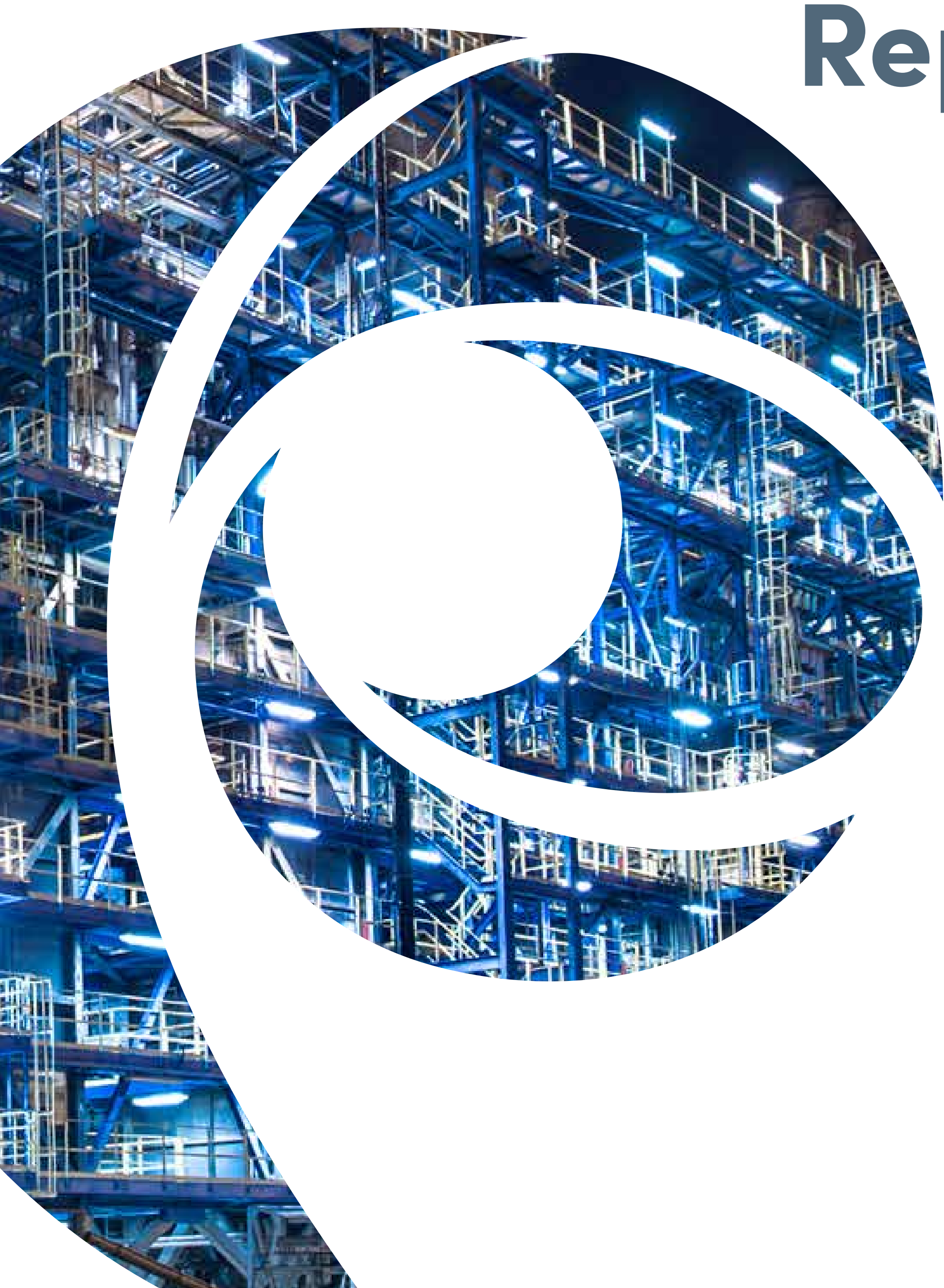
Petkim

2020

Annual Report



Reporting period:	01 January - 31 December 2020
Company title:	Petkim Petrokimya Holding A.Ş.
Trade registry:	314 - Aliağa Trade Registry Office
Address:	Ayazağa Mah. Azerbaycan Cad. Vadistanbul SOCAR Plaza 1D Blok, No.3 E/1, 34485, Sarıyer / İstanbul
Tel:	+90 (232) 616 12 40 / 616 32 40
Fax:	+90 (232) 616 12 48
E-mail:	petkim@socar.com.tr
Website:	www.petkim.com.tr
Registered e-mail:	petkim@hs03.kep.tr

İstanbul Branch

Address:	Vadistanbul Bulvar, Ayazağa Mah. Cendere Cad. No: 109-E, 1D Blok, 34485, Sarıyer / İstanbul
Tel:	+90 (212) 305 00 00
Fax:	+90 (212) 305 01 00

Azerbaijan Representative Office

Address:	Haydar Aliyev 121, "SOCAR Tower" 14th Floor, Baku, AZERBAIJAN
Tel:	+994 12 521 26 95

STRONGER. TOGETHER.

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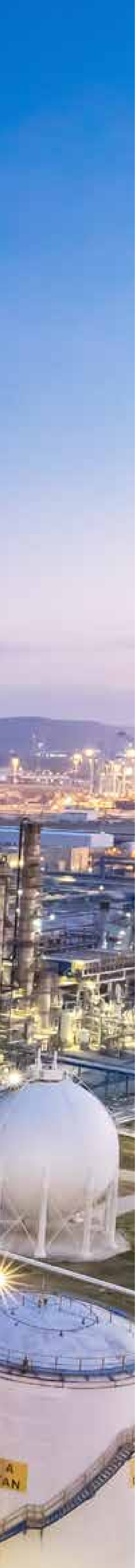

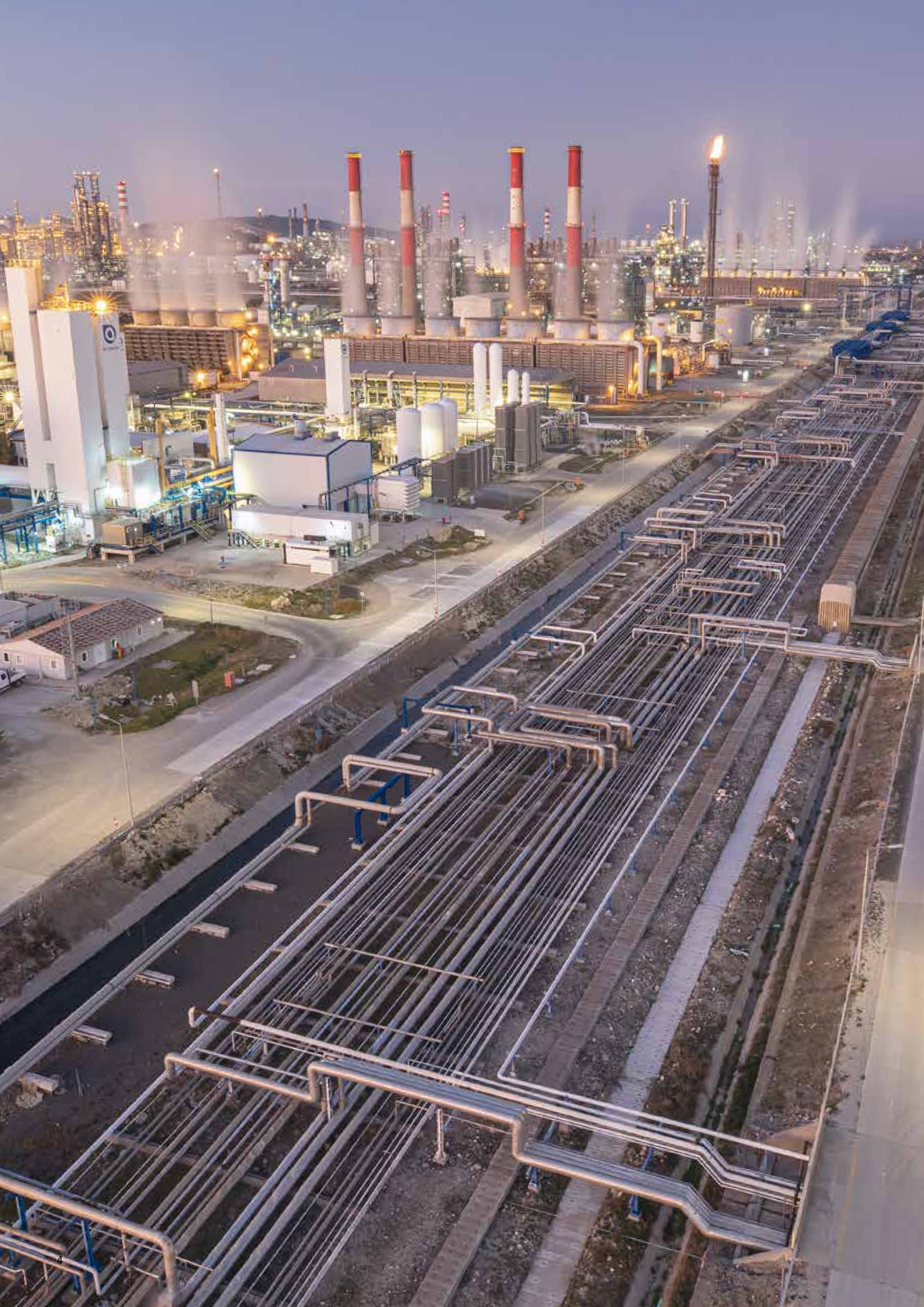

CORPORATE PROFILE

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

Petkim is Turkey's first and only integrated petrochemical company and an indispensable supplier of raw material for the industry. Petkim, a giant production power of strategic importance for the Turkish economy and industry, and touching almost all sectors, represents more than 55 years of experience and knowledge. Petkim continues its activities with an annual average gross production capacity of 3.6 million tons and nearly 60 petrochemical products in its 15 main production facilities and 6 auxiliary facilities.

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 Holding 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.

Petkim, which joined SOCAR in 2008 as a result of the privatization process, has invested over USD 100 million every year since 2008. The total sum of these additional investments, all of which were provided from Petkim's own resources, has reached USD 1 billion.

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. Thanks to the Industry 4.0 standard it has reached with its digital applications, Petkim was selected for inclusion in the World Economic Forum (WEF)'s 'Global Lighthouse Network' in January 2020, being the only company from Turkey to be selected for the 'WEF Global Lighthouse Network' which considers the 'facilities of the future' in 2020.

With additional investments, additional technologies and the digital transformation, Petkim is taking firm steps towards becoming one of the few petrochemical complexes and production bases in Europe, in line with the strategic goals of the SOCAR Group to which it is affiliated. In this context, the completion of the refinery-petrochemical integration process, which was initiated after STAR Rafineri entered operation, marks a very important step towards the "Petkim of the Future".

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 has been the Aegean Region's biggest exporter for many years, while exporting to approximately 78 countries.

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 2020, 49% of the shares of Petkim, which is a subsidiary of SOCAR Turkey, were trading on Borsa İstanbul.

VISION, MISSION AND CORPORATE VALUES

Vision

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

Mission

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

Corporate Values

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

Rövnag Abdullayev
Chairman of the Board of Directors

MESSAGE FROM THE CHAIRMAN

Esteemed shareholders and business partners,

Amid the continued social and economic effects of the COVID-19 pandemic, the impact of which on 2020 was on a scale unprecedented in the last century, all countries are seeking to combat the stagnation in the global economy.

Petkim has emerged from the crisis stronger in terms of its operational and financial performance, while managing the governance and value-added cycle with a well-judged, agile and efficient approach in the unexpected conditions of 2020. In this period, our priority was to ensure tour business continuity by protecting the health of our employees and to concentrate on the production of the strategic products which Turkey needs.

A GLOBAL ECONOMY RAVAGED BY COVID-19 IN 2020

With the pause in the production cycle and industry due to the pandemic, the world economy and global trade contracted sharply. In the IMF's latest world economic outlook report, the global economy is estimated to have contracted by 3.5% in 2020. The World Trade Organization estimates that global commodity trade volumes contracted by 9.2% in 2020.

The decrease in supply and demand on a global level and the stagnation seen in many economies has deeply affected the global energy and petrochemical sector. Oil prices fell to USD 10 / barrel in April 2020, in the midst of the pandemic. The OPEC+ Coalition and the United States agreed to cut oil production to an unprecedented extent. Low oil prices and rising input costs in the USA increased the competitiveness of naphtha-based producers against ethane-based producers. With the controlled opening of economies, oil and petrochemical product prices started to recover from the third quarter; with oil prices rising to as high as USD 50/barrel at the end of the year. As oil prices have risen and supply has opened up, competition between ethane-based producers and naphtha-based producers has begun to rebalance.

TURKEY STANDS OUT AS ONE OF THE FEW COUNTRIES TO HAVE ACHIEVED POSITIVE ECONOMIC GROWTH IN 2020

While the Turkish economy maintained its growth trend in the first quarter of 2020, it suffered a sharp contraction in the second quarter as a result of the lockdowns imposed as part of the measures to contain the pandemic. Overcoming the shock of the pandemic and the measures taken, the Turkish economy regained momentum in the third quarter to become the fastest growing economy in the OECD, with a growth rate of 6.7%. According to the latest IMF estimates, Turkey is expected to have ended 2020 with 1.2% growth, one of the select few countries to have ended the year with a positive growth rate.

Having successfully passed this endurance test, Turkey stands out with its strong growth dynamics and potential. In addition, thanks to its location at the intersection of continents, its increasing importance as an energy corridor and its logistics advantages places Turkey in the position of being a major intersection. The pandemic has brought the value of this geographical location into the spotlight.

In this context, the integration completed by SOCAR in Turkey's first private industrial zone, Aliağa, with successive investments, is of particular importance.

OUR INTEGRATED STRUCTURE MAKES US STRONGER

Breaking the international supply chain during the pandemic has once again demonstrated the importance of domestic production. Petkim, the only integrated domestic petrochemical producer in Turkey, maintained seamless production by ensuring an uninterrupted raw material supply thanks to its integration with STAR Rafineri. During this period, our Company was relatively unscathed from the fallout of the pandemic, due to the continuing need for petrochemical raw materials.

Supporting the continuity of production with proactive measures taken since the beginning of the pandemic, Petkim has sought to meet the demands of its domestic customers, especially for critical medical materials and protective products during this process.

While this difficult period has clearly demonstrated the tangible results of the integration we have implemented, the raw material supply security and quality standard we have achieved through the joint structuring of refinery and petrochemical operations has been the main factor reinforcing our strong position.

Petkim and STAR Rafineri, operating in integration with each other, effectively maintained all operational processes such as production, planning, optimization and sales with strong digital infrastructure in this period.

OUR GOAL FOR A BETTER FUTURE IS DIRECTING OUR DIGITALIZATION AND R&D EFFORTS.

With the steps we took in the digital transformation process which we started in 2018 to ensure that Petkim is the most digital company in Turkey and Azerbaijan, we have succeeded in increasing our operational and energy efficiency, production volume and product quality.

We have achieved technological integrity not only with our systems and business processes, but also with all the links that make up our production chain, including the investments we undertake in order to develop the skills and digital reflexes of our employees in their digitalization journey. With these steps which we have taken, Petkim has gained a great advantage during the pandemic. We take pride in being the only company from Turkey to have been selected for inclusion in the 'Global Lighthouse Network' of the World Economic Forum (WEF) in 2020, having been recognized as one of the facilities to best use Industry 4.0 technologies in production with its competence in digital applications.

SOCAR Turkey R&D and Innovation A.Ş., which was established in 2019 to rollout Petkim's 51 years of R&D experience to our entire group, received the R&D Center certificate in 2020.

We believe that our R&D focus, which we evaluate within the scope of responsible production, will open new horizons for us and Turkey in terms of sustainability and new technologies.

WE WILL PREPARE THE FUTURE TOGETHER...

Offering the best to our employees with our people-centric approach also forms the basis of creating stronger added value and preparing a better future.

While realizing its national and unwavering mission with its contribution to the development of the industry and keeping the wheels of the economy turning, Petkim is determined to ensure sustainable growth on the technology-innovation-human axis, to develop its identity as a pioneering and regional leader in the industry and to carry it to the future.

I would like to express my sincere gratitude to all of our stakeholders who believe in us and trust us, and especially our colleagues, who constitute our greatest source of strength, for their contribution to our successful results.

Rövnag Abdullayev
Chairman of the Board of Directors

Anar Mammadov
General Manager

MESSAGE FROM THE GENERAL MANAGER

WE HAVE ONCE AGAIN SET OURSELVES APART WITH OUR PERFORMANCE IN 2020.

In the challenging conditions of 2020, which passed under the shadow of the pandemic, we continued our production at Petkim without interruption and achieved another successful performance by increasing our sales volume and profit.

During this period, we worked and produced with all our might to flawlessly meet Turkey's needs for petrochemical raw materials. Petkim continued to manufacture all of the products needed by the market with no interruptions throughout the pandemic, focusing especially on the production of raw materials required for medical supplies and packaging.

Accordingly, we responded to all demands for 'polypropylene nonwoven', which is used in the production of masks and PPE which were in high demand during this period. By implementing a longer-term pricing strategy for the companies which we work with, we have also sought to support the market in this respect as well.

We continued our operations uninterruptedly at our strategically important facilities, taking every precaution to protect the health of our employees and stakeholders during the COVID-19 pandemic. In this process, we successfully passed the audits

Despite a fall of 20% in average prices in dollar terms among the products in our portfolio in 2020, which was a challenging year due to the pandemic, we increased our operational profit (EBITDA) to TL 1.9 billion, an increase of 21% compared to the previous year. Our net profit for 2020 reached TL 1.1 billion, an increase of 14% compared to the previous year.

carried out in the 'COVID-19 Safe Production' certification process in industrial establishments initiated by the Ministry of Industry and Technology and the TSE.

Our group companies - Petkim, STAR Rafineri and SOCAR Depolama - all received the 'COVID-19 Safe Production Certificate'. It is a source of great pride for us that an integrated facility of this scale received this certificate for the first time in the refinery and petrochemical field. Aware of our responsibility, we have proven that we are a "domestic and reliable supplier" for our customers by helping keep the wheels of the economy turning in the sectors which we supply raw materials to.

In 2020, our total sales increased to TL 12.1 billion, with the share of domestic sales in our total turnover increasing from 60% in the previous year to 67% in 2020. As we turned our attention to meeting the needs of the domestic market, our exports decreased by 30% compared to 2019. Despite a fall of 20% in average prices in dollar terms among the products in our portfolio in 2020, which was a challenging year due to the pandemic, we increased our operational profit (EBITDA) to TL 1.9 billion, an increase of 21% compared to the previous year. Our net profit for 2020 reached TL 1.1 billion, an increase of 14% compared to the previous year.

In addition to our "Değer Benim" Transformation Program, which we have successfully carried out for 4 years, the efficiency, operational flexibility and agility we achieved through the development of production processes based on our digital investments, as well as correct pricing, the optimization of our operational costs, sound management of our financial instruments as well as our exchange rate and interest rate risks and our effective working capital management were also instrumental in bringing about our strong performance.

OUR LEVEL OF INTEGRATION AND DIGITALIZATION EMPOWERED US IN THIS PROCESS.

We leave behind a successful year in which we reaped the fruits of our labors which we initiated in past years in line with our corporate strategies.

In 2020, sudden closures and restrictions in economies and the unravelling in the supply chain left many manufacturers in a difficult situation. Added to these difficulties were the supply constraints that came with the sharp fall in oil prices. While many facilities are experiencing raw material shortages, Petkim has been relatively unaffected by the fluctuations in naphtha stocks and prices in the world thanks to its integration with STAR Rafineri; it continued its production without interruption by providing the naphtha that it needed without interruption and to the same quality. These fluctuations and global developments have proved to us once again that the integration we have implemented has been a correct strategic move.

The digitalization campaign we started at the end of 2017 as part of Petkim's Değer Benim Transformation Program, and the actions we take with the help of our digital infrastructure and data science, ensure optimization and efficiency in production, while positively affecting our profitability. Thanks to the digital transformation projects we have implemented, we also provide efficiency and improvements in the way units such as finance and human resources do business.

On the other hand, we have ensured the integration of our production unit functions with industrial systems and corporate applications, thanks to our projects that implement Industry 4.0 principles and the best industry practices in the world. We support our production activities, especially with the innovations we have developed in our maintenance and repair processes. Thanks to the digital infrastructure, where the financial effects of global and local volatilities can be monitored comprehensively, our decision-making mechanisms have also been strengthened.

We are proud that Petkim is the only company to have been selected from Turkey in 2020 to join the "Global Lighthouse Network" of the World Economic Forum (WEF), which creates a benchmark for companies around the world for the standard of innovative and digital applications and which includes facilities which undertake the best use of Industry 4.0 technologies in production.

By joining this network, we aim to extend the Industry 4.0 standard which we have reached with our digital applications in Petkim, which is considered one of the "facilities of the future" to our other group companies.

The pandemic, which dominated 2020, once again brought home just how critical information technology infrastructure is for our Company. In this process, operational continuity, uninterrupted communication and cyber security issues started to stand out as the priorities in our plans and we intensified our work in this area. In order to respond more quickly to the rapidly evolving workload and infrastructure needs, we focused on using cloud technologies more effectively.

The pandemic ushered in a new era of remote working all over the world, and the transfer of many processes to a digital platform. With our strong digital infrastructure, we quickly adapted to the new business model both in the order of working and on the plane of our operations. With a priority of protecting the health of our employees, we have strengthened our technological infrastructure which will facilitate the uninterrupted and efficient remote working of our office employees. By planning the development as well as the health and safety of our employees, we ensured that our training programs could continue without interruption during this period with our e-training platform, which our employees can access easily.

We are proud that Petkim is the only company to have been selected from Turkey in 2020 to join the "Global Lighthouse Network" of the World Economic Forum (WEF), which includes facilities which undertake the best use of Industry 4.0 technologies in production.

While activating our digital infrastructure in our sales processes, we have met all of the demands and transactions of our customers right from the order through to the shipment, in a digital environment thanks to the Customer Information System.

SHAPING THE FUTURE...

There can be little doubt that the pandemic, with its far-reaching economic and social impacts, will shape 2021 and beyond. This will of course manifest itself in production as well. With this approach, I think the most important development in the petrochemical sector in the coming period will be the work to be carried out within the scope of sustainability. Our areas of focus have been clearly identified thanks to our value creation platform, the "Değer Benim Transformation Program", which we have extended to all group companies in the Refinery and Petrochemical Business Unit by systematically running the program in line with our corporate strategies over the course of many years, and our comprehensive benchmarking studies. Within the scope of this program, we have carried out optimization and value creation studies in the operational, commercial and supply chain areas.

We look to the future more confidently with our human resources, which have taken our corporate culture on board, along with our responsible production approach, in what are the basic elements of our people-centric value creation model. We aim to advance our sustainability approach towards inclusion by expanding our social benefit impact.

We continue to work on the projects which have emerged within the scope of the "Agility Transformation Program". In the field of operation, we have focused on energy and efficiency projects; in the commercial field, we have focused on projects which optimize the domestic and international sales of petrochemical products and increase profitability, and within the scope of the supply chain, we have focused on logistics optimization, inventory optimization and projects focused on synergies resulting from our digitalization activities and integration.

We have reviewed our investments in a manner which will not compromise our long-term goals while providing the most effective reaction to the short-term effects of the pandemic. With this approach, we unwaveringly press ahead with our investments that will contribute to energy efficiency, occupational health and safety, process safety and sustainability in our factories. As we plan these investments, we take our final decisions by considering not only the financial results, but also our vision of sustainability and the contributions we will provide to the Turkish economy.

On the other hand, we continue our research on long-term investment plans which will expand our value-added product portfolio and further increase our market share. The SOCAR R&D and Innovation Center, which carries out the research and development activities of all of our group companies, works on the development of new types of products which have alternative and niche areas of use, which are constantly changing, with an emphasis on adding new products to our petrochemical portfolio, taking into account the needs of our customers. With our work in this area, we will continue to develop innovative, sustainable, environmentally friendly and market-oriented products, catalysts and digital technologies for all our stakeholders in the value chain.

As Turkey's only integrated petrochemical plant, we believe in the future of our country; as we consolidate our presence as a regional force, we focus on creating more value. Even as we face short term volatilities, we will continue to produce and share together in an economic environment where stability and sustainable growth will prevail in the post-pandemic period.

We look to the future more confidently with our human resources, which have taken our corporate culture on board, along with our responsible production approach, in what are the basic elements of our people-centric value creation model. We aim to advance our sustainability approach towards inclusion by expanding our social benefit impact.

Our hope is that all humanity will learn the necessary lessons from the experience of the pandemic and act with a consciousness and responsibly in building a sustainable future.

I would like to express my sincere thanks to all of our stakeholders for their valuable support.

Respectfully,

Anar Mammadov
General Manager

SOCAR GLOBAL

SOCAR's Global Operations

EXPLORATION

▪ Absheron
▪ Bulla Deniz
▪ Zafar-Mashal
▪ Shafag-Asiman
▪ Babek
▪ Garabagh
▪ Ashrafi-Dan Ulduzu-Aypara
▪ D230

PRODUCTION

▪ Azeri-Chirag-Gunashli (ACG)
▪ Shahdeniz
▪ UMID
▪ Bahar Gum Deniz
▪ Binegedi
▪ Kurovdagh
▪ Kursengi and Garabaghli
▪ Michovdagh Kelameddin
▪ Muradkhanli, Jafarli and Zardab
▪ Neftchala
▪ Pirsahhat
▪ Ramanı
▪ Surakhany
▪ South-West Gobustan
▪ Zigh and Hovsan

REFINING AND GAS PROCESSING

▪ Gas Processing Plant
▪ Haydar Aliyev Oil Refinery
▪ STAR Rafineri

As an energy company offering integrated solutions, SOCAR continues to provide global economic, social and environmental benefits and develop its international operations through strategic collaborations.

PETROCHEMICALS

- Azerikimya Production Union
- Petkim
- SOCAR Carbamide
- Polypropylene Plant
- High Density Polyethylene Plant
- SOCAR Methanol

TRANSPORTATION

- Baku-Novorossiysk Oil Pipeline
- Baku-Supsa Oil Pipeline
- Baku-Tbilisi-Ceyhan Crude Oil Pipeline (BTC)
- South Caucasus Natural Gas Pipeline (SCP)
- TANAP
- TAP
- Dubendi Terminal
- Kulevi Terminal
- Railroad Transportation
- SOCAR Terminal

SERVICES

- AzeriGas Production Union
- SOCAR Energy Ukraine
- SOCAR Georgia Gas
- SOCAR Georgia Petroleum
- SOCAR Petroleum
- SOCAR Petroleum SA Romania
- SOCAR Trading
- SOCAR Energy Switzerland
- A1 and Pronto Oil in Austria

Significant investments in different parts of the world

The Azerbaijan State Oil Company, SOCAR, was established in 1992 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.

Within SOCAR, there are

- three production units (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, Gas Research and Project Institute.

In addition, there are many subdivisions and subsidiaries operating under the SOCAR umbrella, making the company one of the largest corporations in the world. Focusing on providing global economic, social and environmental benefits through strategic collaborations, SOCAR rapidly strengthened its international operations in this direction and acquired assets in Turkey, Georgia, Ukraine, Romania, Switzerland and 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, 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's most important strategic projects carried out on a global scale are its investments in Turkey. In this context, SOCAR plays an important role in the future of the two sister countries and creates an integrated value chain in the field of energy.

The Southern Gas Corridor, designed to diversify Europe's energy resources

The Southern Gas Corridor (SGC), led by SOCAR, is one of the largest projects in Europe. With the Southern Gas Corridor project, SOCAR aims to contribute towards meeting the increasing demand for natural gas in Turkey and Europe.

With an investment amount of USD 40 billion, this mega project will contribute to the economic development of both Azerbaijan and transit countries while connecting the Caspian region to Southeast Europe. Thus, the Southern Gas Corridor will cover 3,500 kilometers while transporting natural gas to Europe, crossing two continents and six countries.

Global integration of business activities

With its large-scale investments in recent years, SOCAR has transformed itself from a local oil company into a fully integrated international industrial powerhouse, active in all areas of the oil and gas industry, with offices and production facilities in a number of different countries.

Working to a strategy of diversifying its investments, SOCAR aims to increase the efficiency of its operations and create added value by linking its current and potential commercial activities on a global scale. This strategy will allow the company to reduce its reliance on crude oil and gas exports, while minimizing the risk of possible losses from price volatility in international markets.

