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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

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

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CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017

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

	Notes	Unaudited 30 September 2017	(*) Audited 31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1.208.239.114	1.267.188.405
Trade receivables		823.899.836	674.471.489
- Trade receivables from third parties	6	823.899.836	674.471.489
Other receivables		89.509.116	30.792.406
- Other receivables from related parties	19	47.505.920	14.321.046
- Other receivables from third parties		42.003.196	16.471.360
Derivative financial instruments		317.520	7.466.471
Inventories	5	749.890.053	604.333.833
Prepaid expenses		65.676.154	31.915.791
- Prepaid expenses to third parties	10	58.155.464	19.037.704
- Prepaid expenses to related parties	19	7.520.690	12.878.087
Other current assets		46.126.401	43.777.394
- Other current assets related to third parties		46.126.401	43.777.394
TOTAL CURRENT ASSETS		**2.983.658.194**	**2.659.945.789**
NON - CURRENT ASSETS			
Financial investments		8.910.000	8.910.000
- Available for sale financial assets		8.910.000	8.910.000
Other receivables		429.963.173	423.305.661
- Other receivables from related parties	19	429.963.173	423.305.661
Investment properties		1.469.935	1.469.935
Property, plant and equipment	8	3.036.386.025	2.831.261.149
Intangible assets		23.698.586	22.398.670
Prepaid expenses		78.630.345	64.040.243
- Prepaid expenses to third parties	10	78.630.345	59.747.547
- Prepaid expenses to related parties	19	-	4.292.696
Deferred income tax assets	13	225.447.938	244.963.987
Other non-current assets		13.716.784	12.232.354
- Other non-current assets related to third parties		13.716.784	12.232.354
TOTAL NON - CURRENT ASSETS		**3.818.222.786**	**3.608.581.999**
TOTAL ASSETS		**6.801.880.980**	**6.268.527.788**

(*) See Note 2.5 for prior year reclassifications.

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Unaudited 30 September 2017	(*) Audited 31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		1.039.966.808	1.164.193.179
- Short-term borrowings from third parties		1.039.966.808	1.164.193.179
- Bank borrowings	7	587.223.446	461.698.893
- Other financial liabilities	7	452.743.362	702.494.286
Short-term portion of long-term borrowings		829.584.834	55.495.727
- Short-term portion of long-term borrowings from third parties		829.584.834	55.495.727
- Bank borrowings	7	829.584.834	55.495.727
Derivative financial instruments		1.717.791	432.006
Trade payables		562.361.620	412.369.070
- Trade payables to related parties	19	59.546.132	29.584.837
- Trade payables to third parties		502.815.488	382.784.233
Payables related to employee benefits		19.887.993	25.429.492
Other payables		14.396.996	38.733.947
- Other payables to related parties	19	87.116	26.450.401
- Other payables to third parties		14.309.880	12.283.546
Deferred revenue		69.836.941	39.144.851
- Deferred revenue from related parties	19	8.738.161	4.198.100
- Deferred revenue from third parties	9	61.098.780	34.946.751
Short term provisions		15.271.440	4.000.981
- Provision for employee benefits	11	11.737.997	2.617.402
- Other short term provisions	20	3.533.443	1.383.579
Current tax liabilities	13	47.883.711	48.864.818
Other current liabilities		10.148.122	7.976.519
- Other current liabilities related to third parties		10.148.122	7.976.519
TOTAL CURRENT LIABILITIES		**2.611.056.256**	**1.796.640.590**
NON-CURRENT LIABITIES			
Long term financial liabilities		463.452.791	1.172.474.368
- Long term financial liabilities from third parties		463.452.791	1.172.474.368
- Bank borrowings	7	463.452.791	1.172.474.368
Derivative financial instruments		10.863.934	9.027.379
Deferred revenue		128.773.662	129.637.103
- Deferred revenue from related parties	19	6.011.641	8.829.511
- Deferred revenue from third parties	9	122.762.021	120.807.592
Long term provisions		95.015.088	91.308.322
- Provision for employee termination benefits	11	95.015.088	91.308.322
TOTAL NON - CURRENT LIABILITIES		**698.105.475**	**1.402.447.172**
TOTAL LIABILITIES		**3.309.161.731**	**3.199.087.762**

(*) See Note 2.5 for prior year reclassification

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2017

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

	Notes	Unaudited 30 September 2017	Audited 31 December 2016
EQUITY			
Equity attributable to owners of the parent company		**3.433.799.692**	**3.001.710.146**
Share capital	12	1.500.000.000	1.500.000.000
Adjustment to share capital	12	238.988.496	238.988.496
Share premium		214.187.872	214.187.872
Other comprehensive expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(23.868.468)	(24.694.546)
Other comprehensive (expense) / income to be reclassified to profit or loss		(4.982.888)	572.240
- Currency translation differences		2.221.132	-
- (Loss) / Gain on cash flow hedges		(7.204.020)	572.240
Restricted reserves		192.598.686	104.957.638
Retained earnings		280.057.398	241.912.168
Net profit for the period / year		1.036.818.596	725.786.278
Non-controlling interest		**58.919.557**	**67.729.880**
TOTAL EQUITY		**3.492.719.249**	**3.069.440.026**
TOTAL LIABILITIES AND EQUITY		**6.801.880.980**	**6.268.527.788**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unaudited 1 January - 30 September 2017	Unaudited 1 July - 30 September 2017	Unaudited 1 January - 30 September 2016	Unaudited 1 July – 30 September 2016
PROFIT OR LOSS					
Revenue	14	5.401.902.586	1.775.482.731	3.253.455.041	968.829.547
Cost of sales	14	(4.022.896.072)	(1.335.174.474)	(2.585.062.405)	(776.198.587)
GROSS PROFIT		**1.379.006.514**	**440.308.257**	**668.392.636**	**192.630.960**
General administrative expenses	15	(147.809.950)	(45.819.673)	(103.091.540)	(30.448.719)
Selling, marketing and distribution expenses		(43.359.149)	(14.712.445)	(31.246.051)	(10.285.396)
Research and development expenses		(12.228.255)	(4.585.402)	(9.744.393)	(3.364.661)
Other operating income	16	162.594.543	68.109.120	113.392.268	33.674.246
Other operating expense	16	(99.873.631)	(13.695.437)	(66.431.775)	(29.352.887)
OPERATING PROFIT		**1.238.330.072**	**429.604.420**	**571.271.145**	**152.853.543**
Income from investing activities		37.768.958	26.827.019	565.634	(30.220)
Expense from investing activities		(144.232)	(1.218)	(12.812)	(566)
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		**1.275.954.798**	**456.430.221**	**571.823.967**	**152.822.757**
Financial income	17	383.519.541	99.583.207	194.963.181	55.576.435
Financial expenses	17	(432.098.880)	(119.629.785)	(174.328.865)	(52.321.453)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**1.227.375.459**	**436.383.643**	**592.458.283**	**156.077.739**
Tax expense from continuing operations		(200.271.595)	(64.343.201)	(77.053.227)	(17.952.877)
- Current tax expense	13	(176.953.541)	(49.762.195)	(112.512.643)	(32.037.498)
- Deferred tax income	13	(23.318.054)	(14.581.006)	35.459.416	14.084.621
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**1.027.103.864**	**372.040.442**	**515.405.056**	**138.124.862**
PROFIT FOR THE PERIOD		**1.027.103.864**	**372.040.442**	**515.405.056**	**138.124.862**
DISTRIBUTION OF INCOME/ (EXPENSE) FOR THE PERIOD					
- Non-controlling interest		(9.714.732)	(2.075.250)	5.300.075	1.401.012
- Owners of the parent company		1.036.818.596	374.115.692	510.104.981	136.723.850
Basic and diluted Earnings Per Share	18	**0,6912**	**0,2494**	**0,3401**	**0,0911**
- Earnings per Kr 1 number of 1 shares from continued operations		**0,6912**	**0,2494**	**0,3401**	**0,0911**

