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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 30 JUNE 2018 TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT

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

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3.406.213	1.460.449
Trade receivables		1.171.158	918.838
- Trade receivables from third parties	6	1.171.158	918.838
Other receivables		317.419	837.367
- Other receivables from related parties	19	315.183	833.339
- Other receivables from third parties		2.236	4.028
Derivative financial assets		7	-
Inventories	5	1.151.670	893.579
Prepaid expenses		1.164.520	35.670
- Prepaid expenses to third parties	10	61.983	30.221
- Prepaid expenses to related parties	19	1.102.537	5.449
Other current assets		88.603	62.501
- Other current assets from third parties		88.603	62.501
TOTAL CURRENT ASSETS		**7.299.590**	**4.208.404**
NON-CURRENT ASSETS			
Financial investments		8.910	8.910
- Financial assets available for sale		8.910	8.910
Other receivables		91.932	75.290
- Other receivables from related parties	19	91.932	75.290
Investment property		1.476	1.470
Property, plant and equipment	8	3.434.764	3.172.393
Intangible assets		26.170	23.614
Prepaid expenses		94.916	46.358
- Prepaid expenses to third parties	10	74.466	25.270
- Prepaid expenses to related parties	19	20.450	21.088
Derivative financial assets		7.126	-
Deferred tax assets	13	231.405	237.963
Other non-current assets		15.604	14.453
- Other non-current assets from third parties		15.604	14.453
TOTAL NON-CURRENT ASSETS		**3.912.303**	**3.580.451**
TOTAL ASSETS		**11.211.893**	**7.788.855**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Short term borrowings		2.308.330	1.428.313
- Short term borrowings from third parties		2.308.330	1.428.313
- Bank borrowings	7	653.565	630.422
- Bonds issued		55.264	-
- Other financial liabilities		1.599.501	797.891
Short term portion of long term borrowings		186.083	174.250
- Short term portion of long term borrowings from third parties		186.083	174.250
- Bank borrowings	7	186.083	174.250
Derivative financial liabilities		240	-
Trade payables		748.394	540.279
- Trade payables to related parties	19	71.089	30.044
- Trade payables to third parties	6	677.305	510.235
Short term liabilities for employee benefits		22.688	6.828
Other payables		6.066	38.096
- Other payables to related parties	19	87	29.049
- Other payables to third parties		5.979	9.047
Deferred income		38.943	40.805
- Deferred income from related parties	19	14.233	4.176
- Deferred income from third parties	9	24.710	36.629
Short term provisions		14.812	40.660
- Provision for employee benefits	11	11.898	19.730
- Other short term provisions	20	2.914	20.930
Current tax liabilities	13	1	68.417
Other current liabilities		11.913	9.259
- Other current liabilities from third parties		11.913	9.259
TOTAL CURRENT LIABILITIES		**3.337.470**	**2.346.907**
NON-CURRENT LIABITIES			
Long term financial liabilities		3.812.581	1.349.502
- Long term financial liabilities from third parties		3.812.581	1.349.502
- Bank borrowings	7	1.539.361	1.349.502
- Bonds issued		2.273.220	-
Derivative financial liabilities		-	6.739
Deferred income		158.857	136.064
- Deferred income from related parties	19	4.225	5.095
- Deferred income from third parties	9	154.632	130.969
Long term provisions		101.087	95.565
- Provision for employee benefits Other long term provisions	11	101.087	95.565
TOTAL NON-CURRENT LIABILITIES		**4.072.525**	**1.587.870**
TOTAL LIABILITIES		**7.409.995**	**3.934.777**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
EQUITY			
Equity Attributable to Owners of the Parent Company		**3.749.152**	**3.793.931**
Share capital	12	1.650.000	1.500.000
Adjustment to share capital	12	238.988	238.988
Share premium		64.188	214.188
Other comprehensive income / (expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(28.239)	(27.291)
Other comprehensive income / (expense) to be reclassified to profit or loss		(13.134)	(6.569)
- Foreign currency translation differences		(16.933)	(2.795)
- Cash flow hedges		3.799	(3.774)
Restricted reserves		310.644	192.599
Retained earnings		1.023.971	280.057
Net profit for the period / year		502.734	1.401.959
Non-controlling interest		**52.746**	**60.147**
TOTAL EQUITY		**3.801.898**	**3.854.078**
TOTAL LIABILITIES AND EQUITY		**11.211.893**	**7.788.855**

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

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

	Notes	Reviewed 1 June - 30 June 2018	1 April - 30 June 2018	Reviewed 1 January - 30 June 2017	1 April - 30 June 2017
PROFIT OR LOSS					
Revenue	14	4.231.847	2.352.899	3.626.420	1.836.190
Cost of sales	14	(3.484.139)	(1.881.192)	(2.687.722)	(1.388.045)
GROSS PROFIT		**747.708**	**471.707**	**938.698**	**448.145**
General administrative expenses	15	(135.651)	(57.147)	(101.990)	(49.492)
Selling, marketing and distribution expenses		(34.158)	(16.626)	(28.647)	(15.452)
Research and development expenses		(10.480)	(5.776)	(7.642)	(4.555)
Other operating income	16	127.535	74.794	94.485	33.402
Other operating expense	16	(104.755)	(72.450)	(86.178)	(20.956)
OPERATING PROFIT		**590.199**	**394.502**	**808.726**	**391.092**
Income from investing activities		11.807	4.718	10.942	3.523
Expense from investing activities		-	-	(143)	(143)
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		**602.006**	**399.220**	**819.525**	**394.472**
Financial income	17	1.007.073	731.286	283.936	70.238
Financial expenses (-)	17	(1.046.678)	(734.079)	(312.469)	(116.078)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**562.401**	**396.427**	**790.992**	**348.632**
Tax expense from continuing operations		(80.324)	(40.160)	(135.928)	(44.458)
- Current tax expense	13	(36.526)	(7.384)	(127.191)	(49.964)
- Deferred tax income	13	(43.798)	(32.776)	(8.737)	5.506
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**482.077**	**356.267**	**655.064**	**304.174**
PROFIT FOR THE PERIOD		**482.077**	**356.267**	**655.064**	**304.174**
DISTRIBUTION OF INCOME/ (EXPENSE) FOR THE PERIOD					
- Non-controlling interest		(20.657)	(15.092)	(7.639)	1.627
- Owners of parent		502.734	371.359	662.703	302.547
Earnings Per Share	18	**0,3047**	**0,2251**	**0,4016**	**0,1834**
- Earnings per Kr 1 number of 1 shares from continued operations		**0,3047**	**0,2251**	**0,4016**	**0,1834**

