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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITORS'REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Petkim Petrokimya Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2017 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

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Key Audit Matter	How our audit addressed the key audit matter
Contingent liabilities and disclosures related to continuing tax inspections (See Note 31). There are tax inspections related to the special consumption tax ("SCT") practices for a product that the Group uses in its production processes. For the inspection related to transactions in 2014, as explained in detail in Note 31, the total of tax base, penalty and interest ("tax penalty") levied by the Ministry of Finance to the Group amounts to TRY165 million, and there are significant estimates and judgements regarding whether a provision should be recognized in relation to the tax inspection according to related TAS provisions. We focused on this issue during our audit work and identified this issue as a key audit matter due to the following reasons: - As a result of the assessments performed, the Group management did not recognize any provision for the tax penalty in the consolidated financial statements as of 31 December 2017 and there is possibility that the impact of this matter could have a material impact on the Group's consolidated financial statements, - The tax penalty levied by the Ministry of Finance includes significant judgements, based on technical assessments and complex processes specific to the product and the petrochemical industry in which the Group operates, regarding whether the product is subject to special consumption tax. The Group management makes estimates and judgements on assessing the legal base of the matter, the measurement of the tax penalty, whether the administration incurred any losses and the time limit for the refund for SCT, - Involvement of experts in audit process regarding legal and tax matters.	For the ongoing tax inspection, we had meetings with the Group's top management, legal advisors and tax specialists, obtained their assessments and opinions and performed the following audit procedures, with the involvement of our tax law specialists in the audit process: • We discussed significant control processes and practices with management based on the information derived from the Group's supply management and production processes related to the product and questioned the current SCT practices. • We calculated risk amounts based on the relevant legislation by examining documents related to the inspection. • We evaluated the likehood of realization of the risks by examining precedents legal cases and inspections. • As a result of the above information and work performed, our tax law specialists assessed, within the framework of their professional expertise, the outcome of the Group management's estimation and judgement of the legal base and method of calculation of the inspection and the conclusion not to recognize any provision in the consolidated financial statements as of 31 December 2017. • Appropriateness and sufficiency of explanations is evaluated in the consolidated financial statement notes as per relevant accounting standards.

4. Other Matter

The consolidated financial statements of Petkim Petrokimya Holding A.Ş. as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 2 March 2017 expressed an unqualified opinion.

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 1 March 2018.

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

Çağlar Sürücü, SMMM
Partner

İstanbul, 1 March 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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	(*) Audited 31 December 2016	(*) Audited 31 December 2015
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	4	1.460.448.945	1.267.188.405	1.341.536.749
Financial investments		-	-	160.452.259
Trade receivables		918.838.151	674.471.489	551.425.057
- Trade receivables from third parties	7	918.838.151	674.471.489	551.425.057
Other receivables		837.367.389	30.792.406	261.559.561
- Other receivables from related parties	29	833.339.383	14.321.046	255.049.233
- Other receivables from third parties	8	4.028.006	16.471.360	6.510.328
Derivative financial instruments	18	-	7.466.471	1.646.432
Inventories	5	893.578.568	604.333.833	363.508.864
Prepaid expenses		35.669.845	31.915.791	52.347.705
- Prepaid expenses to third parties	15	30.220.566	19.037.704	39.469.618
- Prepaid expenses to related parties	29	5.449.279	12.878.087	12.878.087
Other current assets		62.501.220	43.777.394	35.096.475
- Other current assets related to third parties	17	62.501.220	43.777.394	35.096.475
TOTAL CURRENT ASSETS		**4.208.404.118**	**2.659.945.789**	**2.767.573.102**
NON - CURRENT ASSETS				
Financial investments	6	8.910.000	8.910.000	8.910.000
- Available for sale financial assets		8.910.000	8.910.000	8.910.000
Other receivables		75.290.079	423.305.661	105.206.024
- Other receivables from related parties	29	75.290.079	423.305.661	105.206.024
Investment properties	10	1.469.935	1.469.935	1.469.935
Property, plant and equipment	11	3.172.393.372	2.831.261.149	2.276.634.074
Intangible assets	12	23.613.956	22.398.670	18.327.669
Prepaid expenses		46.358.138	64.040.243	109.875.699
- Prepaid expenses to third parties	15	25.270.112	59.747.547	92.704.917
- Prepaid expenses to related parties	29	21.088.026	4.292.696	17.170.782
Deferred income tax assets	20	237.963.174	244.963.987	133.346.497
Other non-current assets		14.455.426	12.232.354	39.322.328
- Other non-current assets related to third parties	17	14.455.426	12.232.354	39.322.328
TOTAL NON - CURRENT ASSETS		**3.580.454.080**	**3.608.581.999**	**2.693.092.226**
TOTAL ASSETS		**7.788.858.198**	**6.268.527.788**	**5.460.665.328**

(*) See Note 2.4 for prior year reclassifications.

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	(*) Audited 31 December 2016	(*) Audited 31 December 2015
LIABILITIES				
CURRENT LIABILITIES				
Short-term borrowings		1.428.313.674	1.164.193.179	1.157.428.765
- Short-term borrowings from third parties		1.428.313.674	1.164.193.179	1.157.428.765
- Bank borrowings	9	630.422.309	461.698.893	319.638.074
- Other financial liabilities	9	797.891.365	702.494.286	837.790.691
Short-term portion of long-term borrowings		174.250.481	55.495.727	41.912.519
- Short-term portion of long-term borrowings from third parties		174.250.481	55.495.727	41.912.519
- Bank borrowings	9	174.250.481	55.495.727	41.912.519
Derivative financial instruments	18	-	432.006	11.008.960
Trade payables		540.279.371	412.369.070	299.184.435
- Trade payables to related parties	29	30.044.053	29.584.837	31.306.140
- Trade payables to third parties	7	510.235.318	382.784.233	267.878.295
Payables related to employee benefits	16	6.827.698	25.429.492	12.842.787
Other payables		38.095.958	38.733.947	5.767.645
- Other payables to related parties	29	29.049.019	26.450.401	1.750.437
- Other payables to third parties	8	9.046.939	12.283.546	4.017.208
Deferred revenue		40.805.353	39.144.851	26.093.160
- Deferred revenue from related parties	29	4.176.411	4.198.100	4.168.083
- Deferred revenue from third parties	14	36.628.942	34.946.751	21.925.077
Short term provisions		40.660.167	4.000.981	13.970.602
- Provision for employee benefits	16	19.729.889	2.617.402	13.027.856
- Other short term provisions	31	20.930.278	1.383.579	942.746
Current tax liabilities	20	68.416.863	48.864.818	9.684.055
Other current liabilities		9.259.169	7.976.519	6.495.411
- Other current liabilities related to third parties	17	9.259.169	7.976.519	6.495.411
TOTAL CURRENT LIABILITIES		**2.346.908.734**	**1.796.640.590**	**1.584.388.339**
NON-CURRENT LIABITIES				
Long term financial liabilities		1.349.501.649	1.172.474.368	914.267.416
- Long term financial liabilities from third parties		1.349.501.649	1.172.474.368	914.267.416
- Bank borrowings	9	1.349.501.649	1.172.474.368	914.267.416
Derivative financial instruments	18	6.739.314	9.027.379	-
Deferred revenue		136.064.140	129.637.103	67.499.141
- Deferred revenue from related parties	29	5.095.099	8.829.511	12.705.027
- Deferred revenue from third parties	14	130.969.041	120.807.592	54.794.114
Long term provisions		95.565.463	91.308.322	89.126.935
- Provision for employee termination benefits	16	95.565.463	91.308.322	89.126.935
TOTAL NON - CURRENT LIABILITIES		**1.587.870.566**	**1.402.447.172**	**1.070.893.492**
TOTAL LIABILITIES		**3.934.779.300**	**3.199.087.762**	**2.655.281.831**

(*) See Note 2.4 for prior year reclassification

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	Audited 31 December 2016	Audited 31 December 2015
EQUITY				
Equity attributable to owners of the parent company		**3.793.932.189**	**3.001.710.146**	**2.741.388.114**
Share capital	19	1.500.000.000	1.500.000.000	1.500.000.000
Adjustment to share capital	19	238.988.496	238.988.496	238.988.496
Share premium		214.187.872	214.187.872	214.187.872
Other comprehensive income / (expense) not to be reclassified to profit or loss				
- Actuarial loss arising from defined benefit plan		(27.290.839)	(24.694.546)	(23.668.037)
Other comprehensive (expense) / income to be reclassified to profit or loss		(6.568.922)	572.240	(7.490.023)
- Currency translation differences		(2.794.906)	-	-
- (Loss) / Gain on cash flow hedges		(3.774.016)	572.240	(7.490.023)
Restricted reserves	19	192.598.686	104.957.638	36.548.777
Retained earnings		280.057.398	241.912.168	156.442.236
Net profit for the period / year		1.401.959.498	725.786.278	626.378.793
Non-controlling interest		**60.146.709**	**67.729.880**	**63.995.383**
TOTAL EQUITY		**3.854.078.898**	**3.069.440.026**	**2.805.383.497**
TOTAL LIABILITIES AND EQUITY		**7.788.858.198**	**6.268.527.788**	**5.460.665.328**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2017 AND 2016

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

	Notes	Audited 1 January - 31 December 2017	(*) Audited 1 January - 31 December 2016
PROFIT OR LOSS			
Revenue	21	7.363.824.480	4.532.590.622
Cost of sales	21	(5.505.864.559)	(3.574.771.797)
GROSS PROFIT		**1.857.959.921**	**957.818.825**
General administrative expenses	22	(200.938.253)	(138.143.303)
Selling, marketing and distribution expenses	23	(59.439.716)	(42.276.221)
Research and development expenses	24	(17.167.963)	(12.782.619)
Other operating income	25	230.773.507	131.297.346
Other operating expense	25	(157.339.370)	(131.415.678)
OPERATING PROFIT		**1.653.848.126**	**764.498.350**
Income from investing activities	26	42.466.253	17.322.323
Expense from investing activities	26	(105.470)	(4.212.586)
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		**1.696.208.909**	**777.608.087**
Financial income	27	647.614.293	451.893.803
Financial expenses	27	(682.727.972)	(447.618.646)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**1.661.095.230**	**781.883.244**
Tax expense from continuing operations		**(271.650.860)**	**(50.195.898)**
- Current tax expense	20	(248.526.087)	(163.030.686)
- Deferred tax income	20	(23.124.773)	112.834.788
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		**1.389.444.370**	**731.687.346**
DISTRIBUTION OF INCOME/ (EXPENSE) FOR THE PERIOD			
- Non-controlling interest		(12.515.128)	5.901.068
- Owners of the parent company		1.401.959.498	725.786.278
Earnings Per Share	28	**0,9346**	**0,484**
- Earnings per Kr 1 number of 1 shares from continued operations		**0,9346**	**0,4839**

(*) See Note 2.4 for prior year reclassification

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2017 AND 2016

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
OTHER COMPREHENSIVE (LOSS) / INCOME			
Items to be reclassified to Profit or Loss		**(2.209.205)**	**5.895.692**
Currency translation differences		1.587.916	-
Other comprehensive (loss) / income related with cash flow hedges		(4.746.401)	7.369.615
Tax relating to (loss) / gain on cash flow hedge		949.280	(1.473.923)
Items not to be reclassified to Profit or Loss		**(2.596.293)**	**(1.026.509)**
Defined benefit plans remeasurement Earnings (losses)		(3.245.366)	(1.283.136)
Taxes relating to remeasurements of defined benefit plans		649.073	256.627
OTHER COMPREHENSIVE INCOME		**(4.805.498)**	**4.869.183**
TOTAL COMPREHENSIVE INCOME		**1.384.638.872**	**736.556.529**
Attributable to:			
Non-controlling interests		(7.583.171)	3.734.497
Owners of parent company		1.392.222.043	732.822.032

