(125,936)
- Deferred tax expense	20	(43,796)	(41,602)
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**764,237**	**836,262**
DISTRIBUTION OF INCOME/(EXPENSE) FOR THE PERIOD			
- Non-controlling interest		(49,054)	(35,410)
- Owners of the parent company		813,291	871,672
Earnings Per Share			
- Earnings per Kr 1 number of 1 shares from continued operations	28	0.3851	0.4127
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items to be reclassified to Profit or Loss		**(42,038)**	**(13,088)**
Currency translation differences		(32,503)	(8,719)
Other comprehensive (loss)/income related with cash flow hedges		(11,918)	(5,461)
Tax relating to (loss)/gain on cash flow hedge		2,383	1,092
Items not to be reclassified to Profit or Loss		**(8,254)**	**(2,316)**
Defined benefit plans remeasurement Earnings/(losses)		(10,317)	(2,895)
Taxes relating to remeasurements of defined benefit plans		2,063	579
OTHER COMPREHENSIVE INCOME		**(50,292)**	**(15,404)**
TOTAL COMPREHENSIVE INCOME		**713,945**	**820,858**
Attributable to:			
Non-controlling interests		(55,591)	(15,511)
Owners of parent company		769,536	836,369

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

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

			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
1 January 2018	**1,500,000**	**238,988**	**(27,291)**	**(3,774)**	**(2,795)**
Transfers	150,000	**-**	**-**	**-**	**-**
Total comprehensive income	-	-	(2,316)	(6,137)	(26,850)
- Other comprehensive income	-	-	(2,316)	(6,137)	(26,850)
- Net profit for the period	-	-	-	-	-
Dividend paid	-	-	-	-	-
31 December 2018	**1,650,000**	**238,988**	**(29,607)**	**(9,911)**	**(29,645)**
1 January 2019	**1,650,000**	**238,988**	**(29,607)**	**(9,911)**	**(29,645)**
Transfers	**462,000**	**-**	-	-	-
Total comprehensive income	-	-	(8,254)	(3,597)	(31,904)
- Other comprehensive income	-	-	(8,254)	(3,597)	(31,904)
- Net profit for the period	-	-	-	-	-
31 December 2019	**2,112,000**	**238,988**	**(37,861)**	**(13,508)**	**(61,549)**

Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
214,188	**192,599**	**1,401,959**	**280,057**	**3,793,931**	**60,147**	**3,854,078**
(150,000)	71,545	(1,401,959)	1,330,414	-	-	-
-	-	871,672	-	836,369	(15,511)	820,858
-	-	-	-	(35,303)	19,899	(15,404)
-	-	871,672	-	871,672	(35,410)	836,262
-	46,500	-	(586,500)	(540,000)	-	540,000
64,188	**310,644**	**871,672**	**1,023,971**	**4,090,300**	**44,636**	**4,134,936**
64,188	**310,644**	**871,672**	**1,023,971**	**4,090,300**	**44,636**	**4,134,936**
-	19,356	(871,672)	390,316	-	-	-
-	-	813,291	-	769,536	(55,591)	713,945
-	-	-	-	(43,755)	(6,537)	(50,292)
-	-	813,291	-	813,291	(49,054)	764,237
64,188	**330,000**	**813,291**	**1,414,287**	**4,859,836**	**(10,955)**	**4,848,881**

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
A. Cash flows from operating activities:		**1,380,969**	**1,325,061**
Net profit for the year (I)		764,237	836,262
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**603,509**	**1,043,114**
Adjustments for depreciation and amortization	2.5-11	335,782	242,330
Adjustments for impairments/reversals			
- Adjustments for impairment of inventories	5	(20,427)	31,637
Adjustments for provisions			
- Adjustments for provision employee benefits		60,756	55,932
- Adjustments for provision legal cases	31	(433)	(134)
- Adjustments for other provisions		2,497	(17,994)
Adjustments for interest income/(expense)			
- Adjustments for interest income	27	(128,585)	(224,293)
- Adjustments for interest expense	27	402,162	301,738
Adjustments for unrealized foreign currency translation differences		(141,672)	487,908
Adjustments for tax income/losses	20	94,473	167,538
Adjustments for gain/losses on sale of property, plant and equipment	26	1,377	(3,150)
Adjustments for income from government incentives		(2,421)	1,602
Changes in working capital (III)		**121,888**	**(289,826)**
Adjustments related to (increase)/decrease in trade receivables		(313,168)	(269,665)
Adjustments related to (increase)/decrease in other receivables		(8,504)	39,376
Adjustments related to (increase)/decrease in inventory		236,714	(252,380)
(Increase)/decrease in prepaid expenses		(5,744)	18,945
Adjustments for increase/(decrease) in trade payables		244,384	171,627
Adjustments for increase/(decrease) in other payables from operating activities		(3,341)	10,441
Increase/(decrease) in payables related to employee benefits		9,877	8,355
Adjustments for increase/(decrease) in deferred revenue		12,910	(24,079)
Changes in derivative financial instruments		(3,213)	(1,851)
Adjustments related to other increases/(decreases) in working capital		(48,027)	9,435
Cash flows from operating activities (I+II+III)		**1,489,634**	**1,589,550**
Employee benefits paid		(53,991)	(38,211)
Income taxes (paid)	20	(54,674)	(226,278)
B. Cash flows from investing activıties		**(625,463)**	**(2,462,428)**
Cash outflows from purchases of property, plant and equipment		(656,194)	(767,120)
Proceeds from sale of property, plant and equipment		14,936	442
Advances given and payables to related parties		(500,000)	(2,721,651)
Proceeds from related party advances and payables		500,000	1,062,819
Other cash advances and payables given		15,795	(36,918)
C. Cash flows from financing activities		**177,464**	**2,306,694**
Proceeds from borrowings	9	2,827,160	1,368,166
Repayments of borrowings	9	(2,359,736)	(862,765)
Proceeds from bonds issued	9	-	1,869,002
Proceeds from other financial liabilities	9	1,754,171	1,401,129
Repayments of other financial liabilities	9	(1,778,494)	(922,534)
Interest received		125,142	213,207
Interest paid		(364,243)	(219,511)
Cash outflow related to lease agreements		(26,536)	-
Dividends paid		-	(540,000)
D. Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**932,970**	**1,169,327**
E. Effect of currency translation differences on cash and cash equivalents		**94,792**	**379,632**
Net increase/(decrease) in cash and cash equivalents (D+E)		**1,027,762**	**1,548,959**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**3,009,408**	**1,460,449**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**4,037,170**	**3,009,408**

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

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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.

On 22 June 2012, the public shares of 10,32% in the Company, which belonged to Prime Ministry Privatisation Administration, was sold to SOCAR İzmir Petrokimya A.Ş ("SİPAŞ"), the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ").

STEAŞ and SİPAŞ merged on 22 September 2014 under STEAŞ.

As of 31 December 2019 and 31 December 2018 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.

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

These consolidated financial statements were approved to be issued by the Board of Directors on 2 March 2020 and signed by Mr. Anar Mammadov, General Manager and Mr. Elchin İbadov, 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 financial statements is as follows:

Siteler Mh. Necmettin Giritlioğlu Cd.

SOCAR Türkiye Aliağa Administration Building No: 6/1 Aliağa/İZMİR

As of 31 December 2019, 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 December 2019, the average number of employees working for the Group is 2,494 (31 December 2018: 2,493). The details of the employees as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Union (*)	1,899	1,917
Non - union (**)	648	642
	2,547	**2,559**

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying condensed 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, condensed consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS"/"TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

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

The Group and its subsidiaries registered in Turkey maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. The consolidated financial statements, except for financial assets and liabilities are presented with their fair values, are maintained under historical cost conventions.

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.