INTEGRATION PROJECT

SOCAR Turkey's subsidiaries in Aliağa - STAR Rafineri, SOCAR Turkey Fuel Storage and SOCAR Turkey Petrol Ticaret - have been gathered under the roof of the SOCAR Turkey Refinery and Petrochemical Business Unit Presidency.

Integration gains

SUSTAINABILITY IN PRODUCT AND QUALITY
Higher quality products, thanks to obtaining the required quality naphtha from STAR Rafineri, 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 STAR Rafineri via pipeline

PRODUCTIVITY GROWTH
The efficiency provided by procuring almost all raw materials from STAR Rafineri 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 STAR Rafineri

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 Rafineri through a pipeline. This logistical advantage also reflects positively to Petkim's balance sheet. Its ability to obtain the desired quality of naphtha from STAR Rafineri, 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.
- 122 projects were defined under 12 categories that will create value in STAR Rafineri 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 Rafineri.
- The electricity transmission line installed between Petkim and STAR Rafineri 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 Rafineri to be converted into more valuable products. For example, heavy naphtha from the Petkim Aromatics Plant is converted into jet fuel at STAR Rafineri.
- Through the transfer of mutual know-how in companies, processes can be improved, so work is carried out in a more agile manner.

122	Finance	Joint usage	Procurement	HR	Know-how
projects under 12 categories	productive stock management	productive stock management	joint procurements	joint process management	Agile processes through know-how transfer


SOCAR

SOCAR TURKEY

SOCAR Turkey, which operates under the trading name of SOCAR Turkey Enerji A.Ş., was founded in 2006 by the State Oil Company of Azerbaijan Republic (SOCAR), one of the world's most renowned oil and natural gas companies. SOCAR Turkey, which started operating in Turkey in 2008, was involved in the bidding process of a block sale of 51% of the publicly held shares of Petkim Petrokimya Holding A.Ş.

On May 30, 2008, a comprehensive strategic partnership between Azerbaijan and Turkey was formed, along with Petkim, which was transferred to Turcas Petrochemical A.Ş. and SOCAR. After Turcas left the partnership, all 51% of Petkim's shares were transferred to SOCAR Turkey Enerji A.Ş., while on 14 August 2015, 13% of the Company's total capital was purchased by Goldman Sachs International. Thus, the partnership structure of SOCAR Turkey Enerji A.Ş. was redefined as 87% SOCAR and 13% Goldman Sachs International.

Concentrating its investments in strategic areas such as petrochemistry, refining, natural gas transmission, trade and distribution, SOCAR Turkey implemented the Aegean Region's largest integrated port after Petkim, SOCAR Terminal, the largest real sector investment in a single point in Turkey, STAR Rafineri and the Trans-Anatolian Natural Gas Pipeline Project (TANAP), which forms the longest part of the South Gas Corridor and transports the resources in the Caspian Sea to Turkey and Europe.

SOCAR Turkey, Turkey's largest foreign direct investor, became the first company in Turkey to receive the title of "Special Industrial Zone" for the land in Aliağa, which includes all group companies. STAR Rafineri, one of the SOCAR Turkey group companies, has Turkey's first 'Strategic Investment Incentive Certificate'.

Making Turkey an investment base, SOCAR Turkey acquired EWE Turkey Holding and its subsidiaries, which manage the operations of the German energy company EWE AG in Turkey, on June 17th, 2019. As of this date, 80% of Bursagaz and Kayserigaz, which distribute gas in Bursa and Kayseri, EWE Enerji, the trade and electricity distribution company, Enervis, which provides energy services, and 100% of the shares in Millenicom, which operates in the telecommunications sector, belonged to SOCAR Turkey. Having completed the integration process with the steps it took in 2020 after the strategic investments it carried out, SOCAR Turkey continues its activities with the aim of becoming Turkey's largest industrial holding.

With more than 5,200 direct employees, SOCAR Turkey provides employment for more than 10,000 people together with its contractors.

The value of investments undertaken in Turkey has so far reached USD 16.5 billion, and once all of SOCAR's investments are completed, this figure will reach USD 19.5 billion. This amount represents SOCAR's largest investment in a country besides Azerbaijan.

SOCAR, which has brought a number of large-scale investments into operation, one after the other, with the strength it derives from the unity of the countries united in brotherhood, continues to manufacture and work with the confidence it places in the potential of the Turkish market and the energy derived from the country's stable growth. Acting with this belief, the company works with determination to play an important role in Turkey's transformation into an effective production powerhouse on international platforms.

STAR RAFİNERİ

Manufacturing strategic products to increase Turkey's competitiveness

The foundations of STAR Rafineri, which was established by SOCAR Turkey in Aliağa, İzmir, were laid in 2011. STAR Rafineri, which was the largest investment undertaken by the real sector at a single point in Turkey and the first refinery to be established in Turkey by the private sector since 1986, is focused on the production of strategic products by considering the needs of the country's economy and industry.

The official opening of STAR Rafineri, which manufactures the petroleum products which are important raw materials for the petrochemical industry, such as naphtha and reformate, as well as petroleum products such as diesel, jet fuel, LPG, sulfur and petrocoke, which constitute important weights on Turkey's current account deficit, was held on October 19, 2018. STAR Rafineri, which started production at full capacity on September 2019, meets approximately 25% of Turkey's need for processed petroleum products.

Capacity	**10.5 million ton/year**
Configuration	**High conversion**
Refinery complexity	**9.4**
Crude oil processing range	**28-36 API**
Storage capacity	**1.64 million m^3**
Investment amount	**USD 6.3 billion**
Partnership structure	**60% SOCAR Turkey Enerji A.Ş., 40% Ministry of Economy of the Republic of Azerbaijan**

TANAP - Trans Anatolian Natural Gas Pipeline Project

The world's new energy source

The Trans-Anatolian Natural Gas Pipeline (TANAP), which forms the most important link of the 3,500 kilometer long Southern Gas Corridor stretching from Azerbaijan to Europe, marked an important step for the two countries united in brotherhood, Turkey and Azerbaijan, in Anatolia.

With legal infrastructure of TANAP established on June 26, 2012, and the "Environmental and Social Impact Assessment (ESIA) Positive Certificate" received on July 24, 2014, the foundation of TANAP was laid on March 17, 2015. The TANAP project, which has been transporting natural gas to Turkey since June 2018, will connect to the Trans Adriatic Pipeline (TAP) and mediate the transportation of natural gas extracted from the Shahdeniz-2 gas field in Azerbaijan's Caspian Sea and other fields in the south of the Caspian Sea to Europe.

In the first phase, 16 billion m^3 of natural gas will be transported annually by TANAP, which is built on a routing which covers a distance of 1,850 kilometers and extends from an altitude of 2,760 meters on land to a depth of 65 meters in the sea. A total of 6 billion m^3 of the natural gas will be used in Turkey with the remaining 10 billion m^3 being transferred to Europe. The carrying capacity of the line will be increased to 24 billion m^3 and later to 31 billion m^3 with additional investments.

While the first phase of TANAP was opened in a ceremony held on June 12, 2018, the first transportation of commercial gas was carried out on June 30, 2018.

The opening ceremony of the TANAP European connection was held on November 30, 2019.

Main line length	**1,850 km**
Çanakkale Strait crossing	**17.5x2 (Twin Pipeline)**
Highest altitude through which the pipeline passes	**2,760 m**
Deepest depth through which the pipeline passes	**65 m**
Number of people directly and indirectly employed during the project phase	**13,000**
Number of cities on the TANAP route	**20**
Approximate investment cost	**USD 6.5 billion**
Partnership Structure	**51% SGC (51% of SGC belongs to the Ministry of Economy of the Republic of Azerbaijan and 49% belongs to the Azerbaijan State Oil Company), 7% SOCAR Turkey Enerji A.Ş., 30% BOTAŞ Pipelines and Petrol Taşıma A.Ş. and 12% BP Pipelines (TANAP) Limited**

SOCAR TERMİNAL

The Aegean Region's largest integrated container port

Built by SOCAR Turkey in Aliağa and the largest container terminal in the Aegean Region, the SOCAR Terminal serves as a strategic logistics base.

Established in 2010 as a wholly owned subsidiary of Petkim, Petlim started its activities in order to develop the Petkim Port and to bring the port to a more economical operation. 30% of Petlim shares were purchased by Goldman Sachs, one of the world's leading investment banks, in 2014, and a strategic cooperation agreement was signed with APM Terminals in 2013 for the operation of the port.

The first phase of the project, which was realized with an investment of USD 400 million, was completed in December 2016 and the second phase in July 2018.

After the port operation was taken over by SOCAR Turkey from APM Terminals Liman İşletmeciliği A.Ş. at the beginning of 2019, the port started to operate under the name SOCAR Terminal in line with SOCAR Turkey's vision and goals.

With a single quay structure extending 700 meters and a minimum water depth of 16 meters, the SOCAR Terminal serves giant ships with a capacity of 18,000 TEU with an annual container handling capacity of 1.5 million TEU.

Annual capacity	**1.5 million TEU**
Potential expansion capacity	**4 million TEU**
Logistics area	**42 hectares in the port area, 6 hectares in the back service area**
Dock and maneuvering area	**700 meters**
General cargo and bulk cargo dock	**150 meters**
Cargo dock carrying capacity	**10 tons/m^2**
Investment Amount	**USD 400 million**
Partnership structure	**70% Petkim, 30% Goldman Sachs**

SOCAR ENERJİ TİCARET

Turkey's largest private sector natural gas wholesale portfolio

SOCAR Enerji Ticaret carries out SOCAR Turkey's natural gas and electricity trade and sales activities. The company, which provides natural gas and electricity supply services to its customers from a single source with its customer-oriented service approach, experience and professionalism in portfolio management, offers customized solutions in the field of energy.

Providing security of supply to its customers from different segments, SOCAR Enerji Ticaret closely monitors developments in Turkey, Azerbaijan and the surrounding regions, evaluates potential supply opportunities and constantly diversifies its portfolio.

SOCAR Enerji Ticaret, which sells natural gas and electricity to natural gas and electricity distribution companies, organized industrial zones and eligible consumers, is the largest private sector player in the natural gas wholesale market in which it has been active since 2009. At the same time, as one of the leading companies in the trade and sale of electricity, SOCAR Enerji Ticaret's natural gas and electricity trade and sales volume reached 19 TWh in 2020, with its total turnover amounting to TL 5 billion.

SOCAR Turkey has the distinction of being one of the most important consumers of natural gas and electricity with its industrial facilities in the Aliağa region. While the annual natural gas consumption of SOCAR Turkey facilities has reached approximately 1.5 billion m^3, this amount is expected to increase further on the back of the investments to be undertaken in the coming years. In addition, considering the consumption from the Bursagaz and Kayserigaz natural gas distribution companies, which are owned by the company, SOCAR Turkey facilities account for approximately 7% of the country's consumption.

While continuing to contribute to the development of the natural gas and electricity markets with its experienced team, SOCAR Enerji Ticaret aims to continue to seize opportunities which will add additional value to the economies of Azerbaijan and Turkey, and to increase its supply capabilities, taking into account its increasing market share.

BURSAGAZ

Bursagaz, which was established in 1992 by BOTAŞ to distribute natural gas, was privatized in 2004. Bursagaz, the majority stake of which were acquired by SOCAR Turkey Enerji A.Ş. in 2019, is Turkey's third largest natural gas distribution company, with over 1 million customers. It implements exemplary practices in Turkey with its technology-oriented management approach.

Bursagaz, which broke new ground in its sector, was selected as Turkey's best employer in 2014 within the scope of Great Place to Work - Turkey's "Best Employer Awards" and was awarded the LEED Platinum Certificate in recognition of its environmentally friendly Head Office building.

The network length of the company, which works continuously to deliver natural gas to all regions within the license area and focuses on increasing customer satisfaction, had reached 6,982 kilometers as of the end of 2020. Bursagaz continues to implement its strategies in line with the international standards set out in the existing management systems, within the framework of its vision of "becoming a world-class company".

Network length	**6,982 km**
Total service box	**223,630**
Number of Independent Units	**1,073,174**
Investment Amount	**TL 1,008 billion**
Partnership structure	**80% SOCAR Turkey, 10% Çalık Holding, 10% Bursa Metropolitan Municipality**


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KAYSERİGAZ

Kayserigaz started its activities in 2003 within the scope of the first natural gas distribution tender held by the Energy Market Regulatory Authority (EMRA) in Turkey. Kayserigaz, one of the most important players in the Turkish energy sector, provides natural gas distribution, transmission and marketing services in Kayseri and contributes to the development of Kayseri in many ways with its reliable and innovative services.

The company has achieved steady growth in its number of its customers, increasing the Number of Independent Customers from 20,000 in 2004 to 573,862 by the end of 2020. Boasting one of the most modern natural gas distribution networks in Turkey, the Company has reached a network length of 5,373 kilometers. Continuing its activities under the umbrella of SOCAR Turkey as of 2019, Kayserigaz provided a total of 700,762,652 standard cubic meters of natural gas to its customers in 2020.

With the SCADA system integrated into its network, the Company can control the existing line from a single point, and intervene immediately in possible emergencies without loss of time or workforce. The customer satisfaction rate of Kayserigaz, which is the first company in the natural gas distribution sector to receive ISO 10002, ISO 31000 and ISO 45001 certificates, is at a level of 95%.

Network length	**5,373 km**
Number of independent subscribers	**573,862**
Investment Amount	**TL 465.3 million**
Partnership structure	**80% SOCAR Turkey Enerji A.Ş.,** **10% Çalık Holding,** **10% Kayseri Metropolitan Municipality**

ENERVİS

Enervis started its activities in 2012 as a service provider to the energy sector. The company, in which all of the shares were purchased by SOCAR Turkey Enerji A.Ş. in 2019 and which is based in Istanbul, continues its holistic service activities with its Bursa and Kayseri branches.

Enervis offers its customers the following high added value services:

- Energy efficiency consultancy and applications in industry and buildings,
- ISO 50001 Energy Management System Consultancy,
- Renewable energy systems consultancy and applications,
- Technical-vocational training,
- Natural gas infrastructure construction service activities,
- Indoor installation control, meter calibration, meter reading, gas cut-off operations

Being a leading company in the energy services sector in Turkey, Enervis delivers its environmentally friendly, efficient and high-quality products and solutions to its customers by using the synergy and cooperation between its group companies, sectoral knowledge and competent human resources, and creates lasting value.

Enervis, whose mission is to reach the national target of increasing energy efficiency by 20%, which is one of Turkey's 2023 targets, supports Turkish industrialists in the efficient use of resources by industrial enterprises and energy production from green energy sources.

SOCAR TİCARET

Targeting a high market share in energy distribution

SOCAR TURKEY PETROL TİCARET A.Ş. was established to carry out its activities in the energy distribution sector as an element of SOCAR Turkey Enerji A.Ş.'s "Refinery-Petrochemistry-Energy-Logistics-Distribution-Transmission-Human" integration vision.

Operating in the fields of wholesale and retail sales of fuel oil, aviation and marine fuels, SOCAR Distribution operates under the SOCAR brand in the fuel distribution sector, the SOCAR MARINE brand in the marine fuels market and SOCAR AVIATION in the aviation fuels market.

SOCAR Aviation

Entering the aviation industry in 2013, SOCAR AVIATION signed an important agreement with Pegasus Airlines at Istanbul Sabiha Gökçen Airport and started its first aircraft refueling while continuing to grow by supplying some the industry's leading global airlines. In 2016, SOCAR AVIATION started to meet some of the fuel needs of Turkish Airlines at the now closed Atatürk Airport, as well as refueling operations at Izmir Adnan Menderes and Bodrum Airports.

In 2019, SOCAR AVIATION met half of Turkish Airlines' consumption at Sabiha Gökçen Airport and its entire fuel consumption at İzmir, Bodrum, Antalya and Dalaman Airports.

SOCAR AVIATION started operating its own aviation facilities at Izmir Adnan Menderes and Milas Bodrum airports having won the tenders held by the General Directorate of State Airports Authority. As of 2020, while aircraft fueling services are provided by SOCAR's own infrastructure, Milas Bodrum and Izmir Adnan Menderes operations represented SOCAR's first airlift facilities in the world.

SOCAR AVIATION is involved in aviation fuel sales at all major airports in Turkey including Istanbul Airport, Sabiha Gökçen, Antalya, Esenboğa, Dalaman, Adana and Trabzon, with its own facilities in Izmir and Bodrum.

SOCAR Marine

SOCAR MARINE, which started its activities in 2013, contributes to the development of the maritime industry with its wide customer portfolio ranging from international maritime companies to domestic shipowners, offering extensive experience, seafaring staff, a structure which rapidly responds to needs and a superior product and service understanding, while providing a significant foreign exchange input to the country's economy through its activities.

SOCAR MARINE, which enabled the supply of all marine fuels of different specifications at the İskenderun and Mersin regions for the first time, has pioneered the region's emergence into the international marine fuel market. SOCAR MARINE is the leader of the Turkish market with transit marine fuel sales of 700,000 tons/year, vastly surpassing its rivals by creating the strongest supply network with 14 sea tankers and with a total storage capacity of 113,000 m^3 consisting of 87,000 m^3 in the Gulf of Izmir, 21,000 m^3 in the Gulf of Iskenderun and 5,000 m^3 in the Aliağa region.

Continuing its rapid growth, SOCAR MARINE initiated the sale of marine fuel from the SOCAR Depolama terminal for the first time in 2019 within the scope of transit and export activities, taking the first steps towards establishing a strong position in the international marine fuel market for the Izmir region.

In addition to its physical supplies, SOCAR MARINE increases the power of the SOCAR brand in the international arena with the marine fuel supply it carries out at all international ports as far afield as Gibraltar, Singapore, Rotterdam and South Africa within the scope of international marine fuel trade.

SOCAR MARINE, which has distinguished itself with its operational efficiency, sectoral experience and customer focus since it started operations in 2013, and which has determined a primary goal of maintaining its strong position, serves its customers all over the world.

SOCAR MARINE, which will start to carry out domestic taxed marine fuel sales in 2021 within the scope of STAR Rafineri integration process, aims to demonstrate its measurable success in transit marine fuel sales in the domestic market at the earliest opportunity.

In a crowning achievement of its success, SOCAR MARINE received the award of being the most successful company in the "Logistics and Ship Refueling Category" at the 12th International Golden Anchor Maritime Achievement Awards, with its outstanding performance in both sales and operations.

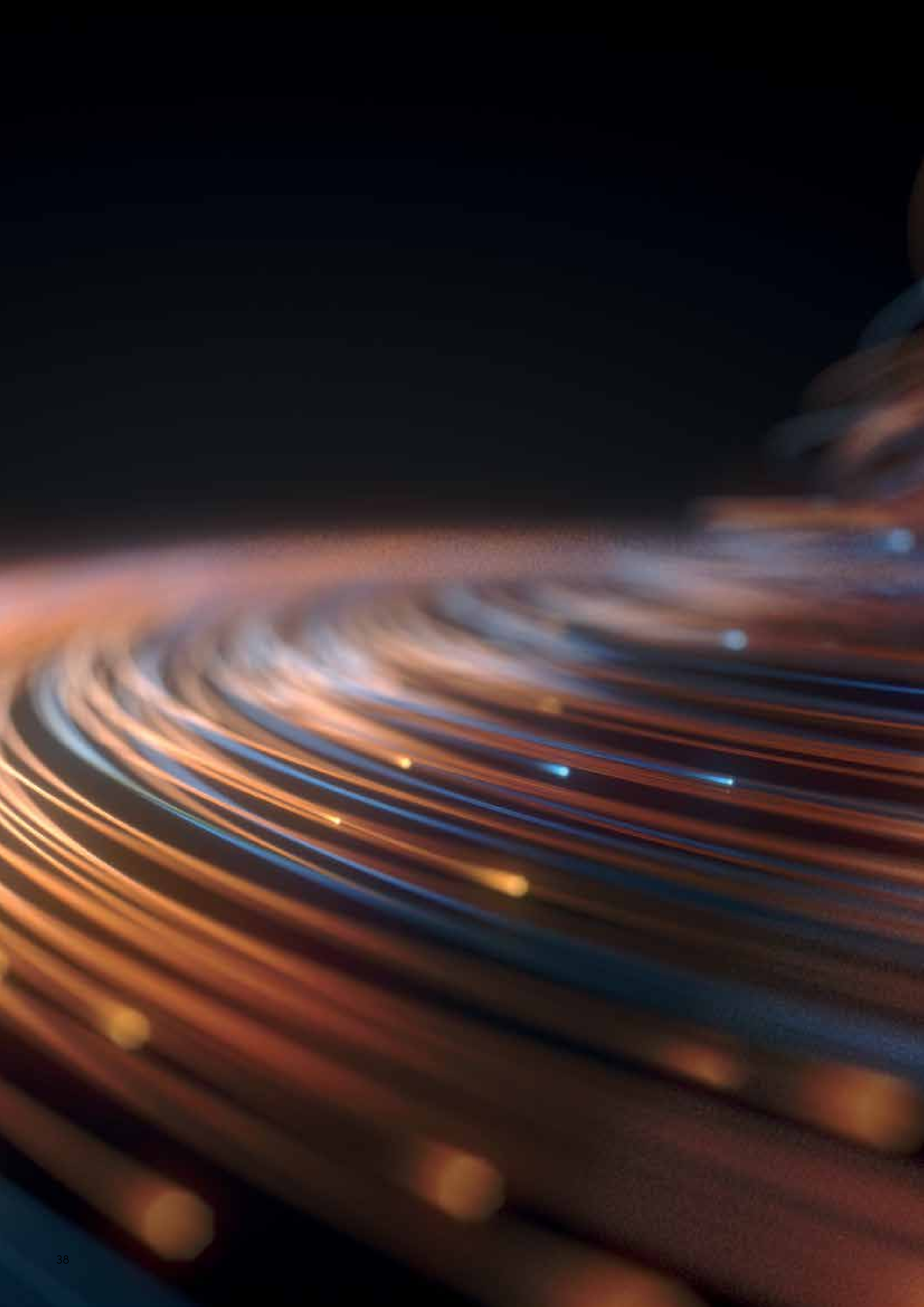
SOCAR Fuel Sales

SOCAR Fuel Sales, a company which carries out wholesale and retail fuel sales from all important production/storage points in Turkey, had a sales volume of over 900,000 tons in 2020 and has expanded its dealer network across Turkey with 65 dealers.

Within the scope of its wholesale fuel sales activities, SOCAR Fuel Sales has signed agreements to supply fuel to fuel dealers, mostly located in the Aegean Region, from every point of Turkey as it seeks to increase the sales power of STAR Rafineri in the Aegean Region. With the supply agreements entered into with Turkey's largest distribution companies, refueling activities have started from the Derince, Aliağa, Kırıkkale, Mersin, Antalya, Marmara Ereğlisi, Trabzon, Samsun and Dörtyol warehouses.

In retail fuel sales activities, SOCAR Fuel Sales won the tender for nine fuel stations located in Istanbul Airport, the first phase of which was opened on 29 October 2018, in line with its strategy to play a part in Turkey's giant projects. The new fuel stations located on the airport site and on the apron entered operation to meet the fuel needs of consumers, car rental companies, taxis and airport vehicles. As a result, SOCAR Fuel Sales has reached the position of directly serving consumers in an area of 16,280 square meters at the world's largest airport, which will have an annual passenger capacity of 200 million. As part of the same strategy, SOCAR Fuel Sales started work on the Northern Marmara Motorway and Menemen-Aliağa-Çandarlı Motorway fuel station projects. Two SOCAR fuel stations, located at the strategic juncture of the Northern Marmara Highway on the southbound carriageway of the İzmir Highway, entered operation in February 2020. The SOCAR stations will be located next to the first IT corridor to be established in Turkey, as well as commanding a strategic location on the highway.

The installation of the SOCAR station, which will sell fuel to the goods vehicles carrying export products, has also been completed at the Yalova Port, one of Turkey's border gates opening to the international market. The Yalova RORO station operates as one of the five border ports for Turkey's international maritime trade with the rest of the world. In addition, the Company won the tender for the opening of two SOCAR fuel stations at the Aliağa exit of the Menemen-Çandarlı Highway and the stations started operating in July 2020 after a period of intensive construction work.



SOCAR FIBER

Providing strategic infrastructure investment

SOCAR Turkey Enerji A.Ş. established SOCAR Turkey Fiber Optik A.Ş. on May 8, 2013 to meet the need for fiber optic communication infrastructure due to the continuous increase in IP traffic and the increasing importance of speed in communication.

Having obtained the Infrastructure Operations Service license from the Information Technologies and Communications Authority on July 22, 2014, the company added a new element to the SOCAR value chain as an optical infrastructure investment.

The founding purpose of SOCAR Fiber can be summarized as evaluating the global potential in the telecommunications sector and providing backbone network services to operators for all kinds of electronic communication and fast internet access. With this project, which is planned as a fiber optic line with a length of approximately 1,850 kilometers which will traverse Turkey from east to west, SOCAR Fiber aims to contribute to the services of operators and other telecommunication companies operating in the region and in the world, in areas such as additional capacity and line backup.

Stretching from the border with Georgia in the east of Turkey to the border of Greece in the west, the SOCAR Fiber network passes through 20 provinces and 67 districts in Turkey. The security of the line, whose Network Operation Centers are located in Ankara and Eskişehir, is provided with two separate fiber optic cables in 2 separate channel systems along the fiber optic route.

A backup fiber optic line service is provided to TANAP over the SOCAR Fiber line, which crosses Turkey on an east-west axis. Moreover, business development negotiations continue in order to contribute to the services of operators operating in Turkey and the region and other telecommunication companies, such as additional capacity and line backup.

Line length	**Approximately 1,850 km**
The route traveled	**20 provinces and 67 districts**
Investment amount	**EUR 80 million**
Partnership structure	**100% SOCAR Turkey Enerji A.Ş.**

MILLENICOM

Millenicom, which was founded in 2004 with the aim of becoming the leading alternative operator in the liberalized Turkish telecommunication market, started to serve under the umbrella of SOCAR Turkey in June 2019. Pioneering the alternative telecommunication sector in Turkey and offering various telecommunication and communication services to more than 260,000 customers, Millenicom connects its users to the world with an affordable, preferential, hassle-free and high quality internet service.

Millenicom provides fixed internet and fixed phone services to its individual customers with ADSL, VDSL and FIBER options while also offering advantages such as attractive pricing, commitment-free, real unlimited and quota-free internet and 24/7 call center support. Millenicom aims to maintain the highest levels of customer satisfaction by responding to the needs of its existing customers in the more comprehensive way.

For its corporate customers, in addition to fixed internet and telephone services, Millenicom offers affordable, life-enhancing cloud solutions and IP-based quality voice services, improving business quality and expanding its products and services in line with the needs of its customers through new product development studies and collaborations.

The company has quickly achieved significant success, being selected as the "Alternative Operator Service Category Winner of the Year" in the Informatics 500 survey in 2017 and ranking third in the "Communication Services Sector category" in Turkey's Top 500 Service Exporters survey in 2018 and 2019.


5007
5001
5006

SOCAR DEPOLAMA

One of Turkey's 5 largest storage facilities

SOCAR Depolama started its operations in 2016 to form the storage and operation link of the SOCAR Turkey energy chain.

SOCAR Depolama, which carries out activities such as storage of fuel products and liquefied petroleum gas (LPG) in tanks, filling operations to land and sea tankers, and discharge operations from sea tankers to tanks in national and international standards, is the only storage facility in the Aegean Region where fuel and LPG are handled at the same location. SOCAR Depolama has the advantage of being able to supply pipelines from two separate refineries at the same time.

SOCAR Depolama, located in İzmir's Aliağa district, is the largest terminal in the Aegean Region with a fuel product capacity of 532,000 m^3 and LPG storage capacity of 45,000 m^3, and is one of the 5 largest storage facilities in Turkey.

SOCAR Depolama facility will increase its operational capability to much higher levels after the completion of the planned pier expansion project.

New investments for capacity increase in the storage facility

Aware of the importance of storage activities in the value chain, SOCAR Turkey also uses the opportunities that arise in the market in this regard. With an awareness that the scope of its products will not be limited to the Aliağa region, the company has prepared the necessary infrastructure and systems for its products to be used throughout the whole of Turkey. In the first stage of the investment process initiated in this context, a tank capacity of 327,000 m^3 was created and the project was completed in 2019.

Increases in the capacity of the storage facility not only provide flexibility to SOCAR Turkey in its production and general operation processes, but also facilitate access to wider regions within the country and help protect margins. The SOCAR Depolama facility, integrated with pipelines to STAR Rafineri, which became operational in 2018, allows the refinery to increase its operational flexibility and efficiency thanks to its high capacity.