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2017 AND 2016

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

			Other comprehensive (expense) / income not to be reclassified to profit or loss	**Other comprehensive (expense) / income to be reclassified to profit or loss**								
	Share capital	**Adjustment to share capital**	**Actuarial loss arising from defined benefit plan**	**(Loss) / gain on cash flow hedges**	**Currency translation differences**	**Share premium**	**Restricted reserves**	**Net profit for the period**	**Retained earnings**	**Equity attributable to owners of the parent company**	**Non-controlling interests**	**Total equity**
1 January 2016	**1.500.000.000**	**238.988.496**	**(23.668.037)**	**(7.490.023)**	**-**	**214.187.872**	**36.548.777**	**626.378.793**	**156.442.236**	**2.741.388.114**	**63.995.383**	**2.805.383.497**
Transfers	-	-	-	-	-	-	28.658.861	(626.378.793)	597.719.932	-	-	-
Total comprehensive income	-	-	(1.026.509)	8.062.263	-	-	-	725.786.278	-	732.822.032	3.734.497	736.556.529
- Other comprehensive income	-	-	(1.026.509)	8.062.263	-	-	-	-	-	7.035.754	(2.166.571)	4.869.183
- Net profit for the period	-	-	-	-	-	-	-	725.786.278	-	725.786.278	5.901.068	731.687.346
Dividend paid	-	-	-	-	-	-	39.750.000	-	(512.250.000)	(472.500.000)	-	(472.500.000)
31 December 2016	**1.500.000.000**	**238.988.496**	**(24.694.546)**	**572.240**		**214.187.872**	**104.957.638**	**725.786.278**	**241.912.168**	**3.001.710.146**	**67.729.880**	**3.069.440.026**
1 January 2017	**1.500.000.000**	**238.988.496**	**(24.694.546)**	**572.240**	**-**	**214.187.872**	**104.957.638**	**725.786.278**	**241.912.168**	**3.001.710.146**	**67.729.880**	**3.069.440.026**
Transfers	-	-	-	-	-	-	35.141.048	(725.786.278)	690.645.230	-		
Total comprehensive income	-	-	(2.596.293)	(4.346.256)	(2.794.906)	-	-	1.401.959.498	-	1.392.222.043	(7.583.171)	1.384.638.872
- Other comprehensive incomer)	-	-	(2.596.293)	(4.346.256)	(2.794.906)	-	-	-	-	(9.737.455)	4.931.957	(4.805.498)
- Net profit for the period	-	-	-	-	-	-	-	1.401.959.498	-	1.401.959.498	(12.515.128)	1.389.444.370
Dividend paid	-	-	-	-	-	-	52.500.000	-	(652.500.000)	(600.000.000)	-	(600.000.000)
31 December 2017	**1.500.000.000**	**238.988.496**	**(27.290.839)**	**(3.774.016)**	**(2.794.906)**	**214.187.872**	**192.598.686**	**1.401.959.498**	**280.057.398**	**3.793.932.189**	**60.146.709**	**3.854.078.898**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY- 31 DECEMBER 2017 AND 2016

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

	Notes	Audited 1 January - 31 December 2017	Audited (*) 1 January - 31 December 2016
A. Cash flows from operating activities:		**1.171.669.761**	**731.875.679**
Net profit for the year (I)		1.389.444.370	731.687.346
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**526.827.751**	**167.637.955**
Adjustments for depreciation and amortization		168.598.448	116.598.304
Adjustments for impairments/ reversals			
- Adjustments for impairment of inventories	5	678.951	(11.047.336)
- Adjustments for other impairment		(22.698.521)	34.474.127
Adjustments for provisions			
- Adjustments for provision employment termination benefits	16	41.004.474	16.255.132
- Adjustments for provision legal cases	31	1.818.769	492.319
- Adjustments for provision / other cases		24.173.866	2.409.040
Adjustments for interest income/ (expense)			
- Adjustments for interest income	27	(86.185.577)	(54.088.875)
- Adjustments for interest expense	27	95.251.509	19.120.786
- Deferred interest expense due to credit purchase		(3.710.678)	(370.037)
- Unearned interest income due to credit sales		10.248.051	9.094.381
Adjustments for unrealized foreign currency translation differences		49.954.279	(14.709.088)
Adjustments for tax income/ losses	20	271.650.860	50.195.898
Adjustments for gain/ losses on sale of property, plant and equipment		(24.222.463)	(566.058)
Adjustments for income from government incentives		265.783	(220.638)
Changes in working capital (III)		**(492.748.106)**	**(17.780.878)**
Adjustments related to (increase)/decrease in trade receivables		(261.060.648)	(118.577.973)
Adjustments related to (increase)/decrease in other receivables		(53.417.075)	(17.849.840)
Adjustments related to (increase)/decrease in inventory		(280.053.092)	(219.828.939)
(Increase)/decrease in prepaid expenses		(11.201.172)	52.707.537
Adjustments for increase/(decrease) in trade payables		131.818.158	163.544.568
Adjustments for increase/(decrease) in other payable		644.657	34.447.411
Increase/(decrease) in payables related to employee benefits	16	(18.601.794)	12.586.705
Adjustments for increase/(decrease) in deferred revenue		(877.140)	75.189.653
Cash flows from operating activities (I+II+III)		**1.423.524.015**	**881.544.423**
Employee termination benefits paid	16	(22.880.212)	(25.767.335)
Income taxes (paid)	20	(228.974.042)	(123.849.923)
Other cash outflows		-	(51.486)
B. Cash flows from investing activıties		**(765.575.111)**	**(404.617.342)**
Cash outflows from purchases of property, plant and equipment		(446.677.677)	(567.261.634)
Proceeds from sale of property, plant and equipment		(508.959)	1.129.142
Advances given and payables to related parties		(355.077.283)	-
Other cash advances and payables given		36.688.808	1.062.891
Other cash inflows		-	160.452.259
C. Cash flows from financing activities		**(201.438.933)**	**(580.755.589)**
Proceeds from borrowings	7	1.595.100.182	617.137.859
Repayments of borrowings	7	(1.275.913.171)	(443.003.374)
Proceeds from other financial liabilities	7	1.018.816.094	697.685.358
Repayments of other financial liabilities	7	(930.588.059)	(958.990.116)
Interest received		85.486.097	53.187.872
Interest paid		(94.340.076)	(74.273.188)
Dividends paid		(600.000.000)	(472.500.000)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**204.655.717**	**(253.497.252)**
E. Effect of currency translation differences on cash and cash equivalents		**(11.395.177)**	**179.148.908**
Net increase / (decrease) in cash and cash equivalents (D+E)		**193.260.540**	**(74.348.344)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**1.267.188.405**	**1.341.536.749**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.460.448.945**	**1.267.188.405**

(*) See Note 2.4 for previous period reclassifications

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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")

On 22 September 2012, the listed shares of 10,32% in the Company, which belonged to Prime Ministry Privatisation Administration, was sold to SOCAR İzmir Petrokimya A.Ş ("SİPAŞ"), the subsidiary of the Company's main shareholder, merged with SOCAR Turkey Enerji A.Ş. ("STEAŞ") on 22 September 2014.

As of 31 December 2017 and 31 December 2016 the ultimate shareholder of the Company is State Oil Company of Azerbaijan Republic ("SOCAR").

The Group is registered at the Capital Markets Board ("CMB") and 49% (31 December 2016: %49) of its shares have been quoted in Borsa İstanbul ("BIST") since 9 July 1990 (Note 19).

These consolidated financial statements were approved to be issued by the Board of Directors and signed on 1 March 2018. The General Assembly and certain regulatory bodies have the authority to make amendments after the publication of the statutory financial statements.

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

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

As of 31 December 2017, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

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

As of 31 December 2017, the average number of employees working for the Group is 2.425 (31 December 2016: 2.434). The details of the employees as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Union (*)	1.877	1.857
Non - union (**)	587	538
	2.464	**2.395**

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT

2.1 Basis of Presentation

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

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

In addition, the Group arranged its consolidated financial statements prepared as per the TCC within the framework of the accounting policies determined under Note 2.5 in order to provide accurate presentation of legal records in line with TAS. The Group carried out the required adjustments and classifications considering the reporting formats in Financial Statement Formats and Guidance issued by the POAASA.

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2017:

- **Amendments to IAS 7, 'Statement of cash flows';** on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The amendment has been applied but did not have asignificant effect on the notes of the consolidated financial statements of the Group.

- **Amendments IAS 12, 'Income Taxes';** effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets. The amendments did not have an effect on the notes of the consolidated financial statements of the Group.

- **Annual improvements 2014-2016,** effective from annual periods beginning on or after 1 January 2017:

  - IFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

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

b) Standards, amendments and interpretations effective after 1 January 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.

- **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 CONSOLIDATED FINANCIAL STATEMENT (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.

- **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.

- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, 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 CONSOLIDATED FINANCIAL STATEMENT (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.

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The Group estimates that the impact of IFRS 15 and IFRS 9 adoption will not be significant. Impact of IFRS 16 is currently being assessed.

2.3 Basis of consolidation

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

a) Subsidiaries

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

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

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

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

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

The table below sets out all subsidiaries included in the scope of consolidation together with the related voting rights and effective ownership rates at 31 December 2017;

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

b) Foreign currency translation

i) Functional and presentation currency

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

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

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

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

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

The end of the period:	**31 December 2017**	**31 December 2016**
Turkish Liras / US Dollars	3,7719	3,5192

Average:

	31 December 2017
Turkish Liras / US Dollars	3,6443

2.4 Comparative information and correction of prior period financial statements

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

In line with the guidance ("Taxonomy") provided by the CMB, Group management detected the following corrections concerning balance sheet items. Reclassifications were made for the balance sheets prepared on 31 December 2016 and 31 December 2015 the consolidated cash flow prepared on 31 December 2016. These reclassifications were made as per the classifications in place on 31 December 2017 and are as follows:

- As of 31 December 2016 and 31 December 2015 payables with letters of credit to financial institutions amounting TL 702.494.286 and TL 837.790.691 which were recognised in trade payables to unrelated parties, were reclassified under other financial payables as per TMS 39 (Note 9). Financial expenses amounting TL 108.629.080 related to these financial liabilities previously recognised under other operating expenses were recognised under financial expense. (Note 25 and 27).

- Net cash outflow amounting TL 270.470.525 previously recognised under cash flows from activities, were recognised under cash flow from financing activities consistent with the reclassification of payables with letters of credit.

- Group investments amounting to TL 927.411.743 previously recognised under investment property, were reclassified under property, plant and equipment since they do not meet the investment property criteria as per TMS 40 (Note 10).

- Foreign exchange gains amounting to TL 53.209.200 and interest income amounting to TL 19.656.133 earned from due from related parties which are previously presented in other operating income are classified as financial income.

