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 2018

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

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PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017
(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	Unaudited 30 September 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3.441.015	1.460.449
Trade receivables		1.457.835	918.838
- Trade receivables from related parties	17	1.260	-
- Trade receivables from third parties		1.456.575	918.838
Other receivables		46.097	837.367
- Other receivables from related parties	17	42.843	833.339
- Other receivables from third parties		3.254	4.028
Inventories	5	1.432.856	893.579
Prepaid expenses		2.950.222	35.670
- Prepaid expenses to third parties	9	67.043	30.221
- Prepaid expenses to related parties	17	2.883.179	5.449
Other current assets		134.797	62.501
- Other current assets related to third parties		134.797	62.501
TOTAL CURRENT ASSETS		**9.462.822**	**4.208.404**
NON - CURRENT ASSETS			
Financial investments		8.910	8.910
- Available for sale financial assets		8.910	8.910
Other receivables		118.893	75.290
- Other receivables from related parties	17	118.893	75.290
Investment properties		1.476	1.470
Property, plant and equipment	7	3.946.927	3.172.393
Intangible assets		26.106	23.614
Prepaid expenses		114.303	46.358
- Prepaid expenses to third parties	9	94.132	25.270
- Prepaid expenses to related parties	17	20.171	21.088
Derivative financial instruments		14.845	-
Deferred income tax assets	12	249.256	237.963
Other non-current assets		15.508	14.453
- Other non-current assets related to third parties		15.508	14.453
TOTAL NON - CURRENT ASSETS		**4.496.224**	**3.580.451**
TOTAL ASSETS		**13.959.046**	**7.788.855**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

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

	Notes	Unaudited 30 September 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings		3.231.992	1.428.313
- Short-term borrowings from third parties		3.231.992	1.428.313
- Bank borrowings	6	1.020.841	630.422
- Other financial liabilities	6	2.211.151	797.891
Short-term portion of long-term borrowings from third parties		240.856	174.250
- Short-term portion of long-term borrowings		240.856	174.250
- Bank borrowings	6	211.568	174.250
- Bonds issued	6	29.288	-
Trade payables		790.482	540.279
- Trade payables to related parties	17	52.622	30.044
- Trade payables to third parties		737.860	510.235
Payables related to employee benefits		23.681	6.828
Other payables		13.688	38.096
- Other payables to related parties	17	87	29.049
- Other payables to third parties		13.601	9.047
Deferred revenue		60.090	40.805
- Deferred revenue from related parties	17	7.811	4.176
- Deferred revenue from third parties	8	52.279	36.629
Short term provisions		20.644	40.660
- Provision for employee benefits	10	17.622	19.730
- Other short term provisions	18	3.022	20.930
Current tax liabilities	12	101.990	68.417
Other current liabilities		12.278	9.259
- Other current liabilities related to third parties		12.278	9.259
TOTAL CURRENT LIABILITIES		**4.495.701**	**2.346.907**
NON - CURRENT LIABITIES			
Long term financial liabilities		4.980.655	1.349.502
- Long term financial liabilities from third parties		4.980.655	1.349.502
- Bank borrowings	6	1.992.182	1.349.502
- Bonds issued	6	2.988.473	-
Derivative financial instruments		-	6.739
Deferred revenue		204.944	136.064
- Deferred revenue from related parties	17	4.183	5.095
- Deferred revenue from third parties	8	200.761	130.969
Long term provisions		101.224	95.565
- Provision for employee termination benefits	10	101.224	95.565
TOTAL NON - CURRENT LIABILITIES		**5.286.823**	**1.587.870**
TOTAL LIABILITIES		**9.782.524**	**3.934.777**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

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

	Notes	Unaudited 30 September 2018	Audited 31 December 2017
EQUITY			
Equity attributable to owners of the parent company		**4.129.789**	**3.793.931**
Share capital	11	1.650.000	1.500.000
Adjustment to share capital	11	238.988	238.988
Share premium		64.188	214.188
Other comprehensive expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(28.240)	(27.291)
Other comprehensive (expense) / income to be reclassified to profit or loss		(45.196)	(6.569)
- Currency translation differences		(49.187)	(2.795)
- (Loss) / Gain on cash flow hedges		3.991	(3.774)
Restricted reserves		310.644	192.599
Retained earnings		1.023.971	280.057
Net profit for the period / year		915.434	1.401.959
Non-controlling interest		**46.733**	**60.147**
TOTAL EQUITY		**4.176.522**	**3.854.078**
TOTAL LIABILITIES AND EQUITY		**13.959.046**	**7.788.855**

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 2018 AND 30 SEPTEMBER 2017

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

	Notes	Unaudited 1 January - 30 September 2018	Unaudited 1 July - 30 September 2018	Unaudited 1 January - 30 September 2017	Unaudited 1 July - 30 September 2017
PROFIT OR LOSS					
Revenue		7.282.601	3.050.754	5.401.903	1.775.483
Cost of sales		(5.762.691)	(2.278.552)	(4.022.896)	(1.335.175)
GROSS PROFIT		**1.519.910**	**772.202**	**1.379.007**	**440.308**
General administrative expenses	13	(202.370)	(66.719)	(147.810)	(45.820)
Selling, marketing and distribution expenses		(56.592)	(22.434)	(43.359)	(14.712)
Research and development expenses		(16.475)	(5.995)	(12.228)	(4.585)
Other operating income	14	353.288	225.753	162.595	68.109
Other operating expense	14	(282.225)	(177.470)	(99.875)	(13.696)
OPERATING PROFIT		**1.315.536**	**725.337**	**1.238.330**	**429.604**
Income from investing activities		17.692	5.885	37.769	26.827
Expense from investing activities		-	-	(144)	(1)
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		**1.333.228**	**731.222**	**1.275.955**	**456.430**
Financial income	15	3.451.588	2.444.515	383.519	99.584
Financial expenses	15	(3.673.459)	(2.626.781)	(432.099)	(119.630)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**1.111.357**	**548.956**	**1.227.375**	**436.384**
Tax expense from continuing operations		(238.129)	(157.805)	(200.271)	(64.343)
- Current tax expense	12	(150.203)	(113.677)	(176.953)	(49.762)
- Deferred tax income	12	(87.926)	(44.128)	(23.318)	(14.581)
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**873.228**	**391.151**	**1.027.104**	**372.041**
PROFIT FOR THE PERIOD		**873.228**	**391.151**	**1.027.104**	**372.041**
DISTRIBUTION OF INCOME/ (EXPENSE) FOR THE PERIOD					
- Non-controlling interest		(42.206)	(21.549)	(9.715)	(2.075)
- Owners of the parent company		915.434	412.700	1.036.819	374.116
Basic and diluted Earnings Per Share	16	**0,5548**	**0,2501**	**0,6284**	**0,2267**
- Earnings per Kr 1 number of 1 shares From continued operations		**0,5548**	**0,2501**	**0,6284**	**0,2267**