Fuel product storage capacity	**532,000 m^3**
LPG storage capacity	**45,000 m^3**
Partnership structure	**100% SOCAR Turkey Enerji A.Ş.**

PETKİM RES

A key project in the field of renewable energy

Petkim Wind Power Plant (WPP), a project realized by SOCAR Turkey in the field of renewable energy, has a mechanical power of 51 megawatts. With an investment cost of EUR 55 million, the project plays an important role in meeting Petkim's energy demand, depending on Turkey's general energy system.

The Petkim WPP project was launched in 2014 in order to increase Petkim's energy security, reduce energy costs in production and meet some of the electricity needs arising during production from environmentally friendly renewable energy resources. As of the end of 2017, all 17 turbines had been installed at the Petkim WPP, which is located on the Petkim peninsula in İzmir Aliağa.

With its contribution to the growth of Turkey's renewable energy capacity and the reduction of carbon emissions after its commissioning, the Petkim WPP increased Petkim's electricity generation capacity by 22%.

Investment amount	**EUR 55 million**
Total mechanical power	**51 MW**
Annual electrical energy targeted to be produced	**200 GWh**
Number of turbines	**17**


SOCAR

REAL ESTATE INVESTMENTS

On behalf of all SOCAR Turkey group companies, SCR Consultancy and Construction A.Ş. carries out the design, comprehensive renovation and construction processes of the administrative structures, as well as the construction and control work, the management processes of all properties, the licensing processes of the infrastructure and superstructure projects built in the 1,453 hectare "SOCAR Turkey Enerji A.Ş. Special Industrial Zone" located in Aliağa, which was announced as Turkey's first private industrial zone with the Presidential Decree dated October 19, 2018 and numbered 190.

The construction of Vadistanbul SOCAR Plaza, which has an area of approximately 24,000 m^2, the SOCAR Turkey Aliağa Management Building with an area of 30,000 m^2, and offices with a total area of 11,200 m^2 in Ankara Koç Towers, which are owned by SCR, were completed and put into service in 2018.

In 2020, the construction of the SOCAR Information Document Management Center project within the borders of the Aliağa Special Industrial Zone, where SOCAR Turkey's investments are located, and the high-security wire fence over the wall on the routes determined within the scope of the security project were completed. In addition, the planning and design processes of the new cafeteria building, R&D and Training Center and Logistics Center projects were also finalized. Demolition work was were carried out of the old general directorate, infirmary, communications and purchasing buildings in the area where the new cafeteria building and R&D and Training Center projects will be built.

Construction work on the SOCAR Information Document Management Center was completed in 2020. With a construction area of 2,150 m^2, the Center is planned to gather all resources carrying information from industrial facility projects belonging to SOCAR Turkey investments to petrochemical and refinery operations, corporate documents, media archives, database management and electronic resources under a single roof.

The new cafeteria building, with a construction area of 6,745 m^2 for the use of blue-collar workers is designed with a capacity to serve 1,016 people at the same time to modern standards. The building is aimed to be completed and put into use in 2021.

Following studies conducted in the Aliağa Region which determined a lack of high-standard business hotels, the decision was taken to build a hotel with 3 blocks and a total of 184 rooms on land completely owned by SCR, with the project to be completed by an investor firm. The investor firm undertook the necessary agreements for the hotel to serve under the umbrella of the world-famous Radisson brand. Construction work of on the hotel is planned to be completed with the hotel opening its doors in the first quarter of 2021.


SOCAR
AR-GE

R&D AND INNOVATION INVESTMENTS

SOCAR TURKEY R&D and Innovation A.Ş, which was established in December 2019 in order to convey the 51 years of experience gained by the R&D center, established in the Petkim Yarımca facilities in 1969 and which continued its activities in Aliağa after the facility was moved there, to all group companies of SOCAR Turkey, was found to meet the conditions for the R&D Center certificate awarded by the Ministry of Industry and Technology in June 2020.

The founding purpose of SOCAR R&D and Innovation A.Ş. is in line with SOCAR Turkey's vision of being an integrated energy company which adds value to all stakeholders with economic and social responsibility, develops products, catalysts and digital technologies which are innovative, sustainable, environmentally friendly and market-oriented for all stakeholders in the value chain and increases the efficiency of the production processes. Its fields of activity include catalyst research, green chemistry, sustainable, clean and efficient energy, value-added products, developing new application areas, product improvement and new product development, digital transformation and environmental solutions.

The SOCAR R&D Center, located on the campus of the Aliağa Refinery and Petrochemical Business Unit, consists of 6 laboratories (Rheology, Catalyst, Polymer Characterization, Environment and Biotechnology, Chemical Analysis and Chromatography), a 400 m^2 pilot facility (polymer processing, polymerization, chemical process operations, and catalyst test systems) and offices.

With the open innovation studies carried out by the SOCAR R&D Center in conjunction with many national/international universities within the scope of developing collaboration between industry and academia, university students are provided with the opportunity to apply research results and work in projects.

Aware of the environmental responsibility of all of our group companies operating in the energy, refining and petrochemical chain, the SOCAR R&D Center aims to take part in R&D and innovation projects within the scope of the Horizon 2020 - European Green Deal Call, which aims to achieve the European Union's transition to a carbon-free economy by 2050. Currently, SOCAR R&D is running two European Union projects in the Horizon 2020 - Carbon Capture - Storage and Use (CCSU) field.

Installed Area	**1,200 m^2**
Number of Researchers	**24**
Patent	**15**
Partnership structure	**100% SOCAR TURKEY Enerji A.Ş.**

KEY OPERATIONAL AND OPERATIONAL HIGHLIGHTS

Two-Year Key Indicators (TL thousand)	2019	2020
Total Assets	16,702,137	19,983,439
Net Sales	11,672,220	12,134,076
Net Profit	935,685	1,071,196
Exports (USD million)	823	574
Issued Capital	2,112,000	2,534,400
Number of Employees (year-end)	2,547	2,379

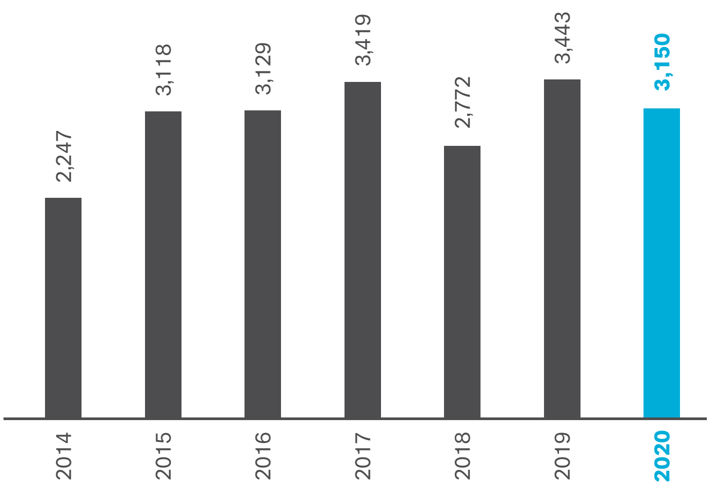
Summary Balance Sheet (TL thousand)	2019	2020
Current Assets	9,546,647	11,859,736
Non-Current Assets	7,155,490	8,123,703
Total Assets	16,702,137	19,983,439
Short-term Liabilities	5,128,553	5,934,180
Long-term Liabilities	5,011,368	6,490,634
Shareholders' Equity	6,562,216	7,558,625
Total Equity and Liabilities	16,702,137	19,983,439

Summary Income Statement (TL thousand)	2019	2020
Net Sales	11,672,220	12,134,076
Gross Profit	1,601,137	1,882,790
Operating Profit	1,434,501	1,694,126
EBITDA	1,588,905	1,916,393
Net Profit for the Year	935,685	1,071,196

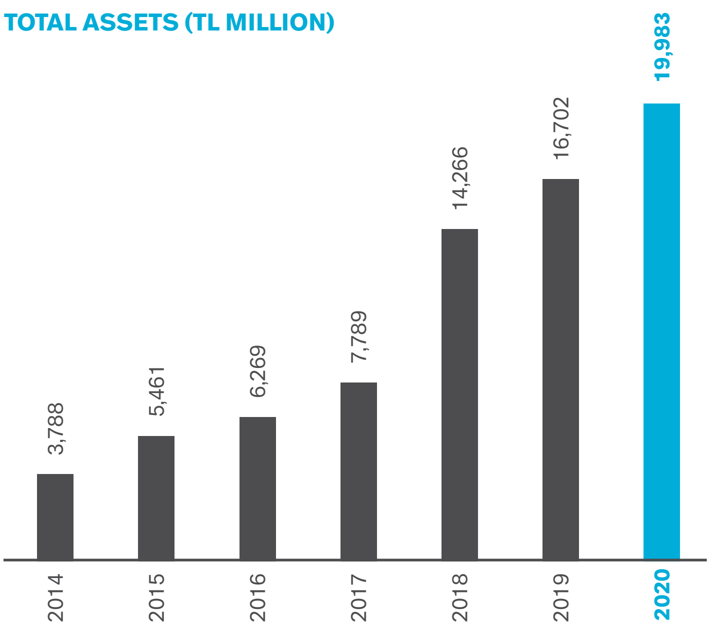
Key Ratios	2019	2020
Current Ratio	1.86x	2.00x
Liquidity Ratio	1.09x	1.22x
Financial Leverage Ratio	0.61x	0.62x
Debt Ratio (Total Debt/Equity)	1.55x	1.64x
Gross Profit Margin (%)	13.70%	15.50%
Operating Profit Margin (%)	12.30%	14.00%
EBITDA Margin (%)	13.60%	15.80%
Net Profit Margin (%)	8.00%	8.80%

Petkim recorded TL 1,916 million in earnings before interest, depreciation and tax (EBITDA) in 2020, marking an increase of 21% compared to the previous year, and a net profit of TL 1,071 million, with an increase of 14%.

GROSS PRODUCTION (THOUSAND TONS)



TOTAL ASSETS (TL MILLION)



19,983,439

In 2020, total assets amounted to TL 19,983,439 thousand.

19.6%

In 2020, total assets grew by 19.6%.

1,071,196

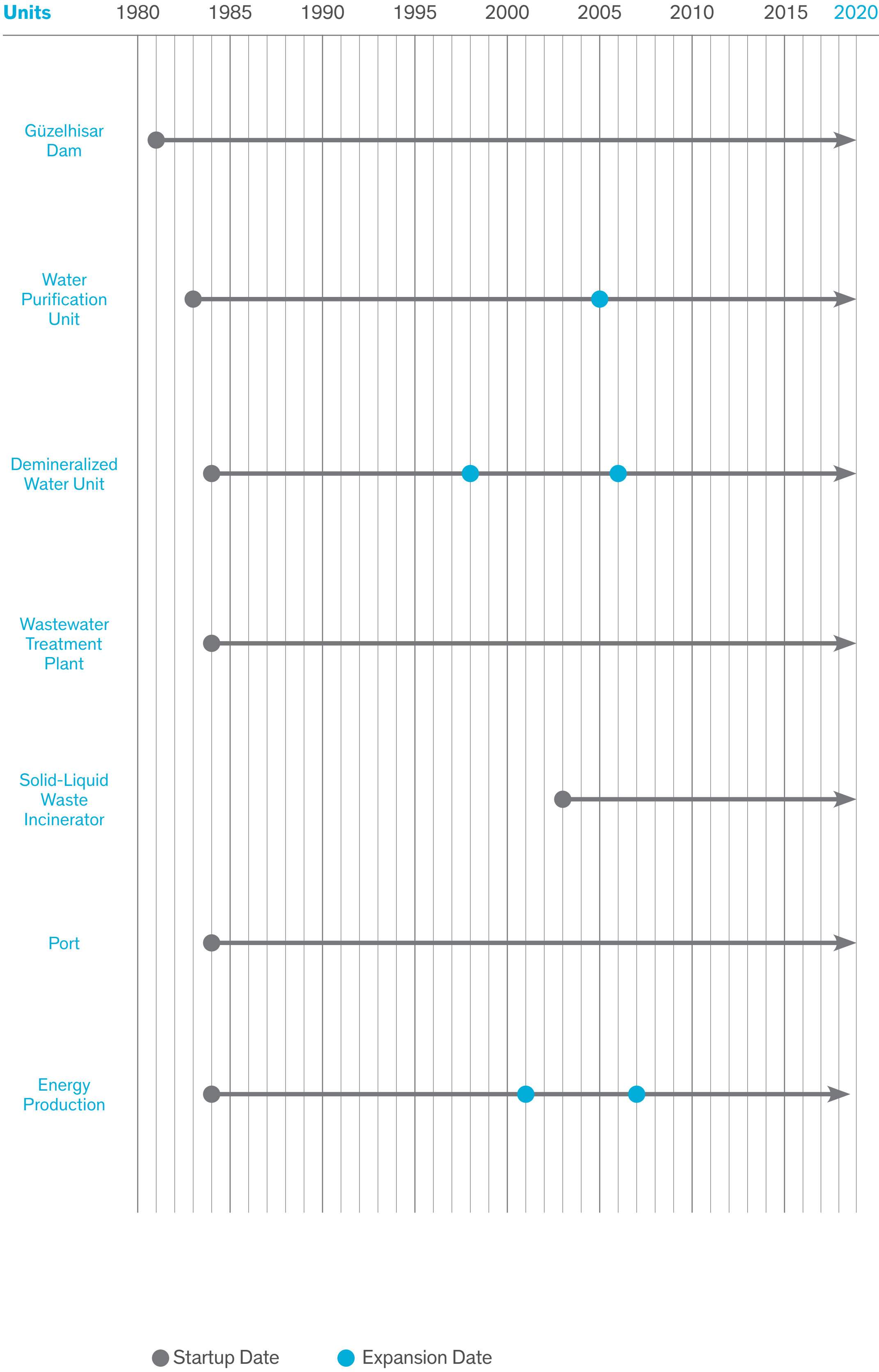
In 2020, net profit was recorded as TL 1,071,196 thousand.

3.15

The total production amount in 2020 was 3.15 million tons.

Petkim Plants

Auxiliary Processing Units



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 Waste Incinerator

Capacity: 2.26 tons/h
0.85 tons/h Solid Waste
1.07 tons/h Treatment Sludge
0.34 tons/h Waste Oil

Port

Handling Amount: 2.7 million tons

Energy Production

Steam Production Unit
Capacity: 1,200 tons/h XHS
Electricity Production-Distribution
Installed Capacity: 273 MW
Capacity Increases: 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 m^2 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 Rafineri 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 reduction of 140,000 tons/year in CO_2 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 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 power capacity of 51 MW (17x3MW) was completed in 2017 and started production with a 25 MW electricity generation license.
- 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 STAR Rafineri.
- 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 opening ceremony of STAR Rafineri and SOCAR Turkey Aliağa Administration Building was held with the attendance of the Presidents of both 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 Turkish Sports Federation for the Physically Disabled Boccia National Team, was signed.
- The second phase of SOCAR Terminal became operational.

2019

- STAR Rafineri 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 Rafineri, SOCAR Depolama and SOCAR 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 "Değer Benim".

2020

- 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.
- Petkim received 3rd prize in category 3 (50,000 TEP and above) at the 20th Industrial Energy Efficiency Project Competition.
- Petkim was the company to undertake the highest investment expenditures on R&D in the field of Chemicals and Products.
- In order to increase the reliability of STAR Rafineri, electricity supplies for the Utility and Hydrogen Production Units, which are of critical importance, started to be supplied by Petkim in February 2020.
- Petkim WPP's electricity generation license, which was originally for a capacity of 25 MW, was revised to 38 MW on August 13, 2020.
- The benefit obtained from Petkim's integration efforts reached USD 30 million.
- Within the scope of Değer Benim Program, which completed its 4th year, additional value was created with 31 new projects in 2020.
- The Agile business methodology, which was initiated as a pilot in four factories in 2019, was successfully continued in 2020, resulting in a significant increase in HSE and production performance.
- Within the scope of the second wave of Lean Six Sigma studies at Petkim, 12 Green Belt training programs were successfully completed.
- Petkim was awarded the TSE COVID-19 Safe Production Certificate by providing a safer working environment during the pandemic period.
- Under the negative and limited working conditions brought about by the pandemic, Petkim maintained its production without interruption and contributed to the production of sanitary wares and PPE.

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 October 1, 2020 is listed below.

Name	Position
Anar Mammadov	President
Rıza Bozoklar	Vice President (Supply Chain and Procurement)
Haluk Urul	Vice President (Production)
Ergun Binboğa	Vice President (Technical Services)
Kanan Mirzayev	Vice President (Business Excellence)
Elchin Ibadov	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)

A new organizational structure was established in order to maximize the synergies to be created in the refinery and petrochemical fields by integrating one of our group companies, STAR Rafineri A.Ş., which is located on the Aliağa Peninsula where Petkim carries out its activities and provides raw materials to our company, and with which we signed a share transfer agreement with an indirect stake of 18%, with our group companies SOCAR Turkey Fuel Storage A.Ş., which is also located on the Aliağa Peninsula, and SOCAR Turkey Petrol Ticaret A.Ş.

In this context, the Refinery and Petrochemical Business Unit was established within SOCAR Turkey. This organizational change has been carried out by keeping the legal entity of our Company, Petkim Petrokimya Holding A.Ş., in its current form and in full compliance with the legislation and regulations to which it is subject.

The Financial affairs, sales, purchasing, human resources, business excellence, asset management, IT, occupational health and safety and environmental functions carried out at the level of assistant general manager in our company started to be managed by the Refinery and Petrochemical Business Unit. Under this structure, the legal, corporate communication, public relations and corporate services functions of Petkim and other group companies will be performed by SOCAR Turkey Enerji A.Ş., which is the indirect main shareholder of our group.

With effect from October 1, 2020, the positions of Vice President of IT and Digitalization and the Vice President of Asset Management of the Refinery and Petrochemical Business Unit were discontinued and these duties were restructured under other Vice Presidency and related units within the scope of joint services. With effect from October 1, 2020, the senior management of the Refinery and Petrochemical Business Unit consists of one President, seven Vice Presidents and two Directors in its new structure.

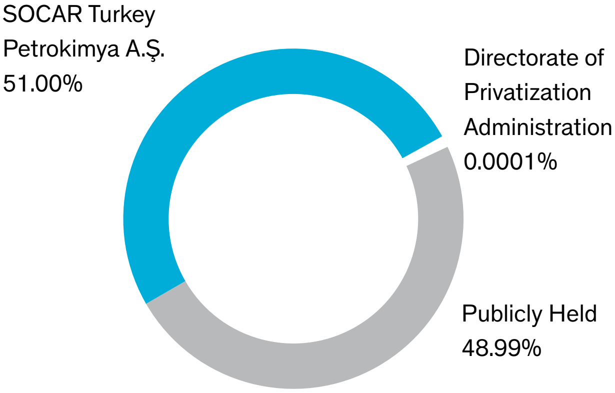
Name	Position
Anar Mammadov	President
Elchin Ibadov	Vice President (Financial Affairs)
Haluk Urul	Vice President (Production)
Ergün Binboğa	Vice President (Technical Services)
Agshin Salimov	Vice President (Trading)
Levent Kocagül	Vice President (Human Resources)
İbrahim Kadıoğlu	Vice President (Business Excellence)
Matin Khalilli	Vice President (Supply Chain and Procurement)
Seral Erkut	Director (Occupational Health, Safety and Environment)
Khalig Mustafayev	Group Director (Aliağa Corporate Services)

CAPITAL AND SHAREHOLDING STRUCTURE

Natural and legal persons directly holding share or voting rights in the capital:

Shareholder	Paid-in Capital (TL)	%
SOCAR Turkey Petrokimya A.Ş.	1,292,544,000.00	51.00
Directorate of Privatization Administration	0.01	0.0001
Traded on BIST (Publicly Held)	1,241,855,999.99	49.00
Total	2,534,400,000.00	**100.00**

In 2020, the Company's issued capital was increased from TL 2,112,000,000 to TL 2,534,400,000 to be fully covered by last year's profit.



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

SOCAR Turkey Petrokimya A.Ş.
representative
Rövnag Abdullayev*
Chairman of the Board of Directors

Rövnag Abdullayev graduated from the Infrastructure and Civil Engineering Institute in the Moscow State University of Civil Engineering.

Abdullayev, who started his career in 1989, worked as an engineer, department chief and then as a senior engineer in the "Oil Rocks" and "28 May" Oil and Gas Production Departments and the Caspian Sea Oil Gas Construction Trust. Abdullayev, who became the director of the Trust in 1997, was appointed as the director of the Baku Oil Refinery, named after Heydar Aliyev in 2003. Serving as SOCAR's President since 2005, Rövnag Abdullayev has been serving as the Chairman of the Board of Directors of SOCAR Turkey Enerji A.Ş., Petkim Petrokimya Holding A.Ş. and STAR Rafineri A.Ş., and having assumed the Presidency of the Neftçi Football Club between 2004-2008, Abdullayev has also served as the President of the Association of Football Federations of Azerbaijan (AFFA) since 2008 and the President of the Azerbaijan Judo Federation since 2015. Abdullayev, a member of the New Azerbaijan Party, was elected as a member of the National Assembly in the third, fourth and fifth terms. Abdullayev, who is also a member of the National Assembly Commission on Natural Resources, Energy and the Environment, a member of the working groups on relations with the British, Georgian and Russian parliaments and the head of the Azerbaijan-Norway inter-parliamentary working group, was honored with the "Glory Medal" in a decision taken by the President of the Republic of Azerbaijan in 2015.

* Chairman of the Board of Directors SOCAR Turkey Petrokimya A. Ş. representative Mr. Vagif Aliyev resigned from this post on 23 December 2020. As the representative of the legal entity Board of Directors, Mr. Rövnag Abdullayev was appointed.

SOCAR Turkey Enerji A.Ş.
representative
Vagif Aliyev*
Vice Chairman of the Board of Directors

Vagif Aliyev graduated from Azerbaijan Civil Engineering Institute Hydraulic Engineering Department.

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. In 2005, he was appointed as the Head of Investments at the 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. Since October 2009, he has served as the Chairman of the Board of Directors at Petkim Petrokimya Holding A.Ş., and between 2013 and 2020 as Chairman of the Board of Directors at SOCAR Turkey Enerji A.Ş., Petkim Petrokimya Holding A.Ş., and STAR Rafineri A.Ş. Mr. Aliyev has been serving as the Deputy Chairman of SOCAR Turkey Enerji A.Ş, Petkim Petrokimya Holding A.Ş. and STAR Rafineri A.Ş. since 2020. Aliyev is also a member of the Audit Committee and Risk Committee under the SOCAR Turkey Enerji A.Ş. Board of Directors.

* Chairman of the Board of Directors SOCAR Turkey Petrokimya A.Ş. representative Mr. Vagif Aliyev resigned from this duty on 23 December 2020 and SOCAR Turkey Enerji A.Ş. representative Mr. Farruh Gasimov was appointed as the representative of the legal entity.

SOCAR Turkey Enerji A.Ş. previous
representative
Farruh Gasimov*
Board Member

Born in 1959, Farruh 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 1991, he served as a Lecturer, Associate Professor 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. Farruh Gasimov is also the Chairman of the Early Detection of Risk Committee and a member of the Corporate Governance and Sustainability Committee under the SOCAR Turkey Enerji A.Ş. Board of Directors.

* SOCAR Turkey Enerji A.Ş. representative, Mr. Farruh Gasimov resigned from this post on 23 December 2020. As the representative of the legal entity Board of Directors, Mr. Vagif Aliyev has been appointed.

David Mammadov
Vice Chairman of the Board of Directors

David Mammadov graduated from the M. Azizbeyov Petroleum and Chemistry Institute, Faculty of Chemical Technology of Petroleum and Gas, Azerbaijan, with a Chemical Engineering degree. He began his career in 1976 as an Operator at the Baku Oil Refinery and held various positions in the company. Mammadov has been SOCAR's Vice President responsible for Refineries since 2005. He has been a Member 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.

Prof. Dr. Süleyman Gasimov
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.

Osman Dinçbaş
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.

İlhami Özşahin
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.

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.

*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.

Neslihan 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, Vakıfbank AG and Aktaş Holding. She is also a member of the Advisory Board at the Middle East Institute, based in Washington, DC. 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.

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.

15 February 2019
Name/Surname: Mehmet BOSTAN

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 Rövnag Abdullayev)	Chairman	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Chairman, Refinery
David Mammadov	Vice Chairman	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Vice President, Refinery
SOCAR Turkey Enerji A.Ş. (Representative Vagif Aliyev)	Vice Chairman	Non-executive	In-group/State Oil Company of Azerbaijan Republic, Head of Capital Management
Süleyman Gasimov	Chairman	Non-executive	In-group/SOCAR Vice President, Economy
Osman Dinçbaş	Member	Independent	-
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

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 2020 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	-
Vagif Aliyev	Committee Member	Vice Chairman of the Board of Directors	-	Member of the Corporate Governance Committee
Süleyman Gasimov	Committee Member	Member of Board of Directors (Non-Executive)	-	-

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 2020 the Committee for Early Detection of Risk submitted six reports to the Board of Directors.

CORPORATE GOVERNANCE COMMITTEE

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	Member of the Audit Committee
Vagif Aliyev	Committee Member	Vice Chairman of the Board of Directors	-	Member of the Committee for Early Detection of Risk
Neslihan Tonbul	Committee Member	Member of Board of Directors (Non-Executive)	-	-
Emre Can Yüceoğlu	Committee Member	Manager of Investor Relations	-	-

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

Made up of four members, 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 2020 the Corporate Governance Committee convened three times and submitted three 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 2020 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 October 2020)

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.

Riza 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 acted as Vice President of Supply Chain and Logistics in SOCAR Turkey Refinery and Petrochemistry Business Unit between November 2019 and October 2020. 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 Binboğa
Vice President
(Refinery Production Unit)

Born in Ankara in 1964, Ergun Binboğa graduated from the Department of Chemical Engineering at the Middle East Technical University in 1988. He then graduated from the Honeywell UOP-Chicago Design Engineering Program in 2005, Harvard University Disruptive Strategies in 2016 and with an Economics MBA Program at İzmir University in January 2021. He started his career at Tüpraş İzmir Refinery in 1989. Between 1989 and 2009, he worked as a Technical Services and R&D Manager, Refinery Operations Planning and Sales Manager, and Production Manager at Tüpraş İzmir Refinery. In the same period, he undertook the responsibility of KBC operational enhancement between 2002-2004 and the Izmir Refinery of Shell Global Solutions Operational Excellence, Hydrocarbon and energy programs between 2006-2009. As of 2015, he continued his career as the Process and Equipment Development Manager at the Tüpraş Head Office and finally as the Production Group Manager at the Tüpraş İzmit Refinery. In 2017, he served as the Operations Director responsible for the commissioning and operations of STAR Rafineri and then as the Assistant General Manager. He was appointed as the Vice President of STAR Rafineri Production Unit in November 2019 and as the Vice President of Technical Services in April 2020. As of October 2020, in addition to his current responsibilities, he has been serving as the vice president of Technical Services, responsible for the Project, Planned Maintenance and Operations Technologies groups. Fluent in English, Ergun Binboğa is married and has a child.

Kanan Mirzayev
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. Mr. Mirzayev completed the Leadership Development program at the Harvard Business School between 2019 and 2020. Between 2004 and 2011, he took on different duties in the fields of Business Administration, OHS and Quality in various international projects and SOCAR companies. In 2011-2012 he worked as an HSE Supervisor in the Baku Wind Energy Project, a Business Analyst in the Investment Department of SOCAR between October 2013 and June 2014, and as a Senior Business Analyst and Deputy CEO at SOCAR Energy Greece between June 2014 and October 2016. He served as Assistant General Manager of Strategy and Business Development at Petkim between October 2016 and November 2019, and as the Business Excellence Vice President in the Refinery and Petrochemical Business Unit between November 2019 and September 2020. He was appointed as the Head of Strategy at SOCAR Turkey in October 2020. Fluent in English, Russian and Greek, Kanan Mirzayev is married and has two children.

Elchin Ibadov
Vice President
(Finance)

Born in Azerbaijan in 1978, Elchin Ibadov, 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 Ibadov acted as Chief Financial Officer (CFO) at STAR Rafineri, and appointed to the Finance Director and 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. Ibadov 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. Mr. Kocagül, who was elected as a member of the Board of Directors of the Turkish Confederation of Employer Associations (TİSK) in December 2019, has also been a member of the TİSK Executive Board and a member of the TED Aliağa College Board of Directors since 2016. Levent Kocagül, who lives in Izmir, is married with two children and is fluent in English.

