

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

**PETKİM PETROKİMYA HOLDİNG
ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 JUNE 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT**



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

Report on review of interim financial information

To the Board of Directors of Petkim Petrokimya Holding A.Ş.

Introduction

1. We have reviewed the accompanying condensed consolidated statement of financial position of Petkim Petrokimya Holding A.Ş. and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to conclude that the accompanying condensed consolidated interim financial information of Petkim Petrokimya Holding A.Ş. is not prepared, in all material respects, in accordance with TAS 34.



Other Matter

4. The consolidated financial statements of Petkim Petrokimya Holding A.Ş. as of 31 December 2016 and for the year then ended were audited and the condensed consolidated interim financial information as of 30 June 2016 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 2 March 2017 expressed an unqualified opinion and whose review report dated 11 August 2016 expressed a conclusion that no material non-compliance with respect to TAS 34 has come to their attention.

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

A handwritten signature in blue ink, appearing to read 'Çağlar Sürücü', is written over a light blue horizontal line.

Çağlar Sürücü, SMMM
Partner

İstanbul, 10 August 2017

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

**INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2017**

CONTENTS	PAGE
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS	1-3
CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4-5
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 30 JUNE 2017.....	8-41
NOTE 1 GROUP'S ORGANIZATION AND NATURE OF OPERATIONS	8-9
NOTE 2 BASIS OF PRESENTATION OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	10-16
NOTE 3 SEGMENT REPORTING.....	16-17
NOTE 4 CASH AND CASH EQUIVALENTS	18
NOTE 5 INVENTORIES	18
NOTE 6 TRADE RECEIVABLES AND PAYABLES.....	19
NOTE 7 BORROWINGS AND BORROWING COSTS.....	19-21
NOTE 8 PROPERTY, PLANT AND EQUIPMENT	22-23
NOTE 9 DEFERRED REVENUE.....	24
NOTE 10 PREPAID EXPENSES	24
NOTE 11 EMPLOYEE BENEFITS	25-27
NOTE 12 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	27
NOTE 13 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES).....	27-30
NOTE 14 REVENUE AND COST OF SALES	30
NOTE 15 GENERAL ADMINISTRATIVE EXPENSES.....	31
NOTE 16 OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES.....	31
NOTE 17 FINANCIAL INCOME/ EXPENSES	32
NOTE 18 EARNINGS PER SHARE	32
NOTE 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	32-36
NOTE 20 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	37-38
NOTE 21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	38-41

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

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS AT
30 JUNE 2017 AND 31 DECEMBER 2016**

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	1.022.119.902	1.267.188.405
Trade receivables		778.586.145	674.471.489
- Trade receivables from third parties	6	778.586.145	674.471.489
Other receivables		42.381.879	30.792.406
- Other receivables from related parties	19	21.330.192	14.321.046
- Other receivables from third parties		21.051.687	16.471.360
Derivative financial instruments		476.697	7.466.471
Inventories	5	654.045.208	604.333.833
Prepaid expenses		59.313.665	31.915.791
- Prepaid expenses to third parties	10	48.534.480	19.037.704
- Prepaid expenses to related parties	19	10.779.185	12.878.087
Other current assets		50.905.764	43.777.394
- Other current assets from third parties		50.905.764	43.777.394
TOTAL CURRENT ASSETS		2.607.829.260	2.659.945.789
NON - CURRENT ASSETS			
Financial investments		8.910.000	8.910.000
- Available for sale financial assets		8.910.000	8.910.000
Other receivables		424.095.083	423.305.661
- Other receivables from related parties	19	424.095.083	423.305.661
Investment properties		1.469.935	1.469.935
Property, plant and equipment	8	2.945.131.023	2.831.261.149
Intangible assets		22.406.682	22.398.670
Prepaid expenses		54.070.808	64.040.243
- Prepaid expenses to third parties	10	54.070.808	59.747.547
- Prepaid expenses to related parties	19	-	4.292.696
Deferred tax assets	13	237.166.179	244.963.987
Other non-current assets		13.204.760	12.232.354
- Other non-current assets from third parties		13.204.760	12.232.354
TOTAL NON - CURRENT ASSETS		3.706.454.470	3.608.581.999
TOTAL ASSETS		6.314.283.730	6.268.527.788