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unaudited 1 January - 30 September 2017	Unaudited 1 July - 30 September 2017	Unaudited 1 January - 30 September 2016	Unaudited 1 July – 30 September 2016
OTHER COMPREHENSIVE (LOSS) / INCOME					
Items to be reclassified to Profit or Loss		**(4.650.719)**	**7.325.029**	**(7.976.804)**	**1.242.973**
Currency translation differences		3.566.315	3.146.492	-	-
Other comprehensive (loss) / income related with cash flow hedges		(10.271.293)	5.223.171	(9.971.005)	1.553.716
Tax relating to (loss) / gain on cash flow hedge		2.054.259	(1.044.634)	1.994.201	(310.743)
Items not to be reclassified to Profit or Loss		**826.078**	**-**	**786.508**	**3.669.443**
Defined benefit plans remeasurement Earnings (losses)		1.032.598	-	983.135	4.586.804
Taxes relating to remeasurements of defined benefit plans		(206.520)	-	(196.627)	(917.361)
OTHER COMPREHENSIVE INCOME		**(3.824.641)**	**7.325.029**	**(7.190.296)**	**4.912.416**
TOTAL COMPREHENSIVE INCOME		**1.023.279.223**	**379.365.471**	**508.214.760**	**143.037.278**
Attributable to:					
Non-controlling interests		(8.810.323)	(679.867)	(1.385.983)	1.867.332
Owners of parent company		1.032.089.546	380.045.338	509.600.743	141.169.946

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

			Other comprehensive (expense) / income not to be reclassified to profit or loss	Other comprehensive (expense) / income to be reclassified to profit or loss								
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	(Loss) / gain on cash flow hedges	Currency translation differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
1 January 2016	**1.500.000.000**	**238.988.496**	**(23.668.037)**	**(7.490.023)**	**-**	**214.187.872**	**36.548.777**	**626.378.793**	**156.442.236**	**2.741.388.114**	**63.995.383**	**2.805.383.497**
Transfers	-	-	-	-	-	-	28.658.861	(626.378.793)	597.719.932	-	-	-
Total comprehensive income	-	-	786.508	(1.290.746)	-	-	-	510.104.981	-	509.600.743	(1.385.983)	508.214.760
- Other comprehensive income	-	-	786.508	(1.290.746)	-	-	-	-	-	(504.238)	(6.686.058)	(7.190.296)
- Net profit for the period	-	-	-	-	-	-	-	510.104.981	-	510.104.981	5.300.075	515.405.056
Dividend paid	-	-	-	-	-	-	39.750.000	-	(512.250.000)	(472.500.000)	-	(472.500.000)
30 September 2016	**1.500.000.000**	**238.988.496**	**(22.881.529)**	**(8.780.769)**	**-**	**214.187.872**	**104.957.638**	**510.104.981**	**241.912.168**	**2.778.488.857**	**62.609.400**	**2.841.098.257**
1 January 2017	**1.500.000.000**	**238.988.496**	**(24.694.546)**	**572.240**	**-**	**214.187.872**	**104.957.638**	**725.786.278**	**241.912.168**	**3.001.710.146**	**67.729.880**	**3.069.440.026**
Transfers	-	-	-	-	-	-	35.141.048	(725.786.278)	690.645.230	-	-	-
Total comprehensive income)	-	-	826.078	(7.776.260)	2.221.132	-	-	1.036.818.596	-	1.032.089.546	(8.810.323)	1.023.279.223
- Other comprehensive income	-	-	826.078	(7.776.260)	2.221.132	-	-	-	-	(4.729.050)	904.409	(3.824.641)
- Net profit for the period	-	-	-	-	-	-	-	1.036.818.596	-	1.036.818.596	(9.714.732)	1.027.103.864
Dividend paid	-	-	-	-	-	-	52.500.000	-	(652.500.000)	(600.000.000)	-	(600.000.000)
30 September 2017	**1.500.000.000**	**238.988.496**	**(23.868.468)**	**(7.204.020)**	**2.221.132**	**214.187.872**	**192.598.686**	**1.036.818.596**	**280.057.398**	**3.433.799.692**	**58.919.557**	**3.492.719.249**

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unaudited 1 January - 30 September 2017	Unaudited 1 January - 30 September 2016
A. Cash flows from operating activities:		**978.109.809**	**445.409.256**
Net profit for the year (I)		1.027.103.864	**515.405.056**
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**351.920.361**	**153.469.956**
Adjustments for depreciation and amortization		124.199.363	81.745.600
Adjustments for impairments/ reversals			
- Adjustments for impairment of inventories	5	(316.365)	(10.656.453)
- Adjustments for other impairment		(31.807.000)	-
Adjustments for provisions			
- Adjustments for provision employment termination benefits	11	29.653.112	21.715.459
- Adjustments for provision legal cases	20	2.149.864	145.394
- Adjustments for provision / other cases		8.960.334	10.280.524
Adjustments for interest income/ (expense)			
- Adjustments for interest income	17	(64.168.642)	(40.379.184)
- Adjustments for interest expense	17	70.452.342	14.637.288
- Deferred interest expense due to credit purchase		(4.047.146)	(1.030.139)
- Unearned interest income due to credit sales		9.041.825	8.621.620
Adjustments for unrealized foreign currency translation differences		29.767.177	(7.960.022)
Adjustments for tax income/ losses	13	200.271.595	77.053.227
Adjustments for gain/ losses on sale of property, plant and equipment		(23.959.777)	(565.634)
Adjustments for income from government incentives		1.723.679	(137.724)
Changes in working capital (III)			
Adjustments related to (increase)/decrease in trade receivables		(172.404.542)	9.638.090
Adjustments related to (increase)/decrease in other receivables		(51.554.900)	(16.333.558)
Adjustments related to (increase)/decrease in inventory		(136.220.194)	(121.045.440)
(Increase)/decrease in prepaid expenses		(3.353.942)	15.914.624
Adjustments for increase/(decrease) in trade payables		156.903.530	(37.394.382)
Adjustments for increase/(decrease) in other payable		(22.165.349)	9.389.269
Change in derivative financial instruments		(2.678.367)	-
Increase/(decrease) in payables related to employee benefits	11	(5.541.499)	12.587.674
Adjustments for increase/(decrease) in deferred revenue	9	29.828.649	24.441.186
Cash flows from operating activities (I+II+III)		**1.171.837.611**	**566.072.475**
Employee termination benefits paid	11	(15.793.154)	(29.335.745)
Income taxes (paid)	13	(177.934.648)	(91.327.474)
B. Cash flows from investing activıties		**(332.067.319)**	**(255.776.658)**
Cash outflows from purchases of property, plant and equipment		(339.334.018)	(352.997.377)
Proceeds from sale of property, plant and equipment		24.050.203	1.087.064
Other cash advances and payables given		(16.783.504)	(64.318.604)
Other cash inflows		-	160.452.259
C. Cash flows from financing activities		**(706.335.285)**	**(740.832.182)**
Proceeds from borrowings	7	1.077.454.358	369.561.024
Repayments of borrowings	7	(924.925.027)	(334.943.708)
Proceeds from other financial liabilities	7	505.322.874	540.709.871
Repayments of other financial liabilities	7	(753.465.911)	(832.101.285)
Interest received		63.929.185	38.042.046
Interest paid		(74.650.764)	(49.600.130)
Dividends paid		(600.000.000)	(472.500.000)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**(60.292.795)**	**(551.199.584)**
E. Effect of currency translation differences on cash and cash equivalents		**1.343.504**	**17.100.259**
Net increase / (decrease) in cash and cash equivalents (D+E)		**(58.949.291)**	**(534.099.325)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**1.267.188.405**	**1.341.536.749**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.208.239.114**	**807.437.424**