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. Currently he is a Member of the Executive Committee.

Rıza 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 Rafineri A.Ş. in 2017. He acted as the Vice President for Asset Management at Petkim between November 2019 and October 2020. 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 acted as the Vice President for Information Technologies and Digitalization at Refinery and Petrochemistry Business Unit in between November 2019 and October 2020. Married with two children, Mr. Abdullayev is fluent in English, Russian and Turkish. 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 acted as the Vice President for Information Technologies and Digitalization at Refinery and Petrochemistry Business Unit in between November 2019 and October 2020. Married with two children, Mr. Abdullayev is fluent in English, Russian and Turkish.

EXECUTIVE MANAGEMENT

(after 1 October 2020)

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.

Elchin Ibadov
Finance Vice President

Born in Azerbaijan in 1978, Elchin Ibadov, 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 Ibadov acted as Chief Financial Officer (CFO) at STAR Rafineri, and appointed to the Finance Director and 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. Ibadov is fluent in English, Azerbaijani, Russian and Turkish.

Haluk Urul
Operations Vice President

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 Binboğa
Technical Services Vice President

Born in Ankara in 1964, Ergun Binboğa graduated from the Department of Chemical Engineering at the Middle East Technical University in 1988. He then graduated from the Honeywell UOP-Chicago Design Engineering Program in 2005, Harvard University Disruptive Strategies in 2016 and with an Economics MBA Program at İzmir University in January 2021. He started his career at Tüpraş İzmir Refinery in 1989. Between 1989 and 2009, he worked as a Technical Services and R&D Manager, Refinery Operations Planning and Sales Manager, and Production Manager at Tüpraş İzmir Refinery. In the same period, he undertook the responsibility of KBC operational enhancement between 2002-2004 and the Izmir Refinery of Shell Global Solutions Operational Excellence, Hydrocarbon and energy programs between 2006-2009. As of 2015, he continued his career as the Process and Equipment Development Manager at the Tüpraş Head Office and finally as the Production Group Manager at the Tüpraş İzmit Refinery. In 2017, he served as the Operations Director responsible for the commissioning and operations of STAR Rafineri and then as the Assistant General Manager. He was appointed as the Vice President of STAR Rafineri Production Unit in November 2019 and as the Vice President of Technical Services in April 2020. As of October 2020, in addition to his current responsibilities, he has been serving as the vice president of Technical Services, responsible for the Project, Planned Maintenance and Operations Technologies groups. Fluent in English, Ergun Binboğa is married and has a child.

Agshin Salimov
Trade Vice President

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 was 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. As of July 1, 2020, he was appointed as Vice President of Trade in Refinery and Petrochemical Business Unit. Salimov is married and is fluent English and Russian.

Levent Kocagül
Human Resources Vice President

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. Mr. Kocagül, who was elected as a member of the Board of Directors of the Turkish Confederation of Employer Associations (TİSK) in December 2019, has also been a member of the TİSK Executive Board and a member of the TED Aliağa College Board of Directors since 2016. Levent Kocagül, who lives in Izmir, is married with two children and is fluent in English.

İbrahim Kadıoğlu
Business Excellence Vice President

Born in Sivas, Turkey in 1981, İbrahim Kadıoğlu graduated from the Middle East Technical University, Department of Food Engineering, while simultaneously completing his minor in Biological Sciences and a 1-year intensive Enterprise program at the same university. Having completed a Master's degree in Finance at Koç University, Kadıoğlu worked as an internal and external management consultant in many international companies such as IBM, Danone, Türk Telekom and PPC in Australia, France and Turkey. Mr. Kadıoğlu, who started to work as the Corporate Transformation Coordinator in Petkim in February 2013, was appointed as the Vice President of Business Excellence in the Refinery and Petrochemical Business Unit of SOCAR Turkey after serving as a System and Process Development Coordinator, Business Optimization and Business Intelligence Coordinator and then as a Digitalization Leader. Mr. Kadıoğlu is married with one child and is fluent in English.

Matin Khalilli
Procurement and Supply Chain Vice President

Matin Khalilli was born in Baku in 1981. After graduating from the Department of International Law at Baku State University, in 2002, Khalilli completed a Master's degree at the same university in 2007. He prepared his Master's thesis on the International Legal Status of Special Economic Zones. In the first years of his career, he worked as a specialist and manager in the Azerbaijan Regional Investment Project, which the World Bank carried out jointly with the State of Azerbaijan. In 2008, he won the Edmund Muskie scholarship program carried out by the US Department of State and continued his education at Kennesaw State University, pursuing a full-time MBA. In his MBA training, he focused on Process Improvement in Supply Chains and Operations. He worked on Project Management by giving lectures on Operations and Supply Chain Management at universities. After his consultancy and teaching experience in the private sector, he won the internationally recognized PMP® certificate in the Project Management discipline and founded the Baku Project Management School. Having worked in international companies providing Trade and Procurement Services in the Refinery and Petrochemical sector from 2013, Mr. Khalilli joined the SOCAR Turkey family as Trade Control Manager in 2016. After working as STAR Rafineri Supply Chain Director between 2017 and 2019 and as the SOCAR Turkey Procurement and Supply Chain Group Director between 2019 and 2020, Matin Khalilli has been working as the Vice President of Procurement and Supply Chain at SOCAR Turkey Refinery and Petrochemical Business Unit since November 2020. He successfully completed the training modules on Strategic Procurement and Supply Chain of the Chartered Institute of Procurement & Supply Chain, based in the UK. Mr. Khalilli is married with two children. He is fluent in English, Azerbaijani, Russian and Turkish.

Seral Erkut
Occupational Health, Safety and Environment Director

Born in Turkey in 1978, Seral Erkut started to work in the Operations department at the ATAŞ Refinery in 2002, after graduating from the Department of Physics Engineering at Ankara University. Erkut, who contributed significantly to the success of the ATAŞ Refinery over a 10 year period with 10 million man-hours of working time without any loss of work time, worked in the "Health, Safety, Environment, Security and Quality" department between 2006 and 2017 after the terminal conversion project by ending the refinery activities. Seral Erkut assumed the duties of "Occupational Health, Safety and Environment Manager" at the SOCAR Depolama company between 2017 and 2019 and "Occupational Health, Safety and Environment Group Coordinator" at SOCAR Turkey between 2019 and 2020. As of October 2020, Mr. Erkut has been working as the "Occupational Health, Safety and Environment Director" in the Refinery and Petrochemical Business Unit. Attaching importance to continuous training and personal development, Mr. Erkut holds A-class Occupational Safety Specialist, and Environmental Officer certificates, and has successfully completed a number of training and certification programs, including in Integrated Management Systems, Crisis and Business Continuity Management and Root Cause Analysis. Erkut, who is married with two children, is fluent in English and Turkish.

Khalig Mustafayev
Aliağa Corporate Services Group Director

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 was 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 28 years of experience, Khalig Mustafayev speaks English and is fluent in Russian. He is married and has two children.

KEY MARKET DEVELOPMENTS IN 2020

A global economy and energy sector marked by the COVID-19 pandemic

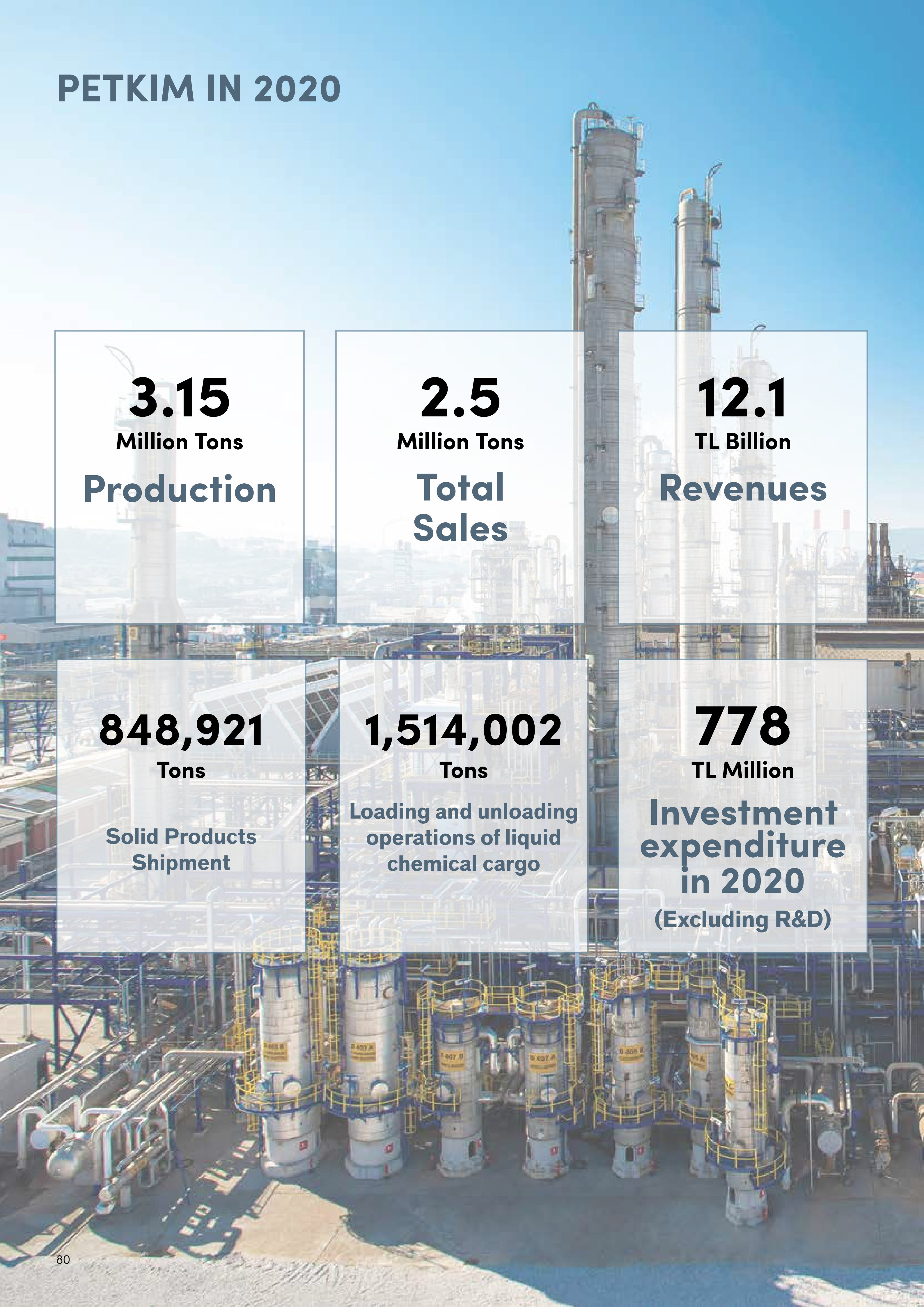
The world economy and petrochemical industry entered 2020 with hope, but as the COVID-19 virus started to spread around the world in February, this hope gave way to worry. The virus spread very rapidly at a global level from March, affecting almost all parts of the world. Almost all countries were forced to close their borders to prevent the spread of the pandemic. On a global level, severe restrictions were placed on economic activity and social life. In April 2020, which marked the peak of the first wave of the pandemic, the world economy was almost shut down and the global supply chain was broken. From the second half of May 2020, economies started to open up in a controlled manner. However, as the industrial sector was caught unprepared and out of stock, it was not until the third quarter that the wheels of production started to turn again. Industrial production, which started to recover in the third quarter, was interrupted by concerns of second and third waves of the virus. With optimism over vaccines taking hold in the fourth quarter, the global industrial index started to approach its pre-pandemic levels. Having bottomed out in April in 2020, global industrial production started to bounce back from June, exhibiting a "V" typed recovery. These developments at a global level were also reflected in the global petrochemical industry.

The pandemic has deeply affected the petrochemical industry

At the end of the first quarter, the petrochemical sector began to be deeply affected by the free fall in oil prices which accompanied the pandemic, as well as the disruptions to production and the contraction in international trade and demand. As the pandemic reached its peak in the second quarter of the year, WTI prices in the futures markets fell below USD -40 / barrel on April 21, with Brent oil at USD 10 / barrel. In the second half of May, oil prices clambered up from their bottom in parallel with the opening up of the economies as normalization steps were taken. Despite the free fall in input prices in the second quarter, polymer prices in particular did not decline at the same rate as input prices. This paved the way for a significant widening in naphtha polymer spreads. Product prices in the Aromatics chain, which is sensitive to oil prices, remained low. In the third quarter, with the effect of the pandemic, many petrochemical plants around the world experienced planned and unplanned maintenance shutdowns. In addition to the planned and unplanned maintenance shutdowns in the industry, many refineries and petrochemical plants stopped working and ports became inoperable due to hurricane damage in the USA, causing a supply shock. Production issues in the petrochemical sector, the recovery in the global economy and the increase in demand for petrochemical products, especially PPE including face masks, supported prices. Delays at the ports and the container crisis in the fourth quarter caused significant disruption to the global supply chain and increase freight prices 5-6 fold increase. In this period, the significant progress achieved in the global fight against the pandemic, especially in the vaccination program, led to a renewed increase in hope.

Petkim maintains uninterrupted production thanks to its integrated structure

During the pandemic, many businesses were forced to halt production when the raw material supply chain was broken, or due to a lack of demand. Petkim, Turkey's only integrated domestic petrochemical producer, maintained its production without interruption by taking all necessary precautions right from day one of the pandemic. Thanks to its integrated structure with STAR Rafineri, Petkim provided an uninterrupted supply of raw material and seamlessly met the demand for the raw materials for masks, medical supplies and cleaning products, which were of critical importance in this period.



PETKIM IN 2020

3.15
Million Tons
Production

2.5
Million Tons
Total Sales

12.1
TL Billion
Revenues

848,921
Tons
Solid Products Shipment

1,514,002
Tons
Loading and unloading operations of liquid chemical cargo

778
TL Million
Investment expenditure in 2020
(Excluding R&D)

2,379
people
Petkim's human resources

3
USD Million
"Değer Benim" optimization studies

WORLD ECONOMIC FORUM

Petkim joined the Global Lighthouse Network

BIST
SÜRDÜRÜLEBİLİRLİK ENDEKSİ ŞİRKETİ

7th year in BIST Sustainability Index


404
05
T - 401
METHANOL

PRODUCTION

Operational activities continued throughout the year in line with the program objectives. Within the scope of the authorization studies (HARM), which started in June at all Petkim factories, a value close to 95% was reached in the hot works, closed container operations and lifting activities at height as of the end of the year. Dissemination and success were also important considerations in the cold works.

Petkim factories have changed their working order with the effect of the pandemic which started to be felt at the beginning of 2020 and in accordance with the latest regulation, as of November 13 they were continuing their activities with a daily working time of 12 hours per day and a working period of seven days. In this way, the isolation requirements brought by COVID-19 measures are met, and the production of PPE and the raw materials for protective masks continues without interruption.

Work on the control, functions and maintenance of ESD systems in Petkim factories, as well as the updating of the Standard Operating Procedures, got underway in 2020. The work has already been completed in the LDPE, LDPE-T and Ethylene plants and continues in the other plants.

In addition, the HAZID study covering all factories throughout Petkim was completed with the Akutech and the Process Safety group. Actions began to be taken for urgent and priority issues which arose, and teams and terminals were identified. In addition, the HAZOP work, which initially focused on the ethylene plant, will be rolled out in other factories.

A compliance field audit, carried out by Petkim's insurance broker, Marsh, took place between November 30 and December 3 and yielded approximately 9 findings process was closed.

The findings determined in the internal audit conducted for Petkim's factories in 2020 were resolved as a result of the actions taken and the evidence obtained.

Within the scope of OHS-E, work on creating living spaces in the Chlorine Alkali, VCM, PTA and Ethylene factories got underway. The completion and renewal of incomplete OHS warning signs in all factories was largely carried out. In addition, the use of Google type sealed glasses was mandatory in the chlorine, VCM, PTA, ACN factories on a continuous basis, and in the ethylene and other factories during maintenance, start up, shut down and sampling activities.

A shift supervisor team was formed for Petkim factories and appointed at the chief engineer level. The team, which was formed with the aim of resolving and coordinating problems faced in the factories in administrative and technical matters outside of normal working hours, covers the tasks of organizing the maintenance requests opened by the production workers, measuring the quality and prioritizing the requests.

Improvement activities at the facilities continue without interruption

As a result of the energy efficiency projects carried out, Petkim was awarded 3rd prize in category 3 (50,000 TEP and above) of the 20th Industrial Energy Efficiency Project Competition.

Petkim Wind Power's license capacity was increased from 25 MW to 38 MW. Improvements and operational changes resulted in an improvement in electricity cost and sales revenue.

The operation of the HS line installed between the Petkim Power Plant and STAR Rafineri ensured the HS steam flow was ensured, preventing many shutdowns in the refinery. In addition, a cable line was laid and commissioned for the Refinery Hydrogen Unit and Utility Unit to supply electricity from the Petkim Power Plant.

Auxiliary Facilities

Energy savings of around 23% were achieved in the cooling water towers connected to the Water Production (Water Pre-Treatment, Demineralized Water, Cooling Water) unit, with a 1°C decrease in the temperature of the coolant water thanks to changes in the type and angle of the fan blades. 20 of the 21 pools in the waste water section of the Waste Treatment and Disposal Unit were cleaned through industrial cleaning, and their faulty mechanical equipment (decanter, scrapers, pumps) were repaired and brought into operation. Since the waste incinerator was established in 2002 for the first time, a comprehensive Turnaround (TA) application was applied, and extensive maintenance was carried out in many parts of the unit. With the Water Production, Waste Treatment and Disposal Units serving within the auxiliary facilities, the utility needs of the factories were met and the continuity of production in the Complex was ensured. 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.

Waste water recovery project feasibility studies were initiated in order to reduce dependence on a single source for the production of process water or demineralized water by using treatment effluent, easing the risk of drought which is growing as a global threat and a problem which may be encountered in Turkey in the upcoming period, and also increasing the useful life of the Güzelhisar dam.

With the integration realized within the scope of the peninsula, the Auxiliary Businesses were structured to cover the entire peninsula administratively.

Work was carried out with the aim of reducing the use of natural resources, especially the consumption fire water, and a reduction in consumption was achieved. Work to reduce the consumption of fire water and natural resources will continue to be carried out in 2021.

SUPPLY CHAIN AND PURCHASING

Supply chain services

- In the port facility, the operation of discharging the liquid chemical raw materials required for production at Petkim's plants from the ships and transporting them to the plants through pipes, transporting liquid chemical products obtained from the Petkim plants from the storage tanks of the plants to the jetties through pipes and loading them to the ships from there are carried out in accordance with national and international legislation and regulations.
- A total of 607 ships arriving at the Petkim ports were provided with piloting, tugs, waste and refuse collection services. In addition, loading and unloading operations of 1,514,002 tons of liquid chemical cargo were managed, with USD 5,262,575 of gross revenue generated from the said activities.
- Within the scope of the pilot vessels and tug operations, five tugs, three mooring vessels and one pilot vessel were provided with 24/7 docking and lifting services in the service area.
- The "Green Port" certificate, which aims to improve sea water quality around the port with an integrated quality management approach, reduce environmental pollution which may arise from shipping operations, increase energy efficiency and ensure waste recycling and continuity in occupational health and safety practices, was renewed after a successful result from inspections.
- In 2020, a monthly average of 70,743 tons of solid product loading was carried out with a total of 848,921 tons of solid product loading from Petkim warehouses and 12 different contracted external warehouses.
- Within the scope of logistics activities, 804,111.364 tons of solid product packaging was carried out in 2020.

- The plastic pallet deposit application was continued as an example of the zero waste studies being undertaken by the Ministry of Environment and Urbanization. Within the scope of the newly implemented GEKAP, the pallet deposit system was meticulously implemented, removing the need for an additional annual obligation of TL 2,500,000.
- The 5S Technique Application Project was implemented in 14 different Packaging and Storage areas covering a 120,000 m^2 area in the PVC, LDPE, HDPE, PP, PA, LDPE-T and PTA facilities. This application ensured reductions in waste and the incidence of malfunction by improving performance, comfort, safety, customer satisfaction and cleanliness in operations.
- With the use of new Euro4 forklifts in the loading operations, fuel consumption was reduced from 2.6 liters/hour to 2.3 liters/hour, saving a total of 21,750 kg of fuel and reducing CO_2 emissions by 58.16 tons.
- The stretch hood, which is the cover of the FFS packaging pallets, was made more resistant to external storage and the stretch hood filming machine was commissioned to reduce the cost of packaging of PA products.
- The transition to the E-waybill system, which came into force with the General Communiqué of the Tax Procedure Law No. 487, was carried out on 26th June 2020.
- Indoor storage capacity was increased with the installation of a back-to-back rack system in product warehouses.
- In 2020, TL 472,416,476 worth of imports was realized with a total of 1,299 import declarations.
- The total number of export declarations regarding export transactions was 1,575.
- The benefit provided within the scope of Integration in 2020 amounted to TL 2,924,412.76.
- 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 was expanded and applied to other business processes and labor productivity was increased.
- The GETS (Customed Goods Tracking System) was brought into use, enabling all relevant units to track goods shipped from abroad.
- Preliminary work got underway for customs clearance activities established between Turkey and Azerbaijan to be carried out on the Blockchain platform.
- Ministry inspections regarding the Status of Authorized Economic Operator(*) held by Petkim were carried out and Petkim was found to qualify for continuity of the status.
- Preparations have been completed for pre-arrival customs clearance in Bulk Goods. An official application was lodged to the Ministry for legislative regulation.
- A saving of TL 238,914 was achieved with customs clearance procedures carried out within the scope of direct representation activities.

(*) "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.

Purchasing operations

- Purchasing units in the Refinery and Petrochemical Business Unit were integrated and started to serve all group companies within the Business Unit. In this context, the purchasing procedures of all group companies were standardized and the implementations were successful.
- In 2020, the supplier performance value exceeded 90%.
- The usage areas of e-tender and e-auction solutions in procurement tenders were expanded.
- Preliminary work got underway on the digitization of purchasing processes with the e-purchasing module.
- The use of robotic process automation in invoice pre-registration was expanded, and labor savings were achieved in operational transactions.
- Preliminary studies were carried out for the SAP Central Procurement Module, which is planned to be realized in 2021 and will increase the efficiency of integrated processes.
- In 2020, the needs of the group companies in the Refinery and Petrochemical Business Unit were consolidated within the scope of integration studies and purchases got underway for these needs. This integrated operation brought additional benefits for all group companies in the Refinery and Petrochemical Business Unit.
- Pilots are planned to be created which can be applied to all companies through working on the SMAT project. This is also expected to bring profitable benefit.
- Throughout the pandemic, the local supplier pool was further expanded and the process of supporting the domestic market was advanced.


PP
Petkim
POLIPROPILEN
POLYPROPYLENE
Av. Net: 25 kg.
MADE IN TÜRKIYE

SALES AND MARKETING

Despite the pandemic, Petkim realized total sales of 2.5 million tons in 2020.

Petkim's sales from production amounted to 1,750,000 tons in 2020, while commercial product sales totaled 709,000 tons, with a total sales volume of 2.5 million tons. Total sales revenues increased by 4% to TL 12,134 million.

Petkim placed priority on meeting the demands of domestic industrial customers during the pandemic.

The pandemic disrupted raw material imports due to the rupture of the global supply chain and the global supply shock in the petrochemical sector. For this reason, as Petkim placed priority on serving the domestic market in its sales, sales to domestic the market increased from 60% of total sales in 2019 to 67% in 2020.

Petkim, which has been focusing on commercial activities in line with the needs of its customers in recent years, has expanded its product portfolio as well as its commercial product volume while developing new collaborations within the framework of its trade strategy. Its sales volumes for commercial products increased by 44% from 491,000 tons in 2019 to 709,000 tons in 2020.

USD 574 million in exports in 2020

Due to the emphasis placed on the domestic market in sales and the general decline in petrochemical product prices, there was a decrease in exports in 2020, with export revenues falling from USD 824 million in 2019 to USD 574 million in 2020.

Within the framework of the Zero Waste Management System established at Petkim, wastes are sorted on site and recycled in licensed companies. Pallets produced from recycled plastics are collected from customers with the deposit system and used for re-shipments, and pallets which will not be used are recycled again.

Sales and marketing activities carried out on digital platforms during the pandemic

Under the unprecedented conditions of 2020, all sales transactions extending from the order to the shipment were carried out smoothly on Petkim's award-winning Customer Information System portal. In this system, customers are able to instantly access product analytics, submit their order requests and carry out their shipment transactions online. With the restrictions on face-to-face communication due to the pandemic, communication with customers was carried out through this portal.

We achieved an increase in the number of active customers

In line with the strategy of focusing on commercial activities, Petkim’s number of active customers increased to 2,975 in 2020 - an increase of 59% compared to the previous year - with the acquisition of 945 new customers.

In addition, in response to market demand, a H7 21 T coating grade was developed for the LDPE product in 2020, and this product started to be used by customers.

DIGITALIZATION AND TECHNOLOGY

The transformation, initiated in 2019 to realize the maximum value creation and efficiency targets of the IT Integration Project, continued in 2020.

Within the SOCAR Group, which includes Petkim, requests for Human Resources, Support Services, Information Technologies, Security, Operations Technologies, Corporate Applications and Information Document Management began to be received through a single platform with the SOCAR Service Center Project, and a transparent, traceable and reportable structure was implemented.

The SAP Phase-0 Project, which was initiated to prepare the infrastructure of our projects included in the SOCAR IT Integration roadmap, was carried out entirely with remote working methods. Within the scope of the project, the update of the Petkim SAP system, which had not been upgraded for more than 10 years, was completed in a shorter time than the planned downtime required for the project, by informing business units and external institutions in a timely and coordinated manner. Business scenarios and related test steps in the Petkim SAP System were determined and documented and included in the corporate memory. The version of the Petkim SAP system was upgraded, and the transition to SOCAR Domain was carried out together with the operating system and database version upgrades.

With the creation of the Health COVID-19 Dashboard, the pandemic data in general throughout SOCAR and in the details of the units were automatically tracked in the SAP BO Reporting System by the HR and Business Excellence Directorates and the senior management with interactive and comprehensive, user-friendly visuals. Thanks to this study, which is of great importance both in terms of the health of employees and in the sustainability of operations throughout this challenging period marked by the pandemic, covering most of 2020, risks could be foreseen on a unit basis, strategic decisions could be taken and preparations could be carried out for potential crises.

IT Infrastructure work ushers in a standardized SOCAR experience

Internet connections were made redundant, firewall devices in the Petkim network were disabled and the operation of these devices were transferred to existing firewall devices.

Petkim Process cameras imaging systems Infrastructure and coordination work required within the scope of Phase 1 was successfully completed and the systems were brought into use.

Infrastructure work at the engineering rooms at the Electricity Production, Ethylene, Aromatics Plants and R&D and Material Management Warehouse offices in Petkim were completed and added to the centrally located card access system.

“Teams” - Microsoft's new collaboration platform

Teams were put into use in Petkim and in all SOCAR Group companies, providing more efficient and effective working opportunities, especially during the remote working period. With the Teams mobile application, which offers competent mobility features, it is possible to work efficiently and stay online, regardless of location.

E-mail signatures, which were determined after the integration and planned to be standardized in all companies, were put into use on the system. Another important building block of the standardized SOCAR culture was completed.

Information Security at SOCAR Turkey

The Petkim Petrokimya Holding A.Ş. ISO 27001 Information Security Management System, implemented by the TSE in 2020, was re-certified.

With the aim of increasing the information security awareness among employees, various information and announcements are provided throughout the SOCAR Group, with periodic Social Engineering (Phishing) Tests carried out and information security awareness training programs and conferences organized.

In the Refinery and Petrochemical Business Unit, various projects are carried out on network and system security in order to improve the cyber security infrastructure for Industrial Control Systems and Operational Technologies. Studies are continuing to acquire cyber security solutions which can be customized for industrial control systems and are capable of detecting anomalies.

In line with Petkim's vision, the digitalization efforts and strategy implemented in 2018 continued to be developed in 2020, and many digitalization projects were brought into use.