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017

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

	Notes	Reviewed 1 January - 30 June 2018	1 April - 30 June 2018	Reviewed 1 January - 30 June 2017	1 April - 30 June 2017
OTHER COMPREHENSIVE INCOME/ (LOSS)					
Items to be Reclassified to Profit or Loss					
Currency translation differences		(4.207)	(3.561)	420	(10.324)
Other comprehensive income (loss) related with cash flow hedges		13.625	11.453	(15.494)	(16.288)
Cash flow hedge fund gains tax effect of		(2.726)	(2.292)	3.098	3.259
Items not to be Reclassified to Profit or Loss					
Defined benefit plans remeasurement Earnings (losses)		(1.186)	(1.186)	1.033	1.033
Taxes relating to remeasurements of defined benefit plans		237	237	(207)	(207)
OTHER COMPREHENSIVE INCOME		**5.743**	**4.651**	**(11.150)**	**(22.527)**
TOTAL COMPREHENSIVE INCOME		**487.820**	**360.918**	**643.914**	**281.647**
Attributable to:					
Non-controlling interests		(7.401)	(5.347)	(8.130)	(1.549)
Owners of the parent		495.221	366.265	652.044	283.196

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2018 AND 2017

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

			Other comprehensive income / (expense) not to be reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss								
	Share capital	Adjustment to share capital	Actuarial loss arising from defined benefit plan	Cash flow hedges	Currency translation differences	Share premium	Restricted reserves	Net profit for the year	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	(11.863)	378	-	-	662.703	-	652.044	(8.130)	643.914
- Other comprehensive income (loss)	-	-	826	(11.863)	378	-	-	-	-	(10.659)	(491)	(11.150)
- Net profit for the period	-	-	-	-	-	-	-	662.703	-	662.703	(7.640)	655.063
Dividend paid	-	-	-	-	-	-	52.500	-	(652.500)	(600.000)	-	(600.000)
30 June 2017	**1.500.000**	**238.988**	**(23.869)**	**(11.291)**	**378**	**214.188**	**192.599**	**662.703**	**280.057**	**3.053.753**	**59.599**	**3.113.352**
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	-	-	(948)	7.573	(14.138)	-	-	502.734	-	495.221	(7.401)	487.820
- Other comprehensive income (loss)	-	-	(948)	7.573	(14.138)	-	-	-	-	(7.513)	13.256	5.743
- Net profit for the period	-	-	-	-	-	-	-	502.734	-	502.734	(20.657)	482.077
Dividend paid	-	-	-	-	-	-	46.500	-	(586.500)	(540.000)	-	(540.000)
30 June 2018	**1.650.000**	**238.988**	**(28.239)**	**3.799**	**(16.933)**	**64.188**	**310.644**	**502.734**	**1.023.971**	**3.749.152**	**52.746**	**3.801.898**

CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS AS AT 30 JUNE 2018 AND 31 DECEMBER 2017

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017
A. Cash flows from operating activities:		**438.951**	**619.201**
Net profit for the year (I)		482.075	**655.063**
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**276.324**	**263.277**
Adjustments for depreciation and amortization		91.746	76.640
Adjustments for impairments/ reversals			
- Adjustments for impairment of inventories	5	(908)	(1.845)
Adjustments for provisions			
- Adjustments for provision employment termination benefits	11	14.741	26.603
- Adjustments for provision legal cases	20	(288)	(305)
- Adjustments for provision / other cases		(18.332)	9.289
Adjustments for interest income/ (expense)			
- Adjustments for interest income	17	(100.814)	(39.743)
- Adjustments for interest expense	17	120.217	42.708
- Deferred interest expense due to credit purchase		1.249	(2.126)
- Unearned interest income due to credit sales		5.008	9.492
Adjustments for unrealized foreign currency translation differences		81.779	9.955
Adjustments for tax income/ losses	13	80.324	135.928
Adjustments for gain/ losses on sale of tangible assets		-	(1.569)
Adjustments for income from government incentives		1.602	(1.750)
Changes in working capital (III)		**(198.403)**	**(158.178)**
Adjustments related to increase in trade receivables		(217.206)	(126.290)
Adjustments related to (increase)/decrease in other receivables		137.184	(771)
Adjustments related to increase in inventory		(243.076)	(38.857)
Increase in prepaid expenses		(63.719)	(28.003)
Adjustments for increase in trade payables		209.791	31.245
Adjustments for decrease in other payable		(29.376)	(18.130)
Change in derivative financial instruments		(1.990)	1.266
Increase in payables to employees	11	15.860	1.982
Adjustments for increase/(decrease) in deferred revenue	9	(5.871)	19.380
Cash flows from operating activities (I+II+III)		**559.996**	**760.162**
Employee termination benefits paid	11	(16.102)	(11.727)
Income taxes paid	13	(104.943)	(129.234)
B. Cash flows from investing activıties		**(599.885)**	**(197.523)**
Cash outflows from purchases of tangible and intangible assets		(158.448)	(204.775)
Proceeds from sale of tangible and intangible assets		28	1.619
Other advances and payables		(48.562)	5.633
Advances and loans to related parties		(908.660)	-
Proceeds from related party loans		515.757	-
C. Cash flows from financing activities		**1.806.895**	**(655.678)**
Proceeds from borrowings	7	361.643	879.057
Repayments of borrowings	7	(489.659)	(443.022)
Proceeds from bonds issued	7	1.862.600	-
Proceeds from other financial liabilities	7	1.045.742	98.836
Repayments of other financial liabilities	7	(477.751)	(603.579)
Interest received		107.278	36.584
Interest paid		(62.958)	(23.554)
Dividends paid		(540.000)	(600.000)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**1.645.961**	**(234.000)**
E. Effect of currency translation differences on cash and cash equıvalents		**299.801**	**(11.068)**
Net increase/ (decrease) in cash and cash equivalents (D+E)		**1.945.762**	**(245.068)**
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**	**3.406.211**	**1.022.120**