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

- To establish and to operate factories, plants in Turkey home or abroad in relation to the petro-chemistry, chemistry and such other industrial sectors,

- To process and to treat the raw materials and supplementary/auxiliary substances, materials and chemicals necessary for the production of petrochemicals, chemicals and such other materials/substances by procuring such materials/substances either from Turkey or abroad, to produce such materials/substances, and to carry out and to perform the domestic and international trading thereof,

- In accordance with the Law 4628 on the Electricity Market, and the related legislation thereto, to establish power plants as per the auto-producer's license in order to meet its own need for electricity and heat/thermal energy at first, to generate electricity and heat/thermal energy, to sell the generated electricity and heat/thermal energy and/or the capacity to other legal persons holding the requisite licenses or to the eligible consumers as per the mentioned legislation in case of any surplus production, and to carry out and to perform the activities in relation to the obtainment of any and all kinds of equipment and fuel in relation to the electricity power/generating plant provided that such activities are not of commercial nature,

- To carry out and to perform the activities in relation to the importation or purchase from domestic resources, of natural gas on wholesale and retail basis, utilization, storage of natural gas imported and purchased, in accordance with the legislation thereto,

- To carry out and to perform pilotage, trailer and mooring activities, to operate ports, cruise ports, passenger terminals, seaports, docks, harbors, berths, liquid fuel/liquefied petroleum pipeline and buoy systems, and such other similar onshore facilities/plants, and to be involved in port management activities, to offer port, agency, provision, bunkering services, and to provide that such services are offered by third parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,

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

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

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

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

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

STEAŞ and SİPAŞ merged on 22 September 2014 under STEAŞ.

As of 30 September 2017 and 31 December 2016 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 49% (31 December 2016: %49) of its shares have been quoted in Borsa İstanbul ("BIST") since 9 July 1990 (Note 12).

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 9 November 2017 and signed by Mr. Anar Mammadov, General Manager and Mr. Rıza Bozoklar, Vice President of Finance, on behalf of the Board of Directors.

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

Siteler Mh. Necmettin Giritlioğlu Cd. No: 6 35800 Aliağa/İZMİR

As of 30 September 2017, 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 30 September 2017, the average number of employees working for the Group is 2.418 (31 December 2016: 2.434). The details of the employees as of 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Union (*)	1.860	1.857
Non-union (**)	581	538
	2.441	**2.395**

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

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

2.1 Basis of Presentation

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

The Group prepared its condensed consolidated interim financial statements for the period ended 30 September 2017 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communique Serial II, No: 14.1, and it's the necessary related announcement. The condensed consolidated interim financial statements and its accompanying notes are presented in compliance with the format recommended by the CMB including its mandatory information. The Group and its subsidiaries maintain their books of accounts and prepare their statutory financial statements in accordance with the principles issued by CMB, the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Acc ounts issued by the Ministry of Finance. The condensed consolidated interim financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications recognised for the purpose of fair presentation in accordance with TAS. The condensed consolidated interim financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 2 June 2016 by POAASA and the format and mandatory information recommended.

In compliance with TAS 34, entities are allowed to make preference in presenting their interim financial statements in full set or condensed set of financial statements. In this framework, the Group elected to present its interim financial statements as condensed set.

The Group's condensed consolidated interim financial statements do not include all disclosure and notes that should be included at year-end financial statements. Therefore the condensed consolidation interim financial statements should be read in conjunction with the Group's annual consolidated financial statements dated 31 December 2016.

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

According to CMB Communiqué No:14 and announcements made by the CMB, it is obligatory for the companies preparing condensed financial statements in interim periods to present the foreign exchange position table, the hedging ratio of the total foreign exchange liability and the total export and total import amounts in the footnotes of the financial statements (Note 21).

The Group's condensed consolidated interim financial statements are not subject to seasonality. On the other hand, as a result of gradually increasing spread between the prices of naphtha (main raw material) and ethylene (base output for the products), and the depreciation of TL against USD in which the commodity prices are denominated in; the gross profit of the Group increased considerably for the nine month period ended 30 September 2017.

2.2 Summary of significant accounting policies

Significant accounting policies applied in these condensed consolidated interim financial statements are consistent with the accounting policy applied in the consolidated financial statements for the period 1 January - 31 December 2016 except for the followings:

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.

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

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

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

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

2.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 30 September 2017;

Subsidiaries	Direct or Indirect Control Shareholding rates of the Group (%)	
	30 September 2017	31 December 2016
Petlim	73,00	73,00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100,00	100,00

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

b) Foreign currency translation

i) Functional and presentation currency

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

Upon the change in functional currency of Petlim as US Dollars as of 1 January 2017, in accordance with the transition provisions of TMS 21, "Effects of Changes in Foreign Exchange", the financial statements of Petlim have been converted to US Dollars with the exchange rate as of 1 January 2017.

As of 30 September 2017, Petlim's assets and liabilities are translated into TL from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TL at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in "currency translation differences" in other comprehensive income.

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

The end of the period:	**30 September 2017**	**31 December 2016**
Turkish Liras / US Dollars	3,5521	3,5192

Average:	**30 September 2017**
Turkish Liras / US Dollars	3,5936

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

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 September 2017:

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2017. These amendments impact three standards:
    - IFRS 1,’ First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
    - IFRS 12,’Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
    - IAS 28,’Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- Amendments to IAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base, It also clarify certain other aspects of accounting for deferred tax assets.

b) New standards, amendments and interpretations issued and effective as of 1 January 2017 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) Standards, amendments and interpretations effective after 30 September 2017:

- TFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15 ‘Revenue arising from contracts with customers’: effective from annual periods beginning on or after 1 January 2018. The goal of the compliance study with Accepted Accounting Standards in the United States was to provide financial reporting of the resulting new standard revenue and to ensure that the total income of the financial statements is comparable globally.
- Amendments to TFRS 15 'Revenue arising from contracts with customers; These amendments include guidance on implementation guidance that sets performance (performance) obligations, accounting for intellectual property licenses, and disclosures about whether the entity is a noble or an intermediary (gross revenue presentation vs. net revenue presentation). New and modified explanatory examples have been added for each of these areas in the implementation guidance. The IASB also included additional practical measures related to the transition to the new revenue standard.

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

- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Annual improvements from 2014 to 2016

    - TFRS 1,’ First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.

    - TAS 28,’Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- TFRS 22,’ Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- IFRIC 23, ‘Uncertainty over income tax treatments’, effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group. However, no material effect is expected as a result of adoption of these standarts and interpretations.

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

2.5 Comparative information and correction of prior period financial statements

The Group prepared its condensed consolıdated interim financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 30 September 2017 on a comparative basis with balance sheet at 31 December 2016; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 30 September 2017 on a comparative basis with financial statements for the period of 1 January - 30 September 2016. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

In line with the guidance ("Taxonomy") provided by the CMB, Group management detected the following faults concerning balance sheet items. Reclassifications were made for the balance sheet prepared on 31 December 2016 and the consolidated cash flow prepared on 30 September 2016. These reclassifications were made as per the classifications in place on 31 September 2017 and are as follows:

- Payables with letters of credit to financial institutions amounting TL 702.494.286 which were recognised in trade payables to unrelated parties, were reclassified under other financial payables as per TMS 39 (Note 7).

- Net cash outflow amounting TL 291.391.414 previously recognised under cash flows from operating activities, were recognised under cash flow from financing activities due to the reclassification of payables with letters of credit.