Petkim has taken a number of very important steps since 2018 in its digital transformation journey, which started with the goal of becoming the most digitalized company in both Turkey and Azerbaijan. In line with this goal, the post of "Digitization and Technology Assistant General Manager" was established in 2018 and a digitalization team was formed. Thanks to the standards achieved in digital applications and systems under the leadership of this team, Petkim was selected for inclusion in the 'Global Lighthouse Network' of the World Economic Forum (WEF). Petkim was the only company from Turkey to be selected to join the Global Lighthouse Network in 2020. This outstanding award clearly demonstrates Petkim's level of advancement in the digital transformation. Petkim's digital applications, exemplified in the Network, represent the highest digital application standard in its sector.

The WEF runs the Global Lighthouse Network in collaboration with McKinsey & Company, and this title has been awarded since 2018. Leading manufacturers who effectively and comprehensively implement the technologies of the 4th Industrial Revolution in their production facilities are deemed worthy of the title of "Lighthouse". The common point of the organizations which are entitled to become a member of this platform and receive this title in their third year is that they continue their digital journeys, starting with the transformation of the facility's operating systems, integration of the Internet of Things (IoT) and ensuring workforce participation through rebuilding or acquiring new talent. Currently consisting of 44 companies in the Network around the world, with 18 organizations added in January 2020, the Global Lighthouse Network demonstrates what is possible with a more comprehensive application of the innovative approach which transforms their production facilities. This is one of the important factors in the selection and evaluation process.

Global Lighthouse Network members are identified through an extensive screening process of more than 1,000 leading manufacturers across all industries and geographical regions. After field visits are conducted to view the success of production facilities and applications on site, the final stage is evaluated by the 4th Industrial Revolution expert panel, which consists of private institutions, universities and technology pioneers.

Petkim took important steps in the digital transformation process in 2020, which it continues with the responsibility of being selected for the WEF - Global Lighthouse Network, with the aim of being the most digitalized company in Turkey and Azerbaijan, and with the mission of taking the leading digital application standard in its sector to the next level. It has implemented projects which ensure the widespread use of digital technologies in many functions, especially in production, which increase production and energy efficiency with machine learning algorithms and which improve processes and strengthen infrastructures for data-based decision-making mechanisms.

To offer an example of these projects, field control tours, which are critical for operational reliability and safety, were carried out in a system-based and integrated structure using "ex-proof" tablets. The project implemented in the Ethylene and Joint Pipe factories served to minimize human error and contribute to the increase in operational availability. In addition, labor productivity was increased thanks to system-based automated processes and reporting, taking the place of manual-based processes.

Along with another project which contributes to the digitalization goals, new generation devices supporting NFC (near field communication) technology contributed to efforts to increase the competence of operators working at the facilities to mark their location in the field, to access historical data instantly and to perform process/trend analysis.

In line with the company's data-based decision-making goals, a data bank system was created in which production data generated at the petrochemical plants is collected and recorded. The traceability of joint operations for all production facilities was increased by integrating this data bank with the data of other factories at the Refinery and Petrochemical Business Unit level, and production activities were carried out more safely and with reduced risk.

By enabling all users to access Petkim and STAR Rafineri data from a single point in an integrated manner through this data bank, an infrastructure was implemented which would provide global optimization opportunities while generating further value for the company and creating a data-based production decision support structure.

Digital assistants were rolled out to many departments in 2020, allowing Petkim employees to work more efficiently and giving them the time to carry out strategic work.

In 2019, digital assistants created using Robotic Process Automation (RPA) technology started to carry out the routine, rule-based, high-volume activities in our lives in various applications on our behalf, reducing the operational burden on employees and allowing them to focus more on strategic work. With the infrastructure laid out in 2019, digital assistants were expanded in 2020, enabling digital assistants to carry out more than 25 processes.

In 2020, the entire customs clearance process for each cargo to be exported started to be carried out with digital assistants in real time, from the moment the order was created, completely and without error. In addition, the invoicing and pre-registration processes carried out by the Accounting, Purchasing and Logistics units are now entered into the system by new digital assistants. In another example, information of vehicles and drivers entering Aliağa facilities were recorded to the system by digital assistants, ensuring that the operation was carried out quickly and smoothly.

We will continue to expand our efforts to ensure our Digital Transformation in 2021.

Petkim will continue its digitalization process with an array of new ideas and projects and will continue to advance its facilities in line with levels of digital maturity around the world, with work to ensure the maximum benefit from digital technologies, while gaining experience of new approaches and technologies in order to increase efficiency in operations, prevent unexpected stoppages and ensure automation in more processes.

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 2020 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 2020 (excluding R&D) amounted to TL 778 million.

The frequency of Investment Board meetings, which had been held every quarter, was increased to so the meetings would be held bimonthly, with new investments and ongoing investments to be followed more closely. In these boards, high-yielding projects sought to be implemented without a loss of time. During the investment budget studies for the following year, all technical analysis was carried out in accordance with the investment process, financial analysis of the necessary projects was completed, and the investment projects were managed in the most optimized way by selecting the projects with the highest added value and sustainability among 1,000+ investment requests.

Thus, while allowing ideas to mature, resources are transferred to the most appropriate option. Post-feasibility studies of the realized projects were carried out and their realizations were monitored on a monthly basis. While carrying out all these studies, the short and medium term investment strategy was determined with due consideration of Petkim's cash flow.

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 2020, in addition to these projects, projects that will increase Petkim's profitability, provide synergies on the Aliağa 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.

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.

With the Capital Markets Board's Communiqué on the Amendment of the Corporate Governance Communiqué, which was published in the Official Gazette dated 2nd October 2020 and numbered 31262, the basic principles that public companies are expected to disclose while carrying out their Environmental, Social and Corporate Governance studies (Sustainability Principles Compliance Framework) has been published. These principles are implemented on a voluntary basis, and even though full compliance with all the principles was not been achieved, since it is the first year of implementation within the scope of compliance with the Sustainability Principles Compliance Framework announced by the Capital Markets Board, our Company continues to work within the scope of compliance with these principles. There is no sanction from the non-compliance with these principles.

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.

HUMAN RESOURCES

Human Resources Policy

The basis of Petkim's human resources policy is to provide a safe, fair and healthy working environment with strong ethical values, to offer practices which keep motivation high and, going beyond ensuring a qualified workforce while maintaining corporate development, being the first choice for employees and maintaining this position. At the same time, the human resources policy aims to create the human resources of the future in the most efficient way with a global approach.

Believing that each of its employees has the impact and importance that will carry the company to the future within its growing structure, Petkim is aware that success is directly related to the high performance of its employees. The company offers opportunities for the development and high motivation of its employees, with the principle of right candidate for the right position being at the heart of its corporate values.

TALENT ACQUISITION PROCESS

Petkim regards human resources as its most important asset. The principle of the right candidate for the right position is at the focus of the Company's values. In this vein, while determining the critical roles for the business continuity, it attaches importance to creating a backup pool from both internal and external candidates for these roles and effectively uses different recruitment channels and internal reference system to reach external talent. One of the main priorities in the recruitment processes is to recruit a qualified workforce which abide by the Company's values and to help them develop their careers within the company.

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

Attaching tremendous importance to developing and recruiting young talent, Petkim aims to contribute to the personal and professional development of students by implementing internship programs for both vocational high school and university interns each year. It seeks to meet all potential candidates through events such as career days and university activities.

The intern employment process is also seen as a social responsibility approach for Petkim. Digital tools are given priority in the recruitment processes for interns and new graduates, with candidates undergoing video interviews, case studies and technical interviews. During the internship programs, a mentor is assigned to the employees with the aim of providing them with experience of real business life, with employees carrying out a project presentation at the end of the process.

TALENT MANAGEMENT PROCESS

At Petkim, Talent Management is implemented with the active participation of management teams in order to enable employees to realize their potential, support their career development and turn their potential into high performance.

In this process, critical roles in the organization are determined independently of the person. The future potential of employees is also brought under evaluation. This process, which was developed based on the needs of the employees and up-to-date approaches, is managed in a digital environment.

The Talent Management process is aimed to systematically provide and receive feedback from employees, to plan their careers accordingly, and to develop and retain employees, enabling them to maximize company performance by creating a solid backup network.

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.

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.

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 2020, the average number of people working at Petkim stood at 2,448 in total. At the end of the year, a total of 2,379 employees, including 520 white-collar employees and 1,859 blue-collar employees was working at Petkim.

Training activities

Providing employees with different perspectives and expanding their visions are among the most important elements that make up the training and development plans at Petkim.

With Occupational Health and Safety training always being a priority, professional and personal development training programs are planned to provide training on use of equipment and skills which employees may need, in addition to legally mandated training. The training determined in line with the analysis work carried out within the institution, the targets, performance evaluation results, career plans, sectoral developments and individual development plans are carried out through business partnerships with internal trainers and external companies, who are also supported by online training, coaching and video presentations within the scope of the blended learning approach.

The orientation program, designed to accelerate the adaptation of new employees to the Company, their adaptation to the corporate culture and their adaptation processes, is carried out with the participation of employees with wide range of roles, locations and companies. The program also includes distance learning, field visits and buddy support.

All Petkim leaders undergo a development journey entitled "Lead Together" with the aim of creating a common leadership culture. The content of the program, which includes nearly 700 company leaders from all SOCAR Turkey subsidiaries, includes the experiences of leaders to share with each other, conversations with experts, online meetings, pre-/post-program inventory applications, book and film recommendations and TED Talks.

All of Petkim's training investments are recorded and reported centrally after online processes run through the SOCAR Learning Center. In addition, all employees are offered the opportunity to monitor their own development goals and plans through this platform.

In a changing and digitalizing world, the share of digital tools in education activities is also increasing at Petkim. Training and development processes are being transformed from the classic 100% classroom environment to processes that start with e-learning, continue with virtual classrooms, digital assessments and exams, and are reinforced with face-to-face classroom training and workshops.

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 2020, covering the period 1 January 2020 - 31 December 2022, resulted in the final agreement minutes signed on 24 July 2020.

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.

DEĞER BENİM ROUNDS OFF A 4TH YEAR

The Değer Benim platform, which has completed its 4th year, has been successfully rolled out in the entire peninsula in 2020 and has become a brand within SOCAR Turkey. Despite the pandemic, the projects carried out within the scope of the Değer Benim Program provided significant positive contributions to Petkim's financial results. More than 600 ideas received throughout the year were evaluated, 31 of which were detailed and projected by the Program Management Office.

In the "Değer Benim" 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 and robotic applications are evaluated and monitored in the digitization category.

Within the scope of the Değer Benim platform, optimization studies are carried out in the fields of the operational, commercial and supply chain. Work continues on energy and efficiency projects in the field of operation, and projects aimed at optimizing the domestic and international sales of petrochemical products and increasing profitability in the commercial field. Within the scope of supply chain activities, emphasis is placed on logistics optimization, inventory optimization and synergies which will be captured as a result of the integration.

In 2020, the Lean Six Sigma philosophy continued to be rolled out in our company. The second wave studies continued with 12 new green belt training programs and projects.

Petkim Agile's (agile) work and business conduct methodology, initiated as a pilot in four factories in 2019, continued successfully in 2020, resulting in a significant increase in Occupational Health, Safety and Environment, production performance.

The Employee Suggestion System "Fikrimce (In my opinion)" attracted a high level of participation also in 2020, more than 1,500 suggestions submitted into the system were examined. All the suggestions received were examined in detail by the Idea Evaluation Board and nearly 150 suggestions were brought to the implementation stage. The employee suggestions implemented in 2020 generated a total of TL 3.8 million in value.

As in the previous year, cost optimization studies continued in 2020. These optimization studies created USD 3 million in value for 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.

Due to the pandemic that affected the whole world in 2020, there was a greater need for Occupational Health and Safety in the activities carried out in our workplace. Sustainability of production has been secured with the rapid actions taken within this scope. Petkim successfully passed the pandemic inspection carried out by the TSE thanks to the high-level measures which it took, and Petkim was handed the first "COVID-19 Safe Production Certificate" in Turkey.

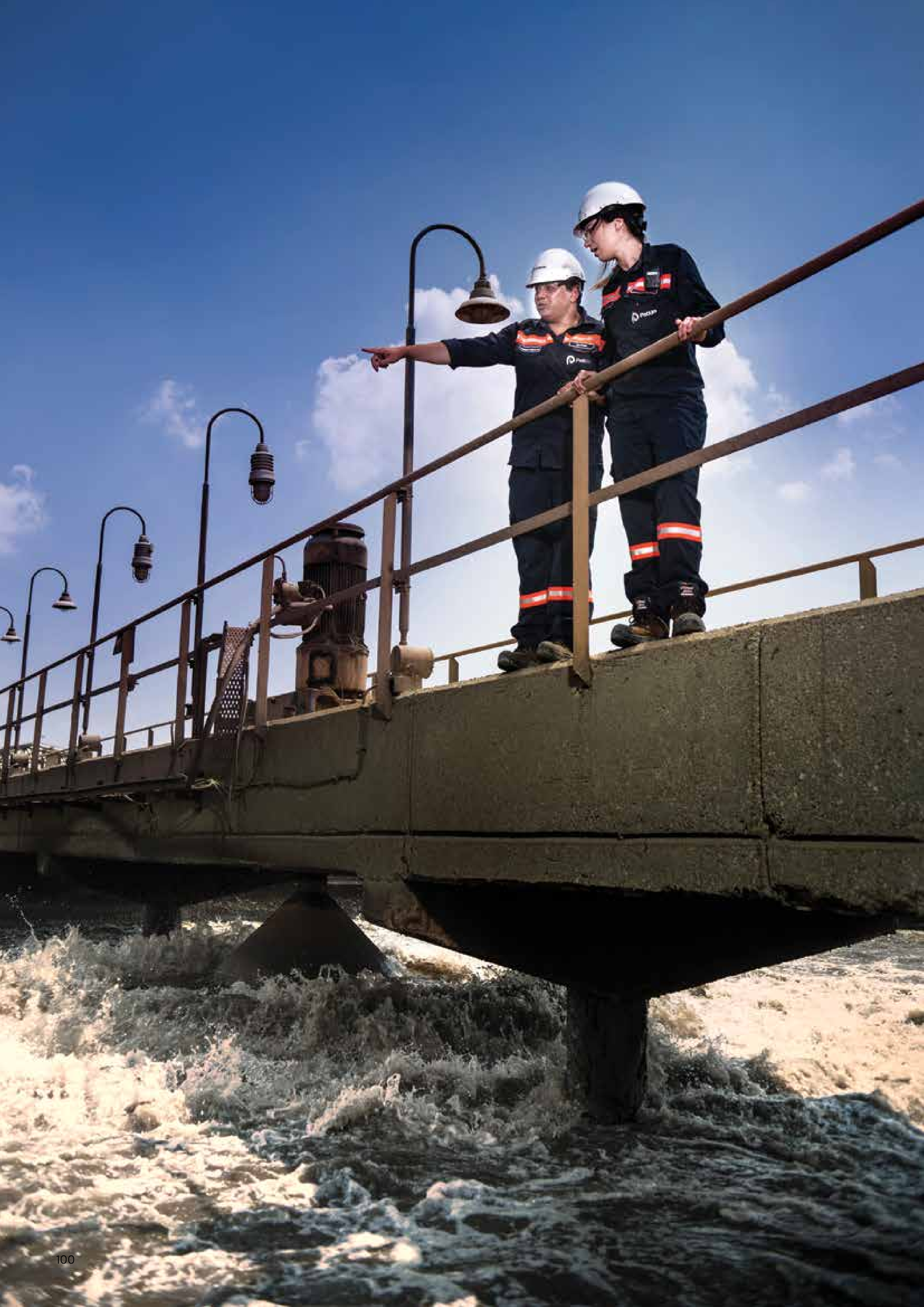
Internal audits carried out within the scope of OHSAS 18001: 2007, which is the Occupational Health and Safety Quality Management System, were carried out within the scope of OHSAS 45001 with the update of the certificate this year, and Petkim successfully completed the audit process and obtained the OHSAS 45001 certificate. 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. Due to the pandemic, fire drills for 9 scenarios (environmental fire, arson, gas leak fires, rescue-fire, evacuation) were carried out during the year.

Related plant managers and senior management representatives take part in the drills, ensuring continuous improvement.

The activities carried in 2020 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:

- In order to protect health during the OHS-E training programs during the pandemic, 16 hours of compulsory Basic Occupational Health and Safety trainings were carried out in the form of distance learning within the scope of the Training Plan. In this context, training was provided to all personnel on appropriate Personnel Protective Equipment (PPE) usage, hot work, closed containers, fire risks and responding, etc. In addition, a 3-hour job entry training was provided to all contractors which would work at the Petkim site, and work management system training was provided to the relevant contractor personnel.
- As a result of the work carried out within the framework of Occupational Health and Safety, the Recordable Accident Frequency Rate was reduced by 29% compared to 2019.
- In 2020, 26,422 hot and closed containers and 5,798 work permits related to the work management system were given by the OHS-E personnel; no work related accidents took place within the scope of these permits.
- A total of 336 periodic inspections were carried out by blue-collar personnel in 2020 in areas such as facilities, workshops, switch rooms, warehouses and laboratories on a monthly basis. A total of 62 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.
- In 2020, five sensory activities were held to increase OHS awareness among personnel.
- 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 once during the year under the presidency of the General Directorate of Businesses.
- Toolbox training sessions started to be provided on Mondays and 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 due to integration and organizational change, and updating work in the field had been completed by the end of the year.
- In 2020, committee meetings continued to be held every month, where OHS issues, factory and maintenance management were discussed, workplace hazards and risks were proactively evaluated and risk-based solutions were generated.
- Collar type gas measuring devices were distributed throughout the field.
- Awards were given for developing a safe working culture within the scope of SOCAR SAFE.
- Improvement (agile) work continued in the PTA, PVC, VCM, KA plants and daily meetings were held.
- The Petkim Work Management System, hazard analysis and risk management processes were prepared. After employees at Petkim and contractors received training on the subject, the Work Management System was brought into use at Petkim.
- Health and safety markings were placed in all factories in order to increase Occupational Health and Safety culture and awareness. Health and Safety Signboards were purchased and assembly work began on site. Within the scope of safe driving, checks started to be carried out on the compliance of personnel with the Company's rules on a daily basis through the vehicle tracking system, to ensure that employees were not endangering their own health or the health of other people.
- Efforts were made to digitize contractor training programs, and were commissioned in 2020 as a pilot.
- Factory-based locking and tagging devices were purchased and started to be used to control dangerous energy.
- In the various operations undertaken at STAR Rafineri, SOCAR Terminal 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:
    - o Site visits were organized.
    - o HSE (Health Security Environment) training programs were provided.
    - o Contests were held.
    - o Health Security Environment Boards were set up.
    - o Technique security videos were broadcast on the corporate TV channel.
    - o OHS-E Bulletin & On-the-job talk applications were carried out.
- 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.



ENVIRONMENT AND WASTE MANAGEMENT ACTIVITIES

In line with sustainability principles, Petkim continues its production activities with approaches such as optimal use of resources, energy efficiency, an orientation to clean energy resources, minimizing environmental impacts with a holistic and preventive environmental strategy and stepping up environmental R&D projects and investments in the environment.

Petkim's environmental activities are carried out in line with the Integrated Management System, which includes the ISO 14001:2015 Environmental Management System and consists of a total of seven quality systems.

At Petkim, the environmental impact is checked with measurements and analysis on environmental issues, and our motivation to go beyond legal obligations by targeting continuous improvement with environmental performance indicators guides us in our work. Some of the studies carried out in this vein include water and wastewater analysis, emissions and emission measurements, waste management, control of marine pollution, constant reviews of the environmental impact dimension assessment analysis, efficient and effective operation of waste water treatment plant and hazardous waste incineration plant, development of a company-wide environmental culture, management of chemicals and monitoring of greenhouse gas emissions are.

In 2020;

- A Zero Waste System has been established to cover all fields of activity and contractors, and a Zero Waste Certificate application has been submitted.
- Six chimneys were monitored by Continuous Emission Measurement Systems as required by legislation, and data pertaining to these chimneys was transferred to the online system of the Ministry.
- Emission and immission (air quality) measurements were carried out within the scope of the Industrial Air Pollution Control Regulation, and it was observed that the results of the parameters measured at 44 emission sources and 40 immission measurement points were within the stipulated limits.
- Within the scope of the Regulation on the Monitoring of Greenhouse Gas Emissions, the greenhouse gas emissions arising from Petkim's activities were calculated, and the greenhouse gas emission report for 2019 was created in the "Greenhouse Gas Monitoring, Reporting and Verification" information system and verified by the authorized institution.
- In order to assess the effect of production activities on odor emissions and to compare them with legal limit values, odor measurements were carried out at 20 emission sources. It was observed that the odor emission measurement results met the limit values.
- In order to evaluate the impact of the activities on environmental noise, environmental noise measurements were made at six points in the lodging area. It was observed that the results of environmental noise measurements did not exceed the limit values.
- Environmental training was provided to all Petkim personnel. In addition, online waste management training was organized for white-collar personnel, including details on waste management during the pandemic period and the zero-waste management system. In order to increase awareness of blue-collar personnel on the subject, training was provided in different sessions for each shift in the work areas.
- Bulletins and toolboxes on Waste Management during the Pandemic, Management of Discharged Water, Waste Management in Offices, Water Efficiency, Spill Management and Waste Vegetable Oils were published throughout the year in order to raise environmental awareness among employees. The Petkim Port received the Green Port certificate from the General Directorate of Maritime Trade from the Ministry of Transport and Infrastructure for a 6th time.
- Sea water analysis studies were carried out within the scope of the Greenport document requirements.
- Pre-MBDF and SEA records have been created in the Chemical Registration System for all products produced in Petkim within the scope of chemical management.

In the SOCAR Turkey Special Industrial Zone, all production units operating within the Refinery and Petrochemical Business Unit started to work with a single company which is recognized for on-site waste management and waste disposal processes, and an effective waste management system was established throughout the entire peninsula by adopting the zero-waste principle.

ENERGY MANAGEMENT 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.

Energy Efficiency and Saving projects are carried out at the plants. In 2020, 4 EEPs (Efficiency Enhancing Projects) were completed. Following the on-site inspection of these projects by the Ministry of Energy and Natural Resources EVÇED, studies will be carried out to complete the support process and a grant of TL 1 million will be received.

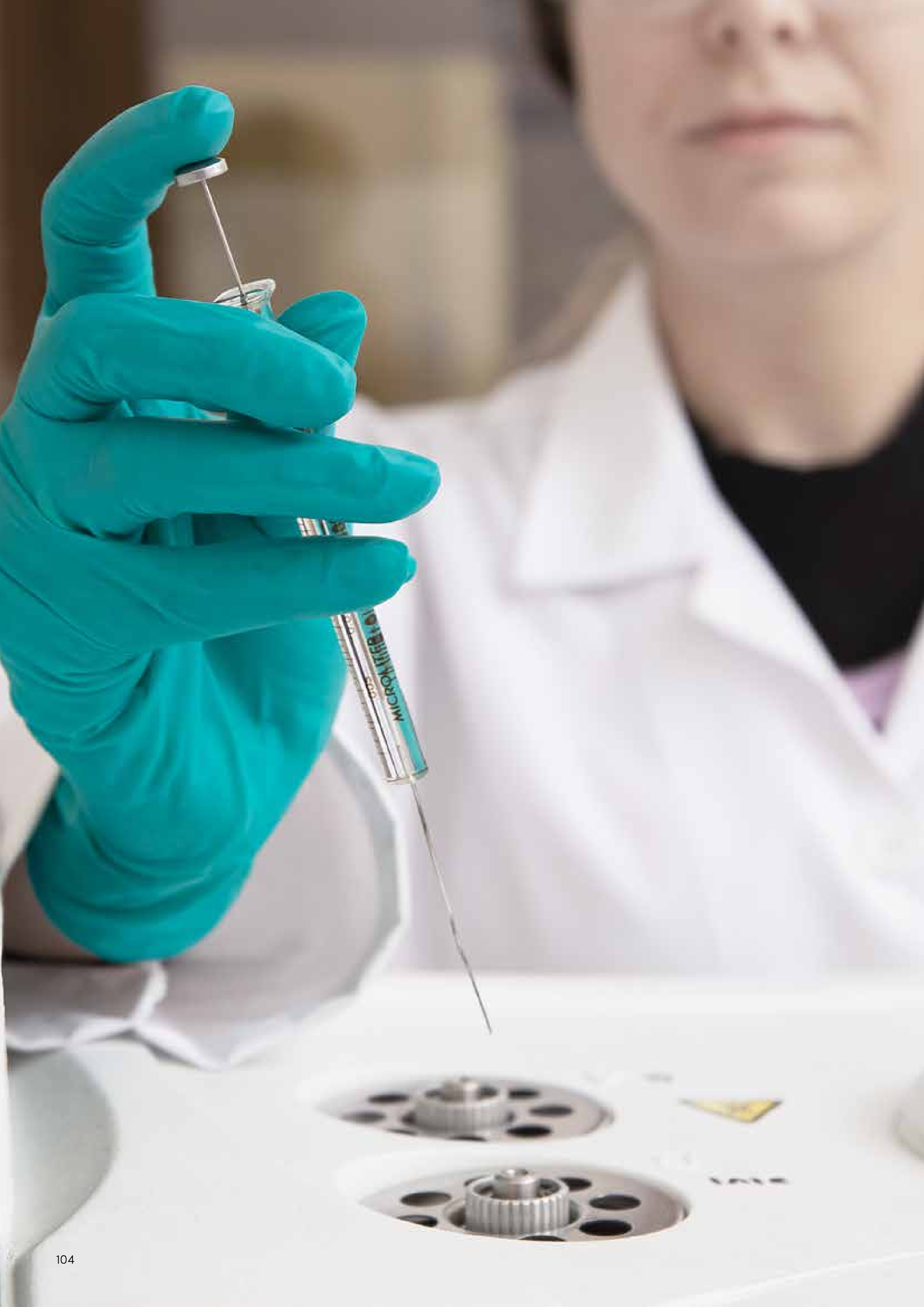
With the amendment made in the "Regulation on the Amendment of the Regulation on Increasing Efficiency in the Use of Energy Resources and Energy" published in the Official Gazette No. 31019 on January 25, 2020, the EEP file fee has been increased from TL 1 million to TL 5 million excluding VAT, and the rate of support has been increased and fixed at 30%. Thus, the amount of grant support to be received per EEP file has reached TL 1.5 million.

Within the scope of Energy Management, studies on the ISO 5001: 2018 Energy Management System are also carried out.

In 2020;

- The revision transition of the Petkim ISO 50001:2018 Energy Management System to the high-rise system was completed and the revision transition was carried out following the external audits conducted on 21-25 December 2020.
- All preparations for the STAR Rafineri ISO 50001:2018 Energy Management System Certification were completed and the first certification was realized as a result of the external audits conducted between 21 and 25 December 2020.

In addition, the Gold Certification process for the Wind Farm was initiated in 2020, with the documents were uploaded to the certification system and the first review conducted by the certification body.


MICROLITER

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 50001:2018 Energy Management System
- ISO 27001:2017 Information Technology Security Management System
- TS ISO 10002: 2018 Customer Satisfaction Management System
- TS ISO 31000: 2018 Risk Management Verification System
- GreenPort Certificate
- ISO 17025 Laboratory Accreditation System
- TSE COVID-19 Safe Production Certificate

In 2020, management systems certification work continued in line with the objective of managing the processes and activities effectively and to a high level of quality.

On 22-23-24 June 2020, TSE COVID-19 Safe Production Certificate audits within the scope of Refinery and Petrochemical Business Unit Companies were successfully concluded, with the decision taken to certify the companies.

The ISO 27001: 2017 Information Security Management System recertification audit conducted on 1-2-3 September 2020 was successfully concluded.

The ISO 50001:2018 Energy Management System revision transition audit, which was held on 23-24-25 December 2020, was concluded successfully with the decision taken for the existing system to continue.

ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System 1st Inspection Audits, which were carried out with two auditors from the Turkish Standards Institute Izmir Region, on 7-8 July 2020, within the scope of Petkim port activities, were successfully concluded.

Within the scope of Petkim port activities on 7-8 December 2020, the ISO 9001 Quality Management System and ISO 14001 Environmental Management System 2nd Surveillance audits, which were carried out with two inspectors from the Izmir Region of the Turkish Standards Institute, were completed, paving the way for the transition to the high-level Occupational Health and Safety Management System ISO 45001.

The "GreenPort Recertification Inspection" conducted by 3 inspectors from the Ministry of Transport and Infrastructure, the Marine and Communication General Directorate and the Turkish Standards Institute İzmir Region on 14-15 December 2020 were completed successfully, and the decision was taken to renew the certification of Petkim based on the GreenPort Sectoral Criteria.