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 2018 AND 30 SEPTEMBER 2017

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

	Notes	Unaudited 1 January - 30 September 2018	Unaudited 1 July - 30 September 2018	Unaudited 1 January - 30 September 2017	Unaudited 1 July - 30 September 2017
OTHER COMPREHENSIVE (LOSS) / INCOME					
Items to be reclassified to Profit or Loss		**(9.835)**	**(16.527)**	**(4.651)**	**7.324**
Currency translation differences		(20.927)	(16.720)	3.566	3.146
Other comprehensive (loss) / income related with cash flow hedges		13.865	240	(10.271)	5.223
Tax relating to (loss) / gain on cash flow hedge		(2.773)	(47)	2.054	(1.045)
Items not to be reclassified to Profit or Loss		**(949)**	**-**	**826**	**-**
Defined benefit plans remeasurement Earnings (losses)		(1.186)	-	1.033	-
Taxes relating to remeasurements of defined benefit plans		237	-	(207)	-
OTHER COMPREHENSIVE INCOME		**(10.784)**	**(16.527)**	**(3.825)**	**7.324**
TOTAL COMPREHENSIVE INCOME		**862.444**	**374.624**	**1.023.279**	**379.365**
Attributable to:					
Non-controlling interests		(13.414)	(6.012)	(8.811)	(680)
Owners of parent company		875.858	380.636	1.032.090	380.045

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 2018 AND 30 SEPTEMBER 2017

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

			Other comprehensive (expense) / income not to be reclassified to profit or loss	Other comprehensive (expense) / income to be reclassified to profit or loss								
	Share capital	**Adjustment to share capital**	**Actuarial loss arising from defined benefit plan**	**(Loss) / gain on cash flow hedges**	**Currency translation differences**	**Share premium**	**Restricted reserves**	**Net profit for the period**	**Retained earnings**	**Equity attributable to owners of the parent company**	**Non-controlling interests**	**Total equity**
1 January 2017	**1.500.000**	**238.988**	**(24.695)**	**572**	**-**	**214.188**	**104.958**	**725.786**	**241.912**	**3.001.709**	**67.730**	**3.069.439**
Transfers	-	-	-	-	-	-	35.141	(725.786)	690.645	-	-	-
Total comprehensive income	-	-	826	(7.776)	2.220	-	-	1.036.819	-	1.032.090	(8.810)	1.023.279
- Other comprehensive income	-	-	826	(7.776)	2.220	-	-	-	-	(4.730)	905	(3.825)
- Net profit for the period	-	-	-	-	-	-	-	1.036.819	-	1.036.819	(9.715)	1.027.104
Dividend paid	-	-	-	-	-	-	52.500	-	(652.500)	(600.000)	-	(600.000)
30 September 2017	**1.500.000**	**238.988**	**(23.869)**	**(7.204)**	**2.220**	**214.188**	**192.599**	**1.036.819**	**280.057**	**3.433.800**	**58.920**	**3.492.718**
1 January 2018	**1.500.000**	**238.988**	**(27.291)**	**(3.774)**	**(2.795)**	**214.188**	**192.599**	**1.401.959**	**280.057**	**3.793.931**	**60.147**	**3.854.078**
Transfers	150.000	-	-	-	-	(150.000)	71.545	(1.401.959)	1.330.414	-	-	-
Total comprehensive income)	-	-	(949)	7.765	(46.392)	-	-	915.434	-	875.858	(13.414)	862.444
- Other comprehensive income	-	-	(949)	7.765	(46.392)	-	-	-	-	(39.576)	28.792	(10.784)
- Net profit for the period	-	-	-	-	-	-	-	915.434	-	915.434	(42.206)	873.228
Dividend paid	-	-	-	-	-	-	46.500	-	(586.500)	(540.000)	-	(540.000)
30 September 2018	**1.650.000**	**238.988**	**(28.240)**	**3.991**	**(49.187)**	**64.188**	**310.644**	**915.434**	**1.023.971**	**4.129.789**	**46.733**	**4.176.522**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2018 AND 30 SEPTEMBER 2017