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**

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS AT
30 JUNE 2017 AND 31 DECEMBER 2016**

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Short term borrowings		1.101.374.787	1.164.193.179
- Short term borrowings from third parties		1.101.374.787	1.164.193.179
- Bank borrowings	7.a	915.349.895	461.698.893
- Other financial liabilities	7.b	186.024.892	702.494.286
Short term portion of long term borrowings		138.926.008	55.495.727
- Short term portion of long term borrowings from third parties		138.926.008	55.495.727
- Bank borrowings	7.a	138.926.008	55.495.727
Derivative financial instruments		5.469.201	432.006
Trade payables		440.447.039	412.369.070
- Trade payables to related parties	19	35.328.852	29.584.837
- Trade payables to third parties	6	405.118.187	382.784.233
Short term liabilities for employee benefits		27.411.541	25.429.492
Other payables		14.917.540	38.733.947
- Other payables to related parties	19	87.116	26.450.401
- Other payables to third parties		14.830.424	12.283.546
Deferred income		60.151.409	39.144.851
- Deferred income from related parties	19	13.767.133	4.198.100
- Deferred income from third parties	9.a	46.384.276	34.946.751
Short term provisions		9.970.107	4.000.981
- Provision for employee benefits	11	8.891.973	2.617.402
- Other short term provisions	20	1.078.134	1.383.579
Current tax liabilities	13	46.821.918	48.864.818
Other current liabilities		13.662.624	7.976.519
- Other current liabilities from third parties		13.662.624	7.976.519
TOTAL CURRENT LIABILITIES		1.859.152.174	1.796.640.590
NON-CURRENT LIABILITIES			
Long term financial liabilities		1.103.813.615	1.172.474.368
- Long term financial liabilities from third parties		1.103.813.615	1.172.474.368
- Bank borrowings	7.a	1.103.813.615	1.172.474.368
Derivative financial instruments		11.246.747	9.027.379
Deferred income		128.010.404	129.637.103
- Deferred income from related parties	19	6.928.184	8.829.511
- Deferred income from third parties	9.b	121.082.220	120.807.592
Long term provisions		98.707.012	91.308.322
- Provision for employee benefits	11	98.707.012	91.308.322
TOTAL NON - CURRENT LIABILITIES		1.341.777.778	1.402.447.172
TOTAL LIABILITIES		3.200.929.952	3.199.087.762

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**

**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS AT
30 JUNE 2017 AND 31 DECEMBER 2016**

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

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
EQUITY			
Equity Attributable to Owners of the Parent		3.053.754.354	3.001.710.146
Share capital	12	1.500.000.000	1.500.000.000
Adjustment to share capital	12	238.988.496	238.988.496
Share premium		214.187.872	214.187.872
Other comprehensive income / (expense) not to be reclassified to profit or loss			
- Actuarial (loss) arising from defined benefit plan		(23.868.468)	(24.694.546)
Other comprehensive income / (expense) to be reclassified to profit or loss		(10.912.534)	572.240
- Currency translation differences		378.148	-
- Cash flow hedges		(11.290.682)	572.240
Restricted reserves		192.598.686	104.957.638
Retained earnings		280.057.398	241.912.168
Net profit for the period / year		662.702.904	725.786.278
Non-controlling interest		59.599.424	67.729.880
TOTAL EQUITY		3.113.353.778	3.069.440.026
TOTAL LIABILITIES AND EQUITY		6.314.283.730	6.268.527.788

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**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016**