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

- 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 thousands Turkish Lira ("TL") unless otherwise indicated.)

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

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

STEAŞ and SİPAŞ merged on 22 September 2014 under STEAŞ.

As of 30 June 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 8 August 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 June 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:

The number of personnel in the Group is 2.472 as of 30 June 2018 (31 December 2017 - 2.464).

		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

	30 June 2018	31 December 2017
Union (*)	1.858	1.877
Non-union (**)	614	587
	2.472	**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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT

2.1 Basis of Presentation of Financial Statements

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

The Group prepared its condensed interim consolidated financial statements for the period ended 30 June 2017 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 the TAS 34, entities have preference in presenting their interim financial statements whether ful set or condensed. In this framework, the Group preferred to present its interim financial statements in consended.

The Group's condensed interim consolidated financial statements do not include all disclosure and notes that should be included at year end financial statements. Therefore the condensed interim financial statements should be examined together with te year end financial statements.

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

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

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 the preparation of the financial statements in the interim condensed consolidated statements are consistent with the explanations in the financial statements for the period 1 January – 30 June 2018 except for the following:

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

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

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

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

2.3 Basis of consolidation

In condensed interim consolidated financial statements include the accounts of the parent company, Petkim and its subsidiaries, in line with the principles explained below. The consolidated financial statements include the accounts of the parent, Company, and its subsidiaries from the date on which the control is transferred to the Group until the date that the control ceases.

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 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 the associates and the proportion of ownership interest as of 30 June 2018 and 31 December 2017.

Subsidiaries	**Direct or Indirect Control Shares of Company (%)**	
	30 June 2018	**31 December 2017**
Petlim	73,00	73,00
Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	100,00	100,00

b) Foreign currency translation

i) Functional and presentation currency

The financial statements of each company of the Group are measured in the currency in which the entity is located and in which the operations are maintained ("functional currency"). As a result of the Group management's assessment, the functional currency of Petlim, a subsidiary of the Group, has been designated as US Dollars beginning from 1 January 2017. In the interim condensed consolidated financial statements, the financial statements have been prepared and presented in Turkish lira ("TL") which is the parent company's functional and presentation currency of the Group.

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

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

ii) Transactions and balances

Foreign currency transactions are translated into functional currency at the exchange rates at which the transaction is made. Foreign exchange gains and losses arising from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies at period-end exchange rates are recognized as cash flow hedges and net investment hedges and are reflected in the profit or loss in the consolidated statement of financial position and financial income and expenses are included in other income and expenses from main operations.

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 June 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 period ends and average exchange rates used for profit or loss and other comprehensive income items for the related periods are as follows:

The end of the period:	**30 June 2018**	**31 December 2017**
Turkish Liras / USD Dollars	4,5607	3,7719

<u>Average</u>:	**30 June 2018**	**30 June 2017**
Turkish Liras / USD Dollars	4,0860	3,6367

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 30 June 2018:

- **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 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.

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

- **Amendment to TFRS 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 TAS 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 TFRS 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 TFRS 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.

- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

  - 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,
  - TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **TFRIC 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This TFRIC 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) New standards, amendments and interpretations issued and effective as of 1 January 2018 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 that are issued but not effective as at 30 June 2018*:*

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

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

- **TFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 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. TFRIC 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:

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

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

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

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

The Group will assess the effects of the above amendments on its operations and apply them from the effective date. The impact of the above standards and interpretations on the implementation of the above is assessed.

2.5 Comparative information and restatement of previous year financial statements

The Group prepared its interim condensed consolidated financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 30 June 2018 on a comparative basis with balance sheet at 31 December 2017; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January – 30 June 2018 on a comparative basis with financial statements for the period of 1 January – 30 June 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 consolidated 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 20.

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 June 2018.

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

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made (Note 13).

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 11.