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

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

2.5 Significant accounting policies

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

a. Inventories

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

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

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

b. Property, plant and equipment

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

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

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

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

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

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

2.5 Significant accounting policies (Continued)

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

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

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

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

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

c. Intangible assets

Rights and software

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

The estimated useful lives of intangible assets are as follows:

	Useful life
Rights and software	3-15 years

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

2.5 Significant accounting policies (Continued)

d. Investment properties

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

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

e. Impairment of assets

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

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

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

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

f. Financial instruments

Financial assets and financial liabilities are recognized in the Group's consolidated balance sheet when the Group becomes a legal party for the contractual provisions of the financial instrument.

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

2.5 Significant accounting policies (Continued)

<u>Financial assets</u>

Financial assets, are initially measured at fair value, less transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale financial assets' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the ratio exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net present value of the financial asset or in a shorter period where appropriate.

Incomes related to the debt instruments that are held to maturity and are available for sale, and financial assets that are classified as loans and receivables are calculated according to the effective interest rate method.

Available for sale financial assets

Some of the shares and long term marketable securities held by the Group are classified as available for sale and recognized at their fair values.

The financial assets, which are not priced in an active market and the fair value cannot be recognized accurately, are recognized at cost less accumulated impairments.

Gains and losses arising from changes in fair value are recognized directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognized directly in the consolidated income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in the consolidated income statement for the period.

Some of the shares and long term marketable securities held by the Group are classified as available for sale and recognized at their fair values.

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

2.5 Significant accounting policies (Continued)

Receivables

Trade receivables and other receivables are initially recognized at their fair value. Subsequently, receivables are measured at amortized cost using the effective interest method.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated income statement under general administrative expenses. With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Provision for doubtful receivables is booked in the consolidated financial statements when there is an indication that the related receivable cannot be collected. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the impairment amount decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the current period.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of tradereceivables where the carrying amount is reduced through the use of an allowance account.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in the consolidated statement of comprehensive income.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

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

2.5 Significant accounting policies (Continued)

Cash and cash equivalents

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

Financial liabilities

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

Financial payables

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

Trade payables

Trade payables are recognized initially at fair value of and subsequently measured at amortized cost using the effective interest method (Note 7).

Other financial liabilities

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

g. Borrowing costs

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

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

2.5 Significant accounting policies (Continued)

h. Government grants

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

i. Derivative financial instruments and hedge accounting

Derivatives are initially recognized at cost of acquisition and are subsequently accounted to their fair value at the end of each reporting period. The method of recognizing the result of gain or loss is dependent on the nature of the item being hedged.On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge from changes that could affect the statement of income due to a specific risk in cash flow of a forecastedtransaction (cash flow hedge). Fair value of the Group's interest swap contracts is determined by valuation methods depending on analyzable market data.

Changes in the fair value of the derivatives that are designated and qualified as cash flow hedges and that are highly effective, are recognized in equity as hedging reserve. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously booked under equity are transferred from equity and included in the initial measurement of the cost of acquisition of the asset or liability. Otherwise, amounts booked under equity are transferred to the consolidated statement of income and classified as revenue or expense in the period in which the hedged item affects the statement of income.

When the hedging instrument expires, is sold, or when a hedge no longer meets the criteria for hedge than hedge accounting is terminated.Any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the statement of income. However, if the hedged transaction is not realized, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss of the current period.

The Group measures the derivative financial instruments held for fair value hedge purpose with their fair values and recognizes them in the consolidated income statement under financial income/(expense).

j. Statement of cash flow

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

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

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

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

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

2.5 Significant accounting policies (Continued)

k. Related parties

Parties are considered related to the Group if

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity, or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

l. Taxation and deferred income taxes

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

Current tax

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

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

2.5 Significant accounting policies (Continued)

Deferred tax

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

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

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

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

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

Deferred income tax is determined using tax rates that have been enacted by the balance sheet date. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in equity. Taxes arisen on items recognized in equity are recognized directly in equity.

Deferred income tax liabilities are recognized for all taxable temporary differences; whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred income tax asset is recognized to the extent that it is probable that the entity will have sufficient taxable profit in the same period as the reversal of the deductible temporary difference arising from tax losses carried forward. Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Deferred income tax assets and deferred income tax liabilities are classified as long-term in the consolidated financial statements.

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

2.5 Significant accounting policies (Continued)

m. Employee benefits

Defined benefit plans

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

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

Defined contribution plan

The Group pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

Unused vacation

Liabilities due to unused vacations classified as provisions due to employee benefits are accrued and discounted if the discount effect is material.

n. Provisions

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

o. Contingent assets and liabilities

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Group, are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 31).

Contingent liabilities are not recognized in the consolidated financial statements, and disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is mostly probable.

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

2.5 Significant accounting policies (Continued)

p. Revenue recognition

Revenue is measured at the fair value of the received or receivable amount. The estimated customer returns, rebates, and other similar allowances are deducted from this amount.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group transfers the significant risks and benefits of the ownership of the goods to the buyer;
- The Group retains neither a continuing managerial involvement usually associated with ownership nor effective control over the goods sold;
- The amount of revenue is measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred due to the transaction are measured reliably.

Revenue from port operation

The port operations of the Group have started on 1 January 2017. The fixed revenue to be generated by the Group based on the contract is updated annually by considering the related inflation coefficient stated in the contract and recognized as revenue within the contractual period on a straight line basis. The variable revenue to be generated over the port operator's revenue, at amount exceeding the minimum revenue limits stated in the contract, will be recognized when incurred.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease and recognised under other operating income.

Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The Group's interest income from time deposits is recognized in financial income. Group's interest income from sales with maturities is recognized in other operating income.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognized as interest income on a time proportion basis that takes into account the effective yield on the asset.

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

2.5 Significant accounting policies (Continued)

r. The effects of foreign exchange rate changes

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Assets and liabilities denominated in foreign currencies are converted at the exchange rates prevailing on the balance sheet date.

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

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

- Exchange differences considered as the correction item in the interest costs on the debts associated with the assets built for the purpose of future use and indicated in foreign currency and included in the cost of such assets,

- Exchange differences resulted from the transactions realized for the purpose of financial protection against the risks rising from foreign currency (accounting policies related with provision of financial protection against risks are explained below).

s. Operating lease

The Group as the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the lessor

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognized on a straight-line basis over the lease term.

t. Share capital and dividends

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

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

2.5 Significant accounting policies (Continued)

u. Share premiums

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

v. Subsequent events

Subsequent events and announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the balance sheet date and the date when the balance sheet is authorized for issue. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the consolidated financial statements (Note 34). Post period end events that are not adjusting events are disclosed in the notes when material.

y. Earnings per share

Basic earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year.The companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings. For the purpose of the earnings per share calculation such Bonus Share issues are regarded as stock dividends. Accordingly, the weighted average number of shares used in earnings per share calculation is derived by giving retroactive effect to the issue of such shares.

z. Segment reporting

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

aa. Offsetting

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

2.6 Significant accounting estimates, judgments and assumptions

Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 31.

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

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

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petlim in via operator agreement dated 22 February 2013. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 December 2017.

b) Deferred income tax assets

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

c) Provision for employee benefits

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

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

At each reporting period, the assessment of the recoverability of available-for-sale investments on related parties and receivables from related parties are performed by the Group management including a determination of the counterparty's ability and intention to repay its obligation to the Group. This assessment includes the Group management's judgment about the ability of the debtor to generate additional sources of financing, revenue, and ultimately adequate cash flows to service those receivables. The Group management does not anticipate any material financial risk in relation to the recoverability of those assets at 31 December 2017.

NOTE 3 - SEGMENT REPORTING

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

a) Revenue

	1 January - 31 December 2017	**1 January - 31 December 2016**
Petrochemical	7.276.769.831	4.532.691.950
Port	87.068.705	-
Total before eliminations and adjustments	**7.363.838.536**	**4.532.691.950**
Consolidation eliminations and adjustments	(14.056)	(101.328)
	7.363.824.480	**4.532.590.622**

b) Operating profit/(loss)

	1 January - 31 December 2017	**1 January - 31 December 2016**
Petrochemical	1.625.303.397	803.596.883
Port	11.231.491	(17.597.790)
Total before eliminations and adjustments	**1.636.534.888**	**785.999.093**
Consolidation eliminations and adjustments	17.313.238	(21.500.743)
Operating profit	**1.653.848.126**	**764.498.350**
Financial (expenses)/income, net	(35.113.679)	4.275.157
Income from investing activities, net	42.360.783	13.109.737
Profit before tax from continued operations	**1.661.095.230**	**781.883.244**
Tax expense	(271.650.860)	(50.195.898)
Profit for the period	**1.389.444.370**	**731.687.346**

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	1 January - 31 December 2017	1 January - 31 December 2016
Petrochemical	6.891.966.408	5.474.315.400
Port	1.527.341.838	1.449.507.641
Total before eliminations and adjustments	**8.419.308.246**	**6.923.823.041**
Consolidation eliminations and adjustments	(630.450.048)	(655.295.253)
	7.788.858.198	**6.268.527.788**

d) Total liabilities

	1 January - 31 December 2017	1 January - 31 December 2016
Petrochemical	2.940.164.452	2.334.125.024
Port	1.336.228.803	1.233.117.523
Total before eliminations and adjustments	**4.276.393.255**	**3.567.242.547**
Consolidation eliminations and adjustments	(341.613.955)	(368.154.785)
	3.934.779.300	**3.199.087.762**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash	-	-
Banks	1.460.448.945	1.267.188.405
- Demand deposits	16.525.953	13.644.245
- TL	4.581.028	3.620.195
- Foreign currency	11.944.925	10.024.050
- Time deposits	1.443.922.992	1.253.544.160
- TL	459.829.795	264.674.114
- Foreign currency	984.093.197	988.870.046
	1.460.448.945	**1.267.188.405**

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

NOTE 4 - CASH AND CASH EQUIVALENTS(Continued)

As of 31 December 2017, foreign currency time deposits consist of overnight or monthly deposits. The weighted average effective interest rates of USD and Euro overnight deposits are 3,81% and 1,64% per annum, respectively. (31 December 2016: USD – 2,45% , Euro - 1,17%). The weighted average effective interest rate of the USD denominated time deposits was respectively 4,59% (31 December 2016: 3,62%).

As of 31 December 2017, the TL dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 14,78% and 15,14% per annum. (31 December 2016: overnight 10,45%, monthly 11,60%). The Group has no blocked deposits as of 31 December 2017 (31 December 2016: None).

NOTE 5 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	261.720.846	131.205.558
Work-in-progress	187.455.323	151.387.512
Finished goods	236.956.015	155.419.561
Trade goods	45.883.468	16.287.036
Goods in transit	115.474.443	107.705.559
Other inventories	47.766.238	43.327.421
Less: Provision for impairment on inventories	(1.677.765)	(998.814)
	893.578.568	**604.333.833**

Movements of provision for impairment on inventory for the periods ended 31 December 2017 and 2016 were as follows:

	2017	2016
1 January	**(998.814)**	**(12.046.150)**
Net current period (expense)/income	(678.951)	11.047.336
31 December	**(1.677.765)**	**(998.814)**

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

	31 December 2017	31 December 2016
Raw materials	(460.295)	(555.245)
Trade goods	(1.196.754)	(173.195)
Other inventories	(20.716)	(270.374)
	(1.677.765)	**(998.814)**

Cost of the raw materials and trade goods included in the cost of sales for the period 1 January - 31 December 2017 amounts to 4.721.309.596 TL (1 January - 31 December 2016: 2.935.002.861 TL).