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

	Notes	Reviewed 1 June - 30 June 2017	1 April - 30 June 2017	Reviewed 1 January - 30 June 2016	1 April - 30 June 2016
PROFIT OR LOSS					
Revenue	14	3.626.419.855	1.836.190.166	2.285.742.639	1.176.659.006
Cost of sales	14	(2.687.721.598)	(1.388.044.513)	(1.806.507.397)	(910.103.622)
GROSS PROFIT		938.698.257	448.145.653	479.235.242	266.555.384
General administrative expenses	15	(101.990.277)	(49.491.912)	(72.642.821)	(32.783.885)
Selling, marketing and distribution expenses		(28.646.704)	(15.451.514)	(20.960.655)	(10.143.515)
Research and development expenses		(7.642.854)	(4.554.872)	(6.379.732)	(4.066.346)
Other operating income	16	94.485.423	33.401.669	59.880.480	16.457.611
Other operating expense	16	(86.178.194)	(20.956.062)	(34.443.014)	(12.003.404)
OPERATING PROFIT		808.725.651	391.092.962	404.689.500	224.015.845
Income from investing activities		10.941.939	3.523.390	7.726.536	3.614.687
Expense from investing activities		(143.014)	(143.014)	(12.246)	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		819.524.576	394.473.338	412.403.790	227.630.532
Financial income	17	283.936.334	70.238.123	149.838.040	83.953.195
Financial expenses (-)	17	(312.469.095)	(116.077.712)	(125.861.286)	(49.899.405)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		790.991.815	348.633.749	436.380.544	261.684.322
Tax expense from continuing operations		(135.928.393)	(44.458.011)	(59.100.350)	(33.267.266)
- Current tax expense	13	(127.191.346)	(49.963.621)	(80.475.145)	(50.841.629)
- Deferred tax income	13	(8.737.047)	5.505.610	21.374.795	17.574.363
PROFIT FOR THE PERIOD CONTINUED OPERATIONS		655.063.422	304.175.738	377.280.194	228.417.056
PROFIT FOR THE PERIOD		655.063.422	304.175.738	377.280.194	228.417.056
DISTRIBUTION OF INCOME/ (EXPENSE) FOR THE PERIOD					
- Non-controlling interest		(7.639.482)	1.626.956	3.899.063	1.506.045
- Owners of parent		662.702.904	302.548.782	373.381.131	226.911.011
Earnings Per Share	18	0,4418	0,2017	0,2489	0,1513
- Earnings per Kr 1 number of 1 shares from continued operations		0,4418	0,2017	0,2489	0,1513

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**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016**

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

	Notes	Reviewed 1 January - 30 June 2017	1 April - 30 June 2017	Reviewed 1 January - 30 June 2016	1 April - 30 June 2016
OTHER COMPREHENSIVE INCOME/ (LOSS)					
Items to be Reclassified to Profit or Loss					
Currency translation differences		419.823	(10.324.299)	-	-
Other comprehensive income (loss) related with cash flow hedges		(15.494.464)	(16.287.754)	(11.524.721)	(21.787.617)
Cash flow hedge fund gains tax effect of		3.098.893	3.257.551	2.304.944	4.357.523
Items not to be Reclassified to Profit or Loss					
Defined benefit plans remeasurement Earnings (losses)		1.032.598	1.032.598	(3.603.669)	(3.603.669)
Taxes relating to remeasurements of defined benefit plans		(206.520)	(206.520)	720.734	720.734
OTHER COMPREHENSIVE INCOME		(11.149.670)	(22.528.424)	(12.102.712)	(20.313.029)
TOTAL COMPREHENSIVE INCOME		643.913.752	281.647.314	365.177.482	208.104.027
Attributable to:					
Non-controlling interests		(8.130.456)	(1.548.761)	(3.253.315)	(5.646.333)
Owners of parent		652.044.208	283.196.075	368.430.797	213.750.360

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**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2017 AND 2016**