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Petrochemical	4.188.532	2.329.775	3.594.022	1.811.563
Port	43.317	23.124	32.398	24.621
Total before eliminations and adjustments	**4.231.849**	**2.352.899**	**3.626.420**	**1.836.184**
Consolidation eliminations and adjustments	(2)	-	-	6
	4.231.847	**2.352.899**	**3.626.420**	**1.836.190**

b) Operating profit/(loss)

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Petrochemical	571.736	383.297	800.163	376.372
Port	8.295	5.840	(5.062)	4.993
Other	-	-	13	13
Total before eliminations and adjustments	**580.031**	**389.137**	**795.114**	**381.378**
Consolidation eliminations and adjustments	10.168	5.365	13.612	9.714
Operating profit	**590.199**	**394.502**	**808.726**	**391.092**
Financial (expenses)/income, net	(39.605)	(2.793)	(28.533)	(45.840)
Income from investing activities,net	11.807	4.718	10.799	3.380
Profit before tax from continued operations	**562.401**	**396.427**	**790.992**	**348.632**
Tax expense	(80.324)	(40.160)	(135.928)	(44.458)
Profit for the period	**482.077**	**356.267**	**655.064**	**304.174**

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	30 June 2018	31 December 2017
Petrochemical	10.242.559	6.891.966
Port	1.859.985	1.527.342
Total before eliminations and adjustments	**12.102.544**	**8.419.308**
Consolidation eliminations and adjustments	(890.651)	(630.453)
	11.211.893	**7.788.855**

d) Total liabilities

	30 June 2018	31 December 2017
Petrochemical	6.288.875	2.940.164
Port	1.693.541	1.336.229
Total before eliminations and adjustments	**7.982.416**	**4.276.393**
Consolidation eliminations and adjustments	(572.421)	(341.616)
	7.409.995	**3.934.777**

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2018	31 December 2017
Cash	-	-
Banks	3.406.213	1.460.449
- Demand deposits	40.523	16.526
- TL	994	4.581
- Foreign currency	39.529	11.945
- Time deposits	3.365.690	1.443.923
- TL	441.864	459.830
- Foreign currency	2.923.826	984.093
	3.406.213	**1.460.449**

As of 30 June 2018, foreign currency time deposits consist of overnight or monthly deposits. The weighted average effective interest rates of USD and Euro overnight deposits are 4,43% and 1,92% 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 4,51% (31 December 2017: 4,59%).

As of 30 June 2018, the TL dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 18,97% and 18,98% per annum. (31 December 2017: overnight 14,78%, monthly 15,14%). The Group has no blocked deposits as of 30 June 2018 (31 December 2017: None).

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

NOTE 5 - INVENTORIES

	30 June 2018	31 December 2017
Raw materials	314.704	261.721
Work-in-progress	275.877	187.455
Finished goods	388.865	236.956
Trade goods	51.528	45.883
Goods in transit	18.183	115.474
Other inventories	103.283	47.768
Less: Provision for impairment on inventories	(770)	(1.678)
	1.151.670	**893.579**

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

	2018	2017
1 January	**(1.678)**	**(999)**
Current year income/expense, net	908	(1.845)
30 June	**(770)**	**(2.844)**

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

	30 June 2018	31 December 2017
Work-in-progress	(460)	(460)
Finished Goods	(166)	-
Trade goods	(123)	(1.197)
Other inventories	(21)	(21)
	(770)	**(1.678)**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties

	30 June 2018	31 December 2017
Trade receivables	1.192.819	941.104
Provision for doubtful trade receivables (-)	(21.661)	(22.266)
	1.171.158	**918.838**

The balances of trade receivables as of 30 June 2018 and 31 December 2017 are as follows:

Overdue receivables	27.338	28.338
The trade receivables that are not overdue are as stated below:		
0 to 30 days due	443.922	390.165
31 to 60 days due	254.357	198.562
61 to 90 days due	216.019	138.312
91 days and over due	229.522	163.461
	1.171.158	**918.838**

b) Short-term trade payables to third parties:

	30 June 2018	31 December 2017
Trade payables	677.305	510.235
	677.305	**510.235**

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

NOTE 7 - BORROWINGS AND BORROWING COSTS

	30 June 2018	31 December 2017
Short-term borrowings	653.565	630.422
Short-term portions of long-term borrowings	186.083	174.250
Bonds issued (*)	55.264	-
Other financial liabilities (**)	1.599.501	797.891
Short term financial liabilities	**2.494.413**	**1.602.563**
Long term borrowings	1.539.361	1.349.502
Bonds issued (**)	2.273.220	-
Long term borrowings	**3.812.581**	**1.349.502**
Total financial liabilities	**6.306.994**	**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. The average maturity of letter of credits is 248 days including commission expenses accrued in accordance with the effective interest method as of 30 June 2018 (31 December 2017: average maturity 186 days).

(Amounts expressed in thousands 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 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**	**30 June 2018**	**31 December 2017**
Short - term borrowings:						
TL borrowings	No Interest	12,80	651	343.758	651	343.758
USD borrowings	Libor + 0,50 + 0,65	Libor + 0,65	130.483	76.000	595.094	286.664
EUR borrowings	Libor + 0,50	-	10.890	-	57.820	-
Short - term portions of long-term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	21.218	28.647	96.769	108.054
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 + 3,00 – 1,64	16.823	14.660	89.314	66.196
Total short - term borrowings					**839.648**	**804.672**
Long - term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	220.472	225.891	1.005.506	852.038
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 + 3,00 – 1,64	100.553	110.168	533.855	497.464
Total long - term borrowings					**1.539.361**	**1.349.502**
Total borrowings					**2.379.009**	**2.154.174**

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

NOTE 7 - BORROWINGS AND BORROWING COSTS (Continued)

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

	30 June 2018
1 July 2019-30 June 2020	148.014
1 July 2020-30 June 2021	167.351
1 July 2021-30 June 2022	185.721
1 July 2022-30 June 2023	2.463.544
1 July 2023-30 June 2024	173.981
2024 over	673.970
	3.812.581

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

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

Movements of financial liabilities are as of 30 June 2018 and 31 December 2017 as follows:

	2018	**2017**
1 January	**1.491.617**	**2.392.163**
Proceeds from financial liabilities	3.269.985	977.892
Repayments of financial liabilities	(967.410)	(1.046.601)
Changes in foreign exchange	995.093	20.619
Changes in interest accrual	68.375	41
Less: Cash and cash equivalents	(3.406.213)	(1.022.120)
30 June	**1.451.447**	**1.321.994**