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

NOTE 6 - FINANCIAL INVESTMENTS

	31 December 2017		31 December 2016	
		Shareholding		Shareholding
	Amount	rate (%)	Amount	rate (%)
SOCAR Power Enerji Yatırımları A.Ş	8.910.000	9,90	8.910.000	9,90
	8.910.000		**8.910.000**	

TRY 8.910.000 shares having a nominal price of TL 1 per share corresponding to 9,9% of capital of SOCAR Power Enerji Yatırımları A.Ş. (SOCAR Power) (TL 8.910.000) owned by SOCAR Turkey Elektrik Yatırımları Holding A.Ş (Power Holding), which is a subsidiary of controlling shareholder of the Group, SOCAR Turkey Enerji A.Ş., in Socar Power are purchased by the Group on January 26, 2015.

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Short - term trade receivables from third parties

	31 December 2017	31 December 2016
Trade receivables	941.103.694	690.291.096
Provision for doubtful trade receivables (-)	(22.265.543)	(15.819.607)
	918.838.151	**674.471.489**

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

Overdue receivables	28.338.352	16.203.086
The trade receivables that are not overdue are as stated below:		
0 to 30 days due	390.164.605	326.609.470
31 to 60 days due	198.562.499	137.770.278
61 to 90 days due	138.311.562	97.536.981
More than 91 days due	163.461.133	96.351.674
	918.838.151	**674.471.489**

As of 31 December 2017, weighted average yearly effective interest rates for the calculated not accrued income arising from short term trade receivables in TL, USD and EUR are 15,38%, 5,55% and 4,98%, respectively (31 December 2016: TL, USD and EUR – 16,17%, 5,39% and 4,88%)

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

a) Short - term trade receivables from third parties(Continued)

Other information related with the Group's credit risk is explained in Note 32. Concentrations of credit risk with respect to trade receivables are limited due to the Group's widely diversified customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. As part of its sales policy, the Group obtains 100% of total outstanding TL trade receivables from its customers. An appropriate provision is provided by the Group according to the past experiences of the collections of trade receivables. Therefore, management believes that no additional credit risk exists beyond the Group's trade receivables, which have been identified as doubtful receivable and have been fully provided.

Letters of guarantee received for trade receivables

The Group's receivables mainly arise from sales of thermoplastics and fiber materials. As of December 31, 2017, total amount of letters of guarantee received and bank guarantees within the context of direct order collection system ("DOCS") from domestic and foreign customers are amounting to TL 1.394.023.684 (December 31, 2016 – 964.923.454 TL) (Note 31)

	2017	**2016**
1 January	**(15.819.607)**	**(14.544.081)**
Provision for doubtful trade receivables	(6.774.313)	(1.275.526)
Write-offs	328.377	-
31 December	**(22.265.543)**	**(15.819.607)**

b) Trade payables

	31 December 2017	**31 December 2016**	**31 December 2015**
Trade payables	510.235.318	382.784.233	267.878.295
	510.235.318	**382.784.233**	**267.878.295**

Average maturity for short-term trade payables other than letter of credits is 15 days as of 31 December 2017 (31 December 2016 – 17 days). The effective weighted average interest rates used in the calculation of finance costs of short-term trade payables are 17,75%, 5,9% and 4,30% for TL, USD and EUR denominated trade payables, respectively (31 December 2016 - The effective weighted average interest rates of short-term trade payables for TL, USD and EUR denominated trade payables are 13,68% , 5,25% and 4,13% respectively).

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short term receivables:

	31 December 2017	31 December 2016
Loan interest incentive accrual	1.602.476	1.868.259
Receivables from contract of port services	-	7.270.342
Other	3.359.138	9.399.881
	4.961.614	**18.538.482**
Provision for other doubtful receivables (-)	(933.608)	(2.067.122)
	4.028.006	**16.471.360**

b) Other short term payables:

	31 December 2017	31 December 2016
Deposits and guarantees received	6.641.217	10.447.190
Other	2.405.722	1.836.356
	9.046.939	**12.283.546**

NOTE 9 - BORROWINGS AND BORROWING COSTS

	31 December 2017	31 December 2016	31 December 2015
Short-term borrowings	630.422.309	461.698.893	319.638.074
Short-term portions of long-term borrowings (*)	174.250.481	55.495.727	41.912.519
Other financial liabilities (**)	797.891.365	702.494.286	837.790.691
Short term financial liabilities	**1.602.564.155**	**1.219.688.906**	**1.199.341.284**
Long term borrowings (*)	1.349.501.649	1.172.474.368	914.267.416
Long term borrowings	1.349.501.649	1.172.474.368	914.267.416
Long term financial liabilities	**2.952.065.804**	**2.392.163.274**	**2.113.608.700**

(*) Certain provisions concerning the long-term loan agreement for the container terminal investment of Petlim may possibly be deemed to have been breached because the second phase of the harbour was not commissioned in the current period. Currently, there is no dispute with the relevant finance institution concerning the loan in question. With the second phase of the terminal expected to be commissioned in short term and by obtaining an official waiver of the financial institution on the relevant provisions of the agreement,compliance with TMS 1 is achieved. Therefore, the Group classified the loan amounting to TRY 723.756.709, equivalent to USD 191.881.203, as long term liability, considering the relevant provisions of TMS 1, as there is an explicit written legal document that prevents the withdrawal of the loan.

(**) Other financial liabilities consist of letters of credits arising from naphtha purchases. The average maturity of letter of credits is 186 days including commission expenses accrued in accordance with the effective interest method as of 31 December 2017 (31 December 2016: average maturity 108 days).

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

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Short - term borrowings:						
TL borrowings	12,80	10,20	343.757.892	90.735.333	343.757.892	90.735.333
USD borrowings	Libor + 0,65	Libor + 0,75 - 1,25	76.000.000	105.411.332	286.664.400	370.963.560
Short - term portions of long-term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 1,70 - 4,26	28.646.978	8.071.505	108.053.536	29.071.835
Euro borrowings	Euribor + 0,6 + 3,00 – 1,64	Euribor + 0,87 + 3,00 – 1,64	14.659.941	6.942.856	66.196.962	26.423.892
Total short - term borrowings					**804.672.790**	**517.194.620**
Long - term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	225.890.954	239.001.672	852.038.091	841.094.684
Euro borrowings	Euribor + 0,6 + 3,00 – 1,64	Euribor + 0,73 + 3,00 – 1,64	110.167.990	89.323.076	497.463.558	331.379.684
Total long - term borrowings					**1.349.501.649**	**1.172.474.368**
Total borrowings					**2.154.174.439**	**1.689.668.988**

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

NOTE 9 - BORROWINGS AND BORROWING COSTS (Continued)

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

	31 December 2017
2019	125.042.162
2020	129.040.372
2021	148.231.795
2022	160.292.545
2023	151.477.939
2023 and over	635.416.836
	1.349.501.649

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

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

As of 31 December 2016, the collaterals given by the Group against US Dollar and Euro loans held are explained in Note 31.

Movements of financial liabilities are as of 31 December 2017 and 31 December 2016 as follows:

	2017	**2016**
1 January	**2.392.163.274**	**2.113.608.700**
Proceeds from financial liabilities	2.613.916.276	1.381.898.686
Repayments of financial liabilities	(2.206.501.230)	(1.407.135.871)
Changes in foreign exchange	149.110.944	321.224.608
Changes in interest accrual	3.376.540	(17.432.849)
Less: Cash and cash equivalents	(1.460.448.945)	(1.267.188.405)
31 December	**1.491.616.859**	**1.124.974.869**

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

NOTE 10 - INVESTMENT PROPERTIES

	31 December 2017	31 December 2016
Land	1.469.935	1.469.935
	1.469.935	**1.469.935**

30 years right of construction of the land, that is 1.969.478,40 m2, is given to the Star Rafineri A.Ş. ("STAR") by Group. The annual cost of the land, that is located in Aliağa district Arapçiftliği, is USD 4.937.099 and the cost will be increased at the rate of Libor + 1% each year. 30 years right of construction of the land, that is 11.017.36 m2, is given to the Air Liquide Gaz Sanayi ve Ticaret A.Ş. by the Group.

According to the a real estate appraisal company authorized by the CMB to the market value of the land has been determined as TL 378.125.000 in January 2013. The increase of the market value of the mentioned land resulted from the approval of the change of construction plan and the investments made by Star Rafineri A.Ş. to the land for making the land possible to investment properties.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Transfers	Disposals	Foreign currency translation differences	31 December 2017
Cost:						
Land	13.522.050	-	-	(44.265)	23.083	13.500.868
Land improvements	115.726.542	-	61.831.028	-	128.976	177.686.546
Buildings	171.618.043	-	86.699	-	38.587	171.743.329
Machinery and equipment	6.560.805.488	-	311.917.838	(9.859.648)	-	6.862.863.678
Motor vehicles	12.513.098	-	821.986	(1.823.035)	-	11.512.049
Furniture and fixtures	91.565.404	-	18.065.263	(11.483.268)	30.498	98.177.897
Other fixed assets	996.152	-	-	-	-	996.152
Leasehold improvements	671.403	-	-	-	-	671.403
Assets subject to operating lease (**)	536.666.080	-	87.829.869	-	38.535.894	663.031.843
Construction in progress (*)	966.567.852	467.393.203	(486.131.747)	(15.425.306)	31.424.786	963.828.788
	8.470.652.112	**467.393.203**	**(5.579.064)**	**(38.635.522)**	**70.181.824**	**8.964.012.553**
Accumulated depreciation:						
Land improvements	(87.814.829)	(3.072.192)	-	-	(8.761)	(90.895.782)
Buildings	(102.921.777)	(3.745.362)	-	-	(13.558)	(106.680.697)
Machinery and equipment	(5.373.700.672)	(140.978.472)	-	9.825.972	-	(5.504.853.172)
Motor vehicles	(9.648.129)	(957.992)	-	1.713.588	-	(8.892.533)
Furniture and fixtures	(62.187.463)	(6.374.304)	-	11.473.019	(19.794)	(57.108.542)
Other fixed assets	(996.152)	-	-	-	-	(996.152)
Leasehold improvements	(589.294)	(44.786)	-	-	-	(634.080)
Assets subject to operating lease	(1.532.647)	(19.122.410)	-	-	(903.166)	(21.558.223)
	(5.639.390.963)	**(174.295.518)**	**-**	**23.012.579**	**(945.279)**	**(5.791.619.181)**
Net book value	**2.831.261.149**					**3.172.393.372**

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

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost:					
Land	13.522.050	-	-	-	13.522.050
Land improvements	113.957.571	-	1.768.971	-	115.726.542
Buildings	171.618.043	-	-	-	171.618.043
Machinery and equipment	6.436.255.729	-	142.233.057	(17.683.298)	6.560.805.488
Motor vehicles	12.319.269	-	1.418.840	(1.225.011)	12.513.098
Furniture and fixtures	74.702.806	-	17.417.764	(555.166)	91.565.404
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	581.831	-	89.572	-	671.403
Assets subject to operating lease	-	-	536.666.080	-	536.666.080
Construction in progress (*)	987.285.985	688.475.284	(706.526.290)	(2.667.127)	966.567.852
	7.811.239.436	**688.475.284**	**(6.932.006)**	**(22.130.602)**	**8.470.652.112**
Accumulated depreciation:					
Land improvements	(85.089.479)	(2.725.350)	-	-	(87.814.829)
Buildings	(99.181.426)	(3.740.351)	-	-	(102.921.777)
Machinery and equipment	(5.281.270.613)	(109.668.482)	-	17.238.423	(5.373.700.672)
Motor vehicles	(9.909.746)	(853.914)	-	1.115.531	(9.648.129)
Furniture and fixtures	(57.753.151)	(4.980.749)	-	546.437	(62.187.463)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	(404.795)	(184.499)	-	-	(589.294)
Assets subject to operating lease	-	(1.532.647)	-	-	(1.532.647)
	(5.534.605.362)	**(123.685.992)**	**-**	**18.900.391**	**(5.639.390.963)**
Net book value	**2.276.634.074**				**2.831.261.149**

(*) The ongoing investments mainly consist of investment in port investment and wind power plant .