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

	Share capital	Adjustment to share capital	Other comprehensive income / (expense) not to be reclassified to profit or loss Actuarial loss arising from defined benefit plan	Cash flow hedges	Other comprehensive income / (expense) to be reclassified to profit or loss Currency translation differences	Share premium	Restricted reserves	Net profit for the year	Retained earnings	Equity attributable to owners of the parent company	Non-controlling interests	Total equity
1 January 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	-	-	-	-	-	-	68.408.861	(626.378.793)	557.969.932	-	-	-
Total comprehensive income	-	-	(2.882.935)	(2.067.399)	-	-	-	373.381.131	-	368.430.797	(3.253.315)	365.177.482
- Other comprehensive income (loss)	-	-	(2.882.935)	(2.067.399)	-	-	-	-	-	(4.950.334)	(7.152.378)	(12.102.712)
- Net profit for the period	-	-	-	-	-	-	-	373.381.131	-	373.381.131	3.899.063	377.280.194
Dividend paid	-	-	-	-	-	-	-	-	(472.500.000)	(472.500.000)	-	(472.500.000)
30 June 2016	1.500.000.000	238.988.496	(26.550.972)	(9.557.422)	-	214.187.872	104.957.638	373.381.131	241.912.168	2.637.318.911	60.742.068	2.698.060.979
1 January 2017	1.500.000.000	238.988.496	(24.694.546)	572.240	-	214.187.872	104.957.638	725.786.278	241.912.168	3.001.710.146	67.729.880	3.069.440.026
Transfers	-	-	-	-	-	-	35.141.048	(725.786.278)	690.645.230	-	-	-
Total comprehensive income	-	-	826.078	(11.862.922)	378.148	-	-	662.702.904	-	652.044.208	(8.130.456)	643.913.752
- Other comprehensive income (loss)	-	-	826.078	(11.862.922)	378.148	-	-	-	-	(10.658.696)	(490.974)	(11.149.670)
- Net profit for the period	-	-	-	-	-	-	-	662.702.904	-	662.702.904	(7.639.482)	655.063.422
Dividend paid	-	-	-	-	-	-	52.500.000	-	(652.500.000)	(600.000.000)	-	(600.000.000)
30 June 2017	1.500.000.000	238.988.496	(23.868.468)	(11.290.682)	378.148	214.187.872	192.598.686	662.702.904	280.057.398	3.053.754.354	59.599.424	3.113.353.778

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**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
INTERIM PERIODS 1 JANUARY - 30 JUNE 2017 AND 2016**