- Group investments amounting to TL 927.411.743 previously recognised under investment properties, were reclassified under property, plant and equipment since they do not meet the investment property criteria as per TMS 40 (Note 8).

2.6 Critical accounting estimates and judgments

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

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

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petlim in via operator agreement dated 22 February 2013. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 30 September 2017.

b) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 13). 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.

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

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

c) 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 11.

d) Recoverability of available-for-sale investments on related parties and receivables from related parties

At each reporting period, the assessment of the recoverability of available-for-sale investments and receivables from related parties are performed by the Group management including a determination of the counterparty's ability and intention to repay its obligation to the Group. This assessment includes the Group management's judgment about the ability of the debtor to generate additional sources of financing, revenue, and ultimately adequate cash flows to service those receivables. The Group management does not anticipate any risk in relation to the recoverability of those assets at 30 September 2017.

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

	30 September 2017	30 September 2016
Petrochemical	5.345.623.674	3.253.540.034
Port	56.292.968	-
Total before eliminations and adjustments	**5.401.916.642**	**3.253.540.034**
Consolidation eliminations and adjustments	(14.056)	(84.993)
	5.401.902.586	**3.253.455.041**

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

NOTE 3 - SEGMENT REPORTING (Continued)

b) Operating profit/(loss)

	30 September 2017	30 September 2016
Petrochemical	1.215.433.345	583.167.020
Port	2.325.645	(6.968.568)
Total before eliminations and adjustments	**1.217.758.990**	**576.198.452**
Consolidation eliminations and adjustments	20.571.082	(4.927.307)
Operating profit	**1.238.330.072**	**571.271.145**
Financial (expenses)/income, net	(48.579.339)	20.634.316
Income from investing activities, net	37.624.726	552.822
Profit before tax from continued operations	**1.227.375.459**	**592.458.283**
Tax expense	(200.271.595)	(77.053.227)
Profit for the period	**1.027.103.864**	**515.405.056**

c) Total assets

	30 September 2017	31 December 2016
Petrochemical	5.968.465.914	5.474.315.400
Port	1.404.113.535	1.449.507.641
Total before eliminations and adjustments	**7.372.579.449**	**6.923.823.041**
Consolidation eliminations and adjustments	(570.698.469)	(655.295.253)
	6.801.880.980	**6.268.527.788**

d) Total liabilities

	30 September 2017	31 December 2016
Petrochemical	2.390.847.829	2.334.125.024
Port	1.217.091.009	1.233.117.523
Total before eliminations and adjustments	**3.607.938.838**	**3.567.242.547**
Consolidation eliminations and adjustments	(298.777.107)	(368.154.785)
	3.309.161.731	**3.199.087.762**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016
Cash	-	-
Banks	1.208.239.114	1.267.188.405
- Demand deposits	8.518.472	13.644.245
- TL	1.083.716	3.620.195
- Foreign currency	7.434.756	10.024.050
- Time deposits	1.199.720.642	1.253.544.160
- TL	36.107.076	264.674.114
- Foreign currency	1.163.613.566	988.870.046
	1.208.239.114	**1.267.188.405**

As of 30 September 2017, foreign currency time deposits consist of overnight or monthly deposits. The weighted average effective interest rates of USD and Euro overnight deposits are 3,84% and 1,68% per annum, respectively. (31 December 2016: USD - 2,45% , Euro - 1,17%). The weighted average effective interest rate of the USD denominated time deposits was respectively 4,23% (31 December 2016: 3,62%).

As of 30 September 2017, the TL dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 13,77% per annum. (31 December 2016: overnight 10,45%, monthly 11,60%). The Group has no blocked deposits as of 30 September 2017 (31 December 2016: None).

NOTE 5 - INVENTORIES

	30 September 2017	31 December 2016
Raw materials	178.176.081	131.205.558
Work-in-progress	142.728.554	151.387.512
Finished goods	186.047.479	155.419.561
Trade goods	50.872.924	16.287.036
Goods in transit	142.476.813	107.705.559
Other inventories	50.903.381	43.327.421
	751.205.232	**605.332.647**
Less: Provision for impairment on inventories	(1.315.179)	(998.814)
	749.890.053	**604.333.833**

Movements of provision for impairment on inventory for the periods ended 30 September 2017 and 2016 were as follows:

	2017	2016
1 January	**(998.814)**	**12.046.150**
Current year additions	(316.365)	(10.656.453)
30 September	**(1.315.179)**	**1.389.697**

Allocation of the provision for impairment on inventories in terms of inventory category is as follows:

	30 September 2017	31 December 2016
Raw materials	(681.533)	(555.245)
Finished goods	(87.699)	-
Trade goods	(272.777)	(173.195)
Other inventories	(273.170)	(270.374)
	(1.315.179)	**(998.814)**

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

NOTE 6 - TRADE RECEIVABLES

a) Short-term trade receivables from third parties

	30 September 2017	31 December 2016
Trade receivables	848.679.777	690.291.096
Provision for doubtful trade receivables (-)	(24.779.941)	(15.819.607)
	823.899.836	**674.471.489**

The maturity of trade receivables as of 30 September 2017 and 31 December 2016 are as follows:

Overdue receivables	19.672.957	16.203.086
0 to 30 days overdue	393.816.985	326.609.470
31 to 60 days overdue	103.188.851	137.770.278
61 to 90 days overdue	177.474.259	97.536.981
91 days and over	129.746.784	96.351.674
	823.899.836	**674.471.489**

NOTE 7 - BORROWINGS AND BORROWING COSTS

	30 September 2017	31 December 2016
Short-term borrowings	587.223.446	461.698.893
Short-term portions of long-term borrowings (*)	829.584.834	55.495.727
Other financial liabilities (**)	452.743.362	702.494.286
Short-term financial liabilities	**1.869.551.642**	**1.219.688.906**
Long-term borrowings (*)	463.452.791	1.172.474.368
Long-term financial liabilities	**463.452.791**	**1.172.474.368**
	2.333.004.433	**2.392.163.274**

(*) Since some provisions concerning the long-term loan agreement for the container terminal investment of Petlim may possibly be deemed to have been breached because the second phase of the harbour was not commissioned in the current period, the loan which was previously classified as long-term was reclassified as short-term. Currently, there is no dispute with the relevant finance institution concerning the loan in question. With the commissioning of the second phase of the terminal in short term , and by obtaining the official consent of the financial institution on the relevant provisions of the agreement, the low risk would be eliminated. However, the Group classified the loan amounting to TRY 684,239,674, equivalent to USD 192,629,620, as short-term, considering the relevant provisions of TMS 1, since there is no explicit written legal document that prevents the withdrawal of the loan. It is expected that the said loan will again be classified as long-term as the above-mentioned issue becomes very clear in the upcoming periods.

(**) Other financial liabilities consist of letters of credits arising from naphtha purchases. The average maturity of letter of credits is 161 days including commission expenses accrued in accordance with the effective interest method as of 30 September 2017 (31 Aralık 2016: average maturity 108 days).