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Transfers	Disposals	Foreign currency translation differences	30 June 2018
Cost:						
Land	13.501	-	-	(28)	-	13.473
Land improvements	177.687	-	2.621	-	405	180.713
Buildings	171.743	-	8.200	-	125	180.068
Machinery and equipment	6.862.864	-	30.944	(2.012)	-	6.891.796
Motor vehicles	11.512	-	-	-	-	11.512
Furniture and fixtures	98.178	-	5.200	(6)	95	103.467
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease(*)	663.032	-	562.022	-	185.763	1.410.817
Construction in progress	963.829	153.145	(614.047)	-	38.362	541.289
	8.964.013	**153.145**	**(5.060)**	**(2.046)**	**224.750**	**9.334.802**
Accumulated depreciation:						
Land improvements	(90.896)	(2.984)	-	-	(63)	(93.943)
Buildings	(106.681)	(2.018)	-	-	(52)	(108.751)
Machinery and equipment	(5.504.853)	(77.190)	-	2.012	-	(5.580.031)
Motor vehicles	(8.893)	(481)	-	-	-	(9.374)
Furniture and fixtures	(57.109)	(4.162)	-	6	(74)	(61.339)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(634)	(22)	-	-	-	(656)
Assets subject to operating lease	(21.558)	(17.373)	-	-	(6.017)	(44.948)
	(5.791.620)	**(104.230)**	**-**	**2.018**	**(6.206)**	**(5.900.038)**
Net book value	**3.172.393**					**3.434.764**

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

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2017	Additions	Transfers	Disposals	Foreign currency Translation differences	30 June 2017
Cost:						
Land	13.522	-	-	-	(20)	13.502
Land improvements	115.727	-	46	(3)	(7)	115.763
Buildings	171.618	-	41	-	(2)	171.657
Machinery and equipment	6.560.805	-	215.846	(9.847)	-	6.766.805
Motor vehicles	12.513	-	468	(1.401)	-	11.580
Furniture and fixtures	91.565	-	2.172	(27)	(1)	93.709
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	536.666	-	87.830	-	(3.740)	620.756
Construction in progress (*)	966.569	204.557	(308.503)	(109)	(2)	862.512
	8.470.652	**204.557**	**(2.100)**	**(11.387)**	**(3.771)**	**8.657.951**
Accumulated depreciation:						
Land improvements	(87.815)	(1.479)	-	-	5	(89.289)
Buildings	(102.922)	(1.892)	-	-	2	(104.812)
Machinery and equipment	(5.373.700)	(67.952)	-	9.826	-	(5.431.826)
Motor vehicles	(9.648)	(464)	-	1.372	-	(8.740)
Furniture and fixtures	(62.188)	(3.058)	-	24	3	(65.219)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(589)	(258)	-	-	-	(847)
Assets subject to operating lease	(1.533)	(10.014)	-	-	457	(11.090)
	(5.639.391)	**(85.117)**	**-**	**11.222**	**467**	**(5.712.819)**
Net book value	**2.831.261**					**2.945.132**

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

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

NOTE 9 - DEFERRED INCOME

a) Short term deferred income

	30 June 2018	31 December 2017
Advances received	22.722	34.590
Deferred income	1.988	2.039
	24.710	**36.629**

b) Long term deferred income

Long-term deferred income (*)	154.632	130.969
	154.632	**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 TL 153.922 is followed in long-term deferred income.

NOTE 10 - PREPAID EXPENSES

a) Short term prepaid expenses

	30 Haziran 2018	31 Aralık 2017
Prepaid rent, insurance and other expenses	22.028	10.436
Advances given for customs procedures	21.644	11.088
Advances given for inventory orders	18.311	8.697
	61.983	**30.221**

b) Long term prepaid expenses

Advances given for property, plant and equipment	72.465	8.155
Prepaid rent, insurance and other expenses	2.001	4.343
Advances given for customs procedures	-	12.772
	74.466	**25.270**

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

NOTE 11 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	30 June 2018	31 December 2017
Provision for bonus premium	7.500	14.970
Provision for seniority incentive bonus	4.398	4.760
	11.898	**19.730**

b) Long-term employee benefits:

Provision for employment termination benefits	76.082	79.164
Provision for unused vacation rights	19.548	11.491
Provision for seniority incentive bonus	5.457	4.910
	101.087	**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	8.057	6.872
30 June	**19.548**	**15.739**

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 June 2018 (31 December 2017 – full TL4.732,48).

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:

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

NOTE 11 - EMPLOYEE BENEFITS (Continued)

	30 June 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 5.434,42 TLwhich 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).

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

	2018	**2017**
1 January	**79.164**	**79.217**
Interest cost	4.631	4.429
Payments during the period	(12.855)	(9.650)
Service cost	6.328	5.558
Actuarial loss	(1.186)	(1.033)
30 June	**76.082**	**78.521**

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 Company, the bonus amounting to 40 days of gross salary for 5 years seniority, 50 days of gross salary for 10 years seniority, 65 days of gross salary for 15 years seniority, 80 days of gross salary for 20 years seniority, 90 days of gross salary for 25 years and 100 days for 30, 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.

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

NOTE 11 - EMPLOYEE BENEFITS (Continued)

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

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

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

	2018	**2017**
1 January	**9.670**	**5.841**
Interest cost	566	327
Payments during the period	(3.011)	(2.077)
Service cost	2.630	4.486
30 June	**9.855**	**8.577**

NOTE 12 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

		30 June 2018		**30 June 2017**	
Group:	**Shareholder:**	**Amount**	**Share (%)**	**Amount**	**Share (%)**
A	Socar Turkey Petrokimya A.Ş.	841.500	51,00	765.000	51,00
A	Public	808.500	49,00	735.000	49,00
C	Özelleştirme İdaresi Başkanlığı	0,01	-	0,01	-
Total paid share capital		**1.650.000**	**100**	**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 amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

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

NOTE 12 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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).