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

	Notes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
A. Cash flows from operating activities:		619.200.703	472.035.659
Net profit for the year (I)		655.063.422	377.280.194
Adjustments related to reconciliation of (II) net profit (loss) for the year:		263.276.904	84.038.828
Adjustments for depreciation and amortization		76.639.525	52.905.249
Adjustments for impairments/ reversals			
- Adjustments for impairment of inventories	5	(1.845.248)	(10.177.941)
Adjustments for provisions			
- Adjustments for provision employment termination benefits	11	26.602.652	15.124.121
- Adjustments for provision legal cases	20	(305.444)	13.194
- Adjustments for provision / other cases		9.288.711	4.834.778
Adjustments for interest income/ (expense)			
- Adjustments for interest income	17	(39.742.679)	(34.600.492)
- Adjustments for interest expense	17	42.707.888	11.671.845
- Deferred interest expense due to credit purchase		(2.126.145)	(257.127)
- Unearned interest income due to credit sales		9.492.380	9.361.223
Adjustments for unrealized foreign currency translation differences		9.955.390	(21.805.756)
Adjustments for tax income/ losses	13	135.928.393	59.100.350
Adjustments for gain/ losses on sale of tangible assets		(1.568.971)	(595.854)
Adjustments for income from government incentives		(1.749.548)	(1.534.762)
Changes in working capital (III)		(158.178.517)	76.718.021
Adjustments related to (increase)/decrease in trade receivables		(126.289.528)	(34.106.809)
Adjustments related to (increase)/decrease in other receivables		(770.964)	(8.319.183)
Adjustments related to (increase)/decrease in inventory		(38.857.179)	(7.997.460)
(Increase)/decrease in prepaid expenses		(28.003.182)	29.035.612
Adjustments for increase/(decrease) in trade payables		31.244.539	44.819.417
Adjustments for increase/(decrease) in other payable		(18.130.302)	8.211.572
Change in derivative financial instruments		1.266.191	-
Increase/(decrease) in employment termination benefits	7	1.982.049	7.315.857
Adjustments for increase/(decrease) in deferred revenue	6	19.379.859	37.759.015
Cash flows from operating activities (I+II+III)		760.161.809	538.037.043
Employee termination benefits paid	11	(11.726.860)	(23.478.040)
Income taxes refund/ (paid)	13	(129.234.246)	(42.523.344)
B. Cash flows from investing activities		(197.523.221)	(148.810.194)
Cash outflows from purchases of tangible and intangible assets		(204.775.414)	(228.873.476)
Proceeds from sale of tangible and intangible assets		1.619.261	1.070.118
Other cash advances and payables given		5.632.932	(81.459.095)
Other cash inflows		-	160.452.259
C. Cash flows from financing activities		(655.679.027)	(948.861.521)
Proceeds from borrowings		879.056.561	283.303.276
Repayments of borrowings		(443.022.067)	(328.534.319)
Proceeds other financial liabilities		98.835.529	154.110.403
Repayments of other financial liabilities		(603.578.918)	(609.783.328)
Interest received		36.583.707	37.064.803
Interest paid		(23.553.839)	(39.613.078)
Dividends paid		(600.000.000)	(445.409.278)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		(234.001.545)	(625.636.056)
E. Effect of currency translation differences on cash and cash equivalents		(11.066.958)	(10.254.891)
Net increase/ (decrease) in cash and cash equivalents (D+E)		(245.068.503)	(635.890.947)
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		1.022.119.902	705.645.802

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**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Petkim Petrokimya Holding A.Ş. (“Petkim” or “the Company”) was established on April 3, 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. During the course of the Company, construction of other plants continued. In 1985, Aliğa Petrochemical Complex was established. 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 Company is mainly engaged in the following fields:

- To establish and to operate factories, plants either at 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 home 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 3rd parties either by way of leasing or such other methods when required, and to purchase, to have built and to lease, to sell the necessary vessels/naval platforms, and to establish either domestic or international partnerships in relation thereto, to operate warehouses, and to offer warehousing services,
- To support and to donate to the foundations, associations, educational institutions, which have been established for social purposes, and to such other persons, institutions and organizations in accordance with the principles prescribed by the Capital Market Board.

The “Share Sales Agreement”, with respect to the sales 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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

On June 22, 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”)

SOCAR Turkey Enerji A.Ş. and SOCAR İzmir Petrokimya A.Ş., which is the %100 subsidiary of SOCAR Turkey Enerji A.Ş. and owns 10,32% shares of the Group, have merged as of 22 September 2014.

As of 30 June 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 its shares have been quoted in Istanbul Stock Exchange (“ISE”) since 9 July 1990.

Consolidated financial statements were approved to be issued by the Board of Directors 10 August 2017 and signed by Mr. Anar Mammadov, General Manager and Mr. Riza Bozoklar, Vice President of Finance, on behalf of the Board of Directors. General Assembly and relevant regulators has the right to modify legal financial statements and the consolidated financial statements.

The registered address of the Group as of the date of preparation of the financial statements in this Consolidation is as follows:

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

As of 30 June 2017, the Company's subsidiaries ("subsidiaries") (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

	Nature of operations Activity segment	
1. Petlim Limancılık Ticaret A.Ş. (“Petlim”)	Port operations	Port
2. Petkim Specialities Mühendislik Plastikleri Sanayi ve Ticaret A.Ş.	Plastic Processing	Other

As of 30 June 2017, the average number of employees working for the Group is 2.408 (31 December 2016: 2.434).