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT (Continued)

2.2. Amendments in Turkish Financial Reporting Standards

a)Standards, amendments and interpretations applicable as at 31 December 2019:

- **Amendment to TFRS 9**, **'Financial instruments'**: effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. This change does not have any impact on the Group's financial performance.
- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. This change does not have any impact on the Group's financial performance.
- **TFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  According to TFRS 16, if a contract includes the right to use an asset and the right to control that asset for a certain amount for a certain amount of time, that contract is a lease contract or includes a lease. The impact on the Group's performance is explained detail in Note 2.5.
- **TFRS 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This change does not have any impact on the Group's financial performance.

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

a) Standards, amendments and interpretations applicable as at 31 December 2019 (Continued):

- **Annual improvements 2015-2017**; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
- TFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- TAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
- TAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **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 IFRSs:
  - use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  - clarify the explanation of the definition of material; and
  - 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 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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.

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

2.3. Basis of consolidation

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

a) Subsidiaries

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

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

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

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

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2019 and 2018;

Subsidiaries	Direct or Indirect Control Shareholding rates of the Group (%)	
	31 December 2019	31 December 2018
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

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

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

2.3 Basis of consolidation (Continued)

b) Foreign currency translation (Continued)

ii) Transactions and balances

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

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

As of 31 December 2019, Petlim's assets and liabilities are translated into TL from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TL 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.

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

The end of the period:	**31 December 2019**	**31 December 2018**
Turkish Liras/US Dollars	5.9402	5.2609
Average:	**31 December 2019**	**31 December 2018**
Turkish Liras/US Dollars	5.6710	4.8301

2.4. Comparative information and correction of prior period financial statements

The Group prepared its consolıdated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 31 December 2019 on a comparative basis with balance sheet at 31 December 2018; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2019 on a comparative basis with financial statements for the period of 1 January - 31 December 2018. 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.

2.5. Restatement and errors in the accounting policies and estimates

The Group has adopted TFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

The Group, by opting fort he facilitator, has not reasssed whether or not a contract was a lease contract at the first implementation date for leases previously classified as operating lease in accordance with TAS 17.

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

2.5. Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases

The Group - as a lessee

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

- The contract involved the use of an identified asset - this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
  i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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

Right of use asset

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

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

The Group re-measure the right of use asset:

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

The Group applies TAS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment. TAS 36 Impairment on assets standard is applied to determine whether the right of use asset has been impaired to account any impairment loss.

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

2.5. Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

Lease Liability

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

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

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

After initial recognition, the lease liability is measured:

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

Variable lease payments

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

The Group - as a lessor

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

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019 in line with the simplified approach. The cumulative impact of applying TFRS 16 is accounted in the consolidated financial statements retrospectively at the start of the current accounting period ("cumulative impact approach"). The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

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

2.5. Restatement and errors in the accounting policies and estimates (Continued)

TFRS 16 Leases (Continued)

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the consolidated financial statements for the lease contracts, which were previously measured under TAS 17 as operational leases. At transition lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments within the scope of TAS 17	**792.458**
- Agreements considered as rent (+)	26.585
Total lease liabilities within the scope of TFRS 16 (non discounted)	**819.043**
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	**259.713**
- Short term lease liabilities	25.757
- Long term lease liabilities	233.956

The weighted average of the Group's incremental borrowing rates for US Dollar, EUR and TL as of 1 January 2019 8%, 6% and 19%, are respectively.

As of 1 January and 30 June 2019, the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	31 December 2019	**1 January 2019**
Buildings	112,095	123,528
Lands	44,335	113,659
Motor vehicles	17,549	23,195
Machinery, equipment and installations	-	5,751
Total right of use	**173,979**	**266,133**

The net book value of rights-to-use assets for the year ended 31 December 2019 TL 173,979 TL. As a result of the evaluations made by the Group management, the expected rental period of the management building was determined and accounted as 10 years as of 1 January 2019. The depreciation expense of the right of use assets for 2019 is 33.372 TL and 5.860 TL is allocated in the cost of the goods sold, 24.890 TL in general administrative expenses and 2.622 TL in marketing, sales and distribution expenses.

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

2.6. Significant accounting policies

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

a. Inventories

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

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

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

b. Property, plant and equipment

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

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

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

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

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

Expenses after the capitalization are added to the cost of related asset and reflected in financial statements as a separate asset if they shall mostly provide an economic benefit and their cost is measured in a trustable manner. Tangible assets are reviewed for impairment if there are conditions showing that the securities are more than amount recoverable. Assets are grouped at the lowest level which is cash-generating unit in order to determine impairment. Carrying amount of a tangible asset and recoverable value is the one which is higher than the net sales price following the deduction of commensurable value for the sale of the asset. Useful life of assets are reviewed as of date of balance sheet and adjusted, if required.

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

2.6. Significant accounting policies (Continued)

b. Property, plant and equipment (Continued)

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

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

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

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

c. Intangible assets

Rights and software

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

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

d. Investment properties

Land held for the purposes of long-term rental yields, for capital appreciation or both rather than land held in the production or supply of goods or services, for administrative purposes and for sale in the ordinary course of business, are classified as "investment property". Investment properties are carried at cost and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less costs to sell.

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

2.6. Significant accounting policies (Continued)

e. Impairment of assets

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

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

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

When the recoverable amount of an asset (or a cash-generating unit) is lower than its carrying value, the asset's (or cash-generating unit's) carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income. An impairment loss recognized in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment and is recognized in the consolidated statement of comprehensive income.

f. Financial investments

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

g. Financial assets carried at amortized cost

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

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision to the trade receivables as a result of a specific event, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected loss is performed based on the past experience of the Group and its expectations for the future indications.

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

2.6. Significant accounting policies (Continued)

h. Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and/or for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

Financial assets carried at fair value through profit or loss

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

Financial assets carried at fair value through other comprehensive income

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities

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

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

2.6. Significant accounting policies (Continued)

h. Financial assets carried at fair value (Continued)

Borrowings

Bank borrowings are recognized initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings. If the maturity of the bank borrowings is less than 12 months at the balance sheet date, these are classified in current liabilities; and if more than 12 months, they are classified under non-current liabilities (Note 9).

Trade payables

Trade payables are recognized initially at fair value.(Note 7).

Other financial liabilities

Other financial liabilities are initially accounted at fair value, net of transaction costs. Subsequently other financial liabilities are accounted at amortized cost using the effective interest method, with interest expense recognized on an effective interest rate basis.The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense to therelevant period. The effective interest rate is the rate that exactly discounts the estimated.

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.All other borrowing costs are expensed in the consolidated statement of comprehensive income in the period they incurred.

j. Government grants

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

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

2.6. Significant accounting policies (Continued)

k. Statement of cash flow

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

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

Cash flows arising from investment activities represent the cash flows that are used in or provided by the investing activities (direct investments and financial investments) of the Group.

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

l. Related parties

Parties are considered related to the Group if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

Key management personnel are identified as Board of Directors, general manager and vice general managers (Note 29).

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

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

2.6. Significant accounting policies (Continued)

m. Taxation and deferred income taxes

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

Current tax

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

Deferred tax

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

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

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

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

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

2.6. Significant accounting policies (Continued)

m. Taxation and deferred income taxes

Deferred tax

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward. Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements.

n. Employee benefits

Defined benefit plans

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

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

Defined contribution plan

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

Unused vacation

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

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

2.6.Significant accounting policies (Continued)

o. Provisions

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

p. Contingent assets and liabilities

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 31).

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

r. Revenue recognition

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

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

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

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

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

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

2.6. Significant accounting policies (Continued)

r. Revenue recognition (Continued)

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

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

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

Revenue from port operation

The port operations of the Group have started on 1 January 2017. The fixed revenue to be generated by the Group based on the contract is updated annually by considering the related inflation coefficient stated in the contract and recognized as revenue within the contractual period on a straight line basis. The variable revenue to be generated over the port operator's revenue, at amount exceeding the minimum revenue limits stated in the contract, will be recognized when incurred. The Group's rent income from port operations is accounted for in accordance with TAS 17 "Leases".

s. The effects of foreign exchange rate changes

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

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

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

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

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

2.6. Significant accounting policies (Continued)

t. Share capital and dividends

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

u. Share premiums

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

v. Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements. Post period end events that are not adjusting events are disclosed in the notes when material.

y. Earnings per share

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

z. Segment reporting

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

aa. Offsetting

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

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

2.7. Significant accounting estimates, judgments and assumptions

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 31.