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

NOTE 7 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TL equivalent	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Short-term borrowings:						
TL borrowings	12,20 - 13,25	10,20	303.055.446	90.735.333	303.055.446	90.735.333
USD borrowings	Libor + 0,75	Libor + 0,75 - 1,25	80.000.000	105.411.332	284.168.000	370.963.560
Short-term portions of long-term borrowings:						
USD borrowings	Libor + 1,70 - 4,68	Libor + 1,70 - 4,26	218.865.090	8.071.505	777.430.686	29.071.835
Euro borrowings	Euribor + 0,09 - 3,00	Euribor + 0,87 - 3,00	12.440.165	6.942.856	52.154.148	26.423.892
Total short-term borrowings					**1.416.808.280**	**517.194.620**
Long-term borrowings:						
USD borrowings	Libor + 2,26	Libor + 4,67 - 4,26	38.173.506	239.001.672	135.596.111	841.094.684
Euro borrowings	Euribor + 0,72 - 3,00	Euribor + 0,73 - 3,00	78.202.624	89.323.076	327.856.680	331.379.684
Total long-term borrowings					**463.452.791**	**1.172.474.368**
Total borrowings					**1.880.261.071**	**1.689.668.988**

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

NOTE 7 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 30 September 2017 and 31 December 2016 is as follows:

	30 September 2017
1 October 2018-30 September 2019	85.721.602
1 October 2019-30 September 2020	73.855.710
1 October 2020-30 September 2021	87.874.052
1 October 2021-30 September 2022	77.531.447
1 October 2022-30 September 2023	58.199.566
2023 and over	80.270.413
	463.452.791

	31 December 2016
2018	148.913.757
2019	90.177.581
2020	93.636.722
2021	110.240.586
2022 and over	729.505.722
	1.172.474.368

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

Movements of financial liabilities are as of 30 September 2017 ve 30 September 2016 as follows:

	2017	**2016**
1 Jaunuary	**2.392.163.274**	**2.113.608.700**
Proceeds from financial liabilities	1.582.777.232	910.270.895
Repayments of financial liabilities	(1.678.390.938)	(1.167.044.993)
Changes in foreign exchange	43.977.332	37.725.775
Changes in interest accrual	(7.482.467)	(15.371.058)
Less: Cash and cash equivalents	(1.208.239.114)	(807.437.424)
30 September	**1.124.805.319**	**1.071.751.895**

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2017
Cost:						
Land	13.522.050	-	-	(37.976)	55.826	13.539.900
Land improvements	115.726.542	-	47.122	(3.354)	16.692	115.787.002
Buildings	171.618.044	-	86.060	-	4.292	171.708.396
Machinery and equipment	6.560.805.487	-	255.119.038	(9.846.808)	-	6.806.077.717
Motor vehicles	12.513.099	-	467.684	(1.401.132)	-	11.579.651
Furniture and fixtures	91.565.404	-	3.798.851	(29.900)	3.878	95.338.233
Other fixed assets	996.152	-	-	-	-	996.152
Leasehold improvements	671.403	-	-	-	-	671.403
Assets subject to operating lease (**)	536.666.080	-	87.829.869	-	6.463.482	630.959.431
Construction in progress (*)	966.567.852	326.139.308	(348.485.011)	(108.378)	3.709.892	947.823.663
	8.470.652.113	**326.139.308**	**(1.136.387)**	**(11.427.548)**	**10.254.062**	**8.794.481.548**
Accumulated depreciation:						
Land improvements	(87.814.829)	(2.175.949)	-	-	2.090	(89.988.688)
Buildings	(102.921.776)	(2.838.066)	-	-	(699)	(105.760.541)
Machinery and equipment	(5.373.700.397)	(104.029.233)	-	9.825.544	-	(5.467.904.086)
Motor vehicles	(9.648.130)	(708.889)	-	1.372.105	-	(8.984.914)
Furniture and fixtures	(62.187.737)	(4.643.736)	-	24.736	(1.226)	(66.807.963)
Other fixed assets	(996.152)	-	-	-	-	(996.152)
Leasehold improvements	(589.295)	(977.997)	-	-	-	(1.567.292)
Assets subject to operating lease	(1.532.648)	(14.747.068)	-	-	193.829	(16.085.887)
	(5.639.390.964)	**(130.120.938)**	**-**	**11.222.385**	**193.994**	**(5.758.095.523)**
Net book value	**2.831.261.149**					**3.036.386.025**

(*) Construction in progress mainly consist of port investments.
(**) Consist of Petlim port leased to a third party.

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Transfers	Disposals	30 September 2016
Cost:					
Land	13.200.586	-	-	-	13.200.586
Land improvements	113.957.571	-	-	-	113.957.571
Buildings	171.235.674	-	-	-	171.235.674
Machinery and equipment	6.436.255.729	-	105.822.673	(17.683.298)	6.524.395.104
Motor vehicles	12.319.269	-	1.418.840	(1.225.011)	12.513.098
Furniture and fixtures	74.702.806	-	15.197.839	(177.358)	89.723.287
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	581.831	-	-	-	581.831
Construction in progress (*)	987.795.284	376.402.137	(126.385.172)	-	1.237.812.249
	7.811.044.902	**376.402.137**	**(3.945.820)**	**(19.085.667)**	**8.164.415.552**
Accumulated depreciation:					
Land improvements	(85.089.479)	(2.033.236)	-	-	(87.122.715)
Buildings	(98.986.892)	(2.805.683)	-	-	(101.792.575)
Machinery and equipment	(5.281.270.613)	(79.192.310)	-	17.238.423	(5.343.224.500)
Motor vehicles	(9.909.746)	(617.431)	-	1.115.531	(9.411.646)
Furniture and fixtures	(57.753.151)	(3.498.981)	-	210.283	(61.041.849)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	(404.795)	(145.458)	-	-	(550.253)
	(5.534.410.828)	**(88.293.099)**	**-**	**18.564.237**	**(5.604.139.690)**
Net book value	**2.276.634.074**				**2.560.275.862**

(*) The ongoing investments mainly consist of port investments and wind turbine investments.

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

NOTE 9 - DEFERRED REVENUE

a) Short term deferred revenue

	30 September 2017	31 December 2016
Advances received	57.331.712	28.820.322
Deferred revenue (*)	3.767.068	6.126.429
	61.098.780	**34.946.751**

b) Long term deferred revenue

Deferred revenue (*)	122.762.021	120.807.592
	122.762.021	**120.807.592**

(*) Based on the operating agreement between the Company and APM Terminalleri Liman İşletmeciliği A.Ş. ("APM Terminalleri") dated 22 February 2013, upfront payments of USD 48 million were received as part of the total operating fee throughout the lease term of the port. The Group defers the upfront payments and realized respective revenue on a straight line basis.

NOTE 10 - PREPAID EXPENSES

	30 September 2017	31 December 2016
a) Short-term prepaid expenses		
Advances given for inventory	28.263.595	587.442
Prepaid rent, insurance and other expenses	16.395.133	14.850.908
Advances given for customs procedures	13.496.736	3.599.354
	58.155.464	**19.037.704**
b) Long-term prepaid expenses		
Advances given for property, plant and equipment	61.627.284	76.651.061
Advances given for customs procedures	12.772.125	12.772.125
Prepaid rent, insurance and other expenses	4.230.936	2.131.361
	78.630.345	**91.554.547**
Impairment on advances given (*)	-	(31.807.000)
	78.630.345	**59.747.547**

(*) Based on the minute of board of directors dated 18 September 2017, it was decided that the advance given for the construction of administration building to be transferred without recourse at its carrying amount of USD11 million, and the respective lands, where this building is based on, to be sold at TL 22.431.000 to SCR Gayrimenkul A.Ş. ("SCR"). As of the approval date of this condensed consolidated financial statements, the sale of land was completed whereas the transfer of order advances was completed in October 2017. In this respect, the Group management recognized the reversal of the impairment provision and the gain from the sale of the land by TL 31.807.000 and TL 22.392.024, respectively (Note 19).

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

NOTE 11 - EMPLOYEE BENEFITS

	30 September 2017	31 December 2016
a) Short-term employee benefits:		
Provision for bonus premium	7.143.288	-
Provision for seniority incentive bonus	4.594.709	2.617.402
	11.737.997	**2.617.402**
b) Long-term employee benefits:		
Provision for employment termination benefits	77.530.885	79.216.848
Provision for unused vacation rights	12.961.879	8.867.379
Provision for seniority incentive bonus	4.522.324	3.224.095
	95.015.088	**91.308.322**

Provision for unused vacation:

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

	2017	2016
1 January	**8.867.379**	**7.686.675**
Changes in the period, net	4.094.500	2.700.575
30 September	**12.961.879**	**10.387.250**

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL4.732,48 for each year of service as of 30 September 2017 (31 December 2016 - TL4.297,21).