	30 June 2017	31 December 2016
Union (*)	1.860	1.882
Non-union (**)	548	552
	2.408	2.434

(*) Indicates the personnel who are members of Petrol İş Union.

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

2.1 Basis of Presentation of Financial Statements

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

The Group prepared its condensed interim consolidated financial statements for the period ended 30 June 2017 in accordance with (“TAS”) 34 “Interim Financial Reporting” in the framework of the Communiqué Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanying notes are presented in compliance with the format recommended by CMB including its mandatory information.

In compliance with the TAS 34, entities have preference in presenting their interim financial statements whether full set or condensed. In this framework, the Group preferred to present its interim financial statements in condensed.

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

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

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

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

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

2.2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of the financial statements in the condensed interim consolidated statements are consistent with the explanations in the financial statements for the period 1 January - 31 December 2016 except for the following:

The port operations of the Group have been started on 1 January 2017. Fixed revenue to be obtained 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 basis. In addition, the income to be earned by exceeding of the minimum revenue limits stated in the contract terms in the following years will be recognized in the year in which the relevant conditions are realized.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

In the interim periods, provisions for taxes are calculated by taking into consideration the tax rates expected to be applied to the year-end financial results and the tax assessments that are expected to be applied to the year-end financial results.

Financial statements in the condensed consolidated interim balance sheet prepared for the interim period 1 January - 30 June 2017 should be evaluated together with the financial statements in the annual consolidation for the period 1 January - 31 December 2016.

Unallocated expenses are considered in the financial statements in the condensed consolidated financial statements only when they can be estimated or deferred appropriately at the end of the fiscal year.

2.3 Basis of consolidation

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

a) Subsidiaries

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

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

The non-controlling share in the net assets and results of subsidiaries for the period are classified within the materiality principle of the account in the consolidated statements of financial positions (balance sheet) and retained earnings.

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

The table below sets out the associates and the proportion of ownership interest as of 30 June 2017 and 31 December 2016.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

<u>Subsidiaries</u>	Direct or Indirect Control	
	<u>Shares of Company (%)</u>	
	30 June 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 of the Group are measured in the currency in which the entity is located and in which the operations are maintained ("functional currency"). As a result of the Group management's assessment, the functional currency of Petlim, a subsidiary of the Group, has been designated as US Dollars beginning from 1 January 2017. In the condensed interim consolidated financial statements, the financial statements have been prepared and presented in Turkish lira ("TL") which is the parent company's functional and presentation currency of the Group.

ii) Transactions and balances

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

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

The financial statements of Petlim, subsidiary of the Group, have been translated into US dollars at the current exchange rate of TL / USD as of 1 January 2017. As of 30 June 2017, Petlim assets and liabilities were translated into TL using the exchange rates at the balance sheet date. Petlim's comprehensive income statement items were converted to TL using average exchange rates. The translation of the net assets of Petlim, the differences arising from the exchange rates at the average exchange rates and balance sheet dates are followed under "currency translation differences" under equity.

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

<u>The end of the period:</u>	30 June 2017	1 January 2017
Turkish Liras / USD Dollars	3,5071	3,5192
<u>Average:</u>		1 January - 30 June 2017
Turkish Liras / USD Dollars		3,6367

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

2.4 Amendments in Turkish Financial Reporting Standards

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

- Annual improvements from 2014 to 2016
- 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
- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017, These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017, The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base, It also clarify certain other aspects of accounting for deferred tax assets.

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Annual improvements from 2014 to 2016
 - TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
 - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- TFRS 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Company will determine the effects of these amendments above on the operations of the Company and will apply after effective date. The above mentioned amendments and interpretations are not expected to have significant impact on the Group’s consolidated financial statements.