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

	Notes	Unaudited 1 January - 30 September 2018	Unaudited 1 January - 30 September 2017
A. Cash flows from operating activities:		**1.281.127**	**978.110**
Net profit for the year (I)		873.228	1.027.104
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**1.470.357**	**351.920**
Adjustments for depreciation and amortization		158.543	124.199
Adjustments for impairments/ reversals			
- Adjustments for impairment of inventories	5	(73)	(316)
- Adjustments for other impairment		-	(31.807)
Adjustments for provisions			
- Adjustments for provision employment termination benefits		21.985	29.653
- Adjustments for provision legal cases	18	(180)	2.150
- Adjustments for provision / other cases		(18.332)	8.960
Adjustments for interest income/ (expense)			
- Adjustments for interest income	15	(172.908)	(64.169)
- Adjustments for interest expense	15	210.453	70.452
- Deferred interest expense due to credit purchase		(2.601)	(4.047)
- Unearned interest income due to credit sales		14.296	9.042
Adjustments for unrealized foreign currency translation differences		1.019.443	29.768
Adjustments for tax income/ losses	12	238.129	200.271
Adjustments for gain/ losses on sale of property, plant and equipment		-	(23.960)
Adjustments for income from government incentives		1.602	1.724
Changes in working capital (III)			
Adjustments related to (increase)/decrease in trade receivables		(451.742)	(172.405)
Adjustments related to (increase)/decrease in other receivables		(109.266)	(51.555)
Adjustments related to (increase)/decrease in inventory		(521.949)	(136.220)
(Increase)/decrease in prepaid expenses		(104.685)	(3.354)
Adjustments for increase/(decrease) in trade payables		264.355	156.904
Adjustments for increase/(decrease) in other payable		(21.389)	(22.165)
Change in derivative financial instruments		(12.864)	(2.678)
Increase/(decrease) in payables related to employee benefits		33.294	(5.541)
Adjustments for increase/(decrease) in deferred revenue		12.344	29.828
Cash flows from operating activities (I+II+III)		**1.431.683**	**1.171.838**
Employee termination benefits paid		(33.926)	(15.793)
Income taxes (paid)	12	(116.630)	(177.935)
B. Cash flows from investing activıties		**(1.929.689)**	**(332.067)**
Cash outflows from purchases of property, plant and equipment		(348.712)	(339.334)
Proceeds from sale of property, plant and equipment		30	24.050
Other cash advances and payables given		(64.707)	(16.783)
Advances and loans to related parties		(2.390.433)	-
Proceeds from related party loans		874.133	-
C. Cash flows from financing activities		**2.067.716**	**(706.336)**
Proceeds from borrowings	6	973.382	1.077.454
Repayments of borrowings	6	(933.778)	(924.925)
Proceeds from bonds issued	6	1.894.386	-
Proceeds from other financial liabilities	6	1.426.208	505.323
Repayments of other financial liabilities	6	(755.372)	(753.466)
Interest received		175.191	63.929
Interest paid		(172.301)	(74.651)
Dividends paid		(540.000)	(600.000)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**1.419.154**	**(60.293)**
E. Effect of currency translation differences on cash and cash equivalents		**561.412**	**1.344**
Net increase / (decrease) in cash and cash equivalents (D+E)		**1.980.566**	**(58.949)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**1.460.449**	**1.267.188**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**3.441.015**	**1.208.239**

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,

- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Markets Board.

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

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

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

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

On 22 September 2014, the listed shares of 10,32% in the Company, which belonged to Prime Ministry Privatisation Administration, was sold to SOCAR İzmir Petrokimya A.Ş ("SİPAŞ"), the subsidiary of the Company's main shareholder, SOCAR Turkey Enerji A.Ş. ("STEAŞ").

As of 30 September 2018 and 31 December 2017 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

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

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 1 November 2018 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 2018, 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 2018, the average number of employees working for the Group is 2.473 (31 December 2017: 2.425). The details of the employees as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
Union (*)	1.884	1.877
Non-union (**)	635	587
	2.519	**2.464**

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

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

2.1 Basis of Presentation

The 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 interim consolidated financial statements for the period ended 30 September 2018 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communique Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanting notes are presented in compliance with the format recommended by CMB including its mandatory information.

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 2017.

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

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.

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 19).

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

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 2017 except for the followings:

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

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

2.2 Summary of significant accounting policies (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

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

The balance sheets and income statements of the companies included in the consolidation have been consensated using the full consolidation method and all debit / credit balances and transactions between them have been mutually canceled. The shareholding amounts and the shareholders' equity of the companies participating in are eliminated mutually. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TAS / TFRS applying uniform accounting policies and presentation.Gains and losses arising from intra-group transactions recognized in assets are eliminated when the losses are offset against each other and unrealized losses are eliminated when the transaction does not indicate an impairment in the transferred asset.

The 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 2018 and 31 December 2017 are;

Subsidiaries	Direct or Indirect Control Shareholding rates of the Group (%)	
	30 September 2018	**31 December 2017**
Petlim	73,00	73,00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100,00	100,00

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

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

2.3 Basis of consolidation (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 2018, 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 2018**	**31 December 2017**
Turkish Liras / US Dollars	5,9902	3,7719

Average:	**30 September 2018**	**30 September 2017**
Turkish Liras / US Dollars	4,6020	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 2018:

- **IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 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.

- **IFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **Amendment to IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

    - Transition to TFRS 15 "Revenue from contracts with customers":
    - The Group has assessed TFRS 15 "Revenue from customer contracts" and has not identified any difference that should be recognized in the retained earnings within materiality principle.
    - Transition to TFRS 9 "Financial instruments":
    - The Group has assessed TFRS 9 "Financial instruments" and has not identified any difference that should be recognized in the retained earnings within materiality principle.

- **Amendment to IAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- **Amendments to IFRS 2, 'Share based payments'** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

a) Standards, amendments and interpretations applicable as at 30 September 2018 (Continued):

- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 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,
    - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **IFRIC 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.

b) ***Standards, amendments and interpretations that are issued but not effective as at 30 September 2018:***

- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if IFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

b) Standards, amendments and interpretations that are issued but not effective as at 30 September 2018 (Continued):

- **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.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', **-** a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', **-** a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes', **-** a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs', **-** a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

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

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 2018 on a comparative basis with balance sheet at 31 December 2017; and statements of profit or loss comprehensive income, cash flows and changes in equity for the period of 1 January - 30 September 2018 on a comparative basis with financial statements for the period of 1 January - 30 September 2017. For the purpose of convenience with the presentation of current period consolidated financial statements, comparative information is restated when necessary and major changes are disclosed.

2.6 Critical accounting estimates and judgments

Preparation of 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) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 18.

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

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by 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 2018.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 12). 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 thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 10.

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

a) Revenue

	1 January - 30 September 2018	**1 July - 30 September 2018**	**1 January - 30 September 2017**	**1 July - 30 September 2017**
Petrochemical	7.209.511	3.020.979	5.345.624	1.751.602
Port	73.092	29.775	56.293	23.895
Total before eliminations and adjustments	**7.282.603**	**3.050.754**	**5.401.917**	**1.775.497**
Consolidation eliminations and adjustments	(2)	-	(14)	(14)
	7.282.601	**3.050.754**	**5.401.903**	**1.775.483**

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

NOTE 3 - SEGMENT REPORTING (Continued)

b) Operating profit/(loss)