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 December 2019.

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 20). 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 16.

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

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (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 USD 720 million. The shares of Rafineri Holding which are subject to the Agreement may be purchased by the Group provided that the conditions specified in the Agreement are realized. As Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transfer is subject to Group's operational performance and cash flows, advances paid are classified as prepaid expenses to related parties in the balance sheet as of 31 December 2019 and have been subjected to exchange rate valuation.

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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

	31 December 2019	31 December 2018
Petrochemical	11,550,926	9,169,627
Port	121,294	145,092
Total before eliminations and adjustments	**11,672,220**	**9,314,719**
Consolidation eliminations and adjustments	-	(2)
	11,672,220	**9,314,717**

b) Operating profit/(loss)

	31 December 2019	31 December 2018
Petrochemical	1,214,095	1,117,280
Port	33,938	50,998
Total before eliminations and adjustments	**1,248,033**	**1,168,278**
Consolidation eliminations and adjustments	(34,444)	15,498
Operating profit	**1,213,589**	**1,183,776**
Financial (expenses)/income, net	(385,293)	(202,539)
Income from investing activities, net	30,414	22,563
Profit before tax from continued operations	**858,710**	**1,003,800**
Tax expense	(94,473)	(167,538)
Profit for the period	**764,237**	**836,262**

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NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	31 December 2019	31 December 2018
Petrochemical	13,791,030	11,583,892
Port	2,266,664	2,124,320
Total before eliminations and adjustments	**16,057,694**	**13,708,212**
Consolidation eliminations and adjustments	(1,256,361)	(1,120,406)
	14,801,333	**12,587,806**

d) Total liabilities

	31 December 2019	31 December 2018
Petrochemical	8,529,570	7,243,428
Port	2,312,556	1,984,915
Total before eliminations and adjustments	**10,842,126**	**9,228,343**
Consolidation eliminations and adjustments	(889,674)	(775,473)
	9,952,452	**8,452,870**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Banks	4,037,170	3,006,484
- Demand deposits	6,049	7,188
- Turkish Liras	597	2,261
- Foreign currency	5,452	4,927
- Time deposits	4,031,121	2,999,296
- Turkish Liras	593,909	137,718
- Foreign currency	3,437,212	2,861,578
Other	-	2,924
	4,037,170	**3,009,408**

The weighted average effective interest rates of USD and Euro time deposits are 2.24% and 1.25% per annum (31 December 2018: USD 5.32%, Euro 2.08%).

As of 31 December 2019, the TL dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 9.75% and 11.62% per annum. (31 December 2018: 22.88% and 23.66%). The Group has no blocked deposits as of 31 December 2019 (31 December 2018: None).

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NOTE 5 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	201,929	273,514
Work-in-progress	275,846	334,646
Finished goods	236,747	310,783
Trade goods	62,775	52,738
Goods in transit	108,851	130,836
Other inventories	55,896	60,379
Less: Provision for impairment on inventories	(12,888)	(33,315)
	929,156	**1,129,581**

Movements of provision for impairment on inventory for the periods ended 31 December 2019 and 2018 were as follows:

	2019	2018
1 January	**(33,315)**	**(1,678)**
Realized due to sales of inventory	33,315	1.678
Current year additions	(12,888)	(33.315)
31 December	**(12,888)**	**(33,315)**

Cost of the raw materials and trade goods included in the cost of sales for the period 1 January - 31 December 2019 amounts to TL8,530,835 (1 January - 31 December 2018: TL6,779,604).

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2019		31 December 2018	
	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 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 January 26 2015. As of 31 December 2019 and 2018, the cost of financial assets approximates to its fair value.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short - term trade receivables from third parties

	31 December 2019	31 December 2018
Trade receivables	1,424,935	1,047,855
Provision for doubtful trade receivables (-)	(24,497)	(22,000)
	1,400,438	**1,025,855**

The maturity of trade receivables as of 31 December 2019 and 31 December 2018 are as follows:

Overdue receivables	18,167	18,637
The trade receivables that are not overdue are as stated below:		
0 to 30 days due	705,108	374,658
31 to 60 days due	260,574	226,020
61 to 90 days due	246,637	209,117
More than 91 days due	169,672	197,423
	1,400,438	**1,025,855**

Other information related with the Group's credit risk is explained in Note 32. Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains 100% of total outstanding TL trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided.

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of 31 December, 2019, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TL2,406,251 (31 December 2018: TL2,032,063) (Note 31).

	2019	2018
1 January	**(22,000)**	**(22,266)**
Provision for doubtful trade receivables	(4,301)	(338)
Write-offs	1,804	604
31 December	**(24,497)**	**(22,000)**

b) Trade payables

	31 December 2019	31 December 2018
Trade payables	423,351	641,809
	423,351	**641,809**

Average maturity for trade payables other is 20 days as of 31 December 2019 (31 December 2018: 16 days).

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short term receivables:

	31 December 2019	31 December 2018
Receivables from third parties	4,786	1,710
Other	1,014	1,407
	5,800	**3,117**
Provision for other doubtful receivables (-)	(1,713)	(934)
	4,087	**2,183**

b) Other short term payables:

Deposits and guarantees received	8,982	12,957
Other	4,170	10,453
	13,152	**23,410**

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2019	31 December 2018
Short-term borrowings	2,180,590	1,261,339
Short-term portions of long-term borrowings	223,245	170,377
Bonds issued (**)	72,645	64,114
Short-term lease liabilities	24,815	-
Other financial liabilities (*)	1,510,275	1,523,130
Short term financial liabilities	**4,011,570**	**3,018,960**
Long-term borrowings	1,385,373	1,681,996
Long-term lease liabilities	36,425	-
Bonds issued (**)	2,961,641	2,624,325
Long term borrowings	**4,383,439**	**4,306,321**
Long term financial liabilities	**8,395,009**	**7,325,281**

(*) Other financial liabilities consist of letters of credits and murabaha loans arising from naphtha purchases. The average remaining maturity of other financial liabilities 147 days as of 31 December 2019 (31 December 2018: Average remaining maturity is 95 days).

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

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Short - term borrowings:						
TL borrowings	13.75 - No Interest	No Interest	33,433	16,108	33,433	16,108
USD borrowings	Libor + 0.50 + 2.25	Libor + 0.50 + 0.65	361,462	221,152	2,147,157	1,163,461
Euro borrowings	-	Libor + 0.50	-	13,565	-	81,770
Short - term portions of long-term borrowings:						
TL borrowings	11.26 - 13.00	-	71,170	-	71,170	-
USD borrowings	Libor + 4.67 - 4.26	Libor + 4.67 - 4.26	13,017	10,631	77,322	55,929
Euro borrowings	Euribor + 0.72 + 3.00 - 1.64	Euribor + 0.6 + 3.00 - 1.64	11,240	18,986	74,753	114,448
Bond issued	5.88	5.88	12,229	12,187	72,645	64,114
Total short - term borrowings					**2,476,480**	**1,495,830**
Long - term borrowings:						
USD borrowings	Libor + 4.67 - 4.26	Libor + 4.67 - 4.26	202,830	215,196	1,204,849	1,132,124
Euro borrowings	Euribor + 0.72 + 3.00 - 1.64	Euribor + 0.6 + 3.00 - 1.64	27,144	91,220	180,524	549,872
Bond issued	5.88	5.88	498,576	498,836	2,961,641	2,624,325
Total long - term borrowings					**4,347,014**	**4,306,321**
Total borrowings					**6,823,494**	**5,802,151**

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 December 2019 and 31 December 2018 is as follows:

	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

	31 December 2018
2020	174,808
2021	201,274
2022	218,618
2023	2,831,274
2024	225,618
2025 and over	654,729
	4,306,321

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions. As of 31 December 2019, the fair value of bonds issued is TL 3,023,140, which are in fixed interest rate financial liabilities and whose carrying value is TL 3,034,286.