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

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

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

	30 September 2017	31 December 2016
Net discount rate (%)	3,61	3,61
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 TL4.732,48 which is effective from 1 July 2017, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2017 - TL4.426,16).

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

NOTE 11 - EMPLOYEE BENEFITS (Continued)

The movements of the provision for employment termination benefits are as follows:

	2017	2016
1 January	**79.216.848**	**78.796.553**
Interest cost	6.642.050	5.318.767
Payments during the period	(12.210.024)	(13.358.309)
Service cost	4.914.609	4.470.326
Actuarial loss	(1.032.598)	(983.135)
30 September	**77.530.885**	**74.244.202**

Provision for seniority incentive bonus:

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

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

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

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

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

	30 September 2017	31 December 2016
Net discount rate (%)	3,61	3,61
Used rate related to retirement probability (%)	100,00	100,00

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

NOTE 11 - EMPLOYEE BENEFITS (Continued)

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

	2017	2016
1 January	**5.841.497**	**5.671.563**
Interest cost	489.810	382.831
Payments during the period	(3.583.130)	(3.732.720)
Service cost	6.368.856	3.592.960
30 September	**9.117.033**	**5.914.634**

NOTE 12 - EQUITY

The shareholders of the Company and their shareholdings as of 30 September 2017 and 31 December 2016 were as follows:

		30 September 2017		31 September 2016	
Group:	**Shareholder:**	**Amount**	**Share (%)**	**Amount**	**Share (%)**
A	Socar Turkey Petrokimya A.Ş.	765.000.000	51,00	765.000.000	51,00
A	Publicly traded and other	735.000.000	49,00	735.000.000	49,00
C	Privatization Administration	0,01	-	0,01	-
Total paid share capital		**1.500.000.000**	**100**	**1.500.000.000**	**100**
Adjustment to share capital		238.988.496		238.988.496	
Total share capital		**1.738.988.496**		**1.738.988.496**	

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

NOTE 13 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 30 September 2017 and 31 December 2016 are summarized below:

	30 September 2017	31 December 2016
Calculated corporation tax	176.953.541	163.030.686
Less: Prepaid taxes (-)	(129.069.830)	(114.165.868)
Total corporation tax liability	**47.883.711**	**48.864.818**

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

NOTE 13 - TAX ASSETS AND LIABILITIES) (Continued)

Tax expenses included in the income statement for the condensed consolidated interim periods ended 30 September 2017 and 2016 are summarized below:

	1 January - 30 September 2017	**1 July - 30 September 2017**	**1 January - 30 September 2016**	**1 July - 30 September 2016**
Deferred tax (expense) / income	(23.318.054)	(14.581.006)	35.459.416	14.084.621
Current period tax expense	(176.953.541)	(49.762.195)	(112.512.643)	(32.037.498)
Total tax (expense) / gains	**(200.271.595)**	**(64.343.201)**	**(77.053.227)**	**(17.952.877)**

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

In Turkey, the corporate tax rate is 20% for 2017 (2016: 20%). 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 TMS and the statutory tax financial statements prepared in accordance with Corporate Tax Law.

For the companies operating in Turkey, deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (31 December 2016 - 20%).

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

NOTE 13 - TAX ASSETS AND LIABILITIES (Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 30 September 2017 and 31 December 2016 were as follows:

	Taxable Temporary Differences		**Deferred Income Tax Assets/(Liabilities)**	
	30 September 2017	**31 December 2016**	**30 September 2017**	**31 December 2016**
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(222.879.464)	(234.712.829)	(44.575.893)	(46.942.565)
Other	(7.327.559)	(11.499.654)	(1.465.511)	(2.299.931)
Deferred income tax liabilities	**(230.207.023)**	**(246.212.483)**	**(46.041.404)**	**(49.242.496)**
Unused investment incentives	855.066.345	947.460.922	234.363.027	250.612.314
Provision for employee benefits	106.747.959	103.444.982	21.349.591	20.688.997
Deferred revenue related to the transfer of operating rights	41.913.214	74.386.834	8.382.643	14.877.367
Adjustment to rediscount of receivables	8.976.331	9.094.536	1.795.266	1.818.907
Rent allowance fee	4.517.856	4.643.350	903.571	928.670
Provision for legal cases	3.533.443	1.383.579	706.689	276.716
Other	19.943.522	25.017.557	3.988.555	5.003.512
Deferred income tax assets	**1.040.698.670**	**1.165.431.760**	**271.489.342**	**294.206.483**
Deferred tax assets / (liabilities) - net			**225.447.938**	**244.963.987**

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

NOTE 13 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred income tax is as follows:

	2017	2016
1 January	**244.963.987**	**133.346.497**
Recognized in the profit or loss statement	(23.318.054)	35.459.416
Recognized in other comprehensive income	1.847.739	1.797.572
Foreign currency translation differences	1.954.266	-
30 September	**225.447.938**	**170.603.485**

NOTE 14 - REVENUE AND COST OF SALES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Domestic sales	3.432.308.575	1.150.813.059	2.309.180.176	725.800.646
Export sales	2.064.856.632	659.927.339	982.334.229	256.226.093
Other sales	29.075.669	11.556.666	17.952.102	4.711.753
Sales discounts (-)	(124.338.290)	(46.814.333)	(56.011.466)	(17.908.945)
Net sales	**5.401.902.586**	**1.775.482.731**	**3.253.455.041**	**968.829.547**
Direct raw materials and supplies	(2.821.546.412)	(940.852.168)	(1.810.726.360)	(577.397.102)
Cost of trade goods sold	(541.997.240)	(186.097.238)	(280.172.272)	(89.625.111)
Energy	(283.633.214)	(89.754.190)	(246.882.487)	(79.828.412)
Labour costs	(190.581.417)	(67.863.092)	(150.205.219)	(45.128.587)
Depreciation and amortization	(116.858.585)	(42.172.090)	(77.983.411)	(29.714.931)
Other	(68.279.204)	(8.435.696)	(19.092.656)	45.495.556
Cost of sales	**(4.022.896.072)**	**(1.335.174.474)**	**(2.585.062.405)**	**(776.198.587)**

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

NOTE 15 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Personnel expense	61.402.148	16.764.515	42.988.199	10.798.780
Consultancy and outsourced services	50.558.502	18.912.715	27.642.284	8.269.072
Energy expenses	7.754.058	1.337.085	7.482.893	1.334.242
Depreciation and amortization	6.312.617	2.279.158	5.575.061	1.893.011
Taxes, funds and fees	4.545.893	1.504.474	5.043.562	1.036.164
Other	17.236.732	5.021.726	14.359.541	7.117.450
	147.809.950	**45.819.673**	**103.091.540**	**30.448.719**

NOTE 16 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange gains	72.771.783	17.142.181	30.782.668	10.805.852
Interest income on term sales	35.162.708	8.750.563	49.023.712	13.138.058
Rent income	7.822.563	2.761.378	22.418.676	7.422.871
Unearned financial income from trade payables	4.047.146	1.921.001	(32.583)	(289.710)
Other	42.790.343	37.533.997	11.199.795	2.597.175
	162.594.543	**68.109.120**	**113.392.268**	**33.674.246**

b) Other operating expenses

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange losses	(61.079.158)	(5.552.154)	(30.445.294)	(16.763.316)
Unearned financial expense from trade receivables	(10.925.284)	(218.458)	(8.621.620)	739.603
Provision for doubtful receivables	(9.288.711)	-	(9.702.295)	(9.702.295)
Unearned financial expense from trade payables	(3.598.097)	(415.356)	(9.814.993)	(2.902.262)
Other	(14.982.381)	(7.509.469)	(7.847.573)	(724.617)
	(99.873.631)	**(13.695.437)**	**(66.431.775)**	**(29.352.887)**