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Petrochemical	1.279.004	707.268	1.215.433	415.257
Port	20.496	12.201	2.326	7.388
Total before eliminations and adjustments	**1.299.500**	**719.469**	**1.217.759**	**422.645**
Consolidation eliminations and adjustments	16.036	5.868	20.571	6.959
Operating profit	**1.315.536**	**725.337**	**1.238.330**	**429.604**
Financial (expenses)/income, net	(221.871)	(182.266)	(48.580)	(20.046)
Income from investing activities, net	17.692	5.885	37.625	26.826
Profit before tax from continued operations	**1.111.357**	**548.956**	**1.227.375**	**436.384**
Tax expense	(238.129)	(157.805)	(200.271)	(64.343)
Profit fort he period	**873.228**	**391.151**	**1.027.104**	**372.041**

c) Total assets

	30 September 2018	31 December 2017
Petrochemical	12.754.075	6.891.966
Port	2.390.703	1.527.342
Total before eliminations and adjustments	**15.144.778**	**8.419.308**
Consolidation eliminations and adjustments	(1.185.730)	(630.453)
	13.959.046	**7.788.855**

d) Total liabilities

	30 September 2018	31 December 2017
Petrochemical	8.342.112	2.940.164
Port	2.244.299	1.336.229
Total before eliminations and adjustments	**10.586.413**	**4.276.393**
Consolidation eliminations and adjustments	(803.889)	(341.616)
	9.782.524	**3.934.777**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2018	31 December 2017
Cash	-	-
Banks	3.436.871	1.460.449
- Demand deposits	31.581	16.526
- TL	2.624	4.581
- Foreign currency	28.957	11.945
- Time deposits	3.405.290	1.443.923
- TL	215.936	459.830
- Foreign currency	3.189.354	984.093
Other	4.144	-
	3.441.015	**1.460.449**

As of 30 September 2018, foreign currency time deposits consist of overnight or monthly deposits. The weighted average effective interest rates of USD and Euro overnight deposits are 5,48% and 2,27% per annum, respectively. (31 December 2017: USD - 3,81%, Euro 1,64%). The weighted average effective interest rate of the USD denominated time deposits was respectively 7,65% (31 December 2017: 4,59%)

As of 30 September 2018, the TL dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 27,47% per annum. (31 December 2017: overnight 14,78% monthly 15,14%). The Group has no blocked deposits as of 30 September 2018 (31 December 2017: None).

NOTE 5 - INVENTORIES

	30 September 2018	31 December 2017
Raw materials	200.955	261.721
Work-in-progress	395.889	187.455
Finished goods	576.590	236.956
Trade goods	116.280	45.883
Goods in transit	14.724	115.474
Other inventories	130.023	47.768
Less: Provision for impairment on inventories	(1.605)	(1.678)
	1.432.856	**893.579**

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

NOTE 5 - INVENTORIES (Continued)

Movements of provision for impairment on inventory for the periods ended 30 September 2018 and 2017 were as follows:

	2018	**2017**
1 January	**(1.678)**	**(999)**
Current year additions	73	(316)
30 September	**(1.605)**	**(1.315)**

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

	30 September 2018	**31 December 2017**
Raw materials	(562)	(460)
Finished goods	(36)	-
Trade goods	(986)	(1.197)
Other inventories	(21)	(21)
	(1.605)	**(1.678)**

NOTE 6 - BORROWINGS AND BORROWING COSTS

	30 September 2018	**31 December 2017**
Short-term borrowings	1.020.841	630.422
Short-term portions of long-term borrowings (*)	211.568	174.250
Bonds issued	29.288	-
Other financial liabilities (**)	2.211.151	797.891
Short-term financial liabilities	**3.472.848**	**1.602.563**
Long-term borrowings (*)	1.992.182	1.349.502
Bonds issued	2.988.473	-
Long-term financial liabilities	**4.980.655**	**1.349.502**
Total financial liabilities	**8.453.503**	**2.952.065**

(*) Petkim issued bonds listed on Ireland Stock Exchange and release of these bonds were finalized on 26 January 2018.Total amount of these issued bonds 500 thousand USD, with a maturity of 5 years, coupon payment every 6 months and paying principal at the end of the maturity, with an annual interest rate of 5,875%.

(**) Other financial liabilities consist of letters of credits arising from naphtha purchases and accrued interest expense. The average maturity of letter of credits is 154 days (31 December 2017: average maturity 186 days).

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

NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TL equivalent	
	30 September 2018	**31 December 2017**	**30 September 2018**	**31 December 2017**	**30 September 2018**	**31 December 2017**
Short - term borrowings:						
TL borrowings	No Interest	12,80	1.930	343.758	1.930	343.758
USD borrowings	Libor + 0,50 + 0,65	Libor + 0,65	154.357	76.000	924.629	286.664
Euro borrowings	Libor + 0,50	-	13.565	-	94.284	-
Short - term portions of long - term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	15.803	28.647	94.666	108.054
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 + 3,00 -1,64	16.819	14.660	116.900	66.196
Total short - term borrowings					**1.232.409**	**804.672**
Long - term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	219.935	225.891	1.317.455	852.038
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 + 3,00 - 1,64	97.076	110.168	674.727	497.464
Total long - term borrowings					**1.992.182**	**1.349.502**
Total borrowings					**3.224.591**	**2.154.174**

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

NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings and bonds issued as of 30 September 2018 and 31 December 2017 is as follows:

	30 September 2018
1 October 2019-30 September 2020	207.606
1 October 2020-30 September 2021	223.822
1 October 2021-30 September 2022	238.322
1 October 2022-30 September 2023	251.645
1 October 2023-30 September 2024	3.225.073
1 October 2024 and over	834.187
	4.980.655

	31 December 2017
2019	125.042
2020	129.040
2021	148.232
2022	160.293
2023	151.478
2024 and over	635.417
	1.349.502

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 2018 ve 30 September 2017 as follows:

	2018	**2017**
1 Jaunuary	**1.491.617**	**2.392.163**
Proceeds from financial liabilities	4.243.252	1.582.777
Repayments of financial liabilities	(1.689.150)	(1.678.391)
Changes in foreign exchange	2.896.612	43.977
Changes in interest accrual	50.724	(7.482)
Less: Cash and cash equivalents	(3.441.015)	(1.208.239)
30 September	**3.552.040**	**1.124.805**