As of 31 December 2019, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 31. The Group is subject to some key performance indicators to for the bonds issued and the Group has met those indicators as of 31 December 2019.

Movements of financial liabilities are as of 31 December 2019 and 31 December 2018 as follows:

	2019	2018
1 January	**4,315,873**	**1,491,617**
Proceeds from financial liabilities	4,581,331	4,638,297
Repayments of financial liabilities	(4,138,230)	(1,785,299)
Changes in foreign exchange	557,291	1,441,371
Changes in interest accrual	8,096	78,843
Less: Cash and cash equivalents	(1,027,762)	(1,548,959)
31 December	**4,296,599**	**4,315,873**

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NOTE 10 - INVESTMENT PROPERTIES

	31 December 2019	31 December 2018
Land	1,476	1,476
	1,476	**1,476**

30 years right of construction of the land, that is 2.085.347 m2, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual cost of the land, that is located in Aliağa district, is USD 5.3 million and the cost will be increased at the rate of Libor + 1% each year. 30 years right of construction of the land, that is 11,017.36 m2, is given to a third party by the Group.

As of 31 December 2019, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for STEAŞ, the market value of the land has been determined as TL 1.897.946.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2019
Cost:						
Land	16,216	107,484	-	(2)	198	123,896
Land improvements	206,498	-	18,240	-	350	225,088
Buildings	187,797	-	1,730	-	110	189,637
Machinery and equipment	7,408,282	-	314,022	(61,435)	-	7,660,869
Motor vehicles	11,628	-	-	-	-	11,628
Furniture and fixtures	124,523	-	21,225	(1,242)	80	144,586
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	1,624,656	-	-	-	193,729	1,818,385
Construction in progress (*)	555,530	656,194	(373,523)	-	291	838,492
	10,136,797	**763,678**	**(18,306)**	**(62,679)**	**194,758**	**11,014,248**
Accumulated depreciation:						
Land improvements	(97,567)	(8,789)	-	-	(98)	(106,454)
Buildings	(110,919)	(4,477)	-	-	(57)	(115,453)
Machinery and equipment	(5,687,677)	(225,911)	-	48,188	-	(5,865,400)
Motor vehicles	(9,758)	(860)	-	-	-	(10,618)
Furniture and fixtures	(65,887)	(12,071)	-	932	(77)	(77,103)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(77,927)	(56,730)	-	-	(11,749)	(146,406)
	(6,051,402)	**(308,838)**	**-**	**49,120**	**(11,981)**	**(6,323,101)**
Net book value	**4,085,395**					**4,691,147**

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

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

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2018	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2018
Cost:						
Land	13,501	-	2,738	(23)	-	16,216
Land improvements	177,687	-	28,047	-	764	206,498
Buildings	171,743	-	15,818	-	236	187,797
Machinery and equipment	6,862,864	-	548,953	(3,535)	-	7,408,282
Motor vehicles	11,512	-	197	(81)	-	11,628
Furniture and fixtures	98,178	-	27,063	(899)	181	124,523
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	663,032	-	566,597	-	395,027	1,624,656
Construction in progress (*)	963,829	768,655	(1,199,195)	(8,147)	30,388	555,530
	8,964,012	**768,655**	**(9,782)**	**(12,685)**	**426,596**	**10,136,797**
Accumulated depreciation:						
Land improvements	(90,896)	(6,552)	-	-	(119)	(97,567)
Buildings	(106,681)	(4,140)	-	-	(98)	(110,919)
Machinery and equipment	(5,504,853)	(186,296)	-	3,472	-	(5,687,677)
Motor vehicles	(8,893)	(932)	-	67	-	(9,758)
Furniture and fixtures	(57,109)	(9,205)	-	557	(130)	(65,887)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(634)	(37)	-	-	-	(671)
Assets subject to operating lease	(21,558)	(45,196)	-	-	(11,173)	(77,927)
	(5,791,620)	**(252,358)**	-	**4,096**	**(11,520)**	**(6,051,402)**
Net book value	**3,172,393**					**4,085,395**

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

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

The Group has compared the investment loans in foreign currencies with investment loans in the same terms and conditions denominated in TL and no borrowing costs capitalized in 2019 (31 December 2018: None).

Depreciation charges amounting to TL318,272 for the year ended 31 December 2019 (31 December 2018: TL257,996) were allocated to cost of sales by TL277,819(31 December 2018: TL222,073) to inventories by TL15,862 (31 December 2018: TL15,666), to general administrative expenses by TL18,267 (31 December 2018: TL14,961), to marketing, selling and distribution expenses by TL4,452 (31 December 2018: TL2,246), and to research and development expenses by TL1,872 (31 December 2018: TL3,050).

As of 31 December 2019, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD 350 million on the date of 20 November 2015 (31 December 2018: USD350 million).

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2019	Additions	Transfers	Disposals	Foreign Currency differences	31 December 2019
Cost:						
Rights and software	38,494	-	18,307	(103)	167	56,865
Capitalized development costs	14,137	-	-	(3,428)	-	10,709
	52,631	**-**	**18,307**	**(3,531)**	**167**	**67,574**
Accumulated amortization:						
Rights and software	(18,901)	(6,344)	-	12	(14)	(25,247)
Capitalized development costs	(5,937)	(3,090)	-	2,402	-	(6,625)
	(24,838)	**(9,434)**		**2,414**	**(14)**	**(31,872)**
Net book value	**27,793**					**35,702**

	1 January 2018	Additions	Transfers	Disposals	Foreign Currency differences	31 December 2018
Cost:						
Rights and software	31,291	-	7,145	-	58	38,494
Capitalized development costs	11,500	-	2,637	-	-	14,137
	42,791	**-**	**9,782**	**-**	**58**	**52,631**
Accumulated amortization:						
Rights and software	(16,058)	(2,820)	-	-	(22)	(18,901)
Capitalized development costs	(3,119)	(2,818)	-	-	-	(5,937)
	(19,177)	**(5,638)**	**-**	**-**	**(22)**	**(24,838)**
Net book value	**23,614**					**27,793**

NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2019, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL2,661 and from other institutions TL909 (31 December 2018: TL2,413) and TL2,421 (31 December 2018: TL304) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

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NOTE 14 - DEFERRED REVENUE

a) Short term deferred revenue

	31 December 2019	31 December 2018
Advances received	42,028	20,121
Deferred revenue	511	1,903
	42,539	**22,024**

NOTE 15 - PREPAID EXPENSES

a) Short - term prepaid expenses

	31 December 2019	31 December 2018
Advances given for inventory	28,531	25,153
Prepaid insurance and other expenses	8,439	8,689
Advances given for customs procedures	3,326	2,169
	40,296	**36,011**

b) Long - term prepaid expenses

Advances given for property, plant and equipment	33,941	45,270
Prepaid insurance and other expenses	1,869	6,845
	35,810	**52,115**

NOTE 16 - EMPLOYEE BENEFITS

a) Liabilities for employee benefits

	31 December 2019	31 December 2018
Due to personnel	10,944	1,464
Social security contribution	8,995	8,598
	19,939	**10,062**

b) Short - term employee benefits

Provision for bonus premium	24,500	24,500
Provision for seniority incentive bonus	9,280	5,551
	33,780	**30,051**

c) Long - term employee benefits

Provision for employment termination benefits	94,821	82,718
Provision for unused vacation rights	19,196	16,702
Provision for seniority incentive bonus	5,106	6,350
	119,123	**105,770**

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation:

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

	2019	2018
1 January	**16,702**	**11,491**
Changes in the period, net	2,494	5,211
31 December	**19,196**	**16,702**

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum ceiling of TL6,379.86 for each year of service as of 31 December 2019 (31 December 2018: TL5,434.42).