NOTE 13 - INCOME TAXES (INCLUDING DEFERRE TAX ASSSETS AND LIABILITIES)

a) Corporate tax:

	30 June 2018	31 December 2017
Calculated corporate tax	36.526	248.526
Less: Prepaid taxes (-)	(36.525)	(180.109)
Corporate tax liability	**1**	**68.417**

Tax expenses included in the income statement for the condensed consolidated period end 30 June 2018 and 2017 are summarized below:

	1 January - 30 June 2018	1 January - 30 June 2017
Deferred tax (loss) / income	(43.798)	(8.737)
Current period tax expense	(36.526)	(127.191)
Total tax (loss) / gains	**(80.324)**	**(135.928)**

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 from 20% 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 Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - INCOME TAXES (INCLUDING DEFERRED TAX ASSSETS AND LIABILITIES) (Continued)

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

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(207.579)	(201.665)	(41.516)	(40.333)
Other	(15.826)	(3.339)	(3.165)	(668)
Deferred income tax liabilities	**(223.405)**	**(205.004)**	**(44.681)**	**(41.001)**
Unused investment incentives	905.204	894.457	240.657	239.803
Provision for employee benefits	112.393	115.290	22.479	23.058
Deferred revenue related to the transfer of operating rights	27.007	35.478	5.401	7.096
Adjustment to rediscount of receivables	15.191	10.183	3.038	2.037
Rent allowance fee	4.392	4.476	878	895
Provision for legal cases	2.914	3.202	583	640
Other	15.254	27.177	3.050	5.435
Deferred income tax assets	**1.082.355**	**1.090.263**	**276.086**	**278.964**
Deferred tax assets / (liabilities) – net			**231.405**	**237.963**

The movement of deferred income tax is as follows:

	2018	**2017**
1 January	**237.963**	**244.964**
Charged to consolidated statement of comprehensive income	(43.798)	(8.737)
Charged to cash flows hedge reserves	(2.489)	2.892
Foreign currency translation differences	39.729	(1.156)
30 June	**231.405**	**237.963**

As of 30 June 2018, the Group has TL 905.204 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 Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 – REVENUE AND COST OF SALES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Domestic sales	2.591.963	1.445.743	2.249.098	1.194.335
Foreign sales	1.709.616	951.201	1.404.929	655.749
Other sales	34.750	20.827	49.917	38.908
Discounts (-)	(104.482)	(64.872)	(77.524)	(52.802)
Net revenue	**4.231.847**	**2.352.899**	**3.626.420**	**1.836.190**
Raw materials	(2.590.578)	(1.539.419)	(1.880.695)	(911.813)
Cost of trade goods sold	(575.679)	(316.907)	(355.900)	(224.154)
Energy	(205.432)	(110.870)	(193.879)	(103.950)
Personnell expense	(119.654)	(69.050)	(122.718)	(63.433)
Depreciation	(75.087)	(41.830)	(74.686)	(40.521)
Other	82.291	196.884	(59.844)	(44.174)
Cost of Sales	**(3.484.139)**	**(1.881.192)**	**(2.687.722)**	**(1.388.045)**

NOTE 15 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Personnel expense	51.660	18.016	44.638	17.409
Outsourced services	46.169	23.832	31.646	17.502
Depreciation and amortization	6.486	3.491	4.033	1.900
Taxes, funds and fees	5.824	2.805	3.041	1.899
Energy expenses	4.832	1.123	6.417	1.968
Other	20.680	7.880	12.215	8.814
	135.651	**57.147**	**101.990**	**49.492**

NOTE 16 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange gains	71.229	44.341	55.630	15.650
Interest income on term sales	40.901	16.983	26.412	7.623
Other	15.405	13.470	12.443	10.129
	127.535	**74.794**	**94.485**	**33.402**

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

NOTE 16 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES (Continued)

b) Other operating expenses

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Foreign exchange losses	(69.712)	(57.178)	(55.527)	(2.036)
Unearned financial expense from trade receivables	(15.191)	(3.938)	(9.492)	(327)
Provision for doubtful receivables	-	-	(9.289)	(9.272)
Other	(19.852)	(11.334)	(11.870)	(9.321)
	(104.755)	**(72.450)**	**(86.178)**	**(20.956)**

NOTE 17 - FINANCIAL INCOME/ EXPENSES

a) Financial income

	1 January - 30 June 2018	1 January - 30 June 2017
Foreign exchange gains	904.546	241.131
Interest income	100.814	39.743
Other	1.713	3.062
	1.007.073	**283.936**

b) Financial expense

Foreign exchange losses	(889.953)	(259.722)
Interest expense	(120.217)	(42.708)
Commission expense	(4.261)	(2.272)
Other	(32.247)	(7.767)
	(1.046.678)	**(312.469)**

NOTE 18 - EARNINGS PER SHARE

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Net profit for the period of the equity holders of the parent	502.734	371.359	662.703	302.547
Weighted average number of shares with nominal value of Krl each (thousand)	165.000	165.000	165.000	165.000
Earnings per share (Kr)	**0,3047**	**0,2251**	**0,4016**	**0,1834**

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

a) Short term other receivables from related parties:

	30 June 2018	31 December 2017
SOCAR Turkey Petrokimya A.Ş. (1)	270.304	223.250
SCR Gayrimenkul A.Ş. (2)	40.693	68.432
STAR Rafineri A.Ş. ("STAR") (2)	4.073	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	112	3
TANAP Doğalgaz İletişim A.Ş. (2)	1	2
STEAŞ (1)	-	541.652
	315.183	**833.339**

b) Long term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. (2) (*)	91.932	75.290
	91.932	**75.290**

(*) Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 76.493, interest and other receivables amounting to TL 16.439.

c) Short term trade payables to related parties:

SOCAR Turkey Enerji A.Ş.("STEAŞ") (1)	47.919	29.559
SOCAR Turkey Petrol Ener. Dağ. A.Ş. (2)	22.576	-
Azoil Petrolcülük A.Ş. (2)	594	408
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	-	77
	71.089	**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 12 days. (31 December 2017 –6 days).

d) Other payables to related parties:

Due to shareholders (1)	87	87
STAR (2)	-	28.962
	87	**29.049**

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

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

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

e) Short term deferred income from related parties

	30 June 2018	31 December 2017
STAR (2) (*)	13.807	4.176
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	426	-
	14.233	**4.176**

f) Long term deferred income from related parties

STAR (2) (*)	4.225	5.095
	4.225	**5.095**

(*) Short term and long term deferred income from STAR, consists of rent income that arise from one shot cash collections of the Group at the beginning of rent agreement.

g) Short term prepaid expense to related parties

	30 June 2018	31 December 2017
STEAŞ(1)(*)	1.101.431	50
STAR (2)	1.106	5.399
	1.102.537	**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 USD720 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. 1/3 of the price shall be paid on the date on which testing commences during the commisioning of the STAR refinery and the remaining 1/3 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 June 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 Turkish Lira ("TL") unless otherwise indicated.)

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

h) Long term prepaid expense to related parties

	30 June 2018	31 December 2017
STAR [2]	20.450	20.999
STEAŞ[1]	-	89
	20.450	**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 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
STEAŞ [1]	194.668	146.174	11.204	(5.257)
SOCAR Turkey Petrokimya A.Ş. [1]	53.292	39.854	248	33
SOCAR Power Enerji Yatırımları A.Ş. [2]	16.121	11.888	1.598	(1.270)
SCR Gayrimenkul A.Ş. [2]	4.214	2.050	-	-
STAR [2]	2.797	1.197	508	(793)
SOCAR Turkey Akaryakıt Depolama A.Ş.[2]	78	80	-	-
Azoil Petrolcülük A.Ş. [2]	4	4	2	(1)
SOCAR TRADING SA [2]	(14)	-	-	-
Socar Turkey Petrol Ener. Dağ. A.Ş. [2]	(4.306)	(3.442)	-	-
Petrokim [2]	-	-	44	440
SOCAR Azerikimya Production Union [2]	-	-	1	1
Socar Gaz Ticareti A.Ş. [2]	-	-	(162)	-
	266.854	**197.805**	**13.443**	**(6.847)**

The Group has interest income for TL receivables with the rates of 22,02% and 22,67%, interest income for US Dollar receivables with the rates of 5,09% and 6,46% from SOCAR Power Enerji A.Ş. and interest income for TL receivables with the rate of 22,67% of the income derived from STAR, TL 23 of foreign exchange loss and TL 2.820 of other income. Income from STEAŞ composed of TL 4.558 of interest income and TL 190.788 of foreign exchange gain and TL 678 of other loss. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of foreign exchange gain of TL 13.230 and interest income of T 2.891.

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

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

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

b) Service and rent purchases from related parties:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
STAR (2) (*)	10.142	6.650	22.876	12.508
STEAŞ (1)	6.784	3.464	6.890	3.711
Socar Turkey Petrol Enerji Dağ. AŞ (2)	37	-	-	-
SOCAR Power Enerji Yatırımları A.Ş. (2)	3	-	67	-
	16.966	**10.114**	**29.833**	**16.219**

(*) The rent and service purchases from STAR consist of rent amounting to TL 7.334. The service purchases from STEAŞ consist of other purchases amounting to TL 2.808

c) Product purchase from related parties:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
SOCAR Turkey Petrol Enerji Dağıtım A.Ş.(2)	109.021	68.659	-	-
SOCAR Trading SA (2)	17.408	-	-	-
Azoil Petrolcülük A.Ş. (2)	1.149	610	1.020	469
Petrokim (2)	-	-	234.368	158.335
SOCAR Turkey Petrokimya A.Ş. (1)	-	-	168.293	89.153
SOCAR Logistics DMCC(2)	-	-	52.973	3.248
	127.578	**69.269**	**456.654**	**251.205**

Purchases made from related parties during the interim period ended 30 June 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 Turkish Lira ("TL") unless otherwise indicated.)

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

d) Product and service sales to related parties:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
STAR [2]	16.699	11.631	4.713	2.450
STEAŞ [1]	164	(49)	122	61
SOCAR Turkey Akaryakıt Depolama A.Ş.[2]	29	21	-	-
SOCAR Power Enerji Yatırımları A.Ş. [2]	-	-	1	1
	16.892	**11.603**	**4.836**	**2.512**

e) Rent income from related parties:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
STAR [2]	12.282	6.169	11.520	5.765
Socar Turkey Akaryakıt Depolama AŞ	426	213	-	-
Socar Power Enerji Yatırımları A.Ş. [2]	-	-	8	3
	12.708	**6.382**	**11.528**	**5.768**

f) Key management emoluments:

i. Key management emoluments - short term:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Payments for salary and seniority incentives	11.090	4.275	7.490	3.135
	11.090	**4.275**	**7.490**	**3.135**

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

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

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

ii. Key management emoluments - long term:

	1 January - 30 June 2018	1 April - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2017
Provision for unused vacation	1.289	164	577	116
Provision for employment termination benefits	200	97	72	10
Provision for seniority incentives	137	1	90	1
	1.626	**262**	**739**	**127**
	12.716	**4.537**	**8.229**	**3.262**

The Group classifies the general manager, assistant general managers, and board of directors and audit committee members as executive management. Key management emoluments consist of salary and travel payments; employment termination benefits, seniority incentive bonus and vacation pays made to the key management and their provisions for the period in which they incurred.