2.5 Comparative information and restatement of previous year financial statements

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

The reclassifications made to interim condensed consolidated balance sheet dated 31 December 2016 and income statement and other comprehensive income / (loss) of the Group dated 30 June 2017 are as follows:

- The letters of credit amounting to TL 702.494.286 classified as trade payables to non-related parties are classified as other financial liabilities (Note 7.b).
- The investment amounting to TL 927.411.743 in the investment properties of the Group has been classified to property, plant and equipment in accordance with the taxonomy (Note 8).
- Port operating income amounting to TL 1.117.145 shown in other income from main operations is classified as revenue.
- Rent income amounting to TL 2.356.421 which is shown in other income from main operations is classified as cost of sales.
- Interest expense amounting to TL 2.635.874 which is presented in other expense from main operations is classified as financial expenses.
- The rent income amounting to TL 7.130.682, which is shown in other income from main operations is classified as income in income from investment activities.
- Interest income amounting to TL 9.007.719 shown in other income from main operations is classified under financial income.
- Foreign exchange losses amounting to TL 1.218.000 shown in other income from main operations are classified as financial expenses.
- Other income amounting to TL 1.443.575 shown in other income from main operations is classified under financial income.

2.6 Critical accounting estimates and judgments

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

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

The Group determines useful economic lives of tangible and intangible assets and investment properties in capitalization periods in line with opinions of technical experts and recognizes depreciation and redemption during aforementioned economic lives. Useful lives of land improvements related to port project included in investment properties are anticipated through considering leasing period obtained by Petkim in scope of use of right contract. The Group reviews economic lives of assets subject to aforementioned depreciation in each reporting period and it is anticipated that there exist no situation requiring any adjustment in economic lives as of 30 June 2017.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

b) Deferred tax assets

The Group recognizes deferred tax on the temporary timing differences between the carrying amounts of assets and liabilities in the financial statements prepared in accordance with TFRS and statutory financial statements which is used in the computation of taxable profit. The related differences are generally due to the timing difference of the tax base of some income and expense items between statutory and TFRS financial statements.

The Group has deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, which could reduce taxable income in the future periods. All or partial amounts of the realizable deferred tax assets are estimated in current circumstances. As a result of the projections made by the Group management by using its best estimates deferred income tax asset regarding to the unused investment incentives was recognized in the consolidated financial statements (Note 9).

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. The details related with the defined benefit plans are stated in Note 11.

d) Current value of financial derivative instruments

The Group values its derivative financial instruments by using the foreign exchange and interest rate estimations and based on the valuation estimates of the market values as of the balance sheet date.

NOTE 3 - SEGMENT REPORTING

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

The Management believes that the Group operates in a single industry sector as the risks and returns for the activities do not show any material difference because the scope of activity covers only the production of white goods and the production processes and classes of customers are similar. As a result all information related to the industrial segment has been fully presented in the attached financial statements.

An activity segment is a group of assets and activities that are used in the production of products and services that are subject to different risks and benefits than other segments. The activities of the Group in terms of its business lines are divided into three main sections:

- Petrochemical
- Port
- Other

The Board of Directors assesses the performance of its 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.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 3 - SEGMENT REPORTING (Continued)

a) Incomes

	30 June 2017	30 June 2016
Petrochemical	3.594.022.223	2.284.625.494
Port	32.397.632	1.117.145
Total before elimination	3.626.419.855	2.285.742.639
Consolidation eliminations and adjustments	-	-
	3.626.419.855	2.285.742.639

b) Operating profit/(loss)

	30 June 2017	30 June 2016
Petrochemical	800.163.032	407.053.274
Port	(5.061.559)	(4.128.884)
Other	12.784	(14.650)
Total before elimination	795.114.257	402.909.740
Consolidation eliminations and adjustments	13.611.394	1.779.760
	808.725.651	404.689.500

c) Total assets

	30 June 2017	31 December 2016
Petrochemical	5.526.490.886	5.474.315.400
Port	1.345.656.440	1.449.507.641
Other	130.173	-
Total before elimination	6.872.277.499	6.923.823.041
Consolidation eliminations and adjustments	(557.993.769)	(655.295.253)
	6.314.283.730	6.268.527.788

d) Total liabilities

	30 June 2017	31 December 2016
Petrochemical	2.325.736.267	2.334.125.024
Port	1.156.367.683	1.233.117.523
Other	52.527	-
Total before elimination	3.482.156.477	3.567.242.547
Consolidation eliminations and adjustments	(281.226.525)	(368.154.785)
	3.200.929.952	3.199.087.762