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:

	31 December 2019	31 December 2018
Net discount rate (%)	3.50	5.00
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 TL6,730.15 which is effective from 1 January 2020, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2019: TL6,017.60).

The movements of the provision for employment termination benefits are as follows:

	2019	2018
1 January	**82,718**	**79,164**
Interest cost	13,468	9,262
Payments during the period	(19,101)	(14,409)
Service cost	6,757	6,257
Actuarial (gain)/loss	10,979	2,444
31 December	**94,821**	**82,718**

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2019 and 2018 are follows:

	31 December 2019 Net discount rate		31 December 2018 Net discount rate	
Sensitivity analysis	**100 Basis point increase**	**100 Basis point decrease**	**100 Basis point increase**	**100 Basis point decrease**
Rate	4.50	2.50	6.00	4.00
Change in liability of employment Termination benefit	(9,006)	11,239	(5,653)	6,678

Provision for seniority incentive bonus

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

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

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

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

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

	31 December 2019	31 December 2018
Net discount rate (%)	3.50	5.00
Used rate related to retirement probability (%)	100.00	100.00

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

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

	2019	2018
1 January	**11,901**	**9,670**
Interest cost	1,945	1,131
Payments during the period	(6,438)	(6,325)
Service cost	7,640	6,974
Actuarial (gain)/loss	(662)	451
31 December	**14,386**	**11,901**

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2019	31 December 2018
Value added tax ("VAT") receivable	114,606	60,087
Other	1,621	779
	116,227	**60,866**

b) Other non - current assets

Spare parts	16,340	15,867
Other	18	18
	16,358	**15,885**

c) Other liabilities

Taxes and funds payable and other deductions	20,814	16,525
Other	218	115
	21,032	**16,640**

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NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019			31 December 2018		
		Fair value (TL)			Fair value (TL)	
	Nominal contractb amount (TL)	Assets	(Liabilities)	Nominal contract amount (TL)	Assets	(Liabilities)
Foreign currency forward transactions	-	-	-	152,866	1,129	(3,027)
Emtia swap contract	-	-	-	114,718	-	(10,927)
Interest rate swap - transactions (*)	447,882	-	(24,118)	399,978	624	-
		-	**(24,118)**		**1,753**	**(13,954)**

(*) The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income.

NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2019 and 31 December 2018 were as follows:

	31 December 2019		31 December 2018	
Shareholder:	**Amount**	**Share (%)**	**Amount**	**Share (%)**
A. Socar Turkey Petrokimya A.Ş.	1,077,120	51.00	841,500	51.00
A. Publicly traded and other	1,034,880	49.00	808,500	49.00
C. Privatization Administration	-	0.01	-	0.01
Total paid share capital	**2,112,000**	**100**	**1,650,000**	**100**
Adjustment to share capital	238,988		238,988	
Total share capital	**2,350,988**		**1,888,988**	

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

With General Assembly meeting decision dated 29 March 2019, within the maximum registered capital of TL4,000,000, a bonus share of 28% of the issued capital and a bonus share of TL462,000 was increased from TL1,650,000 to TL2,112,000. Approved and issued capital of the Company consist of 211,199,999,999 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (December 31, 2018 - Approved and issued capital of the Company consist of 164,999,999,999 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management).

Capital of the Company is composed of all registered shares.

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NOTE 19 - EQUITY (Continued)

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

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Dividend distribution

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

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

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

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

- In line with the determination of Profit Distribution Policy in 2013 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, the Profit Distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than 50% of the distributable profit within the frame of the provisions of Capital Market Legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.
- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

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NOTE 19 - EQUITY (Continued)

Dividend distribution (Continued)

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

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

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

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

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 31 December 2019 and 31 December 2018 are summarized below:

	31 December 2019	31 December 2018
Calculated corporation tax	50,677	125,936
Less: Prepaid taxes (-)	(54,674)	(157,861)
Total corporation tax asset	**(3,997)**	**(31,925)**

Tax expenses included in the income statement for the condensed consolidated periods ended 31 December 2019 and 2018 are summarized below:

	1 January - 31 December 2019	1 January - 31 December 2018
Deferred tax expense	(43,796)	(41,602)
Current period tax expense	(50,677)	(125,936)
Total tax expense	**(94,473)**	**(167,538)**

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 22% for 2019 (2018: 22%). 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).

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes

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

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

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2019 and 31 December 2018 are as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(185,629)	(99,163)	(37,126)	(19,833)
Deferred revenue related to the port rental agreement	-	(6,556)	-	(1,311)
Other	-	(4,468)	-	(893)
Deferred income tax liabilities	**(185,629)**	**(110,187)**	**(37,126)**	**(22,037)**
Unused investment incentives	860,956	888,885	228,251	236,079
Provision for employee benefits	152,898	135,816	30,580	27,163
Deferred revenue related to the Port rental agreement	14,504	-	2,901	-
Carry forward tax losses	121,212	21,976	24,242	4,395
Fair value difference of derivative financial instruments	24,118	13,954	4,824	2,791
Inventory provision	12,888	33,315	2,578	6,663
Rent allowance fee	4,141	4,309	828	862
Provision for legal cases	2,635	3,068	527	614
Other	19,105	71,850	3,821	14,370
Deferred income tax assets	**1,212,457**	**1,173,173**	**298,552**	**292,937**
Deferred tax assets/(liabilities) - net			**261,426**	**270,900**

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The reconciliations of the taxation on income for the years ended December 31, 2019 and 2018 were as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	**858,710**	**1,003,800**
Statutory tax rate	22%	22%
Calculated tax expense based on effective tax rate	(188,916)	(220,836)
Reconciliation between the tax provision and calculated tax:		
Effect of unused tax losses for which no deferred tax asset was recognized	(2,928)	-
Utilised investment incentives during the year	117,540	53,029
Income exempt from tax	1,058	3,882
Non-deductible expense	(24,771)	(3,978)
Other	3,544	365
Total tax expense reported in the profit or loss statement	**(94,473)**	**(167,538)**

The movement of deferred income tax is as follows:

	2019	2018
1 January	**270,900**	**237,963**
Recognized in the profit or loss statement	(43,796)	(41,602)
Recognized in other comprehensive income	4,446	1,671
Foreign currency translation differences	29,876	72,868
31 December	**261,426**	**270,900**

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on January 4, 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 TL240,878 unused investment incentive within the scope of strategic investment incentive certificate as of December, 31, 2019. In this context, as of 31 December, 2019 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TL30,561.

As a result of request from TC Ministry of Economy for RES investment, the project was included in the scope of the strategic incentive certificate for the request made in April 20, 2015. The Group will be able to deduct 22.2% of the expenditures within the investment period. The group has TL33,300 unused investment incentive within the scope of strategic investment incentive certificate as of 31 December 2019. In this context, as of December 31, 2019, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL582.

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 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 15% deduction from corporate tax. The group has TL249,450 unused investment incentive within the scope of strategic investment incentive certificate as of 31 December, 2019. In this context, as of 31 December, 2019, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL3,834.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of November 20, 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 TL773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of December 31, 2019, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL193,274.

As a result of projections made as of December 31, 2019, 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 TL860,956 (31 December 2018: TL888,885).