NOTE 17 - FINANCIAL INCOME / EXPENSES

a) Finance income

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange gains	314.710.679	73.579.948	154.584.001	49.797.747
Interest income	64.168.642	24.425.963	40.379.180	5.778.688
Other	4.640.220	1.577.296	-	-
	383.519.541	**99.583.207**	**194.963.181**	**55.576.435**

b) Finance expense

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Foreign exchange loss	(344.502.627)	(84.780.349)	(152.419.422)	(44.414.279)
Interest expense	(70.452.342)	(27.744.454)	(15.268.853)	(3.597.008)
Interest expense on employee benefits	(7.131.860)	(2.376.922)	(5.701.599)	(4.096.703)
Commission expense	(5.305.586)	(3.034.074)	(938.991)	(213.463)
Other	(4.706.465)	(1.693.986)	-	-
	(432.098.880)	**(119.629.785)**	**(174.328.865)**	**(52.321.453)**

NOTE 18 - EARNINGS PER SHARE

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Net profit for the period of the equity holders of the parent	1.036.818.596	374.115.692	510.104.981	136.723.850
Weighted average number of shares with nominal value of Krl each (thousand)	150.000.000	150.000.000	150.000.000	150.000.000
Earnings per share (Kr)	**0,6912**	**0,2494**	**0,3401**	**0,0911**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 30 September 2017 and 31 December 2016 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

a) Short - term other receivables from related parties:

	30 September 2017	31 December 2016
STEAŞ [(1)]	24.507.191	13.169.638
SCR GAYRİMENKUL A.Ş. [(2)]	22.878.600	-
STAR [(2)]	113.527	1.149.900
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	5.214	-
TANAP Doğalgaz İletişim A.Ş. [(2)]	1.388	1.508
	47.505.920	**14.321.046**

b) Long - term other receivables from related parties:

	30 September 2017	31 December 2016
STEAŞ [(1)]	359.738.113	356.875.812
SOCAR Power Enerji Yatırımları A.Ş. [(2)]	70.225.060	66.429.849
	429.963.173	**423.305.661**

The effective weighted average interest rate applied to TL and USD denominated other trade receivables from related parties as of 30 September 2017 is 15,31% p.a. and 4,85%, respectively.

c) Short - term trade payables to related parties:

SOCAR Turkey Petrokimya A.Ş. [(1)]	30.160.811	-
STEAŞ [(1)]	27.502.360	404.943
Petrokim Trading Ltd. ("Petrokim") [(2)]	1.431.745	3.675.964
Azoil Petrolcülük A.Ş. [(2)]	451.216	284.141
SOCAR Gaz Ticareti A.Ş. [(2)]	-	25.217.360
SOCAR Power Enerji Yatırımları A.Ş. [(2)]	-	1.474
STAR [(2)]	-	955
	59.546.132	**29.584.837**

Short term trade payables to related parties are mainly consist of natural gas, fuel, and trade goods purchases. Average maturity of short term trade payables is 23 days. (31 December 2016 - 15 days).

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

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

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

d) Other payables to related parties:

	30 September 2017	31 December 2016
Due to shareholder	87.116	87.116
STAR [(2)]	-	26.363.285
	87.116	**26.450.401**

e) Short-term deferred revenue from related parties

	30 September 2017	31 December 2016
STAR [(2)]	8.592.392	4.188.726
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	145.769	-
SOCAR Power Enerji Yatırımları A.Ş. [(2)]	-	9.374
	8.738.161	**4.198.100**

f) Long-term deferred revenue from related parties

	30 September 2017	31 December 2016
STAR [(2)]	6.011.641	8.829.511
	6.011.641	**8.829.511**

g) Short-term prepaid expense to related parties

	30 September 2017	31 December 2016
STAR [(2)]	7.520.690	12.878.087
	7.520.690	**12.878.087**

h) Long-term prepaid expense to related parties

	30 September 2017	31 December 2016
STAR [(2)]	-	4.292.696
	-	**4.292.696**

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

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

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

ii) Transactions with related parties

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

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
SCR Gayrimenkul A.Ş. (2)	22.392.024	-	-	-
STEAŞ (1)	21.855.976	10.650.549	21.742.177	13.625.717
SOCAR Power Enerji Yatırımları A.Ş. (2)	3.367.976	1.770.292	3.437.151	2.391.307
STAR (2)	3.645.788	3.137.424	(5.374)	11.624
SOCAR Turkey Petrokimya A.Ş. (1)	220.722	(27.116)	-	-
Petrokim (2)	131.227	87.400	203.776	(3.515)
Azoil Petrolcülük A.Ş. (2)	3.365	1.722	(796)	(1.389)
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	4.833	-	-	-
SOCAR Azerikimya Production Union (2)	(14)	(19)	-	-
Socar Gaz Ticareti A.Ş. (2)	(162.184)	-	(49.383)	(1.039)
Socar Turkey Petrol Ener. Dağ. A.Ş. (2)	-	-	-	(339)
	51.459.713	**15.620.252**	**25.327.551**	**16.022.366**

b) Service and rent purchases from related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
STAR (2)	34.070.634	11.194.795	18.789.930	7.698.189
STEAŞ (1)	32.888.763	25.998.395	10.951.123	3.822.149
SOCAR Power Enerji Yatırımları A.Ş. (2)	66.792	-	677.652	156.185
	67.026.189	**37.193.190**	**30.418.705**	**11.676.523**

The rent and service purchases from STAR consist of rent for naphtha tank amounting to TL9.658.565, labor cost charges amounting to TL3.287.745 and engineering and other services purchases amounting to TL21.124.324. The service purchases from STEAŞ consist of labor cost charges of STEAŞ personnel amounting to TL8.231.605 and other services purchases amounting to TL24.657.158.

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

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

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

c) Product purchase from related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Petrokim [2]	294.821.552	60.453.210	95.810.733	42.915.396
SOCAR Turkey Petrokimya A.Ş. [1]	247.794.548	79.501.751	-	-
SOCAR Logistics DMCC[2]	52.972.645	-	-	-
Azoil Petrolcülük A.Ş. [2]	1.472.246	451.825	956.531	289.944
SOCAR Gaz Ticareti A.Ş. [2]	-	-	203.034.012	63.397.769
SOCAR Turkey Petrol Enerji Dağıtım A.Ş.[2]	-	-	6.888.558	2.106.097
	597.060.991	**140.406.786**	**306.689.834**	**108.709.206**

Purchases made by related parties during the interim period ended 30 September 2017 consist of commercial products, natural gas and fuel purchases.

d) Product and service sales to related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
STAR [2]	5.061.365	348.715	2.717.454	1.755.479
STEAŞ [1]	158.749	36.742	298.754	162.326
SOCAR Power Enerji Yatırımları A.Ş. [2]	-	966	2.730	1.622
Petrokim[2]	-	-	2.490.452	1.073.734
	5.220.114	**386.423**	**5.509.390**	**2.993.161**

e) Rent income from related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
STAR [2]	17.314.499	5.794.169	14.453.238	4.773.952
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	145.769	-	-	-
Socar Power Enerji Yatırımları A.Ş. [2]	8.520	-	16.184	5.113
Socar Teknolojik Çözümler A.Ş. [2]	-	-	763	254
	17.468.788	**5.794.169**	**14.470.185**	**4.779.319**

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

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

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

f) Key management compensation:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
i. Key management compensation - short term:				
Payments for salary and seniority incentives	10.636.266	3.146.334	7.565.990	2.566.748
ii. Key management compensation - long term:				
Provision for unused vacation	653.404	76.036	387.595	(425.012)
Provision for seniority incentives	90.876	836	-	(71.158)
Provision for employment termination benefits	77.752	5.648	63.751	(47.356)
	822.032	**82.520**	**451.346**	**(543.526)**
	11.458.298	**3.228.854**	**8.017.336**	**2.023.222**

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management.