CUSTOMER SOLUTIONS ACTIVITIES

- Petkim is aware of the need to have a rich knowledge base in order to provide superior technical support services to its customers. It has diversified the ways of presenting its comprehensive corporate technical know-how to its customers since its establishment. Petkim has kept documents such as technical features of its products, areas of use, processing conditions, declarations of compliance with legal regulations, etc., available for instant access to its customers on the website, enabling these documents to be used more extensively during the COVID-19 process. In this context, 237 documents on the website were reviewed and updated in 2020.

- Petkim's strong heritage of knowledge and experience to meet customer technical demands contributes significantly to its confidence in the market. Petkim's Customer Solutions team solves customers' technical information and document requests in a short time. In this context, 527 customer requests were answered in written or oral form in 2020. By demonstrating a customer-oriented approach, direct communication with customers was established and 83 customers were contacted.

- During the new type of coronavirus (COVID-19) epidemic, solutions were developed in cooperation with customers on technical issues related to the production of packaging, disposable plastic and medical products, the use of which has increased for the prevention of the virus, using Petkim products.

- Because most of the thermoplastic products are used in packaging production in contact with food, GMP (Good Manufacturing Practices) requirements are fulfilled at Petkim. In this context, 24 audits were successfully carried out at every stage of the production process (raw materials, production, packaging, storage, distribution) in 2020 and product suitability assessments were performed for 52 suppliers. 5S applications and GMP applications were integrated in product packaging and storage areas.

- In order to improve traceability activities, 10 Kaizen studies were carried out in 9 factories together with production units.

PETKİM LABORATORIES DEPARTMENT ACTIVITIES

- In 2020, a total of 446,020 analytical studies were carried out in 192,261 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 2020, a total of 400 devices were installed in the Petkim Laboratories, with the total investment amount for installed equipment being USD 15.8 million.
- For Petkim's first TSE certified product, Caustic, under TS EN 896 and TS 1865 standards, the second 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. After the transition to the new version, approximately 18,000 tags were created and laboratory data was transferred to digital media for process control.
- Within the scope of TS EN ISO/IEC 17025 Laboratory Accreditation Standard, an internal audit was carried out on 22-24 July. In addition, on 24-25 August, a certificate renewal and scope expansion audit was carried out by TÜRKAK. After the audit was completed, the decision was taken to continue the accreditation from 58 experiments with a total of 119 parameters in five matrices; waste water, water, natural gas, fuel gas and plastics/polymers.
- 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 2 different matrices (wastewater and polymer) from 20 parameters. The achieved z score success rate was 90%.
- In laboratories, 113 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 17 suggestions were given to "Fikrimce" ("In My Opinion") campaigns.
- Contributions were made to Value Creation projects with a value of USD 1,260 million.
- Analytical support was provided on 287 ship transfers (export and import) on land tanks, first foot and closing samples.


Petkim
SPOR

CORPORATE SOCIAL RESPONSIBILITY

Supporting the Region during the COVID-19 pandemic

Continuing to manufacture the strategic products which the country needed during the COVID-19 pandemic process, Petkim also played its part as a business partner in projects which contributed to efforts to reduce the pandemic risk and offered urgent solutions to reduce the effects of the pandemic in Aliağa. Petkim provided large-scale support to public institutions and local governments in the region with its donations, mainly coming in the form of preventive health materials.

In this context, Petkim cooperated with the District Health Directorates and related health institutions through the Aliağa District Governorship, Aliağa Municipality, Aliağa District Health Directorate, Aliağa State Hospital, Aliağa District National Education Directorate and Aliağa Tüpraş Public Education Center, among the public institutions and local governments in İzmir. In this context, in addition to supporting the distribution of food parcels to citizens aged 65 and over, as well as surgical masks, disposable aprons, N95 type masks, overalls, gloves and surface sanitizers were provided to local health institutions and public institutions. In addition, material support was provided for use in the production of masks, transparent face shields, PPE, laryngoscopes and face shields.

In addition to the equipment support, Petkim offered a donation towards the renovation of the emergency building of the Aliağa State Hospital, which has played an important role in the fight against COVID-19 in Aliağa.

Donations within the Scope of the Izmir Earthquake

Petkim provided a cash donation to the Disaster and Emergency Management Presidency (AFAD) in order to support the citizens affected by the Izmir earthquake which struck at the end of October 2020. In addition, direct rental support was provided to citizens whose homes had been damaged in the earthquake.

Free Volleyball and Basketball coaching offered at Petkimspor sports schools

With its sports schools, Petkimspor is able to discover children, who have the potential to become athletes at a professional level, and aims to bring happy individuals into the society who are physically, mentally and psychologically healthy, helping them developed self-confidence and life skills.

Reflecting the value Petkim attaches to the development of children and young people, the Petkimspor Club offers sport and education opportunities to fans of sport between the ages of 6 and 12. Under the umbrella of Petkimspor Sports Schools, a total of 225 students, including 75 female students in volleyball and 150 male students in basketball, received free training during the 2019-2020 winter season. Activities in the 2020-2021 season had to be suspended for a period of time due to the pandemic.

Petkimspor successfully represents Petkim in the ING Basketball Super League.

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

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 believes that 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.

Due to the pandemic, matches and tournaments had to be suspended in 2020.

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 2020 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 2020 and disclosed at the KAP.

Despite the COVID-19 pandemic throughout the world in 2020, we have maintained our profitability. Petkim shares followed a course above the BIST 100 Index in 2020.

During the Annual General Meeting of our Company held on 2 October 2020, the decision was taken to distribute a cash dividend of gross TL 422,400,000.00 as bonus shares corresponding to 28% of our Company's issued capital.

The bonus capital increase was realized on 20 November 2020. 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 38 material event disclosures were submitted to the KAP (Public Disclosure Platform) in 2020 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 10 information requests by e-mail and telephone in 2020 and all requests were answered. In the same period, 22 teleconferences and investor information meetings, one of which was specially organized to discuss the impact of the coronavirus pandemic on business processes, were provided by the Senior Management to investors to inform them of the Company's financial situation, strategies and activities, and meetings were held with 231 institutional investors.

The contact information of the Investor Relations Department is as follows:

INVESTOR RELATIONS DEPARTMENT

Tel +90 232 616 12 40 / 2844 - 3849

E-mail yatirimci.iliskileri@socar.com.tr

PETKİM'S 2020 SHARE PRICE PERFORMANCE

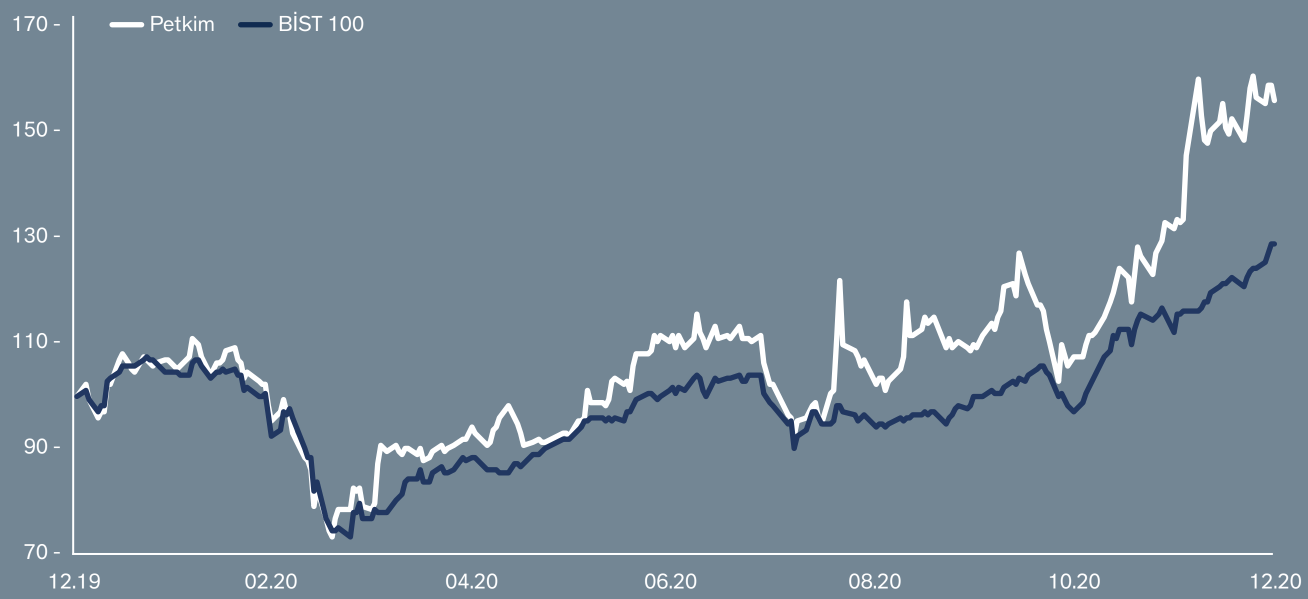
Petkim Petrokimya Holding A.Ş. shares have been trading under the PETKM ticker on the BIST Star Market since 9 July 1990.

As of the end of 2020, the Company was included in the BIST 30 and BIST Sustainability indices. Petkim maintained its position in the "BIST Sustainability Index" in 2020, which includes companies that are traded on the Borsa İstanbul and currently have a high corporate sustainability performance.

In 2020, the Company's share price fluctuated between a minimum of TL 2.20 and a maximum of TL 5.25. While the BIST 100 and BIST 30 indices Increased by 29% and 18%, respectively, in value during 2020, Petkim's share price increased by 57% in the same period. Petkim's shares rose by 22% relative to the BIST 100 Index and 33% to the BIST 30 Index.

Reuters Code	PETKM.IS
Bloomberg Code	PETKM.IT
Date of Public Offering	19.06.1990
Paid-in Capital	TL 2,534,400,000

PETKIM'S 2020 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 2020. The Company has no cross-shareholding relationship with any other company.

ADDITIONAL LEGAL EXPLANATIONS

REPURCHASED OWN SHARES BY THE COMPANY

The Company did not repurchase any of its own shares during 2020.

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 2020.

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 2020.

In 2014, the Group was issued with a demand for VAT and Custom Tax 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 additional accruals and 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. Legal action was taken on the matter on 6 February 2020. Rulings went in favor of the Group in a total of 19 lawsuits filed regarding the stated tax base and tax loss penalties, with the removal of the penalty assessment subject to the lawsuit. The defendant Administration reserves the right to appeal against the said ruling.

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 and fines 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 by the Tax Administration.

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 2020.

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.

ASSESSMENT OF PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY DECISIONS

A positive trend has been achieved within the scope of Petkim's sustainable profitability target in recent years. By prioritizing integration and operational efficiency, controllable variables were emphasized in a bid to achieve permanent profitability. Despite the negative effects of the coronavirus in 2020, this strategy pursued by Petkim has had a positive impact on its financial results, helping achieve a level of profitability which exceeded market expectations.

The actions as required by the decisions adopted in the Ordinary General Assembly meeting convened during 2020 have been carried out. There are no unfulfilled decisions.

INFORMATION ON EXTRAORDINARY GENERAL MEETINGS

The Company did not call any Extraordinary General Meeting in 2020.

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 2020 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 2020 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 for renovation of Emergency building at the Aliağa State Hospital	638,000.00
Donation to the Izmir Metropolitan Municipality following earthquake	390,000.00
Donation to the Aliağa Municipality within the scope of combating COVID-19	375,000.00
Donation to Koç İnşaat A.Ş. for Azerbaijan 100th Year Primary School	275,423.74
Mother's Day and Father's Day donations to the Darüşşafaka Society	183,306.00
Donation to the Aliağa District Governorate as part of efforts to tackle COVID-19	87,500.00
Donation to the Aliağa State Hospital and Aliağa District Health Directorate as part of efforts to tackle COVID-19	82,670.17
Donation made to the Aliağa Tüpraş Public Education Center as part of efforts to tackle COVID-19	81,900.00
Donations to Münteha Bodur and Özgür Bodur	50,000.00
Donation to İzmir Provincial Security General Directorate	35,075.40
April 23 donation to Koruncuk Foundation	22,340.00
Environment Day donation to the Ministry of Agriculture and Forestry	14,770.00
Women's Day donation to AÇEV (Mother Child Education Foundation)	12,545.00
Donation made to Aliağa District Directorate of National Education within the scope of combating COVID-19	1,663.49
TOTAL	**(TL) 2,250,193.80**

AN ASSESSMENT OF THE FINANCIAL STANDING BY THE MANAGEMENT

a) 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 2021, 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

	2019	2020
Turnover (TL million)	11,672	12,134
Gross Profit Margin	14%	16%
EBITDA (TL million)	1,589	1,916
Debt/Equity	1.545	1.644

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: 2020/7 taken on 04/03/2020, our Company's Profit Distribution Policy was determined as follows:

According to the Articles numbered 37, 38 and 39 in the Articles of Association of the Company namely, "Determination of Profit", "Reserve Funds" and "Time and Type of Payments of Profit", profit distribution policy is formed within the frame of Turkish Commercial Code and the provisions of Capital Market Legislation.

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with relevant communiqués, within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, it is aimed to distribute at least 50% of the Company's annual distributable profit in cash and / or share and / or in installments. This rate is determined annually by the Board of Directors depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies and cash needs.
- 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.

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, on the basis of international standards and good practices and 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 policy 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 2020, the Early Detection of Risk Committee presented six 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. In addition, specific assessment methods are employed for each project in relation to the management of project 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.

With the commissioning of STAR Rafineri, the risk level of naphtha supply, which is an important input-raw material of the Company, has decreased in supply chain risks. 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 and relative tables and reports 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 management 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, process, 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. Additional control and evaluation mechanisms are implemented within the company to achieve the targets. 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 and geopolitical 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, alternative plans to be applied and local suppliers in case of necessity are investigated 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 2020, 38 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 Privatization 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 2020. 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 2020 with physical participation. Average attendance ratio in meetings is 94%. 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 2020, 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 related footnote of the financial statements.

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 2,112,000,000 to TL 2,534,400,000, which has been covered totally from internal resources. The said amendment has been registered on 18 November 2020. 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 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.	b) Issued Capital: The issued capital of the company is 2,534,400,000 (two billion five hundred and thirty four million) Turkish liras, divided into 253,440,000,000 (two hundred and fifty three billion four hundred and forty 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

OLD VERSION
SHARE CERTIFICATES:

8 Article- 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	2,112,000,000.00

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.

NEW VERSION
SHARE CERTIFICATES:

8 Article- 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	129,254,400,000.43	1,292,544,000.00
A	OTHERS	Bearer	124,185,599,998.57	1,241,855,999.99
C	DIRECTORATE OF PRIVATIZATION ADMINISTRATION	Bearer	1	0.01
Total			253,440,000,000.00	2,534,400,000.00

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.

STATEMENT OF RESPONSIBILITY

PETKİM PETROKİMYA HOLDİNG A.Ş.
BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF FINANCIAL STATEMENTS
DECISION DATE: 2 MARCH 2021
DECISION NO: 2021 - 5
2 MARCH 2021

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 2020;

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

STATEMENT OF RESPONSIBILITY

BOARD OF DIRECTORS RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT
DECISION DATE: 11 MARCH 2021
DECISION NO: 2021-6
11 MARCH 2021

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 2020, 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 REPORT

To the Board of Directors of Petkim Petrokimya Holding A.Ş.
01.01.2020-31.12.2020 Accounting Period Financial Statements

The independently audited comparative consolidated financial statements, (in comparison with previous period's financials) prepared for the accounting period of 01.01.2020-31.12.2020, 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 REPORT

To the Board of Directors of Petkim Petrokimya Holding A.Ş.
01.01.2020-31.12.2020 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 01.01.2020-31.12.2020, 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 2020 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 2021 on the full set consolidated financial statements for the 1 January - 31 December 2020 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;

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 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

Istanbul, 10 March 2021

PETKIM PETROKIMYA HOLDING ANONIM ŞIRKETI AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2020 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITOR'S REPORT

pwc

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 2020 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 2020, 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.

INDEPENDENT AUDITOR'S REPORT

pwc

Key Audit Matter	*How our audit addressed the key audit matter*
Fair value measurement of investment properties	
As explained in the notes 2.4 and 10, the Group has adopted the fair value model to account for its investment properties as of 31 December 2020. In accordance with this accounting policy, as a result of the valuations performed by an independent professional valuation company as at 31 December 2020, the carrying values of the investment properties increased from its cost amount of TL 1.476 thousand to TL 2.078.781 thousand in the consolidated financial statements. We considered the fair value determination of investment properties as a key audit matter since the amount of those assets has a significant share in the Group's assets as of 31 December 2020, the significant assumptions and judgements, such as determination of benchmark m^2 rental prices, made in the market comparison valuation technique applied and the susceptibility of the fair value directly to market conditions, specifications of each land, their physical conditions and geographic locations.	The following audit procedures were addressed in our audit work on the fair value measurement of investment properties: - The competence, capabilities, and objectivity of the independent professional valuation company appointed by the Group management has been evaluated in accordance with the relevant audit standards. - The consistency of the data used by the independent professional valuation company appointed by the Group management has been tested with the accounting and title deed records of the Group on a sample basis. - In the market comparison method, the assessment of whether the lands which are used as a benchmark for fair value determination have similar qualities with the Group's lands, has been made with the involvement of our external expert. - The appropriateness of the market comparison method used in the valuation for the relevant lands has been evaluated with the involvement of our external expert. - The appropriateness and adequacy of disclosures in the notes to the consolidated financial statements related to fair value determination of investment properties has been assessed in accordance with the related accounting standards.

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.

INDEPENDENT AUDITOR'S REPORT

pwc

- 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.

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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 2020 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 2021.

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

Çağlar Sürücü, SMMM
Sorumlu Denetçi

İstanbul, 2 Mart 2021

CONTENTS

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

(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 2020	Restated (*) Audited 31 December 2019	Restated (*) Audited 31 December 2018
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	5,502,010	4,037,170	3,009,408
Financial investments		5,198	-	-
Trade receivables		1,717,125	1,552,153	1,194,398
- Trade receivables from related parties	29	424,304	151,715	168,543
- Trade receivables from third parties	7	1,292,821	1,400,438	1,025,855
Other receivables		3,805	12,759	5,226
- Other receivables from related parties	29	239	8,672	3,043
- Other receivables from third parties	8	3,566	4,087	2,183
Inventories	5	958,453	929,156	1,129,581
Prepaid expenses		3,571,412	2,895,185	2,562,435
- Prepaid expenses to third parties	15	38,859	40,296	36,011
- Prepaid expenses to related parties	29	3,532,553	2,854,889	2,526,424
Derivative financial instruments	18	-	-	1,129
Other current assets		101,733	116,227	60,866
- Other current assets to third parties	17	101,733	116,227	60,866
Current income tax assets	20	-	3,997	31,925
TOTAL CURRENT ASSETS		**11,859,736**	**9,546,647**	**7,994,968**
NON-CURRENT ASSETS				
Financial investments	6	8,910	8,910	8,910
Other receivables		8,355	6,462	109,745
- Other receivables from related parties	29	8,288	6,462	109,745
- Other receivables from third parties	8	67	-	-
Investment properties	10	2,078,781	1,905,182	1,714,684
Property, plant and equipment	11	5,429,067	4,691,147	4,085,395
Right of use assets	11	200,053	173,979	-
Intangible assets	12	41,894	35,702	27,793
Prepaid expenses		77,480	59,226	72,110
- Prepaid expenses to related parties	29	24,020	23,416	19,995
- Prepaid expenses to third parties	15	53,460	35,810	52,115
Derivative financial instruments	18	-	-	624
Deferred income tax assets	20	263,844	258,524	235,467
Other non-current assets		15,319	16,358	15,885
- Other non-current assets related to third parties	17	15,319	16,358	15,885
TOTAL NON - CURRENT ASSETS		**8,123,703**	**7,155,490**	**6,270,613**
TOTAL ASSETS		**19,983,439**	**16,702,137**	**14,265,581**

(*) Note 2.4

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 2020

(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 2020	Restated (*) Audited 31 December 2019	Restated (*) Audited 31 December 2018
LIABILITIES				
CURRENT LIABILITIES				
Short-term borrowings		4,110,551	3,741,354	2,784,469
- Short-term borrowings from third parties		4,076,014	3,715,680	2,784,469
- Bank borrowings	9	2,014,320	2,180,590	1,261,339
- Short term lease liabilities	9	40,753	24,815	-
- Other financial liabilities	9	2,020,941	1,510,275	1,523,130
- Short-term borrowings from related parties		34,537	25,674	-
- Short term lease liabilities to related parties	29	34,537	25,674	-
Short-term portion of long-term borrowings		320,839	295,890	234,491
- Short-term portion of long-term borrowings from third parties		320,839	295,890	234,491
- Bank borrowings	9	229,994	223,245	170,377
- Bonds issued	9	90,845	72,645	64,114
Derivative financial instruments	18	16,185	942	13,954
Trade payables		1,186,629	957,019	697,145
- Trade payables to related parties	29	659,947	533,668	55,336
- Trade payables to third parties	7	526,682	423,351	641,809
Payables related to employee benefits	16	12,713	19,939	10,062
Other payables		7,808	13,239	48,712
- Other payables to related parties	29	87	87	25,302
- Other payables to third parties	8	7,721	13,152	23,410
Deferred revenue		196,093	42,723	23,519
- Deferred revenue from related parties	29	14,019	184	1,495
- Deferred revenue from third parties	14	182,074	42,539	22,024
Short term provisions		32,844	36,415	33,119
- Provision for employee benefits	16	30,252	33,780	30,051
- Other short term provisions	31	2,592	2,635	3,068
Other current liabilities		23,149	21,032	16,640
- Other current liabilities related to third parties	17	23,149	21,032	16,640
Current income tax liabilities	20	27,369	-	-
TOTAL CURRENT LIABILITIES		**5,934,180**	**5,128,553**	**3,862,111**
NON-CURRENT LIABITIES				
Long term financial liabilities		5,719,422	4,487,000	4,306,321
- Long term financial liabilities from third parties		5,582,327	4,383,439	4,306,321
- Bank borrowings	9	1,876,387	1,385,373	1,681,996
- Long-term lease liabilities to third parties	9	42,851	36,425	-
- Bonds issued	9	3,663,089	2,961,641	2,624,325
- Long-term borrowings from related parties		137,095	103,561	-
- Long term lease liabilities to related parties	29	137,095	103,561	-
Derivative financial instruments	18	47,488	23,176	-
Deferred revenue		364,536	194,600	178,668
- Deferred revenue from related parties	29	359,386	194,600	178,668
- Deferred revenue from third parties	14	5,150	-	-
Long term provisions		131,312	119,123	105,770
- Provision for employee termination benefits	16	131,312	119,123	105,770
Deferred income tax liabilities		227,876	187,469	135,888
TOTAL NON - CURRENT LIABILITIES		**6,490,634**	**5,011,368**	**4,726,647**
TOTAL LIABILITIES		**12,424,814**	**10,139,921**	**8,588,758**

(*) Note 2.4

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

(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 2020	Restated (*) Audited 31 December 2019	Restated (*) Audited 31 December 2018
EQUITY				
Equity attributable to owners of the parent company		**7,592,629**	**6,573,171**	**5,632,187**
Share capital	19	2,534,400	2,112,000	1,650,000
Adjustment to share capital	19	238,988	238,988	238,988
Share premium		64,188	64,188	64,188
Other comprehensive (expense) not to be reclassified to profit or loss				
-Actuarial loss arising from defined benefit plan		(28,079)	(37,861)	(29,607)
Other comprehensive (expense/ income to be reclassified to profit or loss		(153,056)	(75,057)	(39,556)
- Currency translation differences		(117,397)	(61,549)	(29,645)
- (Loss) on cash flow hedges		(35,659)	(13,508)	(9,911)
Restricted reserves		371,941	330,000	310,644
Retained earnings		3,476,572	2,956,174	3,437,530
Net profit for the year		1,087,675	984,739	-
Non-controlling interest		**(34,004)**	**(10,955)**	**44,636**
TOTAL EQUITY		**7,558,625**	**6,562,216**	**5,676,823**
TOTAL LIABILITIES AND EQUITY		**19,983,439**	**16,702,137**	**14,265,581**

(*) Note 2.4

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

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 2020 AND 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 1 January - 31 December 2020	Restated (*) Audited 1 January -31 December 2019
PROFIT OR LOSS			
Revenue	21	12,134,076	11,672,220
Cost of sales	21	(10,251,286)	(10,071,083)
GROSS PROFIT		**1,882,790**	**1,601,137**
General administrative expenses	22	(344,195)	(285,163)
Selling, marketing and distribution expenses	23	(123,061)	(96,187)
Research and development expenses	24	(29,025)	(24,867)
Other operating income	25	405,693	330,244
Other operating expense	25	(313,769)	(311,575)
OPERATING PROFIT		**1,478,433**	**1,213,589**
Income from investing activities	26	216,444	231,440
Expense from investing activities	26	(751)	(10,528)
OPERATING PROFIT BEFORE FINANCIAL (EXPENSE)/INCOME		**1,694,126**	**1,434,501**
Financial income	27	2,580,228	1,694,730
Financial expenses	27	(3,003,939)	(2,080,023)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**1,270,415**	**1,049,208**
Tax expense from continuing operations		**(199,219)**	**(113,523)**
- Current tax expense	20	(102,783)	(50,677)
- Deferred tax expense	20	(96,436)	(62,846)
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**1,071,196**	**935,685**
DISTRIBUTION OF INCOME/(EXPENSE) FOR THE PERIOD			
- Non-controlling interest		(16,479)	(49,054)
- Owners of the parent company		1,087,675	984,739
Earnings Per Share			
- Earnings per Kr1 number of 1 shares from continued operations	28	0.4292	0.3885
OTHER COMPREHENSIVE INCOME			
Items to be reclassified to profit or loss		**(84,569)**	**(42,038)**
Currency translation differences		(52,925)	(32,503)
Other comprehensive (loss) related with cash flow hedges		(39,555)	(11,918)
Tax relating to gain on cash flow hedge		7,911	2,383
Items not to be reclassified to profit or loss		**9,782**	**(8,254)**
Defined benefit plans remeasurement earnings/(losses)		12,227	(10,317)
Taxes relating to remeasurements of defined benefit plans		(2,445)	2,063
OTHER COMPREHENSIVE (EXPENSE)		**(74,787)**	**(50,292)**
TOTAL COMPREHENSIVE INCOME		**996,409**	**885,393**
Attributable to:			
Non-controlling interests		(23,049)	(55,591)
Owners of parent company		1,019,458	940,984

(*) Note 2.4

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 2020 AND 2019

(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 2019 Previously Reported	**1,650,000**	**238,988**	**(29,607)**	**(9,911)**	**(29,645)**
Restatement Effect (Note 2.4)	-	-	-	-	-
1 January 2019 (Restated)	**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/(expense)	-	-	(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)**
1 January 2020	**2,112,000**	**238,988**	**(37,861)**	**(13,508)**	**(61,549)**
Transfers	422,400	-	-	-	-
Total comprehensive income	-	-	9,782	(22,151)	(55,848)
- Other comprehensive income/(expense)	-	-	9,782	(22,151)	(55,848)
- Net profit for the period	-	-	-	-	-
31 December 2020	**2,534,400**	**238,988**	**(28,079)**	**(35,659)**	**(117,397)**

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

	Share	Restricted reserves premium	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
	64,188	**310,644**	**-**	**1,895,643**	**4,090,300**	**44,636**	**4,134,936**
	-	-	-	1,541,887	1,541,887	-	1,541,887
	64,188	**310,644**	**-**	**3,437,530**	**5,632,187**	**44,636**	**5,676,823**
	-	19,356	-	(481,356)	-	-	-
	-	-	984,739	-	940,984	(55,591)	885,393
	-	-	-	-	(43,755)	(6,537)	(50,292)
	-	-	984,739	-	984,739	(49,054)	935,685
	64,188	**330,000**	**984,739**	**2,956,174**	**6,573,171**	**(10,955)**	**6,562,216**
	64,188	**330,000**	**984,739**	**2,956,174**	**6,573,171**	**(10,955)**	**6,562,216**
	-	-	41,941	(984,739)	520,398	-	-
	-	-	1,087,675	-	1,019,458	(23,049)	996,409
	-	-	-	-	(68,217)	(6,570)	(74,787)
	-	-	1,087,675	-	1,087,675	(16,479)	1,071,196
	64,188	**371,941**	**1,087,675**	**3,476,572**	**7,592,629**	**(34,004)**	**7,558,625**

PETKIM PETROKIMYA HOLDING ANONIM ŞIRKETI AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 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 1 January -31 December 2020	Restated (*) Auidited 1 January -31 December 2019
A. Cash flows from operating activities:		**2,547,147**	**1,380,969**
Net profit for the year (I)		1,071,196	935,685
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**1,221,982**	**432,061**
Adjustments for depreciation and amortization	2.5-11	423,756	335,782
Adjustments for impairments/reversals			
- Adjustments for impairment of inventories	5	(7,238)	(20,427)
Adjustments for provisions			
- Adjustments for provision employee benefits		65,777	60,756
- Adjustments for provision legal cases	31	(43)	(433)
- Adjustments for other provisions		(3,211)	2,497
Adjustments for interest income/(expense)			
- Adjustments for interest income	27	(152,132)	(128,585)
- Adjustments for interest expense	27	401,514	402,162
Adjustments for unrealized foreign currency translation differences		489,237	(141,672)
Adjustments for tax income/(losses)	20	199,219	113,523
Adjustments for gain/(losses) on sale of property, plant and equipment	26	(9,577)	1,377
Adjustments for income from government incentives	13	(11,721)	(2,421)
Adjustments for fair value increase in investment property	26	(173,599)	(190,498)
Changes in working capital (III)		**376,717**	**121,888**
Adjustments related to (increase)/decrease in trade receivables		(42,252)	(313,168)
Adjustments related to (increase)/decrease in other receivables		7,522	(8,504)
Adjustments related to (increase)/decrease in inventory		(7,968)	236,714
(Increase)/decrease in prepaid expenses		3,839	(5,744)
Adjustments for increase/(decrease) in trade payables		272,942	244,384
Adjustments for increase/(decrease) in other payables from operating activities		(5,197)	(3,341)
Increase/(decrease) in payables related to employee benefits		(7,227)	9,877
Adjustments for increase/(decrease) in deferred revenue		147,438	12,910
Changes in derivative financial instruments		(10,461)	(3,213)
Adjustments related to other increases/(decreases) in working capital		18,081	(48,027)
Cash flows from operating activities (I+II+III)		**2,669,895**	**1,489,634**
Employee benefits paid		(47,334)	(53,991)
Income taxes/(paid)	20	(75,414)	(54,674)
B. Cash flows from investing activıties		**(783,830)**	**(625,463)**
Cash outflows from purchases of property, plant and equipment		(782,365)	(656,194)
Proceeds from sale of property, plant and equipment		12,614	14,936
Advances given and payables to related parties		-	(500,000)
Proceeds from related party advances and payables		-	500,000
Other cash advances and payables given		(14,079)	15,795
C. Cash flows from financing activities		**15,099**	**177,464**
Proceeds from borrowings	9	2,978,541	2,827,160
Repayments of borrowings	9	(3,000,266)	(2,359,736)
Proceeds from other financial liabilities	9	1,689,351	1,754,171
Repayments of other financial liabilities	9	(1,357,451)	(1,778,494)
Interest received		137,704	125,142
Interest paid		(373,534)	(364,243)
Cash outflow related to lease agreements		(54,246)	(26,536)
Other cash inflows/(outflows)		(5,000)	-
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**1,778,416**	**932,970**
E. Effect of currency translation differences on cash and cash equivalents		**(313,576)**	**94,792**
Net increase in cash and cash equivalents (D+E)		**1,464,840**	**1,027,762**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**4,037,170**	**3,009,408**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**5,502,010**	**4,037,170**

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 2020

(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.