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2018
Cost:						
Land	13.501	-	-	(30)	-	13.471
Land improvements	177.687	-	7.525	-	1.139	186.351
Buildings	171.743	-	8.827	-	353	180.923
Machinery and equipment	6.862.864	-	71.116	(2.012)	-	6.931.968
Motor vehicles	11.512	-	-	(24)	-	11.488
Furniture and fixtures	98.178	-	18.912	(6)	271	117.355
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease (*)	663.032	-	782.986	-	586.575	2.032.593
Construction in progress	963.829	337.755	(895.767)	-	38.362	444.179
	8.964.013	**337.755**	**(6.401)**	**(2.072)**	**626.700**	**9.919.995**
Accumulated depreciation:						
Land improvements	(90.896)	(4.648)	-	-	(156)	(95.700)
Buildings	(106.681)	(3.064)	-	-	(140)	(109.885)
Machinery and equipment	5.504.853)	(116.641)	-	2.012	-	(5.619.482)
Motor vehicles	(8.893)	(703)	-	24	-	(9.572)
Furniture and fixtures	(57.109)	(6.557)	-	6	(200)	(63.860)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(634)	(828)	-	-	-	(1.462)
Assets subject to operating lease	(21.558)	(36.515)	-	-	(14.038)	(72.111)
	(5.791.620)	**(168.956)**	**-**	**2.042**	**(14.534)**	**(5.973.068)**
Net book value	**3.172.393**					**3.946.927**

(*) Transfers to assets subject to operating lease consists of port investment.

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2017	Additions	Transfers	Disposals	Foreign currency translation differences	30 September 2017
Cost:						
Land	13.522	-	-	(38)	56	13.540
Land improvements	115.728	-	46	(4)	18	115.788
Buildings	171.618	-	86	-	4	171.708
Machinery and equipment	6.560.805	-	255.120	(9.847)	-	6.806.078
Motor vehicles	12.513	-	468	(1.401)	-	11.580
Furniture and fixtures	91.565	-	3.799	(30)	4	95.338
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	536.666	-	87.830	-	6.463	630.959
Construction in progress (*)	966.568	326.139	(348.485)	(108)	3.710	947.824
	8.470.652	**326.139**	**(1.136)**	**(11.428)**	**10.255**	**8.794.482**
Accumulated depreciation:						
Land improvements	(87.815)	(2.176)	-	-	2	(89.989)
Buildings	(102.922)	(2.838)	-	-	(1)	(105.761)
Machinery and equipment	(5.373.700)	(104.029)	-	9.825	-	(5.467.904)
Motor vehicles	(9.648)	(709)	-	1.372	-	(8.985)
Furniture and fixtures	(62.188)	(4.644)	-	25	(1)	(66.808)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(589)	(978)	-	-	-	(1.567)
Assets subject to operating lease	(1.533)	(14.747)	-	-	194	(16.086)
	(5.639.391)	**(130.121)**	**-**	**11.222**	**194**	**(5.758.096)**
Net book value	**2.831.261**					**3.036.386**

(*) Construction in progress mainly consist of port investments.

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

NOTE 8 - DEFERRED REVENUE

a) Short term deferred revenue

	30 September 2018	31 December 2017
Advances received	50.497	34.590
Deferred revenue	1.782	2.039
	52.279	**36.629**

b) Long term deferred revenue

Deferred revenue (*)	200.761	130.969
	200.761	**130.969**

(*) For a container port to be established inside Petkim facilities to be operated by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminalleri), an operation agreement was signed between the Group and APMT BV. and APM Terminalleri on 22 February 2013. Under the agreement, the amount paid by the Group APM Terminals USD 33.750 is followed in long-term deferred income.

NOTE 9 - PREPAID EXPENSES

a) Short - term prepaid expenses

	30 September 2018	31 December 2017
Advances given for inventory	24.442	8.697
Prepaid rent, insurance and other expenses	22.389	10.436
Advances given for customs procedures	20.212	11.088
	67.043	**30.221**

b) Long - term prepaid expenses

Advances given for property, plant and equipment	84.293	8.155
Prepaid rent, insurance and other expenses	9.839	4.343
Advances given for customs procedures	-	12.772
	94.132	**25.270**

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

NOTE 10 - EMPLOYEE BENEFITS

a) Short - term employee benefits:

	30 September 2018	31 December 2017
Provision for bonus premium	11.250	14.970
Provision for seniority incentive bonus	6.372	4.760
	17.622	**19.730**

b) Long - term employee benefits:

Provision for employment termination benefits	76.470	79.164
Provision for unused vacation rights	18.998	11.491
Provision for seniority incentive bonus	5.756	4.910
	101.224	**95.565**

Provision for unused vacation:

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

	2018	2017
1 January	**11.491**	**8.867**
Changes in the period, net	7.507	4.095
30 September	**18.998**	**12.962**

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of full TL 5.001,76 for each year of service as of 30 September 2018 (31 December 2017 – full TL 4.732,48).

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 2018	31 December 2017
Net discount rate (%)	4,39	4,39
Probability of retirement (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL 5.434,42 which is effective from 1 July 2018, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2017: full TL 4.426,16).

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

NOTE 10 - EMPLOYEE BENEFITS (Continued)

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

	2018	**2017**
1 January	**79.164**	**79.217**
Interest cost	6.918	6.642
Payments during the period	(14.238)	(12.210)
Service cost	5.812	4.915
Actuarial loss	(1.186)	(1.033)
30 September	**76.470**	**77.531**

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 2018	**31 December 2017**
Net discount rate (%)	4,39	4,39
Used rate related to retirement probability (%)	100,00	100,00

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

NOTE 10 - EMPLOYEE BENEFITS (Continued)

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

	2018	**2017**
1 January	**9.670**	**5.841**
Interest cost	849	490
Payments during the period	(3.011)	(3.583)
Service cost	4.620	6.369
30 September	**12.128**	**9.117**

NOTE 11 - EQUITY

The shareholders of the Company and their shareholdings as of 30 September 2018 and 31 December 2017 were as follows:

		30 September 2018		**31 December 2017**	
Group:	**Shareholder:**	**Amount**	**Share (%)**	**Amount**	**Share (%)**
A	Socar Turkey Petrokimya A.Ş.	841.500	51,00	765.000	51,00
A	Publicly traded and other	808.500	49,00	735.000	49,00
C	Privatization Administration	0,01	-	0,01	-
Total paid share capital		**1.650.000**		**1.500.000**	**100**
Adjustment to share capital		238.988		238.988	
Total share capital		**1.888.988**		**1.738.988**	

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

With General Assembly meeting decision dated 30 March 2018, the issued capital was increased from TL 1.500.000 to TL 1.650.000 by TL 150.000 within the registered capital ceiling of TL 4,000,000. All of the capital increase has been transferred from the premiums related to the shares to the capital account. The increased capital of TL 150.000 has been issued to the shareholders of the 7th Serial, Group A shares in a proper manner. Approved and issued capital of the Company consist of 164.999.999.999 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management (December 31, 2017 - Approved and issued capital of the Company consist of 149.999.999.999 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Management).