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short - term provisions:

	30 June 2018	31 December 2017
Provision for legal cases	2.914	3.202
Other	-	17.728
	2.914	**20.930**

b) Guarantees received:

Bank guarantees within the context of DOCS **(*)**	739.984	633.726
Letters of guarantee received from customers	515.521	439.350
Insurance for receivables	337.277	184.814
Letters of guarantee received from suppliers	252.613	144.219
Letters of credit	77.875	134.134
Mortgages	2.000	2.000
	1.925.270	**1.538.243**

(*) Direct Order and Collection System

c) Guarantees given:

Guarantees given to banks	1.418.472	1.204.129
Mortgages given to banks (**)	928.194	799.643
Custom offices	42.099	69.254
Other	113.623	91.311
	2.502.388	**2.164.337**

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

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

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

	30 June 2018	31 December 2017
A. Total amount of CPMs given for the Company's own legal personality	1.574.194	1.364.694
B. Total amount of CPMs given on behalf of fully consolidated companies (**)	928.194	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	-	-
	2.502.388	**2.164.337**

(**) Mortgage amounting to USD 350 thousand is related with the borrowing for port investment amounting to USD 204 thousand as of 30 June 2018.

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 million and penalty and interest of TRY 66 million. 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 thousand TRY and 1,405 thousand TRY, respectively.

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

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

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 June 2018.

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 June 2018 and 2017 are as follows:

	30 June 2018	**31 December 2017**
0-5 years	368.299	260.789
5-10 years	1.233.376	922.892
10 years and more	2.135.674	1.910.215
Total	**3.737.349**	**3.093.896**

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

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

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

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency position

	30 June 2018				31 December 2017			
	TL equivalent	USD dollar	Euro	Other	TL equivalent	USD dollar	Euro	Other
1. Trade receivables	661.402	119.297	22.099	-	493.826	99.358	26.368	-
2a. Monetary financial assets (Cash, bank accounts included)	4.290.727	919.018	18.649	351	1.673.012	421.153	18.631	332
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**4.952.129**	**1.038.315**	**40.748**	**351**	**2.166.838**	**520.511**	**44.999**	**332**
4. Trade receivables	-	-	-	-				
5a. Monetary financial assets	604.551	132.557	-	-	385.307	102.152	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	**604.551**	**132.557**	**-**	**-**	**385.307**	**102.152**	**-**	**-**
8. Total assets (3+7)	**5.556.680**	**1.170.872**	**40.748**	**351**	**2.552.145**	**622.663**	**44.999**	**332**
9. Trade payables	513.162	99.351	5.174	59.864	442.004	107.144	5.755	11.880
10. Financial liabilities	2.437.840	502.271	27.713	-	1.182.920	296.064	14.660	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**2.951.002**	**601.622**	**32.887**	**59.864**	**1.624.924**	**403.208**	**20.415**	**11.880**
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	2.949.433	529.650	100.553	-	625.745	34.010	110.168	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	
16. Long-term liabilities (13+14+15a+15b)	**2.949.433**	**529.650**	**100.553**	**-**	**625.745**	**34.010**	**110.168**	**-**
17. Total liabilities (12+16)	**5.900.435**	**1.131.272**	**133.440**	**59.864**	**2.250.669**	**437.218**	**130.583**	**11.880**
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	**387**	**25.230**	**(21.600)**	**-**	**-**	**-**	**-**	**-**
18a. Amount of asset nature off-balance sheet derivative instruments	**115.066**	**25.230**	**-**	**-**	**-**	**-**	**-**	**-**
18b. Amount of liability nature-off balance sheet derivative instruments	**(114.679)**	**-**	**(21.600)**	**-**	**-**	**-**	**-**	**-**
19. Net foreign (liability) / asset position (8-17+19)	**(343.368)**	**64.830**	**(114.292)**	**(59.513)**	**301.476**	**185.445**	**(85.584)**	**(11.584)**
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**(343.755)**	**39.600**	**(92.692)**	**(59.513)**	**301.476**	**185.445**	**(85.584)**	**(11.584)**
21. Total fair value of financial instruments used for foreign currency hedging	**(242)**	**(53)**	**-**	**-**	**-**	**-**	**-**	**-**
22. Hedged amount for current assets	**115.066**	**25.230**	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged amount for current liabilities	**(114.679)**	**-**	**(21.600)**	**-**	**-**	**-**	**-**	**-**
24. Export	**1.685.192**	**243.419**	**134.111**	**20.480**	**2.659.400**	**393.775**	**291.273**	**19.132**
25. Import	**2.351.845**	**537.861**	**25.742**	**34.887**	**4.121.331**	**1.048.873**	**68.073**	**350.883**

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

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Table of sensitivity analysis for foreign currency risk

30 June 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	18.060	(18.060)	-	-
2- The part hedged for USD risk (-)	11.507	(11.507)	-	-
3- USD effect - net (1+2)	**29.567**	**(29.567)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(49.212)	49.212	-	-
5- The part hedged for EUR risk (-)	(11.468)	11.468	-	-
6- EUR effect - net (4+5)	**(60.680)**	**60.680**	**-**	**-**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(3.223)	178	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(3.223)**	**178**	**-**	**-**
Total (3+6+9)	**(34.336)**	**31.291**	**-**	**-**

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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