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

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

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

As of 31 December 2020 and 31 December 2019 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

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

These consolidated financial statements were approved to be issued by the Board of Directors on 2 March 2021 and signed by Mr. Anar Mammadov, General Manager and Mr. Elchin İbadov, Chief Financial Officer, on behalf of the Board of Directors. The General Assembly has the authority to amend/modify the financial statements.

The registered address of the Company as of the date of preparation of the 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 2020, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

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

As of 31 December 2020, the average number of employees working for the Group is 2,448 (31 December 2019: 2,494). The details of the employees as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Union (*)	1,859	1,899
Non - union (**)	520	648
	2,379	**2,547**

(*) 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 ("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.

PETKIM PETROKIMYA HOLDING ANONIM ŞIRKETI AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)
(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

2.1 Basis of Presentation (Continued)

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 and presented in TRY which is the functional and reporting currency of the Group.

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.

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2020:

Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other 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.

- **Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions; effective from Annual** periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities**; effective from 1 January 2022. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020 (Continued):

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to IFRS 3, 'Business combinations'** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16, 'Property, plant and equipment'** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets'** specify which costs a company includes when assessing whether a contract will be loss-making.

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

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

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

2.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

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

2.3 Basis of consolidation (Continued)

a) Subsidiaries (Continued)

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2020 and 2019:

	Direct or Indirect Control Shareholding Rates of the Group (%)	
Subsidiaries	**31 December 2020**	**31 December 2019**
Petlim	73.00	73.00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100.00	100.00

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company 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 ("TRY"), which is the parent Company's functional and presentation currency.

ii) Transactions and balances

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

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

As of 31 December 2020, Petlim's assets and liabilities are translated into TRY from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TRY at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in "currency translation differences" in other comprehensive income.

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 2020**	**31 December 2019**	**31 December 2018**
Turkish Liras/US Dollars	7,3405	5,9402	5,2609

Average:	**31 December 2020**	**31 December 2019**	**31 December 2018**
Turkish Liras/US Dollars	7,0034	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 2020 on a comparative basis with balance sheet at 31 December 2019 and 2018; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2020 on a comparative basis with financial statements for the period of 1 January -

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31 December 2019.

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

2.4. Comparative information and correction of prior period financial statements (Continued)

As of 31 December 2020, the Group changed its accounting policy for the investment properties and fair value method. The Group has adopted the effects of this change in accounting policy, retrospectively in accordance with the provisions of TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". TAS 1 (Revised) "Presentation of Financial Statements" standard states that if the previous period consolidated financial statements are restated, the balance sheet should be presented in three periods. Therefore, the balance sheet dated 31 December 2020 is presented in comparison with the revised versions of the balance sheets dated 31 December 2019 and 2018. Since the effects of this restatement were not calculated in the profit or loss statement for the year ended 31 December 2018, the "net profit for the period" account included in the equity in the balance sheet dated 31 December 2018 presented in the "retained earnings" account, collectively. The effects of the mentioned accounting policy changes and adjustments on retained earnings and net profit in the consolidated financial statements are as follows:

	31 December 2018		
	Previously reported	**Restatement effect**	**Restated**
Investment properties	1,476	1,713,208	1,714,684
Deferred income tax assets	270,900	(35,433)	235,467
Deferred income tax liabilities	-	135,888	135,888
Retained earnings	1,895,643	1,541,887	3,437,530

	31 December 2019		
	Previously reported	**Restatement effect**	**Restated**
Investment properties	1,476	1,903,706	1,905,182
Deferred income tax assets	261,426	(2,902)	258,524
Deferred income tax liabilities	-	187,469	187,469
Retained earnings	1,414,287	1,541,887	2,956,174
Net profit for the period - Owners of the parent	813,291	171,448	984,739

The effects of these adjustments on the cash flow statement are as follows:

Adjustments related to reconciliation of net profit for the year:	
1 January - 31 December 2019 - Previously reported	**603,509**
Restatement effect	
Fair value increase of investment properties	(190,498)
Adjustment for tax	19,050
Adjustments related to reconciliation of net profit for the year:	
1 January - 31 December 2019 - Restated	**432,061**

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

2.5 Significant accounting policies

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

a. Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventory consists of purchase materials, cost of conversion and other costs that are necessary 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.

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

2.5 Significant accounting policies (Continued)

b. Property, plant and equipment (Continued)

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

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

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

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

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

c) Intangible assets

Rights and software

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

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

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

2.5 Significant accounting policies (Continued)

d Leases

The Group - as a lessee

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

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

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

2.5 Significant accounting policies (Continued)

d Leases (Continued)

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.

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.

e. Investment property

In accordance with the provisions of TAS 40 "Investment Properties", land that are held to earn rent or for capital appreciation or both rather than for use in the ordinary course of business are classified as "investment property" and carried at fair value in the financial statements (Note 2.4). Fair value changes on investment properties are recognized in the statement of comprehensive income in the relevant period. As of 31 December 2020, investment properties are carried in the consolidated financial statements at their fair value determined in the valuation studies by an independent professional valuation company licensed by CMB. Fair value changes on investment properties and lands, are recognized under income from investing activities in the statement of comprehensive income.

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

2.5 Significant accounting policies (Continued)

e. Investment property (Continued)

The derecognition, disposal of investment property, or the withdrawal of an investment property and its disposal occurs when no future economic benefits are expected. Profit or loss resulting from the disposal of investment properties is recognized in the relevant income and expense accounts in the period in which the disposal process takes place.

f Impairment of assets

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

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

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

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

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

g. Financial investments

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

h. Financial assets carried at amortized cost

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

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.

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

2.5 Significant accounting policies (Continued)

i. 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.

Cash flow hedge

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

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

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

Trade receivables

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

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

2.5 Significant accounting policies (Continued)

i. Financial assets carried at fair value (Continued)

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.

Financial payables

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.

j. Borrowing costs

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

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

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

2.5 Significant accounting policies (Continued)

k. Government grants

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

l. Statement of cash flow

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

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

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

m. Related parties

Parties are considered related to the Group if;

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

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

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

2.5 Significant accounting policies (Continued)

n. Taxation and deferred income taxes

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

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

Current tax

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

Deferred tax

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

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

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

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

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.

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

2.5 Significant accounting policies (Continued)

n. Taxation and deferred income taxes (Continued)

Deferred tax (Continued)

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

o. Employee benefits

Defined benefit plans

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

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

p. Provisions

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

r. 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.

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

2.5 Significant accounting policies (Continued)

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

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

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

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

The 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 TFRS 16 and TFRS 15.

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

2.5 Significant accounting policies (Continued)

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

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

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

t. Share capital and dividends

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

u. Share premiums

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

ü. 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.

v. 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.

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

2.5 Significant accounting policies (Continued)

y. Segment reporting

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

z. Offsetting

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

2.6 Significant accounting estimates, judgments and assumptions

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 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 2020.

c) Deferred income tax assets

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

d) Provision for employee benefits

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

e) Exchange rate valuation of foreing 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. Rafineri Holding is owner of 60% shares of SOCAR Turkey Yatırım A.Ş. which is owner of the whole shares of STAR Rafineri A.Ş. (STAR).

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

2.6 Significant accounting estimates, judgments and assumptions (Continued)

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

The shares of Rafineri Holding which are subject to the Afgreement 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 transasfer 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 2020 and have been subjected to exchange rate valuation.

f) Fair value of determination of investment properties

As of 31 December 2020, the Group changed its accounting policy for the investment properties and fair value method.

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

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

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

The Group has adopted the effects of this change in accounting policy, retrospectively in accordance with the provisions of TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Note 2.4).

2.7 Important Developments Regarding the Current Period

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

In this process, the necessary actions were taken by the Group to minimize investment expenditures, operational expenses and inventory, also cash management strategy was reconsidered in order to strengthen the Group's liquidity position.

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

For now, it is not possible to estimate for how long the effect of COVID-19 will carry on in Turkey and also in the world, or how much it may spread. As the severity and duration of the effects become clearer, it will be possible to make a more specific and healthy evaluation for the medium and long term.

However, while preparing the interim consolidated financial statements dated 31 December 2020, the possible effects of the COVID-19 outbreak were evaluated, and the estimates and assumptions used in the preparation of the interim condensed consolidated financial statements were reviewed. In this context, the Group evaluated the possible impairment in the values of financial assets, stocks, property, plant and equipment included in the interim financial statements dated 30 September 2020, and no impairment has been identified.

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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

	1 January - 31 December 2020	1 January - 31 December 2019
Petrochemical	11,992,699	11,550,926
Port	141,377	121,294
Total before eliminations and adjustments	**12,134,076**	**11,672,220**
Consolidation eliminations and adjustments	-	-
	12,134,076	**11,672,220**

b) Operating profit/(loss)

Petrochemical	1,418,144	1,214,095
Port	48,421	33,938
Total before eliminations and adjustments	**1,466,565**	**1,248,033**
Consolidation eliminations and adjustments	11,868	(34,444)
Operating profit	**1,478,433**	**1,213,589**
Financial (expenses)/income, net	(423,711)	(385,293)
Income from investing activities, net	215,693	220,912
Profit before tax from continued operations	**1,270,415**	**1,049,208**
Tax expense	(199,219)	(113,523)
Profit for the period	**1,071,196**	**935,685**

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	31 December 2020	31 December 2019	31 December 2018
Petrochemical	18,615,441	15,691,834	13,261,667
Port	2,824,859	2,266,664	2,124,320
Total before eliminations and adjustments	**21,440,300**	**17,958,498**	**15,385,987**
Consolidation eliminations and adjustments	(1,456,861)	(1,256,361)	(1,120,406)
	19,983,439	**16,702,137**	**14,265,581**

d) Total liabilities

	31 December 2020	31 December 2019	31 December 2018
Petrochemical	10,513,775	8,717,039	7,379,316
Port	2,949,953	2,312,556	1,984,915
Total before eliminations and adjustments	**13,463,728**	**11,029,595**	**9,364,231**
Consolidation eliminations and adjustments	(1,038,912)	(889,674)	(775,473)
	12,424,814	**10,139,921**	**8,588,758**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Banks	5,496,779	4,037,170
- Demand deposits	5,506	6,049
- Turkish Liras	985	597
- Foreign currency	4,521	5,452
- Time deposits	5,491,274	4,031,121
- Turkish Liras	900,978	593,909
- Foreign currency	4,590,296	3,437,212
Other	5,231	-
	5,502,010	**4,037,170**

The weighted average effective interest rates of USD and Euro time deposits are 3.06% and 1.70% (31 December 2019: USD 2.24%, Euro 1.25%).

As of 31 December 2020, the TRY dominated time deposits consist of monthly deposits and the weighted average effective interest rate is 17.45% per annum. (31 December 2019: 9.75% and 11.62% per annum). The Group has no blocked deposits as of 31 December 2020 (31 December 2019: None).

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NOTE 5 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials	319,582	201,929
Work-in-progress	324,248	275,846
Finished goods	129,244	236,747
Trade goods	70,009	62,775
Goods in transit	34,111	108,851
Other inventories	86,909	55,896
Less: Provision for impairment on inventories	(5,650)	(12,888)
	958,453	**929,156**

Movements of provision for impairment on inventory for the periods ended 31 December 2020 and 2019 were as follows:

	2020	2019
1 January	**(12,888)**	**(33,315)**
Realized due to sales of inventory	12,888	33,315
Current year additions	(5,650)	(12,888)
31 December	**(5,650)**	**(12,888)**

Cost of the raw materials and trade goods included in the cost of sales for the period 1 January - 31 December 2020 amounts to TRY8,388,287 (1 January - 31 December 2019: TRY8,530,835).

NOTE 6 - FINANCIAL INVESTMENTS

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

8,910,000 shares having a nominal price of TRY0,001 per share corresponding to 9.9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TRY8,910) owned by SOCAR Turkey Elektrik Yatırımları Holding A.Ş (Power Holding), which is a subsidiary of controlling shareholder of the Group, SOCAR Turkey Enerji A.Ş., in Socar Power are purchased by the Group on 26 January 2015. As of 31 December 2020, and 2019 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 2020	31 December 2019
Trade receivables	1,314,107	1,424,935
Provision for doubtful trade receivables (-)	(21,286)	(24,497)
	1,292,821	**1,400,438**

Average maturity for trade receivables is 44 days as of 31 December 2020 (31 December 2019: 44 days).

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 TRY trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables. 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 2020, 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 TRY2,953,517 (31 December 2019: TRY2,406,251) (Note 31).

	2020	2019
1 January	**(24,497)**	**(22,000)**
Provision for doubtful trade receivables	-	(4,301)
Write-offs	3,211	1,804
31 December	**(21,286)**	**(24,497)**

b) Trade payables

	31 December 2020	31 December 2019
Trade payables	526,682	423,351
	526,682	**423,351**

Average maturity for trade payables other is 18 days as of 31 December 2020 (31 December 2019: 20 days).

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables:

	31 December 2020	31 December 2019
Receivables from third parties	5,265	4,786
Other	14	1,014
	5,279	**5,800**
Provision for other doubtful receivables (-)	(1,713)	(1,713)
	3,566	**4,087**
b) Other short-term payables:		
Deposits and guarantees received	4,758	8,982
Other	2,963	4,170
	7,721	**13,152**

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2020	31 December 2019
Short-term borrowings	2,014,320	2,180,590
Short-term portions of long-term borrowings	229,994	223,245
Bond issued (**)	90,845	72,645
Short-term lease liabilities	40,753	24,815
Other financial liabilities (*)	2,020,941	1,510,275
Short-term financial liabilities	**4,396,853**	**4,011,570**
Long-term borrowings	1,876,387	1,385,373
Long-term lease liabilities	42,851	36,425
Bonds issued (**)	3,663,089	2,961,641
Long-term borrowings	**5,582,327**	**4,383,439**
	9,979,180	**8,395,009**

(*) Other financial liabilities consist of letters of credits and murabaha loans arising from naphtha purchases. The average remaining maturity of other financial liabilitiesis 164 days as of 31 December 2020 (31 December 2019: Average remaining maturity is 147 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)

Bank borrowings and bonds issued:

	Effective weighted average Interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Short-term borrowings:						
TRY borrowings	No Interest	13.75 - No Interest	8,711	33,433	8,711	33,433
USD borrowings	Libor 0.30 + 0.60	Libor + 0.50 + 2.25	273,225	361,462	2,005,609	2,147,157
Short-term portions of long-term borrowings:						
TRY borrowings	-	11.26 - 13.00		71,170	-	71,170
USD borrowings	Libor + 4.67 - 4.26	Libor + 4.67 - 4.26	17,148	13,017	125,872	77,322
Euro borrowings	Euribor + 0.72 + 3.00 - 1.64	Euribor + 0.72 + 3.00 - 1.64	11,559	11,240	104,122	74,753
Bond issued	5.88	5.88	12,376	12,229	90,845	72,645
Total short-term borrowings					**2,335,159**	**2,476,480**
Long-term borrowings:						
USD borrowings	Libor + 0.75 + 4.67 - 4.26	Libor + 4.67 - 4.26	236,441	202,830	1,735,594	1,204,849
Euro borrowings	Euribor + 3.00- 1.64	Euribor + 0.72 + 3.00 - 1.64	15,630	27,144	140,793	180,524
Bond issued	5.88	5.88	499,025	498,576	3,663,089	2,961,641
Total long-term borrowings					**5,539,476**	**4,347,014**
Total borrowings					**7,874,635**	**6,823,494**

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

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

	31 December 2020
2022	611,682
2023	3,883,438
2024	241,209
2025	303,456
2026	295,675
2027 and over	204,016
	5,539,476

	31 December 2019
2021	171,302
2022	194,664
2023	3,135,916
2024	195,195
2025	245,568
2026 and over	404,369
	4,347,014

Fair values of the short-term bank borrowings and other financial liabilities approximate their carrying values due to their short-term nature and long-term borrowings due to having floating interest rate updated with market conditions. As of 31 December 2020, the fair value of bonds issued is TRY4,082,565, which are in fixed interest rate financial liabilities and whose carrying value is TRY3,753,934.

As of 31 December 2020, 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 long-term borrowings and bonds issued and the Group has met those indicators as of 31 December 2020.

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NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

Movements of financial liabilities (excluding lease liabilities) are as of 31 December 2020 and 31 December 2019 as follows:

	2020	2019
1 January	**4,296,599**	**4,315,873**
Proceeds from financial liabilities	4,667,892	4,581,331
Repayments of financial liabilities	(4,357,717)	(4,138,230)
Changes in foreign exchange	1,244,697	557,291
Changes in interest accrual	6,935	8,096
Less: Cash and cash equivalents	(1,464,840)	(1,027,762)
31 December	**4,393,566**	**4,296,599**

NOTE 10 - INVESTMENT PROPERTIES

Fair value	Restated 1 January 2020	Fair value increase	Transfers	31 December 2020
Land	1,905,182	173,599	-	2,078,781
	1,905,182			**2,078,781**

Fair value	Restated 1 January 2019	Fair value increase	Transfers	31 December 2019
Land	1,714,684	190,498	-	1,905,182
	1,714,684			**1,905,182**

30 years right of construction of the land, that is 2,076,506 m^2, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual cost of the land, that is located in Aliağa district, is USD4.6 million and the cost will be increased at the rate of Libor + 1% each year. As of 31 December 2020, the annual cost is USD5.6 million.

As of 31 December 2020, according to the valuation report of a real estate appraisal company authorized by the CMB prepared for the Group.

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

As of 31 December 2020, the Group's lands with the right of construction have been measured with their fair values determined by an independent professional valuation company using other valuation techniques that contain direct or indirect observable inputs (Note 33).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2020
Cost:						
Land	123,896	-	-	-	-	123,896
Land improvements	225,088	-	186,263	-	722	412,073
Buildings	189,637	-	4,409	-	226	194,272
Machinery and equipment	7,660,869	-	388,410	(1,885)	-	8,047,394
Motor vehicles	11,628	-	698	(1,182)	-	11,144
Furniture and fixtures	144,586	-	12,167	(3,050)	155	153,858
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (**)	1,818,385	-	892	-	399,875	2,219,152
Construction in progress (*)	838,492	782,365	(609,224)	-	171	1,011,804
	11,014,248	**782,365**	**(16,385)**	**(6,117)**	**401,149**	**12,175,260**
Accumulated depreciation (-):						
Land improvements	(106,454)	(16,771)	-	-	(271)	(123,496)
Buildings	(115,453)	(4,701)	-	-	(137)	(120,291)
Machinery and equipment	(5,865,400)	(284,969)	-	146	-	(6,150,223)
Motor vehicles	(10,618)	(734)	-	1,177	-	(10,175)
Furniture and fixtures	(77,103)	(14,100)	-	1,947	(130)	(89,386)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(671)	-	-	-	-	(671)
Assets subject to operating lease	(146,406)	(68,703)	-	-	(35,846)	(250,955)
	(6,323,101)	**(389,978)**	**-**	**3,270**	**(36,384)**	**(6,746,193)**
Net book value	**4,691,147**					**5,429,067**

(*) 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 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)

In 2020, the Group has borrowing costs amounting to TRY 6.865, that are eligible for capitalization related with its investments. (31 December 2019: None).

Depreciation charges amounting to TRY400,559 (31 December 2019: TRY318,272) were allocated to cost of sales by TRY358,001 (31 December 2019: TRY277,819), to inventories by TRY14,091 (31 December 2019: TRY15,862), to general administrative expenses by TRY21,507 (31 December 2019: TRY18,267), to marketing, selling and distribution expenses by TRY4,874 (31 December 2019: TRY4,452), and to research and development expenses by TRY2,129 (31 December 2019: TRY1,872).

As of 31 December 2020, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD350 million on the date of 20 November 2015 (31 December 2019: USD350 million).

As of 31 December 2020 and 2019 the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	31 December 2020	31 December 2019
Buildings	120,590	112,095
Land	66,096	44,335
Motor vehicles	13,367	17,549
Total right of use assets	**200,053**	**173,979**

As of 31 December 2020, additions to rights use of assets amounting to TRY63,362, depreciation expenses amounting to TRY 37,288 (2019: TRY 33,372).

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2020	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2020
Cost:						
Rights and software	56,865	-	16,385	-	613	73,863
Capitalized development costs	10,709	-	-	(379)	-	10,330
	67,574	**-**	**16,385**	**(379)**	**613**	**84,193**
Accumulated amortization (-):						
Rights and software	(25,247)	(8,079)	-	-	(35)	(33,361)
Capitalized development costs	(6,625)	(2,502)	-	189	-	(8,938)
	(31,872)	**(10,581)**	-	**189**	**(35)**	**(42,299)**
Net book value	**35,702**					**41,894**

	1 January 2019	Additions	Transfers	Disposals	Foreign currency translation 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**

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NOTE 13 - GOVERNMENT GRANTS

As of 31 December 2020, goverment grants incentives granted from Turquality and other institutions amounting to TL 11,721 includes incentives and aid (31 December 2019: 2.421) of that incentives grant has been presented in income statement. Investment incentives that of the Group are disclosed in Note 20.

NOTE 14 - DEFERRED REVENUE

a) Short-term prepaid expenses

	31 December 2020	31 December 2019
Advances received	177,384	42,028
Deferred revenue	4,690	511
	182,074	**42,539**

b) Long-term deferred revenue

Deferred revenue	5,150	-
	5,150	-

NOTE 15 - PREPAID EXPENSES

a) Short-term prepaid expenses

	31 December 2020	31 December 2019
Advances given for inventory	28,149	28,531
Prepaid insurance and other expenses	10,626	8,439
Advances given for customs procedures	84	3,326
	38,859	40,296

b) Long-term prepaid expenses

Advances given for property, plant and equipment	51,677	33,941
Prepaid insurance and other expenses	1,783	1,869
	53,460	**35,810**

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NOTE 16 - EMPLOYEE BENEFITS

a) Liabilities for employee benefits:

	31 December 2020	31 December 2019
Social security contribution	12,435	8,995
Due to personnel	278	10,944
	12,713	**19,939**

b) Short-term employee benefits:

Provision for bonus premium	20,823	24,500
Provision for seniority incentive bonus	9,429	9,280
	30,252	**33,780**

c) Long-term employee benefits:

Provision for employment termination benefits	93,109	94,821
Provision for unused vacation rights	29,849	19,196
Provision for seniority incentive bonus	8,354	5,106
	131,312	**119,123**

Provision for unused vacation

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

	2020	2019
1 January	**19,196**	**16,702**
Changes in the period, net	10,653	2,494
31 December	**29,849**	**19,196**

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum ceiling of TRY 7,117.17 for each year of service as of 31 December 2020 (31 December 2019: TRY6,379.86).

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 2020	31 December 2019
Net discount rate (%)	4.60	3.50
Probability of retirement (%)	100.00	100.00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY7,638.96 which is effective from 1 January 2021, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2020: TRY6,730.15).

Kıdem tazminatı karşılığının dönem içindeki hareketleri aşağıdaki gibidir:

	2020	2019
1 January	**94,821**	**82,718**
Interest cost	10,221	13,468
Payments during the period (-)	(9,751)	(19,101)
Service cost	7,364	6,757
Actuarial (gain)/loss	(9,546)	10,979
31 December	**93,109**	**94,821**

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for employment termination benefits: (Continued)

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefits as 31 December 2020 and 2019 are follows:

	31 December 2020 Net discount rate		31 December 2019 Net discount rate	
Sensitivity analysis	**100 Basis point increase**	**100 Basis point increase**	**100 Basis point increase**	**100 Basis point increase**
Rate	5.60	3.60	4.50	2.50
Change in liability of employment termination benefit	(9,729)	12,055	(9,006)	11,239

Provision for seniority incentive bonus:

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

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

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

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

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

	31 December 2020	**31 December 2019**
Net discount rate (%)	4.60	3.50
Used rate related to retirement probability (%)	100.00	100.00

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for seniority incentive bonus: (Continued)

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

	2020	2019
1 January	**14,386**	**11,901**
Interest cost	1,551	1,945
Payments during the period (-)	(9,736)	(6,438)
Service cost	11,818	7,640
Actuarial (gain)/loss	(236)	(662)
31 December	**17,783**	**14,386**

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2020	31 December 2019
Value added tax ("VAT") receivable	100,409	114,606
Other	1,324	1,621
	101,733	**116,227**

b) Other non-current assets

Spare parts	15,204	16,340
Other	115	18
	15,319	**16,358**

c) Other liabilities

Taxes and funds payable and other deductions	22,384	20,814
Other	765	218
	23,149	**21,032**

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NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2020			31 December 2019		
	Fair value (TRY)			Fair value (TRY)		
	Nominal contract amount (TRY)	Assets	(Liabilities)	Nominal contract amount (TRY)	Assets	(Liabilities)
Interest rate swap transactions (*)	684,810	-	(63,673)	447,882	-	(24,118)
	684,810	**-**	**(63,673)**	**447,882**	**-**	**(24,118)**

(*) The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2020, TL 22,151 thousand of (31 December 2019: TL 3,597 thousand) interest expense that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement.