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

NOTE 12 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

Current tax liabilities at 30 September 2018 and 31 December 2017 are summarized below:

	30 September 2018	**31 December 2017**
Calculated corporation tax	150.203	248.526
Less: Prepaid taxes (-)	(48.213)	(180.109)
Total corporation tax liability	**101.990**	**68.417**

Tax expenses included in the income statement for the condensed consolidated interim periods ended 30 September 2018 and 2017 are summarized below:

	1 January - 30 September 2018	**1 July - 30 September 2018**	**1 January - 30 September 2017**	**1 July - 30 September 2017**
Deferred tax (expense) / income	(87.926)	(44.128)	(23.318)	(14.581)
Current period tax expense	(150.203)	(113.677)	(176.953)	(49.762)
Total tax (expense) / gains	**(238.129)**	**(157.805)**	**(200.271)**	**(64.343)**

b) Deferred taxes

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları ile Diger Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from20%to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

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

NOTE 12 - TAX ASSETS AND LIABILITIES (Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 30 September 2018 and 31 December 2017 were as follows:

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(114.202)	(201.665)	(22.840)	(40.333)
Other	(34.527)	(3.339)	(6.905)	(668)
Deferred income tax liabilities	**(148.729)**	**(205.004)**	**(29.745)**	**(41.001)**
Unused investment incentives	885.157	894.457	235.038	239.803
Provision for employee benefits	118.841	115.290	23.768	23.058
Deferred revenue related to the transfer of operating rights	28.957	35.478	5.791	7.096
Adjustment to rediscount of receivables	24.479	10.183	4.896	2.037
Rent allowance fee	4.351	4.476	870	895
Provision for legal cases	3.022	3.202	604	640
Other	40.168	27.177	8.034	5.435
Deferred income tax assets	**1.104.975**	**1.090.263**	**279.001**	**278.964**
Deferred tax assets / (liabilities) - net			**249.256**	**237.963**

The movement of deferred income tax is as follows:

	2018	2017
1 January	**237.963**	**244.964**
Recognized in the profit or loss statement	(87.926)	(23.318)
Recognized in other comprehensive income	(2.536)	1.848
Foreign currency translation differences	101.755	1.954
30 September	**249.256**	**225.448**

As of 30 September 2018, the Group has TL 885.157 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2017 - TL 894.457).

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

NOTE 13 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Personnel expense	75.316	23.656	61.402	16.765
Consultancy and outsourced services	73.900	27.731	50.559	18.913
Depreciation and amortization	10.622	4.136	6.313	2.279
Taxes, funds and fees	9.573	3.749	4.546	1.504
Energy expenses	5.714	882	7.754	1.337
Other	27.245	6.565	17.236	5.022
	202.370	**66.719**	**147.810**	**45.820**

NOTE 14 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange gains	255.633	184.404	72.772	17.142
Interest income on term sales	70.401	29.500	35.163	8.751
Other	27.254	11.849	54.660	42.216
	353.288	**225.753**	**162.595**	**68.109**

b) Other operating expenses

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange losses	(218.779)	(149.067)	(61.079)	(5.552)
Unearned financial expense from trade receivables	(24.479)	(9.288)	(10.925)	(218)
Provision for doubtful receivables	-	-	(9.289)	-
Other	(38.967)	(19.115)	(18.582)	(7.926)
	(282.225)	**(177.470)**	**(99.875)**	**(13.696)**

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

NOTE 15 - FINANCIAL INCOME / EXPENSES

a) Finance income

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange gains	3.275.482	2.370.936	314.711	73.580
Interest income	172.908	72.094	64.169	24.426
Other	3.198	1.485	4.639	1.578
	3.451.588	**2.444.515**	**383.519**	**99.584**

b) Finance expense

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Foreign exchange loss	(3.420.173)	(2.530.220)	(344.503)	(84.780)
Interest expense	(210.453)	(90.236)	(70.452)	(27.744)
Commission expense	(9.941)	(5.680)	(5.306)	(3.034)
Other	(32.892)	(645)	(11.838)	(4.072)
	(3.673.459)	**(2.626.781)**	**(432.099)**	**(119.630)**

NOTE 16 - EARNINGS PER SHARE

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
Net profit for the period of the equity holders of the parent	915.434	412.700	1.036.819	374.116
Weighted average number of shares with nominal value of Krl each (thousand)	165.000	165.000	165.000	165.000
Earnings per share (Kr)	**0,5548**	**0,2501**	**0,6284**	**0,2267**

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

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Summary of the intercompany balances as of 30 September 2018 and 31 December 2017 and significant intercompany transactions during the period were as follows:

i) Balances with related parties

	30 September 2018	31 December 2017
a) Short - term trade receivables from related parties:		
STAR [(2)]	1.260	-
	1.260	**-**

	30 September 2018	31 December 2017
b) Short - term other receivables from related parties:		
SCR GAYRİMENKUL A.Ş. [(2)]	41.670	68.432
STAR [(2)]	1.034	-
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	138	3
STEAŞ [(1)]	-	541.652
SOCAR Turkey Petrokimya A.Ş. [(1)]	-	223.250
TANAP Doğalgaz İletişim A.Ş. [(2)]	1	2
	42.843	**833.339**

	30 September 2018	31 December 2017
c) Long - term other receivables from related parties:		
SOCAR Power Enerji Yatırımları A.Ş. [(2)] [(*)]	118.893	75.290
	118.893	**75.290**

(*) Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 100.793, interest and other receivables amounting to TL 18.100.

d) Short - term trade payables to related parties:

	30 September 2018	31 December 2017
STEAŞ [(1)]	51.151	29.559
SOCAR Turkey Akaryakıt Depolama A.Ş. [(2)]	806	77
Azoil Petrolcülük A.Ş. [(2)]	665	408
	52.622	**30.044**

Short term trade payables to related parties mainly consist of product and consulting services purchases. Average maturity of short term trade payables is 3 days. (31 December 2017 - 6 days).