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group compared the investment loans in foreign currency to the TL market loan interest and capitalized the borrowing cost amounting to TL 15.091.215 (December 31 2016 – TL 121.213.650).

Depreciation charges amounting to TL 178.666.219 for the year ended 31 December 2017 (31 December 2016 - TL - 122.153.345) were allocated to cost of sales by TL 150.850.237 (31 December 2016 - TL - 97.320.770) to idle capacity expenses by TL 6.583.419 (31 December 2016 - TL - 6.992.975), to inventories by TL 10.067.771 (31 December 2016 - TL 9.948.694), to general administrative expenses by TL 8.789.436 (31 December 2016 - TL 6.371.129), to marketing, selling and distribution expenses by TL 1.394.588 (31 December 2016 - TL 772.786), and to research and development expenses by TL 980.768 (31 December 2016 - TL 746.992).

As of December 31, 2017, Petlim Limancılık Ticaret A.Ş. has given 1st degree mortgage in favor of Akbank T.A.Ş. on its land amounting to USD 350 million on the date of November 20, 2015 (December 31, 2016 - USD 350 million).

NOTE 12 - INTANGIBLE ASSETS

2017	1 January 2017	Additions	Transfers	Foreign currency differences	31 December
Cost:					
Rights and software	29.635.449	-	1.646.062	9.604	31.291.115
Capitalized development costs	7.567.187	-	3.933.002	-	11.500.189
	37.202.636	**-**	**5.579.064**	**9.604**	**42.791.304**
Accumulated amortization:					
Rights and software	(13.890.392)	(2.165.617)	-	(2.681)	(16.058.690)
Capitalized development costs	(913.574)	(2.205.084)	-	-	(3.118.658)
	(14.803.966)	**(4.370.701)**	**-**	**(2.681)**	**(19.177.348)**
Net book value	**22.398.670**				**23.613.956**

2017	1 January 2017	Additions	Transfers	Foreign currency differences	31 December
Cost:					
Rights and software	28.703.310	-	932.139	-	29.635.449
Capitalized development costs	1.567.320	-	5.999.867	-	7.567.187
	30.270.630	**-**	**6.932.006**	**-**	**37.202.636**
Accumulated amortization:					
Rights and software	(11.825.758)	(2.064.634)	-	-	(13.890.392)
Capitalized development costs	(117.203)	(796.371)	-	-	(913.574)
	(11.942.961)	**(2.861.005)**			**(14.803.966)**
Net book value	**18.327.669**				**22.398.670**

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

NOTE 13 - GOVERNMENT GRANTS

As of December 31, 2017, government grants consist of research and development incentives granted from TÜBİTAK amounting to TL 2.109.363 (31 December 2016: TL 1.732.189) and TL 377.174 (31 December 2016: 192.552 TL) of that incentives grant has been presented in income statement.

NOTE 14 - DEFERRED REVENUE

a) Short term deferred revenue

	31 December 2017	31 December 2016
Advances received	34.590.123	28.820.322
Deferred revenue (*)	2.038.819	6.126.429
	36.628.942	**34.946.751**

b) Long term deferred revenue

Deferred revenue (*)	130.969.041	120.807.592
	130.969.041	**120.807.592**

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

NOTE 15 - PREPAID EXPENSES

	31 December 2017	31 December 2016
a) Short - term prepaid expenses		
Advances given for customs procedures	11.088.454	3.599.354
Prepaid rent, insurance and other expenses	10.436.417	14.850.908
Advances given for inventory	8.695.695	587.442
	30.220.566	**19.037.704**
b) Long - term prepaid expenses		
Advances given for customs procedures	12.772.125	12.772.125
Advances given for property, plant and equipment	8.154.971	76.651.061
Prepaid rent, insurance and other expenses	4.343.016	2.131.361
	25.270.112	**91.554.547**
Impairment on advances given (*)	-	(31.807.000)
	25.270.112	**59.747.547**

(*) Based on the decision of board of directors dated 18 September 2017, it was decided that the advance previously given for the construction of administration building to be transferred without recourse at its carrying amount of USD11 million, and the respective lands, where this building is based on, to be sold at TL 22.431.000 to SCR Gayrimenkul A.Ş. ("SCR"). As of 31 December 2017, the sale of land was completed whereas legal the transfer of order advances was completed in October 2017. In this respect, the Group management recognized the reversal of the impairment provision and the gain from the sale of the land by TL 31.807.000 and TL 22.392.024, respectively.

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

NOTE 16 - EMPLOYEE BENEFITS

Liabilities for employee benefits

	31 Aralık 2017	31 Aralık 2016
Social security contribution	6.338.721	5.032.032
Due to personnel	488.977	10.873.080
Personnel performance bonus accrual	-	9.524.380
	6.827.698	**25.429.492**

	31 December 2017	31 December 2016
a) Short - term employee benefits:		
Provision for bonus premium	14.970.000	-
Provision for seniority incentive bonus	4.759.889	2.617.402
	19.729.889	**2.617.402**
b) Long - term employee benefits:		
Provision for employment termination benefits	79.164.040	79.216.848
Provision for unused vacation rights	11.490.940	8.867.379
Provision for seniority incentive bonus	4.910.483	3.224.095
	95.565.463	**91.308.322**

Provision for unused vacation:

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

	2017	2016
1 January	**8.867.379**	**7.686.675**
Changes in the period, net	2.623.561	1.180.704
31 December	**11.490.940**	**8.867.379**

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL4.732,48 for each year of service as of 31 December 2017 (31 December 2016 – TL 4.297,21).

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

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

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

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

	31 December 2017	31 December 2016
Net discount rate (%)	4,39	3,61
Probability of retirement (%)	100,00	100,00

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 5.001,76 which is effective from 1 January 2018, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2017 - TL4.426,16).

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

	2017	2016
1 January	**79.216.848**	**78.796.553**
Interest cost	9.267.182	7.091.690
Payments during the period	(12.422.250)	(13.920.087)
Service cost	6.347.626	5.965.556
Actuarial (gain)/loss	(3.245.366)	1.283.136
31 December	**79.164.040**	**79.216.848**

Sensitivity analysis of the assumptions, that are used in order to calculate the provision of the employment termination benefit as December 31, 2017 and 2016, are follows

	31 December 2017 Net discount rate		31 December 2016 Net discount rate	
Sensitivity analysis	**100 Basis point increase**	**100 Basis point decrease**	**100 Basis point increase**	**100 Basis point decrease**
Rate	%5,39	%3,39	%4,61	%2,61
Change in liability of employment Termination benefit	(5.794.139)	4.360.527	(4.641.699)	5.818.827

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

Provision for seniority incentive bonus:

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

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

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

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

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

	31 December 2017	**31 December 2016**
Net discount rate (%)	4,39	3,61
Used rate related to retirement probability (%)	100,00	100,00

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

	2017	**2016**
1 January	**5.841.497**	**5.671.563**
Interest cost	683.455	510.441
Payments during the period	(3.967.230)	(4.515.482)
Service cost	7.112.650	4.174.975
31 December	**9.670.372**	**5.841.497**

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

NOTE 17 - OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2017	31 December 2016
Value added tax ("VAT") receivable	61.227.053	42.714.395
Other	1.274.167	1.062.999
	62.501.220	**43.777.394**

b) Other non - current assets

	31 December 2017	31 December 2016
Spare parts	14.334.017	12.110.315
Other	121.409	122.039
	14.455.426	**12.232.354**

c) Other liabilities

	31 December 2017	31 December 2016
Taxes and funds payable and other deductions	8.577.266	7.277.511
Other	681.903	699.008
	9.259.169	**7.976.519**

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2017		31 December 2016	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedge	-	(6.739.314)	7.466.471	(9.459.385)
	-	**(6.739.314)**	**7.466.471**	**(9.459.385)**

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

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

	31 December 2017			31 December 2016		
		Fair value (TL)			Fair value (TL)	
	Nominal contract amount (TL)	Assets	(Liabilities)	Nominal contract amount (TL)	Assets	(Liabilities)
Foreign currency forward transactions	-	-	-	18.549.500	928.319	-
Foreign currency option transactions	-	-	-	285.055.203	28.505	(432.006)
Purchase and sale of futures	-	-	-	23.376.286	3.364.044	-
Emtia swap contract	-	-	-	17.332.907	3.145.603	-
Interest rate swap transactions	18.086.159		(6.739.314)	12.672.105	-	(9.027.379)
	18.086.159		**(6.739.314)**	**356.986.001**	**7.466.471**	**(9.459.385)**

The Group's hedging transactions that fulfil the conditions of hedge accounting from financial risk are classified as derivatives for hedging purposes. The maturities of these contracts are matched to the interest payment dates of the bank loans with floating interest rates and the fair value changes of the derivative instruments are accounted in the statement of other comprehensive income.

NOTE 19 - EQUITY

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

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

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

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 (December 31, 2015 - 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 19 - EQUITY (Continued)

Capital of the Company is composed of all registered shares.

The following matters are subject to the approval of the member of the Board of Directors representing the C type share:

- The amendments on the articles of association affecting the privileges of type C,
- The recording of the transfer of the registered shares in the stock ledger,
- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,
- The decision related with the reduction of the capacity of any plant by 10% owned by the Company
- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Dividend distribution

Listed companies shall distribute their profit in accordance with the Capital Market Board's Communiqué on Dividends II-19.1 which is effective from February 1, 2014.

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

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

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

- In line with the determination of Profit Distribution Policy in 2013 and in the forthcoming years; the Company, in principle, accepts to distribute profits in cash to shareholders at the maximum level without disregarding its medium term and long term strategies, investment and financial plans, market conditions, and economic developments.
- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.

NOTE 19 - EQUITY (Continued)

- In the event that distributable profit is available in accordance with relevant communiqués, the Profit Distribution resolution to be taken by the Board of Directors in the form of cash and/or shares and/or installments as long as the amount is not below than 50% of the distributable profit within the frame of the provisions of Capital Market Legislation and Turkish Commercial Code shall be submitted to the approval of General Assembly; and the distribution shall be completed within legal terms.

- According to the Articles of Association of the Company, the amount to be determined by the General Assembly, not exceeding the 0,1% of distributable profits remaining after distribution of first dividend shall be distributed to Board Members.

- A consistent policy shall be followed between the benefits of the shareholders' and the company in the application of Profit Distribution Policy.

- The date of distribution shall be decided by General Assembly upon proposal of the Board. Profit distribution payments shall be completed within legal terms. For other methods of profit distribution, relevant legislation, communiqués, and regulations of CMB shall be followed.