NOTE 19 - EQUITY

The shareholders of the Company and their shareholdings as of 31 December 2020 and 31 December 2019:

		31 December 2020		31 December 2019	
Group:	**Shareholder:**	**Amount (TRY)**	**Share (%)**	**Amount (TRY)**	**Share (%)**
A	Socar Turkey Petrokimya A.Ş.	1,292,544	51.00	1,077,120	51.00
A	Publicly traded and other	1,241,856	49.00	1,034,880	49.00
C	Privatization Administration	-	0.01	-	0.01
Total paid in share capital		**2,534,400**	**100**	**2,112,000**	**100**
Adjustment to share capital		238,988		238,988	
Total share capital		**2,773,388**		**2,350,988**	

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 9 October 2020, within the maximum registered capital of TRY4,000,000, a bonus share of 28% of the issued capital and a bonus share of TRY422,000 was increased from TRY2,112,000 to TRY2,534,000. Approved and issued capital of the Company consist of 253,400,000,000 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (31 December 2019: - Approved and issued capital of the Company consist of 211,999,999,999 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 1 February 2014.

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

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

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

- In line with the determination of Profit Distribution Policy in 2019 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long-term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.
- In the event that distributable profit is available in accordance with the relevant communiqués; within the framework of the provisions of the Capital Markets Board and the Turkish Commercial Code, at least 50% of the annual distributable profit of the Company is aimed to be distributed in cash and / or shares and / or in installments. This rate is determined each year by the Board of Directors, depending on national and global economic conditions, the Company's medium and long-term growth and investment strategies, and cash requirements.
- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.
- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.
- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.
- 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 1, January 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

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

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

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 31 December 2020, 31 December 2019 and 31 December 2018 are summarized below:

	31 December 2020	31 December 2019	31 December 2018
Calculated corporation tax	102,783	50,677	125,936
Less: Prepaid taxes (-)	(75,414)	(54,674)	(157,861)
Total corporation tax asset	**27,369**	**(3,997)**	**(31,925)**

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

a) Corporate tax (Continued):

Tax expenses included in the income statement for the condensed consolidated periods ended 31 December 2020 and 2019 are summarized below:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Deferred tax expense	(96,436)	(62,846)
Current period tax expense	(102,783)	(50,677)
Total tax expense	**(199,219)**	**(113,523)**

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 2020 (2019: 22%, 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).

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

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2020, 31 December 2019 and 31 December 2018 are as follows:

	Taxable Temporary Differences			Deferred Income Tax Assets/(Liabilities)		
	31 December 2020	31 December 2019	31 December 2018	31 December 2020	31 December 2019	31 December 2018
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(451,410)	(185,629)	(99,163)	(90,282)	(37,126)	(19,833)
Fair value increase in investment properties	(2,077,305)	(1,903,706)	(1,713,208)	(207,731)	(190,371)	(171,321)
Deferred revenue related to the port rental agreement	(6,014)	-	(6,556)	(1,203)	-	(1,311)
Other	-	-	(4,468)	-	-	(893)
Deferred income tax liabilities	**(2,534,729)**	**(2,089,335)**	**(1,823,395)**	**(299,216)**	**(227,497)**	**(193,358)**
Unused investment incentives	831,699	860,956	888,885	220,088	228,251	236,079
Provision for employee benefits	161,564	152,898	135,816	32,313	30,580	27,163
Deferred revenue related to the Port rental agreement	-	14,504	-	-	2,901	-
Carry forward tax losses	279,374	121,212	21,976	55,875	24,242	4,395
Fair value difference of derivative financial instruments	63,673	24,118	13,954	12,735	4,824	2,791
Inventory provision	5,650	12,888	33,315	1,130	2,578	6,663
Rent allowance fee	3,974	4,141	4,309	795	828	862
Provision for legal cases	2,592	2,635	3,068	518	527	614
Other	58,650	19,105	71,850	11,730	3,821	14,370
Deferred income tax assets	**1,407,176**	**1,212,457**	**1,173,173**	**335,184**	**298,552**	**292,937**
Deferred tax assets/ (liabilities) - net				**35,968**	**71,055**	**99,579**

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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 31 December 2020 and 2019 were as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	**1,270,415**	**1,049,208**
Statutory tax rate	22%	22%
Calculated tax expense based on effective tax rate	(279,491)	(230,826)
Reconciliation between the tax provision and calculated tax:		
Effect of unused tax losses for which no deferred tax asset was recognized	2,928	(2,928)
Utilised investment incentives during the year	81,311	117,540
Income exempt from tax	2,163	1,058
Non-deductible expense	(20,826)	(24,771)
Tax rate difference	20,843	22,860
Other	(6,147)	3,544
Total tax expense reported in the profit or loss statement	**(199,219)**	**(113,523)**

The movement of deferred income tax is as follows:

	2020	2019
1 January	**71,055**	**99,579**
Recognized in the profit or loss statement	(96,436)	(62,846)
Recognized in other comprehensive income	5,466	4,446
Foreign currency translation differences	55,883	29,876
31 December	**35,968**	**71,055**

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on 4 January 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The Group has TRY240,878 unused investment incentive within the scope of strategic investment incentive certificate at of 31 December 2020. In this context, as of 31 December 2020 the Group has recognized deferred tax assets, that can be used in following periods, amounting to TRY25,748.

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of 15 June 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 TRY249,450 unused investment incentive within the scope of strategic investment incentive certificate as of 31 December 2020. In this context, as of 31 December 2020, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY1,066.

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NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

b) Deferred taxes (Continued)

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of 20 November 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TRY773,096 unused investment incentives within the scope of the port project investment certificate. In this context, as of 31 December 2020, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TRY193,274.

As a result of projections made as of 31 December 2020, 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 TRY831,699 (31 December 2019: TRY860,956).

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Domestic sales	8,112,618	6,992,880
Export sales	4,553,679	4,858,785
Other sales	114,280	123,280
Sales discounts (-)	(646,501)	(302,725)
Net sales	**12,134,076**	**11,672,220**
Direct raw materials and supplies	(5,256,631)	(6,294,584)
Cost of trade goods sold	(3,131,656)	(2,236,251)
Energy	(767,555)	(701,802)
Labour costs	(511,094)	(392,627)
Depreciation and amortization	(372,802)	(283,679)
Changes in work in progress and finished goods	(59,100)	(132,837)
Other	(152,448)	(29,303)
Cost of sales	**(10,251,286)**	**(10,071,083)**

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NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expense	(170,564)	(127,253)
Outsourced services	(80,614)	(57,235)
Depreciation and amortization	(40,856)	(43,157)
Energy expenses	(13,618)	(16,478)
Taxes, funds and fees	(8,828)	(11,283)
Other	(29,715)	(29,757)
	(344,195)	**(285,163)**

NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Outsourced services	(61,492)	(46,376)
Personnel expense	(38,362)	(26,583)
Depreciation and amortization	(7,969)	(7,074)
Other	(15,238)	(16,154)
	(123,061)	**(96,187)**

NOTE 24 - RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expense	(23,277)	(18,382)
Depreciation and amortization	(2,129)	(1,872)
Outsourced services	(1,392)	(2,608)
Other	(2,227)	(2,005)
	(29,025)	**(24,867)**

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

NOTE 25 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gains	372,917	265,076
Rent income	12,893	14,024
Term sales income	4,236	36,376
Other	15,647	14,768
	405,693	**330,244**

b) Other operating expenses:

Foreign exchange losses	(236,240)	(149,578)
Consultancy expenses	(16,277)	(37,183)
Term purchase expense	(7,243)	(21,303)
Provision for doubtful receivables	-	(3,277)
Other	(54,009)	(100,234)
	(313,769)	**(311,575)**

NOTE 26 - INCOME/(EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2020	1 January - 31 December 2019
Fair value increase in investment properties	173,599	190,498
Rent income	32,517	31,791
Gain on sale of property, plant and equipment	**10,328**	**9,151**
	216,444	**231,440**

b) Expenses from investment activities

Loss on sale of property, plant and equipment	(751)	(10,528)
	(751)	(10,528)

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NOTE 27 - FINANCIAL INCOME/EXPENSES

a) Finance income

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gains	2,421,710	1,563,941
Interest income	152,132	128,585
Other	6,386	2,204
	2,580,228	**1,694,730**

b) Finance expense

Foreign exchange loss	(2,547,223)	(1,637,122)
Interest expense	(377,594)	(376,601)
Interest expense from lease liabilities	(23,920)	(25,561)
Commission expense	(43,423)	(25,317)
Interest expense on employee benefits	(11,772)	(15,413)
Other	(7)	(9)
	(3,003,939)	**(2,080,023)**

NOTE 28 - EARNINGS PER SHARE

	1 January - 31 December 2020	1 January - 31 December 2019
Net profit for the period of the equity holders of the parent	1,087,675	984,739
Weighted average number of shares with nominal value of Kr l each (thousand)	253,440	253,440
Earnings per share (Kr)	**0,4292**	**0,3885**

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

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 31 December 2020 and 31 December 2019 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 2020	31 December 2019
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	332,376	151,695
SOCAR Turkey Petrol Ticaret A.Ş. (2) (formerly named 'SOCAR Turkey Petrol Enerji Dağıtım A.Ş.') (2)	65,343	-
STAR (2)	25,753	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	752	-
STEAŞ (1)	44	-
SOCAR Azerikimya Production Union (2)	36	-
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. (2)	-	20
	424,304	**151,715**

b) Short-term other receivables from related parties:

	31 December 2020	31 December 2019
STAR (2)	92	541
SOCAR Logistics DMCC (2)	82	-
STEAŞ (1)	65	164
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	-	7,009
SOCAR Turkey Petrol Ticaret A.Ş. (2)	-	679
SOCAR Trading SA (2)	-	164
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	-	71
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	-	38
SCR Müşavirlik ve İnşaat A.Ş. (formerly named 'SCR Gayrimenkul A.Ş.') (2)	-	6
	239	**8,672**

c) Long-term other receivables from related parties:

	31 December 2020	31 December 2019
SOCAR Power Enerji Yatırımları A.Ş. (2)	8,288	6,462
	8,288	**6,462**

(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)

d) Short-term trade payables to related parties:

	31 December 2020	31 December 2019
STAR (2)	452,624	273,692
STEAŞ (1)	124,524	115,374
SOCAR Enerji Ticaret A.Ş. (2)	67,912	45,051
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. (2)	5,481	-
SCR Müşavirlik ve İnşaat A.Ş. (2)	5,096	15,235
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	1,776	-
SOCAR Turkey Petrol Ticaret A.Ş. (2)	1,103	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	901	11,810
Azoil Petrolcülük A.Ş. (2)	398	868
SOCAR Turkey Fiber Optik A.Ş. (2)	124	244
SOCAR Turkey Petrokimya A.Ş. (1)	-	71,285
Other (2)	8	109
	659,947	**533,668**

Short-term trade payables to related parties are mainly consist of consultancy, service ve goods purchases. Average maturity of short-term trade payables is 10 days (31 December 2019: 11 days).

e) Other payables to related parties:

Due to shareholder (1)	87	87
	87	**87**

f) Short-term deferred revenue from related parties:

SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	13,720	-
STAR (2)	289	184
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	10	-
	14,019	**184**

g) Long-term deferred revenue from related parties:

SOCAR Aliağa Liman İşletmeciliği A.Ş. (2) (*)	354,441	190,228
STAR (2)	4,945	4,372
	359,386	**194,600**

(*) The balance is mainly consist of deferred revenue as a part of rental period 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). The Group recognizes these prepayments as income through the straight-line method.

(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:

Short-term prepaid expense

	31 December 2020	31 December 2019
STEAŞ [1] [*]	3,530,058	2,852,279
STAR [2]	1,929	1,813
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	475	-
SCR Müşavirlik ve İnşaat A.Ş. [2]	91	-
SOCAR Logistics DMCC [2]	-	604
Other [2]	-	193
	3,532,553	**2,854,889**

[*] 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 USD720 million. Rafineri Holding A.Ş. owns 60% shares of SOCAR Turkey Yatırım A.Ş. The shares of Rafineri Holding which are subject to the contract may be purchased by the Group provided that the conditions specified in the Agreement are realized on a date which is defined as the closing date in the contract. Closing date defined as 31 March 2019 as per agreement is modified as no later than 30 June 2021 by modification memorandum signed at 15 May 2020. As the agreement, Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transfer is subject to Group's operational performance and cash flows, advances paid are reclassified as prepaid expenses to related parties in the balance sheet as of as of 31 December 2020 and have been subject to exchange rate valuation.

Long-term prepaid expense to related parties

STAR [2]	20,119	21,935
STEAŞ [1]	3,901	1,481
	24,020	**23,416**

i) Short-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. [2]	31,154	22,793
STEAŞ [1]	3,383	2,881
	34,537	**25,674**

j) Long-term leasing payables to related parties:

SCR Müşavirlik ve İnşaat A.Ş. [2]	133,212	92,293
STEAŞ [1]	3,883	11,268
	137,095	**103,561**

[1] Shareholders of the Company.

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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 2020	**1 January - 31 December 2019**
STEAŞ [1]	667,747	328,204
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	7,702	-
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	2,732	5,940
SOCAR Power Enerji Yatırımları A.Ş. [2]	1,554	21,774
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	1,302	435
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	832	435
SOCAR Azerikimya Production Union [2]	69	(3)
SOCAR Logistics DMCC [2]	60	(139)
SCR Müşavirlik ve İnşaat A.Ş. [2]	(57,741)	(23,545)
STAR [2]	(38,258)	3,001
SOCAR Turkey Petrol Ticaret A.Ş. [1]	(4,175)	266
SOCAR Turkey Fiber Optik A.Ş. [2]	(5)	-
SOCAR Trading SA [2]	-	159
Kayserigaz Kayseri Doğalgaz Dağ Paz. ve Tic A.Ş. [2]	-	30
	581,819	**336,557**

The breakdown of income from STAR is as follows; TRY33,585 is foreing exchange loss, TRY4,673 other income and the breakdown of income from STEAŞ is as follows; TRY671,033 foreing exchange gain and TRY3,286 other expense. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of interest income.

b) Service and rent purchases from related parties:

SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	40,109	-
STEAŞ [1]	28,137	27,936
SCR Müşavirlik ve İnşaat A.Ş. [2]	10,186	28,662
STAR [2]	8,737	13,422
SOCAR Turkey Petrol Ticaret A.Ş. [2]	1,798	-
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	503	-
SOCAR Turkey Fiber Optik A.Ş. [2]	99	-
Other [2]	298	2,429
	89,867	**72,449**

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

[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)

c) Product purchase from related parties:

	1 January - 31 December 2020	1 January - 31 December 2019
STAR (2)	3,175,654	2,313,009
SOCAR Enerji Ticaret A.Ş. (2)	701,722	485,081
SOCAR Logistics DMCC (2)	134,940	12,558
Azoil Petrolcülük A.Ş. (2)	2,195	3,064
SOCAR Turkey Petrokimya A.Ş. (1)	-	626,496
	4,014,511	**3,440,208**

Goods purchases from related parties consist of raw material and commercial product purchases. Purchases from STAR consist of 1,323,419 tons of TRY3,155,540 naphtha purchases, TRY20,114 other purchases.

d) Product and service sales to related parties:

SOCAR Turkey Petrol Ticaret A.Ş. (2)	292,881	-
STAR (2)	212,484	83,562
SOCAR Aliağa Liman İşletmeciliği A.Ş. (2)	145,583	125,596
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	3,091	3,590
SOCAR Azerikimya Production Union (2)	2,394	4,875
SCR Müşavirlik ve İnşaat A.Ş. (2)	216	162
STEAŞ (1)	47	457
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. (2)	17	-
	656,713	**218,242**

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NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties (Continued)

	1 January - 31 December 2020	1 January - 31 December 2019
e) Rent income from related parties:		
STAR [2]	34,065	35,798
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	1,803	2,147
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	799	-
SCR Müşavirlik ve İnşaat A.Ş. [2]	234	673
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	221	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	68	-
STEAŞ [1]	3	5
	37,193	**38,623**
f) Fixed assets purchases from related parties:		
STEAŞ [1]	65,543	26,268
SOCAR Turkey Araştırma Geliştirme ve İnovasyon A.Ş. [2]	4,797	-
SOCAR Turkey Ortak Yönetim Hizmetleri A.Ş. [2]	1,689	-
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	1,001	10,824
SCR Müşavirlik ve İnşaat A.Ş. [2]	716	-
STAR [2]	(441)	143
SOCAR Aliağa Liman İşletmeciliği A.Ş. [2]	21	5
SOCAR Power Enerji Yatırımları A.Ş. [2]	-	107,484
	73,326	**144,724**

[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 2020	**1 January - 31 December 2019**
Payments for salary and seniority incentives	36,061	27,665
	36,061	**27,665**
h. Key management compensation - long-term:		
Provision for unused vacation	(385)	1,019
Provision for employment termination benefits	163	275
Provision for seniority incentives	(42)	27
	(264)	**1,321**
	35,797	**28,986**

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

a) 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 2020	31 December 2019
Provision for legal cases	2,592	2,635
	2,592	**2,635**

b) Guarantees received:

	31 December 2020	31 December 2019
Bank guarantees within the context of DOCS	1,347,712	1,059,061
Receivable insurance	771,274	617,505
Letters of guarantee received from customers	692,303	596,343
Letters of guarantee received from suppliers	270,224	251,510
Letters of credit	140,228	131,342
Mortgages	2,000	2,000
	3,223,741	**2,657,761**

c) Guarantees given:

	31 December 2020	31 December 2019
Mortgages given to banks	2,874,603	2,511,496
Mortgage given to banks (*)	1,369,604	1,127,219
Custom offices	104,347	99,400
Other	26,615	26,869
	4,375,169	**3,764,984**

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD186 million as of 31 December 2020.

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

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2020	31 December 2019
A. Total amount of CPMs given for the Company's own legal personality	3,005,565	2,637,765
B. Total amount of CPMs given on behalf of fully consolidated companies (*)	1,369,604	1,127,219
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	4,375,169	**3,764,984**

(*) Mortgages given to banks consist of pledge and mortgage for loan of Petlim Limancılık Ticaret A.Ş. at an amount of USD212 million which Petlim has remaining loan balance amounting to TRY1,127,219 as of 31 December 2020. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TRY105,000 has been pledged. On 20 November 2015, a mortgage amounting to USD350 million was established on Petlim's land which was sold by Petkim at a price of TRY5,650. In terms of the risk occured by the given mortgage, it is considered that it would be appropriate to consider the land amount instead of the mortgage amount.

PETKIM PETROKIMYA HOLDING ANONIM ŞIRKETI AND ITS SUBSIDIARIES

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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 TRY66 thousand and penalty of TRY99 thousand. A compromise meeting was attended for the tax and penalties communicated and no compromise was achieved. The case was filed on 22 January 2020 regarding the issue.

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 th at the sum of such losses were TRY937 and TRY1,405, respectively. In accordance with 7143 numbered Law regarding restruction, a fine amounting TRY479 was levied to the Group. Group has paid TRY479 and these inspections has been closed.

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

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

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations: (Continued)

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.

Supporting these predictions, as of 16 December 2020 and 24 December 2020 it has been decided to accept these lawsuits in favor of the Group amounting TRY 66 thousand Special Consumption Tax (SCT) and amounting TRY 99 thousand tax loss penalty by the 2nd and 3th Tax Court of Izmir.

Therefore, there is no provision in consolidated financial statements in relation to this matter as of 31 December 2020. Against the aforementioned decision, an application has been made to Court of Appeal by the defendant Administration with using right of appeal for 3 lawsuit at Izmir 2nd Tax Court.

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 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
0-5 year	876,036	708,633
5-10 year(s)	890,376	736,636
10 years and more	3,225,437	2,835,333
Total	**4,991,849**	**4,280,602**

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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 TRY trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits.

The credit risk exposure in terms of financial instruments as of 31 December 2020:

	31 December 2020			
	Other receivables from related parties	**Trade 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]	**8,527**	**424,304**	**1,292,821**	**5,502,010**
- The part of maximum credit risk covered with guarantees etc			(1,127,369)	
A. Net book value of financial assets neither past due nor impaired [3]	8,527	424,304	1,269,854	5,502,010
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]			22,967	-
- The part covered by guarantee etc.	-	-	(16,267)	-
D. Net book value of assets impaired				
- Past due (gross book value)	-	-	21,823	-
- Impairment amount	-	-	(21,286)	-
- 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:

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

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:

	31 December 2019			
	Other receivables from related parties	**Trade 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**	**4,037,170**
- The part of maximum credit risk covered with guarantees etc	-	-	(1,208,481)	-
A. Net book value of financial assets neither past due nor impaired [3]	15,134	151,715	1,381,991	4,037,170
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	-
- The part covered by guarantee etc.	-	-	(4,775)	-
D. Net book value of assets impaired				
- Past due (gross book value)	-	-	24,497	-
- Impairment amount	-	-	(24,497)	-
- 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 2020	**Related parties**	**Third parties**	**Total**
1-30 days overdue	-	15,882	15,882
1-3 months overdue	-	3,147	3,147
3 months and over	-	3,939	3,939
The part covered by the guarantees	-	(16,267)	(16,267)
	-	**6,701**	**6,701**

		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**

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, 2020 and 2019 are as follows:

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk: (Continued)

	31 December 2020				
	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	4,120,701	4,433,644	477,321	1,848,423	2,107,900
Other financial liabilities	2,020,941	2,036,966	391,558	1,645,408	-
Bond issued	3,753,934	4,209,319	107,814	107,814	3,993,691
Trade payables	526,682	526,682	526,682	-	-
Due to related parties	660,032	660,086	660,086	-	-
Lease liabilities	255,236	536,129	10,841	37,086	488,202
	11,337,526	**12,402,826**	**2,174,302**	**3,638,731**	**6,589,793**

	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)

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 2020				
	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	(63,673)	(684,810)	(7,781)	(22,565)	(654,464)

	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)

c) Market risk:

i) Foreign exchange risk

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

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

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk: (Continued)

i) Foreign exchange risk (Continued)

Foreign currency position

	31 December 2020			
	TRY equivalent	**US Dollar**	**Euro**	**Other TRY Equivalent**
1. Trade receivables	933,137	114,686	10,134	-
2a. Monetary financial assets (Cash, bank accounts included)	8,107,614	1,077,212	22,212	254
2b. Non-monetary financial assets	-	-	-	-
3. Current assets (1+2)	**9,040,751**	**1,191,898**	**32,346**	**254**
4. Trade receivables	-	-	-	-
5a. Monetary financial assets	-	-	-	-
5b. Non-monetary financial assets	-	-	-	-
6. Other	**-**	**-**	**-**	**-**
7. Non-current assets (4+5+6)	**9,040,751**	**1,191,898**	**32,346**	**254**
8. Total assets (3+7)	1,076,872	99,411	8,393	271,546
9. Trade payables	4,288,686	570,066	11,559	-
10. Financial liabilities	799,577	4,705	-	765,040
11a. Monetary other liabilities	-	-	-	-
11b. Non-monetary other liabilities	**6,165,135**	**674,182**	**19,952**	**1,036,586**
12. Short term liabilities (9+10+11)	-	-	-	-
13. Trade payables	4,232,699	557,443	15,630	-
14. Financial liabilities	137,095	18,677	-	-
15a. Monetary other liabilities	-	-	-	-
15b. Non-monetary other liabilities	**4,369,794**	**576,120**	**15,630**	**-**
16. Long term liabilities (13+14+15a+15b)	**10,534,929**	**1,250,302**	**35,582**	**1,036,586**
17. Total liabilities (12+16)				
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	**-**	**-**	**-**	**-**
18a. Amount of asset contract value of derivative instruments	**-**	**-**	**-**	**-**
18b. Amount of liability contract value of derivative instruments	**-**	**-**	**-**	**-**
19. Net foreign (liability)/ asset position (8-17+19)	**(1,494,178)**	**(58,404)**	**(3,236)**	**(1,029,944)**
20. Net foreign currency (liability)/asset Position of monetary items (TFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**(1,494,178)**	**(58,404)**	**(3,236)**	**(1,029,944)**
21. Total fair value of financial instruments used for foreign currency hedging	**-**	**-**	**-**	**-**
22. Hedged amount for foreign currency assets	**-**	**-**	**-**	**-**
23. Hedged amount for foreign currency liabilities	**-**	**-**	**-**	**-**
24. Export	**4,035,794**	**410,930**	**133,910**	**111,673**
25. Import	**4,154,432**	**536,613**	**60,137**	**93,767**

31 December 2019			
TRY equivalent	**US Dollar**	**Euro**	**Other TRY Equivalent**
1,132,694	153,573	33,146	-
6,300,018	1,034,880	22,934	102
-	-	-	-
7,432,712	**1,188,453**	**56,080**	**102**
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
7,432,712	**1,188,453**	**56,080**	**102**
743,571	87,119	14,913	126,889
3,865,262	638,111	11,240	-
765,040	-	-	765,040
-	-	-	-
5,373,873	**725,230**	**26,153**	**891,929**
-	-	-	
3,242,809	515,519	27,144	-
-	-	-	-
-	-	-	-
3,242,809	**515,519**	**27,144**	**-**
8,616,682	**1,240,749**	**53,297**	**891,929**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
(1,183,970)	**(52,296)**	**2,783**	**(888,065)**
(1,183,970)	**(52,296)**	**2,783**	**(888,065)**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
4,666,598	**532,289**	**258,664**	**14,287**
5,714,698	**941,396**	**61,936**	**39,954**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

Table of sensitivity analysis for foreign currency risk

31 December 2020	**Profit/(Loss)**		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TRY:				
1- Asset/(Liability) denominated in USD - net	(42,871)	42,871	(42,871)	42,871
2- The part hedged for USD risk (-)				
3- USD effect - net (1+2)	**(42,871)**	**42,871**	**(42,871)**	**42,871**
Change of EUR by 10% against TRY:				
4- Asset/(Liability) denominated in EUR - net	(2,915)	2,915	(2,915)	2,915
5- The part hedged for EUR risk (-)				
6- Avro Net Etki (4+5)	**(2,915)**	**2,915**	**(2,915)**	**2,915**
Change of other currencies by 10% against TRY:				
7- Assets/(Liabilities) denominated in other foreign currencies - net	102,995	(102,995)	102,995	(102,995)
8- The part hedged for other foreign currency risk (-)				
9- Other foreign currency effect - net (7+8)	**102,995**	**(102,995)**	**102,995**	**(102,995)**
Total (3+6+9)	**57,208**	**(57,208)**	**57,208**	**(57,208)**

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

Table of sensitivity analysis for foreign currency risk (Continued)

31 December 2019

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

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

The Group's interest rate position as of December 31, 2020 and 2019 is presented below:

	31 December 2020	31 December 2019
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	5,899,715	4,695,876
EUR Financial liabilities	84,158	82,747
TRY Financial liabilities	8,711	104,602
Financial instruments with variable interest rate		
USD Financial liabilities	3,742,238	3,278,016
EUR Financial liabilities	160,754	172,528

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/(-) TRY15,275 (31 December 2019: TRY15,578).

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.

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NOTE 32 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

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.

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 2020	**31 December 2019**	**31 December 2018**
Total financial debt	9,895,576	8,333,769	7,325,281
Less: Cash and cash equivalents (Note 4)	(5,502,010)	(4,037,170)	(3,009,408)
Net debt (Note 9)	4,393,566	4,296,599	4,315,873
Total equity	7,558,625	6,562,216	5,676,823
Net debt/equity ratio	**58%**	**65%**	**76%**

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.

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.

PETKIM PETROKIMYA HOLDING ANONIM ŞIRKETI AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2020

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Fair value estimation *(Continued)*

31 December 2020 and 2019, fair value and book value of financial statement were as follows:

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-		-	
Investment properties- Land	-	2,078,781	-	2,078,781
Total assets				
Derivative financial liabilities	-	(63,673)	-	(63,673)
Total liabilities				

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	-	-	-
Investment properties- Land	-	1,905,182	-	1,905,182
Total assets	-	-	-	-
Derivative financial liabilities	-	(24,118)	-	(24,118)
Total liabilities	-	**(24,118)**	-	**(24,118)**

NOTE 34 - EVENTS AFTER BALANCE SHEET DATE

None.

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 2020 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.

PETKİM PETROKİMYA HOLDİNG A.Ş. SHAREHOLDER STRUCTURE

	31.12.2020		**31.12.2019**	
Shareholders	**Paid-in Capital (TL)**	**%**	**Paid-in Capital (TL)**	**%**
SOCAR Turkey Petrokimya A.Ş.	1,292,544,000.00	51.00	1,077,120,000.00	51.00
Directorate of Privatization Administration	0.01	0.00	0.01	0.00
Traded on BİST (Publicly Held)	1,241,855,999.99	49.00	1,034,879,999.99	49.00
Total	2,534,400,000.00	100.00	2,112,000,000.00	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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Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

Petkim