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

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

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Other payables to related parties:

	30 September 2018	31 December 2017
Due to shareholder [1]	87	87
STAR [2]	-	28.962
	87	**29.049**

f) Short - term deferred revenue from related parties

	30 September 2018	31 December 2017
STAR [2]	7.811	4.176
	7.811	**4.176**

g) Long - term deferred revenue from related parties

	30 September 2018	31 December 2017
STAR [2]	4.183	5.095
	4.183	**5.095**

h) Short - term prepaid expense to related parties

	30 September 2018	31 December 2017
STEAŞ[1] (*)	2.879.328	50
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. [2]	2.745	-
STAR [2]	1.106	5.399
	2.883.179	**5.449**

(*) As a result of negotiations between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAŞ), a share sale and transfer agreement ("Agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAŞ with a purchase price of USD 720 thousands. Rafineri Holding A.Ş. owns 60% shares of SOCAR Turkey Yatırım A.Ş., which owns 100% shares of STAR Rafineri A.Ş (STAR), that has the ongoing STAR Refinery investment. With this agreement, the Group intends to own 18% indirect share of STAR. Rafineri Holding shares subject to Agreement will be transferred to the Group after obtaining the necessary approvals at a future time, that is defined as Closing Date in the agreement. Last date for the Closing Date is determined as 31 March 2019. The purchase consideration of USD 720 thousands to acquire the 30% of shares of Rafineri Holding will be paid in 3 equal instalments. First installment was paid with the signing of the Agreement. Second installment was paid on the date on which testing commences during the commisioning of the STAR refinery and the remaining third installment of the purchase price shall be paid on transfer date of the shares.As the agreement, Petkim has a share transfer contract that can be terminated at Petkim's own discretion and finalisation of the share transasfer is subject to Group's operational performance and cash flows, advances paid are classified as financial assets in the balance sheet as of 30 September 2018 and have been subject to exchange rate valuation.

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

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

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Long - term prepaid expense to related parties

	30 September 2018	31 December 2017
STAR [2]	20.171	20.999
STEAŞ[1]	-	89
	20.171	**21.088**

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 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
STEAŞ [1]	493.192	298.524	21.856	10.651
SOCAR Turkey Petrokimya A.Ş. [1]	152.680	99.388	221	(27)
SOCAR Power Enerji Yatırımları A.Ş. [2]	42.627	26.506	3.368	1.770
SCR Gayrimenkul A.Ş. [2]	7.338	3.124	22.392	-
STAR [2]	3.844	1.047	3.646	3.137
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	3	(75)	5	-
SOCAR Azerikimya Production Union [2]	(1)	(1)	-	-
Azoil Petrolcülük A.Ş. [2]	(6)	(10)	3	2
SOCAR Turkey Petrol Ener. Dağ. A.Ş. [2]	(4.134)	172	-	-
Petrokim [2]	-	-	131	87
SOCAR Gaz Ticareti A.Ş. [2]	-	-	(162)	-
SOCAR Trading SA [2]	-	14	-	-
	695.543	**428.689**	**51.460**	**15.620**

The Group has interest income for TL receivables with the rates of 36,8 % and 30,3 % and interest income for US Dollar receivables with the rates of 5,26 % from SOCAR Power Enerji A.Ş. and interest income for USD receivables with the rate of 11,35 % of the income derived from SOCAR Turkey Petrokimya A.Ş. and interest income for TL receivable with the rates of 36,8 % from SCR Gayrimenkul A.Ş. . The group has income derived from STAR, TL 50 of foreign Exchange loss and TL 3.894 of other income. Income from STEAŞ composed of TL 2.696 of interest income and TL 490.391 of foreign exchange gain and TL 105 of other income. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of foreign exchange gain of TL 37.206 and interest income of TL 5.421. Income from SOCAR Turkey Petrokimya A.Ş. consist of interest income of TL 15.028 and foreign exchange gain of TL 137.652.

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

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

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Service and rent purchases from related parties:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
STAR [2]	15.484	5.342	34.071	11.195
STEAŞ [1]	12.167	5.383	32.889	25.998
SOCAR Turkey Petrol Ener. Dağ. A.Ş. [2]	37	-	-	-
SOCAR Power Enerji Yatırımları A.Ş. [2]	3	-	66	-
	27.691	**10.725**	**67.026**	**37.193**

The rent and service purchases from STAR consist of rent amounting to TL 11.929 and other purchasing amounting to TL 3.555. The service purchases from STEAŞ consist of other purchases amounting to TL 12.167.

c) Product purchase from related parties:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. [2]	160.796	51.775	-	-
SOCAR Trading SA	17.408	-	-	-
Azoil Petrolcülük A.Ş. [2]	1.910	761	1.471	452
Petrokim [2]	-	-	294.822	60.453
SOCAR Turkey Petrokimya A.Ş. [1]	-	-	247.795	79.502
SOCAR Logistics DMCC[2]	-	-	52.973	-
	180.114	**52.536**	**597.061**	**140.407**

Purchases made by related parties during the interim period ended 30 September 2018 consist of commercial products and fuel purchases.

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

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

NOTE 17 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Product and service sales to related parties:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
STAR [2]	18.658	1.959	5.061	349
STEAŞ [1]	237	73	159	36
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	63	34	-	-
SOCAR Power Enerji Yatırımları A.Ş. [2]	-	-	-	1
	18.958	**2.066**	**5.220**	**386**

e) Rent income from related parties:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
STAR [2]	18.531	6.249	17.314	5.794
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	568	142	146	-
SOCAR Power Enerji Yatırımları A.Ş. [2]	-	-	9	-
	19.099	**6.391**	**17.469**	**5.794**

f) Key management compensation:

	1 January - 30 September 2018	1 July - 30 September 2018	1 January - 30 September 2017	1 July - 30 September 2017
i. Key management compensation - short term:				
Payments for salary and seniority incentives	15.912	4.822	10.636	3.146
ii. Key management compensation - long term:				
Provision for unused vacation	1.877	588	653	76
Provision for employment termination benefits	203	3	78	6
Provision for seniority incentives	-	(137)	91	1
	2.080	**454**	**822**	**83**
	17.992	**5.276**	**11.458**	**3.229**

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.