- In the event that calculated "net distributable profit for the year" is below 5% of issued capital, no profit shall be distributed.

- When no profit is distributed, the Board of Directors shall inform the shareholders at General Assembly meeting about the reasons and how the undistributed profits would be allocated.

A provision in the main agreement is required for dividend to be distributable to holders of privileged shares, holders of usufruct right certificate, to the members of the board of directors, to the employees of the company and to non-shareholders. If, despite the fact that a provision is present in the main agreement regarding dividend distribution to these persons, a rate has not been determined, the dividend to be distributed to these persons may not exceed one fourth of the dividend distributed to shareholders under any circumstance except for those arising from privilege.

In accordance with the Communiqué No:XI-29 and related announcements of CMB, effective from January 1, 2008, "Share Capital", "Restricted Reserves" and "Share Premiums" shall be carried at their statutory amount. The valuation differences shall be classified as follows:

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

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

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

In the Ordinary General Assembly dated on March 29, 2017, it is decided that profit of the year 2016 amounting to TL 600.000.000 (2016: 472.500.000) to be distributed in cash dividends (each with a nominal value of 1 kuruş 100 (the krş 1 amount) gross per share dividend: 0,40 TL). Such dividend payment was completed by December 31, 2017.

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

NOTE 20 - TAX ASSETS AND LIABILITIES

a) Corporate tax:

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

	31 December 2017	31 December 2016
Calculated corporation tax	248.526.087	163.030.686
Less: Prepaid taxes (-)	(180.109.224)	(114.165.868)
Total corporation tax liability	**68.416.863**	**48.864.818**

Tax expenses included in the income statement for the condensed consolidated periods ended 31 December 2017 and 2016 are summarized below:

	1 January - 31 December 2017	1 January - 31 December 2016
Deferred tax (expense) / income	(23.124.773)	112.834.788
Current period tax expense	(248.526.087)	(163.030.686)
Total tax (expense) / gains	**(271.650.860)**	**(50.195.898)**

Tax expenses included in the income statements for the years ended 31 December 2017 and 2016 are summarized below:

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

In Turkey, the corporate tax rate is 20% for 2017 (2016: 20%). Institutions tax rate is applied to the tax base that will result in deducting expenses not included in the deduction according to the tax legislation of the corporation's commercial income, deduction in the tax laws (exemption of participation profits, exception of investment discount etc.) and discounts (such as R&D discount). No further tax is payable unless the profit is distributed (except for the withholding tax at the rate of 19.8% calculated and paid on the exemption amount utilized in case of investment reduction exemption utilized under Article 61 of the Income Tax Law).

b) Deferred taxes

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the TMS and the statutory tax financial statements prepared in accordance with Corporate Tax Law.

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

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları le Diger Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. 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.

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

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(201.665.466)	(234.712.829)	(40.333.094)	(46.942.565)
Other	(3.338.493)	(11.499.654)	(667.698)	(2.299.931)
Deferred income tax liabilities	**(205.003.959)**	**(246.212.483)**	**(41.000.792)**	**(49.242.496)**
Unused investment incentives	894.457.188	947.460.922	239.802.902	250.612.314
Provision for employee benefits	115.290.230	103.444.982	23.058.046	20.688.997
Deferred revenue related to the transfer of operating rights	35.478.144	74.386.834	7.095.629	14.877.367
Adjustment to rediscount of receivables	10.182.556	9.094.536	2.036.511	1.818.907
Rent allowance fee	4.476.024	4.643.350	895.205	928.670
Provision for legal cases	3.202.348	1.383.579	640.470	276.716
Other	21.176.025	25.017.557	5.435.203	5.003.512
Deferred income tax assets	**1.090.262.515**	**1.165.431.760**	**278.963.966**	**294.206.483**
Deferred tax assets / (liabilities) - net			**237.963.174**	**244.963.987**

The reconciliations of the taxation on income for the years ended December 31, 2017 and 2016 were as follows:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Profit before tax	1.661.095.231	781.883.244
Statutory tax rate	%20	%20
Calculated tax expense based on effective tax rate	(332.219.046)	(156.376.649)
Reconciliation between the tax provision and calculated tax:		
Carry forward tax losses utilized in current year	-	6.662.907
Effect of unused tax losses for which no deferred tax asset was recognized	(2.661.480)	-
Utilised investment incentives during the year	52.882.999	98.231.086
Income exempt from tax	8.356.195	1.898.119
Non-deductible expense	(3.410.011)	(3.400.477)
Adjustments with no tax effects	3.442.222	2.515.064
Other	1.958.261	274.052
Total tax income (expense) reported in the profit or loss statement	**(271.650.860)**	**(50.195.898)**

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

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred income tax is as follows:

	2017	2016
1 January	**244.963.987**	**133.346.497**
Recognized in the profit or loss statement	(23.124.773)	112.834.788
Recognized in other comprehensive income	1.598.353	(1.217.298)
Foreign currency translation differences	14.525.607	-
31 December	**237.963.174**	**244.963.987**

The Group obtained a strategic investment incentive certificate from TC Ministry of Economy for PTA capacity increase project on January 4, 2013. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. As a result of request from TC Ministry of Economy for RES investment, the project was included in the scope of the strategic incentive certificate for the request made in April 20, 2015. The Group will be able to deduct 22.2% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 90% as deduction from corporate tax. The group has TL 274.177.812 unused investment incentive within the scope of strategic investment incentive certificate as of December 31, 2016. In this context, as of December 31, 2017, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 43.349.669.

The Group has obtained regional investment incentive certificates from T.C. Ministry of Economy for factory modernization investment at the date of June 15, 2012. The Group will be able to deduct 50% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 15% deduction from corporate tax. The group has TL 235.601.193 unused investment incentive within the scope of strategic investment incentive certificate as of December 31, 2017. In this context, as of December 31, 2016, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 8.219.071.

The Group has obtained large scale of investment incentive certificate from T.C. Ministry of Economy for port project investments at the date of November 20, 2014. The Group will be able to deduct 25% of the expenditures within the investment period that are in the scope of the investment incentives, from tax base, up to 50% as deduction from corporate tax. The Group has TL 752.936.648 unused investment incentives within the scope of the port project investment certificate. In this context, as of December 31, 2017, the Group has recognized deferred tax asset, that can be used in following periods, amounting to TL 188.234.162.

As a result of projections made as of December 31, 2017, total investment expenditures made within the scope of total investment incentive documents foreseen to be used in deduction of expected future financial income amounted to TL 894.457.188 (December 31, 2016 -947.460.922 TL).

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

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2017	1 January - 31 December 2016
Domestic sales	4.726.838.880	3.206.977.195
Export sales	2.754.187.136	1.367.236.573
Other sales	39.960.174	30.995.483
Sales discounts (-)	(157.161.710	(72.618.629)
Net sales	**7.363.824.480**	**4.532.590.622**
Direct raw materials and supplies	(3.942.755.516)	(2.551.956.008)
Cost of trade goods sold	(778.554.080)	(383.046.853)
Energy	(381.284.120)	(320.841.953)
Labour costs	(251.300.764)	(198.593.556)
Depreciation and amortization	(150.850.237)	(105.462.778)
Other	(1.119.842)	(14.870.649)
Cost of sales	**(5.505.864.559)**	**(3.574.771.797)**

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expense	(76.801.300)	(53.020.777)
Consultancy and outsourced services	(74.521.908)	(40.362.019)
Energy expenses	(10.663.255)	(11.574.115)
Depreciation and amortization	(8.789.436)	(7.943.247)
Taxes, funds and fees	(6.736.859)	(6.573.965)
Other	(23.425.495)	(18.669.180)
	(200.938.253)	**(138.143.303)**

NOTE 23 - MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
Consultancy and outsourced services	(33.590.978)	(23.782.074)
Personnel expense	(14.895.895)	(11.952.846)
Depreciation and amortization	(1.394.588)	(772.786)
Other	(9.558.255)	(5.768.515)
	(59.439.716)	**(42.276.221)**

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

NOTE 24 - RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 Decembe 2017	1 January - 31 December 2016
Personnel expense	(11.644.197)	(9.478.000)
Consultancy and outsourced services	(1.248.475)	(1.060.937)
Depreciation and amortization	(980.768)	(886.846)
Other	(3.294.523)	(1.356.836)
	(17.167.963)	**(12.782.619)**

NOTE 25 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	110.404.540	64.281.977
Interest income on trade receivables	54.240.337	44.869.477
Reversal of impairment on advances given	31.807.000	-
Rent income	10.755.988	11.841.318
Rediscount income on trade payables	3.710.679	370.037
Other	19.854.963	9.934.537
	230.773.507	**131.297.346**

b) Other operating expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange losses on trade payable	(88.193.798)	(73.171.696)
Rediscount expense on trade receivables	(12.507.504)	(9.094.381)
Provision for doubtful receivables	(9.361.322)	(2.409.040)
Interest expense on trade payables	(3.645.082)	(4.813.880)
Impairment of advances given	-	(31.807.000)
Other	(43.631.664)	(10.119.681)
	(157.339.370)	**(131.415.678)**

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

NOTE 26 - INCOME / (EXPENSES) FROM INVESTMENT ACTIVITIES

a) Income from investment activities

	1 January - 31 December 2017	1 January - 31 December 2016
Rent income	18.243.790	16.756.265
Gain on sale of property, plant and equipment	24.222.463	566.058
	42.466.253	**17.322.323**

b) Expenses from investment activities

Impairment of assets	-	(2.667.127)
Other	(105.470)	(1.545.459)
	(105.470)	**(4.212.586)**

NOTE 27 - FINANCIAL INCOME / EXPENSES

a) Finance income

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gains	556.410.238	373.263.653
Interest income	86.185.577	73.745.008
Other	5.018.478	4.885.142
	647.614.293	**451.893.803**

b) Finance expense

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange loss	(566.312.134)	(410.107.698)
Interest expense	(95.251.509)	(28.286.553)
Interest expense on employee benefits	(9.950.637)	(7.602.130)
Commission expense	(6.230.488)	(1.622.265)
Other	(4.983.204)	-
	(682.727.972)	**(447.618.646)**

NOTE 28 - EARNINGS PER SHARE

	1 January - 31 December 2017	1 January - 31 December 2016
Net profit for the period of the equity holders of the parent	1.401.959.498	725.786.278
Weighted average number of shares with nominal value of Kr l each (thousand)	150.000.000	150.000.000
Earnings per share (Kr)	**0,9346**	**0,4839**

NOTE 29 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

	31 December 2017	31 December 2016
a) Short - term other receivables from related parties:		
STEAŞ (1)	541.651.644	13.169.638
SOCAR Turkey Petrokimya A.Ş. (1)	223.250.122	-
SCR Gayrimenkul A.Ş. (2)	68.432.330	-
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	3.898	-
STAR (2)	-	1.149.900
TANAP Doğalgaz İletişim A.Ş. (2)	1.389	1.508
	833.339.383	**14.321.046**

	31 December 2017	31 December 2016
b) Long - term other receivables from related parties:		
SOCAR Power Enerji Yatırımları A.Ş. (2)	75.290.079	66.429.849
STEAŞ (1)	-	356.875.812
	75.290.079	**423.305.661**

The effective weighted average interest rate applied to TL and USD denominated other trade receivables from related parties as of 31 December 2017 is 17,11% p.a. and 5,39%, respectively.

Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 63.069.878, interest and other receivables amounting to TL 12.220.201.

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

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

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

c) Short - term trade payables to related parties:

	31 December 2017	31 December 2016
STEAŞ (1)	29.558.516	404.943
Azoil Petrolcülük A.Ş. (2)	408.186	284.141
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	77.351	-
SOCAR Power Enerji Yatırımları A.Ş. (2)	-	1.474
Petrokim Trading Ltd. ("Petrokim") (2)	-	3.675.964
SOCAR Gaz Ticareti A.Ş. (2)	-	25.217.360
STAR (2)	-	955
	30.044.053	**29.584.837**

Short term trade payables to related parties are mainly consist of natural gas, fuel, and trade goods purchases. Average maturity of short term trade payables is 6 days. (31 December 2016 - 15 days).

d) Other payables to related parties:

	31 December 2017	31 December 2016
STAR (2)	28.961.902	26.363.285
Due to shareholder (1)	87.117	87.116
	29.049.019	**26.450.401**

e) Short - term deferred revenue from related parties

	31 December 2017	31 December 2016
STAR (2)	4.176.411	4.188.726
SOCAR Power Enerji Yatırımları A.Ş. (2)	-	9.374
	4.176.411	**4.198.100**

f) Long - term deferred revenue from related parties

	31 December 2017	31 December 2016
STAR (2)	5.095.099	8.829.511
	5.095.099	**8.829.511**

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

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

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

g) Short - term prepaid expense to related parties

	31 December 2017	31 December 2016
STAR [2]	5.399.008	12.878.087
STEAŞ[1]	50.271	-
	5.449.279	**12.878.087**

h) Long - term prepaid expense to related parties

	31 December 2017	31 December 2016
STAR [2]	20.998.726	4.292.696
STEAŞ[1]	89.300	-
	21.088.026	**4.292.696**

ii) Transactions with related parties

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

	1 January - 31 December 2017	1 January - 31 December 2016
STEAŞ [1]	46.130.549	72.913.287
SCR Gayrimenkul A.Ş. [2]	29.473.202	-
SOCARPowerEnerji Yatırımları A.Ş. [2]	8.222.717	12.980.191
SOCAR Turkey Petrokimya A.Ş. [1]	5.128.582	-
STAR [2]	4.996.762	3.688.064
Petrokim [2]	139.243	(1.557.210)
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	19.111	-
Azoil Petrolcülük A.Ş. [2]	3.019	(768)
SOCARAzerikimya Production Union [2]	(108)	(466)
Socar Gaz Ticareti A.Ş. [2]	(162.184)	(40.372)
Socar Turkey Petrol Ener. Dağ. [2]	(597.397)	
	93.353.496	**87.982.726**

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

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

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

The Group has interest income for TL receivables with the rates of 17,14% and 17,39%, interest income for US Dollar receivables with the rates of 4,56% and 5,39% from SOCAR Power Enerji A.Ş. and interest income for TL receivables with the rate of 17,14% and interest income for US Dollar receivables with the rate of 5.39% from SOCAR Turkey Enerji A.Ş. Of the income derived from STAR, TL 3.525 of foreign exchange gain and TL 4.993.237 of other income.

Income from STEAŞ composed of TL 26.555.588 of interest income and TL 19.536.900 of foreign exchange loss and TL 38.061 of other income. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of foreign exchange gain of TL 4.238.338 and interest income of TL 3.983.413 and other income of TL966.

b) Service and rent purchases from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
STAR [2]	43.190.861	54.617.364
STEAŞ [1]	36.071.071	14.039.230
SOCAR Power Enerji Yatırımları A.Ş. [2]	66.792	1.323.074
	79.328.724	**69.979.668**

The rent and service purchases from STAR consist of rent for naphtha tank amounting to TL 12.878.087, labor cost charges amounting to TL3.295.022 and engineering and other services purchases amounting to TL 27.017.752. The service purchases from STEAŞ consist of labor cost charges of STEAŞ personnel amounting to TL9.533.156 and other services purchases amounting to TL26.537.915.

c) Product purchase from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Petrokim [2]	333.600.897	154.803.369
SOCAR Turkey Petrokimya A.Ş. [1]	330.439.735	-
SOCAR Logistics DMCC[2]	52.972.645	-
SOCAR Turkey Petrol Enerji Dağıtım A.Ş.[2]	30.392.393	6.888.558
Azoil Petrolcülük A.Ş. [2]	1.949.192	1.318.812
SOCAR Gaz Ticareti A.Ş. [2]	-	270.118.217
	749.354.862	**433.128.956**

Purchases made by related parties during the period ended 31 December 2017 consist of commercial products, natural gas and fuel purchases.

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

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

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

d) Product and service sales to related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
STAR [2]	5.068.413	3.936.229
STEAŞ [1]	212.021	215.456
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	8.261	-
SOCAR Power Enerji Yatırımları A.Ş. [2]	-	2.134
Petrokim[2]	-	1.416.718
TANAP Doğalgaz İletişim A.Ş.	-	275
	5.288.695	**5.570.812**

e) Rent income from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
STAR [2]	23.105.297	19.314.475
SOCAR Turkey Akaryakıt Depolama A.Ş. [2]	331.292	-
Socar Power Enerji Yatırımları A.Ş. [2]	8.521	21.296
Socar Teknolojik Çözümler A.Ş. [2]	-	848
	23.445.110	**19.336.619**

f) Key management compensation:

	1 January - 31 December 2017	1 January - 31 December 2016
i. Key management compensation - short term:		
Payments for salary and seniority incentives	13.656.632	9.832.237
ii. Key management compensation - long term:		
Provision for unused vacation	777.268	369.640
Provision for employment termination benefits	169.412	59.492
Provision for seniority incentives	91.674	-
	1.038.354	**429.132**
	14.694.986	**10.261.369**

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

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

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

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

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

NOTE 30 - COMMITMENTS

As of July 25, 2014, the Group has signed a contract with STAR Rafineri A.Ş. whose main shareholder is SOCAR Turkey Enerji A.Ş. which is main shareholder of Petkim in the direction of purchasing naphtha approximately amounting to 1.600.000 tons per year and xysilen amounting to 270.000 tons per year for 20 years from STAR Rafineri which will be landed at Petkim Peninsula in order to ensure supply security and reduce costs. In addition, the Group has signed a cooperation contract with STAR Rafineri A.Ş. at the mentioned date and accordance with that contract the Group is going to sell steam for 20 years and serve solid and hazardous waste disposal, supply of workers on temporary duty and security services to STAR Rafineri which will be established by STAR Rafineri A.Ş. at Petkim Peninsula.

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2017	**31 December 2016**
a) Short - term provisions:		
Provision for legal cases	3.202.348	1.383.579
Other	17.727.930	-
	20.930.278	**1.383.579**
b) Guaranties received:		
Bank guarantees within the context of DOCS	633.725.157	491.942.679
Letters of guarantee received from customers	439.350.252	288.961.642
Receivable insurance	184.813.942	84.503.722
Letters of guarantee received from suppliers	144.219.455	183.424.856
Letters of credit	134.134.333	96.013.037
Mortgages	2.000.000	2.000.000
Received insurance policies	-	1.502.374
	1.538.243.139	**1.148.348.310**

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

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

	31 December 2017	31 December 2016
c) Guaranties given:		
Mortgages given to banks	1.204.129.437	585.141.407
Mortgage given to banks (*)	799.642.800	867.787.728
Custom offices	69.254.203	50.099.000
Other	91.310.429	123.458.142
	2.164.336.869	**1.626.486.277**

(*) Mortgage amounting to USD350 million is related with the borrowing for port investment amounting to USD 212 million as of 31 December 2017.

d) Ongoing cases and investigations

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

While these lawsuits were in process, the Turkish Ministry of Finance started a limited tax inspection for the 2014 SCT on the grounds the customs tariff statistical position of Pygas requires SCT. As a result of this inspection, the Group was 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, as of 31 December 2017, tax inspection related with the same issue for the years 2013, 2015 and 2016 is still ongoing and the Group management has not received any notification for the related periods.

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

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

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

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

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

	31 December 2017	31 December 2016
A. Total amount of CPMs given for the Company's own legal personality	1.364.694.069	758.698.549
B. Total amount of CPMs given on behalf of fully consolidated companies	799.642.800	691.827.728
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	175.960.000
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	2.164.336.869	**1.626.486.277**

Petkim Limancılık Ticaret A.Ş., which the group owns its %70 shares, has signed a project finance credit agreement with AKBANK T.A.Ş. at an amount of USD 212 million which has 13 years maturity with the first 3 years no repayment period, for the external funding of the container port project. Petkim has guaranteed the loan repayment and its shares in Petlim Limancılık Ticaret A.Ş. amounting TL 105 million has been pledged. The project has financial ration liabilities that are valid during the operating period. On 20 November 2015, a mortgage amounting to USD 350 million was established on Petlim's land sold by Petkim at a price of TL 5.650.000.

e) Operational leases

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

	31 December 2017	31 December 2016
0-5 year	260.789.367	309.748.398
5-10 year(s)	922.891.620	860.108.807
10 years and more	1.910.215.005	1.800.437.019
Total	**3.093.895.992**	**2.970.294.224**

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

a) Credit risk:

Holding of financial assets involves the risk that counterparties may be unable to meet the terms of the agreements. These risks are managed by collecting collaterals and by restricting the average risk range for counterparties (except intercompany) in every agreement. As part of its sales policy, the Group obtains collateral at on amount of 100% of total outstanding TL trade receivables from its customers. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits.

The credit risk exposure in terms of financial instruments as of December 31, 2017 and 2016 were as follows:

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

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

	31 December 2017			31 December 2016		
	Receivables from related parties	**Trade Receivables(1)**	**Cash and cash equivalents**	**Receivables from related parties**	**Trade Receivables(1)**	**Cash and cash equivalents**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**908.629.462**	**918.838.151**	**1.460.448.945**	**437.626.707**	**674.471.489**	**1.267.188.405**
- The part of maximum credit risk covered with guarantees etc	-	(812.144.582)	-	-	(543.663.924)	-
A . Net book value of financial assets neither past due nor impaired (3)	908.629.462	890.499.799	1.460.448.945	437.626.707	658.268.403	1.267.188.405
B. Net book value of financial assets whose conditions are renegotiated	-					
otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired						
but not impaired (4)	-	28.338.352	-	-	16.203.086	-
- The part covered by guarantees etc	-	(15.523.061)	-	-	(6.789.901)	-
D. Net book value of assets impaired	-		-	-	-	-
- Past due (gross book value)	-	22.265.543	-	-	15.819.607	-
- Impairment amount	-	(22.265.543)	-	-	(15.819.607)	-
- The part of net value covered with guarantees etc	-		-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Group are mainly composed of thermoplastic and fiber material sales.
(2) Unearned credit finance income and covered parts of due and overdue receivables are taken into consideration while determining aforementioned amounts.
(3) Considering the past experiences, the Group management believes that no additional credit risk for the collection of these receivables.
(4) Considering the past experience of the Group management, it is foreseen that no problem will be encountered in the collection of past financial assets and the aging of the related amounts is as follows.:

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

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

31 December 2017		**Receivables**	
	Related parties	**Third parties**	**Total**
1-30 days overdue	-	9.212.903	9.212.903
1-3 months overdue	-	19.125.449	19.125.449
The part covered by the guarantees	-	(21.693.078)	(21.693.078)
		6.645.274	**6.645.274**