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	6,992,880	5,758,811
Export sales	4,858,785	3,797,455
Other sales	123,280	76,748
Sales discounts (-)	(302,725)	(318,297)
Net sales	**11,672,220**	**9,314,717**
Direct raw materials and supplies	(6,294,584)	(5,396,480)
Cost of trade goods sold	(2,236,251)	(1,383,124)
Energy	(701,802)	(479,824)
Labour costs	(392,627)	(323,765)
Depreciation and amortization	(283,679)	(222,073)
Changes in work in progress and finished goods	(132,837)	221,018
Other	(29,303)	(151,509)
Cost of sales	**(10,071,083)**	**(7,735,757)**

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expense	(127,253)	(113,058)
Outsourced services	(57,235)	(66,976)
Depreciation and amortization	(43,157)	(14,961)
Energy expenses	(16,478)	(10,629)
Taxes, funds and fees	(11,283)	(11,360)
Other	(29,757)	(26,775)
	(285,163)	**(243,759)**

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NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Outsourced services	(46,376)	(40,160)
Personnel expense	(26,583)	(23,715)
Depreciation and amortization	(7,074)	(2,246)
Other	(16,154)	(11,465)
	(96,187)	**(77,586)**

NOTE 24 - RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
Personnel expense	(18,382)	(15,102)
Outsourced services	(1,872)	(3,050)
Depreciation and amortization	(2,608)	(1,591)
Other	(2,005)	(2,560)
	(24,867)	**(22,303)**

NOTE 25 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	265,076	380,593
Term sales income	36,376	35,163
Rent income	14,024	13,160
Other	14,768	19,069
	330,244	**447,985**

b) Other operating expenses

Foreign exchange losses	(149,578)	(308,992)
Consultancy expenses	(37,183)	(60,250)
Term purchase expense	(21,303)	(43,825)
Provision for doubtful receivables	(3,277)	(339)
Other	(100,234)	(86,115)
	(311,575)	**(499,521)**

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NOTE 26 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2019	1 January - 31 December 2018
Rent income	31,791	19,677
Gain on sale of property, plant and equipment	9,151	3,150
	40,942	**22,827**

b) Expenses from investment activities

Loss on sale of property, plant and equipment	(10,528)	(264)
	(10,528)	**(264)**

NOTE 27 - FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 31 December 2019	1 January - 31 December 2018
Foreign exchange gains	1,563,941	2,180,848
Interest income	128,585	224,292
Other	2,204	3,198
	1,694,730	**2,408,338**

b) Finance expense

Foreign exchange loss	(1,637,122)	(2,243,934)
Interest expense	(376,601)	(301,738)
Interest expense from lease liabilities	(25,561)	-
Commission expense	(25,317)	(49,520)
Interest expense on employee benefits	(15,413)	(9,262)
Other	(9)	(6,423)
	(2,080,023)	**(2,610,877)**

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NOTE 28 - EARNINGS PER SHARE

	1 January - 31 December 2019	1 January - 31 December 2018
Net profit for the period of the equity holders of the parent	813,291	871,672
Weighted average number of shares with nominal value of Kr I each (thousand)	211,200	211,200
Earnings per share (Kr)	**0.3851**	**0.4127**

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2019 and 31 December 2018 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Short - term trade receivables from related parties:

	31 December 2019	31 December 2018
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	151,695	168,543
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. (2)	20	-
	151,715	**168,543**

b) Short - term other receivables from related parties:

	31 December 2019	31 December 2018
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	7,009	-
Socar Turkey Petrol Ener. Dağ. A.Ş. (2)	679	-
STAR (2)	541	506
STEAŞ (1)	164	1,409
SOCAR Trading SA (2)	164	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	38	180
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	71	24
SCR Müşavirlik ve İnşaat A.Ş. (formerly named as "SCR Gayrimenkul A.Ş.") (2)	6	923
TANAP Doğalgaz İletişim A.Ş. (2)	-	1
	8,672	**3,043**

c) Long - term other receivables from related parties:

	31 December 2019	31 December 2018
SOCAR Power Enerji Yatırımları A.Ş. (2)	6,462	109,745
	6,462	**109,745**

(1) Shareholders of the Company.

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

Petkim Petrokimya Holding Anonim Şirketi and its Subsidiaries

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NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

d) Short - term trade payables to related parties:

	31 December 2019	31 December 2018
STAR [2]	273,692	2,175
STEAŞ [1]	115,374	45,330
SOCAR Turkey Petrokimya A.Ş. [1]	71,285	-
Socar Turkey Petrol Ener. Dağ. A.Ş. [2]	45,051	7,316
SCR Müşavirlik ve İnşaat A.Ş. [2]	15,235	6
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	11,810	90
Azoil Petrolcülük A.Ş. [2]	868	419
SOCAR Turkey Fiber Optik A.Ş. [2]	244	-
Other [2]	109	-
	533,668	**55,336**

Short term trade payables to related parties are mainly consist of naphta, engineering services, consultancy and trade goods purchases. Average maturity of short term trade payables is 11 days. (31 December 2018: 29 days.).

e) Other payables to related parties:

Due to shareholder [1]	87	87
STEAŞ [1]	-	25,215
	87	**25,302**

f) Short - term deferred revenue from related parties

STAR [2]	184	1,495
	184	**1,495**

g) Long - term deferred revenue from related parties

SOCAR Aliağa Liman İşletmeciliği A.Ş. [2] (*)	190,228	174,527
STAR [2]	4,372	4,141
	194,600	**178,668**

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries.

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NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Balances with related parties (Continued)

h) Short - term prepaid expense to related parties

	31 December 2019	31 December 2018
STEAŞ(1) (**)	2,852,279	2,525,317
STAR (2)	1,813	1,107
SOCAR Logistics DMCC (2)	604	-
Other (2)	193	-
	2,854,889	**2,526,424**

(*) In accordance with the operating agreement between The Group and SOCAR Aliağa Liman İşletmeciliği A.Ş., during the rental period of the port (32 years), a prepayment amount of USD 33 million was received as part of the total rental amount. The Group recognizes these prepayments as income through the straight-line method.

(**) As a result of negotiations 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 price of USD 720 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 2020 by modification memorandum signed at 7 March 2019. 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 31 December 2019 and have been subject to exchange rate valuation.

i) Long - term prepaid expense to related parties

STAR (2)	21,935	19,892
STEAŞ(1)	1,481	103
	23,416	**19,995**

j) Short-term leasing payables to related parties

SCR Müşavirlik ve İnşaat A.Ş. (2)	22,793	-
STEAŞ (1)	2,881	-
	25,674	-

k) Long-term leasing payables to related parties

SCR Müşavirlik ve İnşaat A.Ş. (2)	92,293	-
STEAŞ (1)	11,268	-
	103,561	-

(1) Shareholders

(2) Shareholders or subsidiaries of Socar

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NOTE 29 - 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 December 2019	1 January - 31 December 2018
STEAŞ [1]	328,204	148,003
SOCARPowerEnerji Yatırımları A.Ş. [2]	21,774	33,031
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	5,940	-
STAR [2]	3,001	5,231
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	435	971
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	435	-
Socar Turkey Petrol Ener. Dağ. [2]	266	(3,524)
Socar Trading SA [2]	159	-
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. [2]	30	-
SCR Müşavirlik ve İnşaat A.Ş. [2]	(23,573)	10,151
SOCAR Logistics DMCC [2]	(139)	-
SOCAR Azerikimya Production Union [2]	(3)	-
SOCAR Turkey Petrokimya A.Ş. [1]	-	152,680
Azoil Petrolcülük A.Ş. [2]	-	(6)
	336,557	**346,537**

The breakdown of income from STAR is as follows; TL53 is foreign exchange loss, TL3,054 other income and the breakdown of income from STEAŞ is as follows;TL6,044 interest income, TL326,067 foreign exchange gain and TL3,907 other expense. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of TL11,394 foreign exchange gain and TL10,380 interest income.

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries.

b) Service and rent purchases from related parties:

	1 January - 31 December 2019	1 January - 31 December 2018
SCR Müşavirlik ve İnşaat A.Ş. [2]	28,662	-
STEAŞ[1]	27,936	43,623
STAR [2]	13,422	16,271
Other[2]	2,429	122
	72,449	**64,337**

The purchases from SCR Müşavirlik and STAR mainly consist of rent purchases. The service purchases from STEAŞ consist of labor cost charges of STEAŞ personnel amounting to TL11,062 and other services purchases amounting to TL16,874.