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

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

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short - term provisions:

	30 September 2018	31 December 2017
Provision for legal cases	3.022	3.202
Other	-	17.728
	3.022	**20.930**

b) Guaranties received:

Bank guarantees within the context of DOCS	821.131	633.726
Letters of guarantee received from customers	659.597	439.350
Receivable insurance	457.424	184.8154
Letters of guarantee received from suppliers	327.522	144.219
Letters of credit	112.373	134.134
Mortgages	2.000	2.000
	2.380.047	**1.538.243**

c) Guaranties given:

Mortgages given to banks	1.950.823	1.204.129
Mortgage given to banks (*)	1.181.028	799.643
Custom offices	42.099	69.254
Other	142.301	91.311
	3.316.251	**2.164.337**

(*) Mortgage amounting to USD 350 thousand is related with the borrowing for port investment amounting to USD 197 thousand as of 30 September 2018.

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

	30 September 2018	31 December 2017
A. Total amount of CPMs given for the Company's own legal personality	2.135.223	1.364.694
B. Total amount of CPMs given on behalf of fully consolidated companies	1.181.028	799.643
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	3.316.251	**2.164.337**

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations

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

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT with the claim that the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was notified on 25 August 2017 of the imposition of a tax charge amounting TRY 99 thousand and penalty and interest of TRY 66 thousand. 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 conclusion 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 amount 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 by the Customs Administration.

Furthermore, the Turkish Ministry of Finance started a new tax inspection for 2013, 2015 and 2016 regarding our use of Pygas, following the tax loss and late payment interest notification about SCT for 2014. As a result of this inspection, an SCT loss and late payment penalty of 0.75% of the total amount was calculated by the Turkish Ministry of Finance for the relevant years, considering that the Group is entitled to receive a tax refund of 99.25%. This result is different from the result of the inspection conducted in 2014, and the tax principal and tax losses for 2013, 2015 and 2016 were accrued and the Group was informed tat the sum of such losses were 937 TRY and 1,405 TRY, respectively. In accordance with 7143 numbered Law regarding restruction, a fine amounting 479 TL was levied to the Group.

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

The Group management and the Group legal consultants estimate that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded with a settlement and/or litigation in a way that does not constitute any material financial risk. Thus, no provision has been recognised in the consolidated financial statements as of 30 September 2018.

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

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

e) Operational leases

Annual income plans and amounts (not discounted) regarding to the operational lease income, which are not recognized in the consolidated financial statements of the Group as of 30 September 2018 and 31 December 2017 are as follows:

	30 September 2018	31 December 2017
0-5 year	444.940	260.789
5-10 year(s)	1.653.524	922.892
10 years and more	3.016.839	1.910.215
Total	**5.115.303**	**3.093.896**

NOTE 19 - 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 thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 19 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign currency position

	30 September 2018				31 December 2017			
	TL Equivalent	US Dollar	Euro	Other	TL Equivalent	US Dollar	Euro	Other
1. Trade receivables	882.090	114.752	28.013	-	493.826	99.358	26.368	-
2a. Monetary financial assets (Cash, bank accounts included)	6.069.306	989.134	20.689	396	1.673.012	421.153	18.631	332
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**6.951.396**	**1.103.886**	**48.702**	**396**	**2.166.838**	**520.511**	**44.999**	**332**
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	834.931	139.383	-	-	385.307	102.152	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	**834.931**	**139.383**	**-**	**-**	**385.307**	**102.152**	**-**	**-**
8. Total assets (3+7)	**7.786.327**	**1.243.269**	**48.702**	**396**	**2.552.145**	**622.663**	**44.999**	**332**
9. Trade payables	421.128	50.406	9.137	62.729	442.004	107.144	5.755	11.880
10. Financial liabilities	3.431.767	537.642	30.384	-	1.182.920	296.064	14.660	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**3.852.895**	**588.048**	**39.521**	**62.729**	**1.624.924**	**403.208**	**20.415**	**11.880**
13. Trade payables	-	-	-	-	-	-	-	
14. Financial liabilities	3.847.400	529.644	97.076	-	625.745	34.010	110.168	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	**3.847.400**	**529.644**	**97.076**	**-**	**625.745**	**34.010**	**110.168**	**-**
17. Total liabilities (12+16)	**7.700.295**	**1.117.692**	**136.597**	**62.729**	**2.250.669**	**437.218**	**130.583**	**11.880**
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18a. Amount of asset contract value of derivative instruments	-	-	-	-	-	-	-	-
18b. Amount of liability contract value of derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability) / asset position (8-17+19)	**86.032**	**125.577**	**(87.895)**	**(62.333)**	**301.476**	**185.445**	**(85.584)**	**(11.548)**
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**86.032**	**125.577**	**(87.895)**	**(62.333)**	**301.476**	**185.445**	**(85.584)**	**(11.548)**
21. Total fair value of financial instruments used for foreign currency hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
22. Hedged amount for current assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged amount for current liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Export	**3.041.950**	**395.151**	**211.476**	**28.861**	**2.659.400**	**393.775**	**291.273**	**19.132**
25. Import	**4.245.077**	**857.796**	**40.500**	**71.307**	**4.121.331**	**1.048.873**	**68.073**	**350.883**

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

NOTE 19 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Table of sensitivity analysis for foreign currency risk

30 September 2018

	Profit/(Loss)		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	75.223	(75.223)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	**75.223**	**(75.223)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(61.091)	61.091	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	**(61.091)**	**61.091**	**-**	**-**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(5.529)	5.529	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(5.529)**	**5.529**	**-**	**-**
Total (3+6+9)	**8.603**	**(8.603)**	**-**	**-**

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

NOTE 19 - NATURE AND LEVEL OF RISK DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 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	69.948	(69.948)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	**69.948**	**(69.948)**	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(38.646)	38.646	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	**(38.646)**	**38.646**	-	-
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(1.155)	1.155	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(1.155)**	**1.155**	-	-
Total (3+6+9)	**30.147**	**(30.147)**	-	-

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