Key management compensation consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 September 2017	31 December 2016
a) Short - term provisions:		
Provision for legal cases	3.533.443	1.383.579
	3.533.443	**1.383.579**

	30 September 2017	31 December 2016
b) Guaranties received:		
Bank guarantees within the context of DOCS	578.798.139	491.942.679
Letters of guarantee received from customers	389.446.589	288.961.642
Letters of guarantee received from suppliers	187.284.624	183.424.856
Letters of credit	170.635.361	84.503.722
Receivable insurance	143.974.789	96.013.037
Received insurance policies	13.373.216	1.502.374
Mortgages	2.000.000	2.000.000
	1.485.512.718	**1.148.348.310**

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

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

	30 September 2017	31 December 2016
c) Guaranties given:		
Mortgages given to banks	996.490.665	585.141.407
Mortgage given to banks (*)	775.958.157	867.787.728
Custom offices	61.023.202	50.099.000
Other	126.671.504	123.458.142
	1.960.143.528	**1.626.486.277**

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD209 million as of 30 September 2017.

d) Ongoing cases and investigations

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

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT on the grounds the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was informed of the imposition of a tax loss penalty and late payment interest of TRY 99 million and an SCT penalty of TRY 66 million on 25 August 2017.

At the same time during 2017, two of the three ongoing lawsuits at local tax courts related to the imported Pygas were concluded in favour of the Group, with the statement that the product customs tariff statistical position does not require SCT. In the third lawsuit it was ruled that the product does require SCT but that the penalty was unfair. 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.

The Group expects the litigation process will decide that the customs tariff statistical position of Pygas does not require SCT as the Customs Administration claimed.

Group management and Group legal consultants predict 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 via a settlement and/or litigation in a way that does not constitute any material financial risk.

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

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

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

	30 September 2017	31 December 2016
A. Total amount of CPMs given for the Company's own legal personality	1.184.185.371	758.698.549
B. Total amount of CPMs given on behalf of fully consolidated companies	745.765.307	691.827.728
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	30.192.850	175.960.000
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	-	-
	1.960.143.528	**1.626.486.277**

e) Operational leases

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 30 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
0-5 year	257.889.500	241.217.690
5-10 year(s)	866.067.907	650.779.200
10 years and more	1.766.126.540	1.750.698.696
Total	**2.890.083.947**	**2.642.695.586**

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

Foreign exchange risk

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

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

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

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

Foreign currency position

	30 September 2017				31 December 2016			
	TL Equivalent	**US Dollar**	**Euro**	**Other**	**TL Equivalent**	**US Dollar**	**Euro**	**Other**
1. Trade receivables	455.145.737	92.821.297	29.919.666	-	390.148.989	93.945.230	16.048.124	-
2a. Monetary financial assets (Cash, bank accounts included)	1.171.406.158	325.961.032	3.162.147	302.991	1.013.602.609	263.001.335	23.733.204	497
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**1.626.551.895**	**418.782.329**	**33.081.813**	**302.991**	**1.403.751.597**	**356.946.565**	**39.781.328**	**497**
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	650.471.976	183.123.216	-	-	365.195.175	103.772.214	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	**650.471.976**	**183.123.216**	-	-	**365.195.175**	**103.772.214**	-	-
8. Total assets (3+7)	**2.277.023.871**	**601.905.545**	**33.081.813**	**302.991**	**1.768.946.773**	**460.718.779**	**39.781.328**	**497**
9. Trade payables	381.266.580	96.717.482	7.672.679	5.549.473	289.340.519	74.598.272	7.139.375	327.913
10. Financial liabilities	820.737.421	216.374.339	12.440.161	-	1.129.097.581	313.193.198	7.253.047	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**1.202.004.001**	**313.091.821**	**20.112.840**	**5.549.473**	**1.418.438.101**	**387.791.470**	**14.392.422**	**327.913**
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	463.452.793	38.173.523	78.202.610	-	1.172.474.367	239.001.672	89.323.077	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	**463.452.793**	**38.173.523**	**78.202.610**	-	**1.172.474.367**	**239.001.672**	**89.323.077**	-
17. Total liabilities (12+16)	**1.665.456.794**	**351.265.344**	**98.315.450**	**5.549.473**	**2.590.912.468**	**626.793.142**	**103.715.499**	**327.913**
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	**105.572.100**	**25.000.000**	**4.000.000**	-	**325.687.680**	**87.275.000**	**5.000.000**	-
18a. Amount of asset contract value of derivative instruments	**105.572.100**	**25.000.000**	**4.000.000**	-	**325.687.680**	**87.275.000**	**5.000.000**	-
18b. Amount of liability contract value of derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability) / asset position (8-17+19)	**717.139.177**	**275.640.201**	**(61.233.637)**	**(5.246.482)**	**(496.278.015)**	**(78.799.363)**	**(58.934.171)**	**(327.416)**
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**611.567.077**	**250.640.201**	**(65.233.637)**	**(5.246.482)**	**(821.965.695)**	**(166.074.363)**	**(63.934.171)**	**(327.416)**
21. Total fair value of financial instruments used for foreign currency hedging	**1.390.466**	**391.449**	-	-	**1.556.304**	**163.660**	**264.252**	-
22. Hedged amount for current assets	**105.572.100**	**25.000.000**	**4.000.000**	-	**325.687.680**	**87.275.000**	**5.000.000**	-
23. Hedged amount for current liabilities	-	-	-	-	-	-	-	-
24. Export	**1.970.653.980**	**302.732.096**	**220.569.545**	-	**1.350.245.112**	**239.964.703**	**182.543.988**	-
25. Import	**3.190.220.680**	**820.697.021**	**55.034.832**	**343.651.160**	**2.976.902.046**	**934.910.668**	**42.161.459**	**352.637.656**

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

Table of sensitivity analysis for foreign currency risk

30 September 2017

	Profit/(Loss)		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	89.029.906	(89.029.906)	-	-
2- The part hedged for USD risk (-)	8.880.250	(8.880.250)	-	-
3- USD effect - net (1+2)	**97.910.156**	**(97.910.156)**	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(25.671.590)	25.671.590	-	-
5- The part hedged for EUR risk (-)	1.676.960	(1.676.960)	-	-
6- EUR effect - net (4+5)	**(23.994.630)**	**23.994.630**	-	-
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(526.094)	526.094	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	(526.094)	526.094	-	-
Total (3+6+9)	**73.389.432**	**(73.389.432)**	**-**	**-**

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

31 December 2016

	Profit/(Loss)		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	(58.444.890)	58.444.890	-	-
2- The part hedged for USD risk (-)	30.713.818	(30.713.818)	-	-
3- USD effect - net (1+2)	**(27.731.072)**	**27.731.072**	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(23.718.938)	23.718.938	-	-
5- The part hedged for EUR risk (-)	1.854.950	(1.854.950)	-	-
6- EUR effect - net (4+5)	**(21.863.988)**	**21.863.988**	-	-
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(137.457)	137.457	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(137.457)**	**137.457**	-	-
Total (3+6+9)	**(49.732.517)**	**49.732.517**	**-**	**-**

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