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NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

c) Product purchase from related parties:

	1 January - 31 December 2019	1 January - 31 December 2018
STAR [2]	2,313,009	-
SOCAR Turkey Petrokimya A.Ş. [1]	626,496	-
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. [2]	485,081	210,674
SOCAR Logistics DMCC [2]	12,558	-
Azoil Petrolcülük A.Ş. [2]	3,064	2,747
Socar Trading SA. [2]	-	40,427
	3,440,208	**253,848**

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 759,182 tons of 2,126,253 TL naphtha purchases, 86,808 tons and 186,756 TL other purchases.

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries.

d) Product and service sales to related parties:

	1 January - 31 December 2019	1 January - 31 December 2018
STAR [2]	83,562	32,824
SOCAR Azerikimya Production Union [2]	4,875	-
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	4,302	-
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	3,590	401
STEAŞ [1]	457	346
SCR Müşavirlik ve İnşaat A.Ş. [2]	162	-
	96,948	**33,571**

e) Rent income from related parties:

STAR [2]	35,798	24,957
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	2,147	568
SCR Müşavirlik ve İnşaat A.Ş. [2]	673	-
STEAŞ [1]	5	-
	38,623	**25,525**

f) Fixed assets purchases from related parties:

Socar Power Enerji Yatırımları A.Ş. [2]	107,484	-
STEAŞ [1]	26,268	-
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	10,824	-
STAR [2]	143	4,321
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	5	-
	144,724	**4,321**

[1] Shareholders of the Company.

[2] Shareholders of the Company or SOCAR's subsidiaries

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NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

g) Key management compensation:

	1 January - 31 December 2019	1 January - 31 December 2018
i. Key management compensation - short term:		
Payments for salary and seniority incentives	27,665	21,550
	27,665	**21,550**
ii. Key management compensation - long term:		
Provision for unused vacation	2,312	1,621
Provision for employment termination benefits	275	250
Provision for seniority incentives	178	-
	2,765	**1,871**
	30,430	**23,421**

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management.

Key management compensation consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

NOTE 30 - COMMITMENTS

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

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NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short - term provisions:

	31 December 2019	31 December 2018
Provision for legal cases	2,635	3,068
	2,635	**3,068**

b) Guarantees received:

Bank guarantees within the context of DOCS	1,059,061	946,920
Receivable insurance	617,505	479,635
Letters of guarantee received from customers	596,343	551,916
Letters of guarantee received from suppliers	251,510	263,916
Letters of credit	131,342	51,592
Mortgages	2,000	2,000
	2,657,761	**2,295,979**

c) Guarantees given:

Mortgages given to banks	2,511,496	2,069,233
Mortgage given to banks (*)	1,127,219	1,009,468
Custom offices	99,400	42,099
Other	26,869	134,997
	3,764,984	**3,255,797**

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD 190 million as of 31 December 2019.

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

	31 December 2019	31 December 2018
A. Total amount of CPMs given for the Company's own legal personality	2,637,765	2,246,329
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	1,127,219	1,009,468
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	-	-
	3,764,984	**3,255,797**

(*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD 212 million which Petlim has remaining loan balance amounting to TL 1,127,219 as of 31 December 2019. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TL 105,000 has been pledged. On 20 November 2015, a mortgage amounting to USD 350 million was established on Petlim's land which was sold by Petkim at a price of TL 5,650. 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.

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NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations

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

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT with the claim that the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was notified on 25 August 2017 of the imposition of a tax charge amounting 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.

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.

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NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
0-5 year	708,633	608,815
5-10 year(s)	736,636	640,561
10 years and more	2,835,333	2,710,140
Total	**4,280,602**	**3,959,516**

NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS

a) Credit risk:

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

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

The credit risk exposure in terms of financial instruments as of 31 December, 2019 and 2018 were as follows:

	31 December 2019				**31 December 2018**			
	Other receivables From related parties	**Receivables from related parties**	**Trade Receivables (1)**	**Cash and cash equivalents**	**Other receivables From related parties**	**Receivables from related parties**	**Trade Receivables (1)**	**Cash and cash equivalents**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**15,134**	**151,715**	**1,400,438**		**112,788**	**168,543**	**1,025,855**	**3,009,408**
- The part of maximum credit risk covered with guarantees etc	-	-	(1,208,481)		-		(971,119)	-
A . Net book value of financial assets neither past due nor impaired (3)	15,134	151,715	1,381,991		112,788	168,543	1,007,218	3,009,408
B. Net book value of financial assets whose conditions are renegotiated otherwise will be classified as past due or impaired (3)	-	-	-		-		-	-
C. Net book value of assets past due but not impaired but not impaired (4)	-	-	18,447		-		18,637	-
- The part covered by guarantees etc	-	-	(4,775)		-		(12,038)	-
D. Net book value of assets impaired								
- Past due (gross book value)	-	-	24,497		-		22,000	-
- Impairment amount	-	-	(24,497)		-		(22,000)	-
- The part of net value covered with guarantees etc	-	-	-		-		-	-
E. Off-balance items exposed to credit risk	-	-	-		-		-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.

(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.

(4) Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows.

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

	Receivables		
31 December 2019	**Related parties**	**Third parties**	**Total**
1-30 days overdue	-	17,539	17,539
1-3 months overdue	-	628	628
3 months and over	-	-	-
The part covered by the guarantees	-	(4,775)	(4,775)
	-	**13,992**	**13,992**

	Receivables		
31 December 2018	**Related parties**	**Third parties**	**Total**
1-30 days overdue	-	12,066	12,066
1-3 months overdue	-	6,229	6,229
3 months and over	-	342	342
The part covered by the guarantees	-	(12,038)	(12,038)
	-	**6,599**	**6,599**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December, 2019 and 2018 are as follows:

	31 December 2019				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months- 1 year (II)**	**1 - 5 years above (III)**
Contract due date:					
Bank credits	3,789,208	4,252,572	898,968	1,621,942	1,731,662
Other financial liabilities	1,510,275	1,529,050	383,960	1,145,090	-
Bond issued	3,034,286	3,570,368	86,749	85,744	3,397,875
Trade payables	423,351	426,638	426,638	-	-
Due to related parties	533,755	533,755	533,755	-	-
Lease liabilities	190,475	444,142	9,011	32,541	402,590
	9,481,350	**10,756,525**	**2,339,081**	**2,885,317**	**5,532,127**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk (Continued)

	31 December 2018				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 years above (III)
Contract due date:					
Bank credits	3,113,712	3,620,951	446,765	1,081,943	2,092,243
Other financial liabilities	1,523,130	1,536,696	635,743	900,953	-
Bond issued	2,688,439	3,315,760	75,278	75,273	3,165,209
Trade payables	641,809	645,098	645,098	-	-
Due to related parties	80,638	80,638	80,638	-	-
	8,047,728	**9,199,143**	**1,883,522**	**2,058,169**	**5,257,452**

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

	31 December 2019				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 year above (III)
Contract due date:					
Derivative financial instruments	(24,118)	(447,882)	(1,247)	(4,990)	(441,645)