31 December 2016		**Receivables**	
	Related parties	**Third parties**	**Total**
1-30 days overdue	-	6.235.936	6.235.936
1-3 months overdue	-	1.013.659	1.013.659
Over 3 months overdue	-	8.953.491	8.953.491
The part covered by the guarantees	-	(6.789.901)	(6.789.901)
	-	**9.413.185**	**9.413.185**

b) Liquidity Risk

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high-quality lenders. In order to maintain liquidity, the Group management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Group. The Group's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of December 31, 2017 and 2016 are as follows:

	31 December 2017				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months-1 year (II)**	**1 - 5 yearl (III)**
Contract due date:					
Bank credits	2.154.174.439	2.511.497.112	264.062.267	608.167.403	1.639.267.442
Other financial liabilities	797.891.365	807.019.986	75.193.846	731.826.140	-
Trade liabilities	540.279.371	545.193.881	545.193.881	-	-
Due to related parties	59.093.072	59.093.072	59.093.072	-	-
	3.551.438.247	**3.922.804.051**	**943.543.066**	**1.339.993.543**	**1.639.267.442**

	31 December 2016				
	Value carried	**Total cash outflow (=I+II+III)**	**Less than 3 months (I)**	**3 months-1 year (II)**	**1 - 5 yearl (III)**
Sözleşmeye ilişkin vade tarihi:					
Bank credits	1.689.668.988	2.015.677.276	236.811.004	332.457.426	1.446.408.846
Other financial liabilities	702.494.286	707.689.776	230.170.487	477.519.289	-
Trade liabilities	382.784.233	383.020.718	372.544.153	10.476.565	-
Due to related parties	56.035.238	56.200.024	56.200.024	-	-
	2.830.982.745	**3.162.587.794**	**895.725.668**	**820.453.280**	**1.446.408.846**

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

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

The following table analyzes the Group's derivative financial instruments as of balance sheet date. Amounts shown in the table are undiscounted cash movements related to the contract. Amounts that will arrive within 12 months. the amount that would have been discounted would have been insignificant.

	31 December 2017				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 yearl (III)
Contract due date:					
Derivative financial instruments	(6.739.314)	(6.162.805)	-	-	(6.162.805)

	31 December 2016				
	Value carried	Total cash outflow (=I+II+III)	Less than 3 months (I)	3 months- 1 year (II)	1 - 5 yearl (III)
Contract due date:					
Derivative financial instruments	(1.992.914)	241.677.232	156.918.557	95.822.267	(11.063.592)

c) Market risk

Foreign exchange risk

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

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

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

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

Foreign currency position

	31 December 2017				31 December 2016			
	TL Equivalent	**US Dollar**	**Euro**	**Other**	**TL Equivalent**	**US Dollar**	**Euro**	**Other**
1. Trade receivables	493.826.212	99.357.199	26.367.134	-	390.148.989	93.945.230	16.048.124	-
2a. Monetary financial assets (Cash, bank accounts included)	1.673.012.346	421.153.442	18.631.455	332.327	1.013.602.609	263.001.335	23.733.204	497
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**2.166.838.558**	**520.510.641**	**44.998.589**	**332.327**	**1.403.751.598**	**356.946.565**	**39.781.328**	**497**
4. Trade receivables					-	-	-	-
5a. Monetary financial assets	385.306.755	102.151.901	-	-	365.195.175	103.772.214	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	**385.306.755**	**102.151.901**	**-**	**-**	**365.195.175**	**103.772.214**	**-**	**-**
8. Total assets (3+7)	**2.552.145.313**	**622.662.542**	**44.998.589**	**332.327**	**1.768.946.773**	**460.718.779**	**39.781.328**	**497**
9. Trade payables	442.003.956	107.143.874	5.755.191	11.170.210	289.340.519	74.598.272	7.139.375	327.913
10. Financial liabilities	1.182.920.158	296.063.839	14.659.941	-	1.129.097.581	313.193.198	7.253.047	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**1.624.924.114**	**403.207.713**	**20.415.132**	**11.170.210**	**1.418.438.101**	**387.791.470**	**14.392.422**	**327.913**
13. Trade payables					-	-	-	-
14. Financial liabilities	625.744.939	34.009.756	110.167.986	-	1.172.474.367	239.001.672	89.323.077	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	**625.744.939**	**34.009.756**	**110.167.986**	**-**	**1.172.474.367**	**239.001.672**	**89.323.077**	**-**
17. Total liabilities (12+16)	**2.250.669.053**	**437.217.469**	**130.583.118**	**11.170.210**	**2.590.912.467**	**626.793.142**	**103.715.499**	**327.913**
18. Net (liability)/asset contract value of derivative instruments (18a-18b)	**-**	**-**	**-**	**-**	**325.687.680**	**87.275.000**	**5.000.000**	**-**
18a. Amount of asset contract value of derivative instruments	**-**	**-**	**-**	**-**	**325.687.680**	**87.275.000**	**5.000.000**	**-**
18b. Amount of liability contract value of derivative instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19. Net foreign (liability) / asset position (8-17+19)	**301.476.260**	**185.445.073**	**(85.584.529)**	**(10.837.883)**	**(496.278.015)**	**(78.799.363)**	**(58.934.171)**	**(327.416)**
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**301.476.260**	**185.445.073**	**(85.584.529)**	**(10.837.883)**	**(821.965.695)**	**(166.074.363)**	**(63.934.171)**	**(327.416)**
21. Total fair value of financial instruments used for foreign currency hedging	**-**	**-**	**-**	**-**	**1.556.304**	**163.660**	**264.252**	**-**
22. Hedged amount for current assets	**-**	**-**	**-**	**-**	**325.687.680**	**87.275.000**	**5.000.000**	**-**
23. Hedged amount for current liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Export	**2.659.399.600**	**393.774.713**	**291.272.764**	**19.132.371**	**1.350.245.112**	**239.964.703**	**182.543.988**	**9.893.867**
25. Import	**4.121.329.689**	**1.048.871.653**	**68.073.002**	**350.883.231**	**2.976.902.046**	**934.910.668**	**42.161.459**	**352.637.656**

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

Table of sensitivity analysis for foreign currency risk

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	69.948.027	(69.948.027)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)				
Change of EUR by 10% against TL:	**69.948.027**	**(69.948.027)**	**-**	**-**
4- Asset/Liability denominated in EUR - net	(38.645.694)	38.645.694	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	**(38.645.694)**	**38.645.694**	**-**	**-**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(1.154.707)	1.154.707	-	-
8- The part hedged for other foreign currency risk (-)	-	-		
9- Other foreign currency effect - net (7+8)	**(1.154.707)**	**1.154.707**	-	**-**
Total (3+6+9)	**30.147.626**	**(30.147.626)**	**-**	**-**

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

31 December 2016

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

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

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

The Group's interest rate position as of December 31, 2017 and 2016 is presented below:

	31 December 2017	31 December 2016
Financial instruments with fixed interest rate		
Financial liabilities		
USD Financial liabilities	164.220.726	150.804.153
EUR Financial liabilities	85.642.726	74.195.279
TL Financial liabilities	343.757.863	90.591.326
Financial instruments with variable interest rate		
USD Financial liabilities		
EUR Financial liabilities	1.082.535.301	1.089.659.334
	478.017.777	282.941.706

For the year round, if the interest rates increase/decrease by 100 base points ceteris paribus, the interest expense will change by +/(-) 5.344.545 TL (December 31, 2016 – 6.807.733 TL).

ii) Price risk

The Group's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in naphtha prices which are affected by competition in the petrochemical sector and raw material prices. The Group management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. Existing risks are monitored through regular meetings by the Group's Board of Directors.

The Group sets its sales prices considering certain indicators of petrochemical products in domestic and foreign markets. The changes in foreign markets are monitored through the worldwide publications comparing most attainable competitive market prices of Western Europe, Asia and US contract, spot and factory prices and computing actual import costs to Turkey. While the Group determines the domestic market prices, it considers the indicators such as price information obtained from the market players and sector publications and Group's production levels, stock levels and order amounts received.

The Group also uses some derivative financial instruments, mainly Naphtha, to hedge cash flow risk arising from raw material price risk.

d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including short term financial liabilities, current portion of long term financial liabilities, long term financial liabilities, trade payables, other payables, deferred income, other current liabilities and short term liabilities for employee benefits, as shown in the balance sheet) less cash and cash equivalents:

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

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

d) Capital risk management (Continued)

	31 December 2017	31 December 2016
Total financial debt	3.723.397.493	3.045.454.256
Less: Cash and cash equivalents and similar values	(1.460.448.945)	(1.267.188.405)
Net debt	2.262.948.548	1.778.265.851
Total equity	3.854.078.899	3.069.440.026
Net debt / equity ratio	**59%**	**58%**

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group can realize in a current market exchange.

The methods and assumptions stated below are used in the estimation of the fair values of the financial instruments of which fair values are measurable:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts, they are considered to approximate to their fair values, and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

Fair values of short-term bank borrowings and other financial liabilities are assumed to approximate their carrying values due to their short term. Long-term floating rate bank loans' interest rates are updated according to the changing market conditions, it is assumed to represent the value of the fair value is the carrying value of these loans. Long-term fixed-rate loan, when evaluated with a fixed interest rate as of the balance sheet date, it is observed its fair value is close to the carrying value.

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

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

Fair value estimation

The Group's financials classification of fair value of asset and liabilities were as follows:

Level 1: Depend on registered price (unadjusted) in the active market;
Level 2: Depend on data that are explicitly (via price in active market) or implicitly (derivate from price in active market) observable.
Level 3: Not depend on observable market data

December 31, 2017 and 2016, fair value and book value of financial statement were as follows:

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-		-	
Total assets	**-**		**-**	
Derivative financial liabilities	-	6.739.314	-	6.739.314
Total liabilities	**-**	**6.739.314**	**-**	**6.739.314**

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial instruments	-	7.466.471	-	7.466.471
Total assets	**-**	**7.466.471**	**-**	**7.466.471**
Derivative financial liabilities	-	9.459.385		9.459.385
Total liabilities	**-**	**9.459.385**	**-**	**9.459.385**

NOTE 34 - SUBSEQUENT EVENTS

As a result of correspondence between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAŞ), a share sale and transfer agreement ("Agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAŞ with a purchase price of USD 720 million. Rafineri Holding A.Ş. holds 60% shares of SOCAR Turkey Yatırım A.Ş. which holds 100% shares of STAR Rafineri A.Ş (STAR), that has the ongoing STAR Refinery investment. With this agreement, the Group will have 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 31.03.2019

The purchase price of USD 720 million for %30 shares of Rafineri Holding A.Ş. is to be paid in three equal installments. The first installment is to be paid by the signing of share purchase agreement. The second installment is due on the date on which testing at the STAR Refinery commences and the final installment will be done on the date of transfer of shares.

Upon obtaining the Tranche Issuance Certificate from the Capital Markets Board of Turkey on 25.01.2018, the issuance of the USD 500 million 5 year notes, with a maturity date of 26.01 2023 and a fixed coupon rate of 5,875% per annum and an issue price of 99,467%, issued to investors resident outside of Turkey, and listing of these notes on the Irish Stock Exchange have been completed. As of 26.01.2018, the proceeds have been transferred to the Group's accounts.

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