	31 December 2018				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months-1 year (II)	1 - 5 year above (III)
Contract due date:					
Derivative financial instruments	(13,330)	(571,814)	(152,868)	(18,968)	(399,978)

c) Market risk

Foreign exchange risk

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

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

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

Foreign currency position

		31 December 2019				31 December 201			
		TL Equivalent	US Dollar	Euro	Other	TL Equivalent	US Dollar	Euro	Other
1.	Trade receivables	1,132,694	153,573	33,146	-	678,105	105,696	20,247	-
2a.	Monetary financial assets (Cash, bank accounts included)	6,300,018	1,034,880	22,934	102	5,399,250	972,726	45,454	7,838
2b.	Non-monetary financial assets	-	-	-	-	-	-	-	-
3.	**Current assets (1+2)**	**7,432,712**	**1,188,453**	**56,080**	**102**	**6,077,355**	**1,078,422**	**65,701**	**7,838**
4.	Trade receivables	-	-	-	-	-	-	-	-
5a.	Monetary financial assets	-	-	-	-	750,365	142,631	-	
5b.	Non-monetary financial assets	-	-	-	-	-	-	-	-
6.	Other	-	-	-	-	-	-	-	-
7.	**Non-current assets (4+5+6)**	**-**	**-**	**-**	**-**	**750,365**	**142,631**	**-**	**-**
8.	**Total assets (3+7)**	**7,432,712**	**1,188,453**	**56,080**	**102**	**6,827,720**	**1,221,053**	**65,701**	**7,838**
9.	Trade payables	743,571	87,119	14,913	149,016	488,770	66,746	9,050	75,030
10.	Financial liabilities	3,865,262	638,111	11,240	-	2,993,693	531,749	32,551	-
11a.	Monetary other liabilities	765,040	-	-	765,040	-	-	-	-
11b.	Non-monetary other liabilities	-	-	-	-	-	-	-	-
12.	**Short-term liabilities (9+10+11)**	**5,373,873**	**725,230**	**26,153**	**914,056**	**3,482,463**	**598,495**	**41,601**	**75,030**
13.	Trade payables	-	-	-	-	-	-	-	-
14.	Financial liabilities	3,242,809	515,519	27,144	-	3,314,131	525,434	91,220	-
15a.	Monetary other liabilities	-	-	-	-	-	-	-	-
15b.	Non-monetary other liabilities	-	-	-	-	-	-	-	-
16.	**Long-term liabilities (13+14+15a+15b)**	**3,242,809**	**515,519**	**27,144**	**-**	**3,314,131**	**525,434**	**91,220**	**-**
17.	**Total liabilities (12+16)**	**8,616,682**	**1,240,749**	**53,297**	**914,056**	**6,796,594**	**1,123,929**	**132,821**	**75,030**
18.	**Net (liability)/asset contract value of derivative instruments (18a-18b)**	**-**	**-**	**-**	**-**	**152,866**	**34,786**	**(5,000)**	**-**
18a.	**Amount of asset contract value of derivative instruments**	**-**	**-**	**-**	**-**	183,006	**34,786**	-	**-**
18b.	**Amount of liability contract value of derivative instruments**	**-**	**-**	**-**	**-**	(30,140)	-	**(5,000)**	**-**
19.	**Net foreign (liability)/asset position (8-17+19)**	**(1,183,970)**	**(52,296)**	**2,783**	**(913,954)**	**31,126**	**97,124**	**(67,120)**	**(67,191)**
20.	**Net foreign currency (liability)/ asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)**	**(1,183,970)**	**(52,296)**	**2,783**	**(913,954)**	**31,126**	**97,124**	**(67,120)**	**(67,191)**
21.	**Total fair value of financial instruments used for foreign currency hedging**	**-**	**-**	**-**	**-**	**(1,898)**	**(575)**	**187**	**-**
22.	**Hedged amount for foreign currency assets**	**-**	**-**	**-**	**-**	**183,006**	**34,786**	**-**	**-**
23.	**Hedged amount for foreign currency liabilities**	**-**	**-**	**-**	**-**	**(30,140)**	**-**	**(5,000)**	**-**
24.	**Export**	**4,666,598**	**532,289**	**258,664**	**14,287**	**3,611,200**	**445,755**	**246,938**	**38,163**
25.	**Import**	**5,714,698**	**941,396**	**61,936**	**39,954**	**5,764,669**	**1,114,524**	**55,666**	**85,919**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

Table of sensitivity analysis for foreign currency risk

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 TL:				
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) Change of EUR by 10% against TL:	**(31,065)**	**31,065**	**(31,065)**	**31,065**
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 TL:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	(89,183)	89,183	(89,183)	89,183
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(89,183)**	**89,183**	**(89,183)**	89,183
Total (3+6+9)	**(118,397)**	**118,397**	**(118,397)**	**118,397**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

Table of sensitivity analysis for foreign currency risk (Continued)

31 December 2018

	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 TL:				
1- Asset/(Liability) denominated in USD - net	51,096	(51,096)	51,096	(51,096)
2- The part hedged for USD risk (-)	-		18,301	(18,301)
3- USD effect - net (1+2) Change of EUR by 10% against TL:	**51,096**	**(51,096)**	**69,397**	**(69,397)**
4- Asset/(Liability) denominated in EUR - net	(40,460)	40,460	(40,460)	40,460
5- The part hedged for EUR risk (-)	-	-	(3,014)	3,014
6- EUR effect - net (4+5)	**(40,460)**	**40,460**	**(43,474)**	**43,474**
Change of other currencies by 10% against TL:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	(7,523)	7,523	(7,523)	7,523
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(7,523)**	**7,523**	**(7,523)**	**7,523**
Total (3+6+9)	**3,113**	**(3,113)**	**18,400**	**(18,400)**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued)

The Group's interest rate position as of December 31, 2019 and 2018 is presented below:

	31 December 2019	31 December 2018
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	4,695,876	4,390,231
EUR Financial liabilities	82,747	94,037
TL Financial liabilities	104,602	16,108
Financial instruments with variable interest rate		
USD Financial liabilities	3,278,016	2,172,852
EUR Financial liabilities	172,528	652,053

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/(-) TL8,132 (31 December 2018: TL15,571).

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Price risk

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

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

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

d) Capital risk management

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

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

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management (Continued)

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

	31 December 2019	31 December 2018
Total financial debt	8,333,769	7,325,281
Less: Cash and cash equivalents (Note 4)	(4,037,170)	(3,009,408)
Net debt (Note 9)	4,296,599	4,315,873
Total equity	4,848,881	4,134,935
Net debt/equity ratio	**89%**	**104%**

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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

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

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

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial liabilities

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

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NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Financial liabilities (Continued)

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

Fair value estimation

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

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

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

Level 3: Not depend on observable market data

31 December, 2019 and 2018, fair value and book value of financial statement were as follows:

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	-	-	-
Total assets	-	-	-	-
Derivative financial liabilities	-	(24,118)	-	(24,118)
Total liabilities	-	**(24,118)**	-	**(24,118)**

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	1,753	-	1,753
Total assets	-	**1,753**	-	**1,753**
Derivative financial liabilities	-	(13,954)	-	(13,954)
Total liabilities	-	**(13,954)**	-	**(13,954)**

NOTE 34 - EVENTS AFTER BALANCE SHEET DATE

As explained in Note 31, since the Group management has been no mutual agreement in the settlement process regarding the dispute over the alleged Special Consumption Tax occurred due to consumption of PyGas with the tax authority regarding the ongoing tax review on 22 January 2020 and a legal process has been initiated by the Group management on 5 February 2020.

OTHER MATTERS

EVENTS OF SPECIAL IMPORTANCE THAT TOOK PLACE AFTER THE END OF THE OPERATION YEAR

None

ANNUAL REPORTS OF THE PARENT COMPANY WITHIN THE GROUP OF COMPANIES

Whether the Company holds an interest representing five percent, ten, twenty, twenty-five, thirty-three, fifty, sixty, seven or one hundred percent of the shares in the capital of an equity company or whether its interest falls below these percentages, and the reasons therefore.

In 2019 the Company did not hold an interest representing five percent, ten, twenty, twenty-five, thirty-three, fifty, sixty, seven or one hundred percent of the shares in the capital of an equity company nor its interest in the capital of an equity company fell below these percentages.

PETKIM PETROKIMYA HOLDING A.Ş. SHAREHOLDER STRUCTURE

	31.12.2019		31.12.2018	
Shareholder	**Paid-in Capital (TL)**	**%**	**Paid-in Capital (TL)**	**%**
SOCAR Turkey Petrokimya A.Ş.	1,077,120,000.00	51.00	841,500,000.00	51.00
Directorate of Privatization Administration	0.01	0.00	0.01	0.00
Traded on BİST (Publicly Held)	1,034,879,999.99	49.00	808,499,999.99	49.00
Total	**2,112,000,000.00**	**100.00**	**1,650,000,000.00**	**100.00**

The conclusion part of the report stipulated in Article 199 (4) of the Law upon request of a member of the governing body

Provided under the heading Relations with the Controlling Company.

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