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash	-	-
Banks	1.018.076.035	1.267.188.405
- Demand deposits	17.295.540	13.644.245
- TL	3.838.255	3.620.195
- Foreign currency	13.457.285	10.024.050
- Time deposits	1.000.780.495	1.253.544.160
- TL	29.330.939	264.674.114
- Foreign currency	971.449.556	988.870.046
Other	4.043.867	-
	1.022.119.902	1.267.188.405

As of 30 June 2017, foreign currency time deposits consist of overnight or monthly deposits. The weighted average effective interest rates of US Dollar and Euro overnight deposits are 3,89% and 1,64% per annum, respectively. (31 December 2016: US Dollars - 2,45%, Euro - 1,17%). The weighted average effective interest rate of the USD denominated time deposits was 4,48% (31 December 2016: 3,62%).

As of 30 June 2017, the Turkish Lira time deposits consist of overnight deposits and the weighted average effective interest rate is 14,24% per annum. (10,45% for December 31, 2016, 11,60% per month). The Group has no blocked deposits as of 30 June 2017. (31 December 2016 - None).

NOTE 5 - INVENTORIES

	30 June 2017	31 December 2016
Raw materials	157.623.984	131.205.558
Work-in-progress	177.568.781	151.387.512
Finished goods	153.578.465	155.419.561
Trade goods	52.032.506	16.287.036
Goods in transit	66.324.050	107.705.559
Other inventories	49.761.484	43.327.421
	656.889.270	605.332.647
Less: Provision for impairment on inventories	(2.844.062)	(998.814)
	654.045.208	604.333.833

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

	2017	2016
1 January	(998.814)	12.046.150
Current year additions	(1.845.248)	(10.177.941)
30 June	(2.844.062)	1.868.209

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

	30 June 2017	31 December 2016
Raw materials	(763.767)	(555.245)
Finished goods	(87.020)	-
Trade goods	(1.720.105)	(173.195)
Other inventories	(273.170)	(270.374)
	(2.844.062)	(998.814)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables from third parties

	30 June 2017	31 December 2016
Trade receivables	803.366.086	690.291.096
Provision for doubtful trade receivables (-)	(24.779.941)	(15.819.607)
	778.586.145	674.471.489

The balances of trade receivables as of June 30, 2017 are as follows:

Overdue receivables	19.065.481	16.203.086
1 to 30 days overdue	328.138.885	326.609.470
31 to 60 days overdue	173.617.263	137.770.278
61 to 90 days overdue	150.016.775	97.536.981
91 days and over	107.747.741	96.351.674
	778.586.145	674.471.489

b) Short-term trade payables to third parties:

	30 June 2017	31 December 2016
Trade payables, net	405.118.187	377.588.743
Expense accruals	-	5.195.490
	405.118.187	382.784.233

NOTE 7 - BORROWINGS AND BORROWING COSTS

7.a. Bank Credits

	30 June 2017	31 December 2016
Short term loans	915.349.895	461.698.893
Short-term portions of long-term loans	138.926.008	55.495.727
Short-term financial liabilities	1.054.275.903	517.194.620
Long term loans	1.103.813.615	1.172.474.368
Long-term financial liabilities	1.103.813.615	1.172.474.368
	2.158.089.518	1.689.668.988

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2017**

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

NOTE 7 - BORROWINGS AND BORROWING COSTS (Continued)

	Weighted average of annual effective interest rate (%)		Original currency		TL equivalent	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Short-term loans:						
TL loans (*)	10,20% - 13,35%	10,20%	396.299.095	90.735.333	396.299.095	90.735.333
USD loans (**)	Libor + 0,60 - 0,75	Libor + 0,75 - 1,25	148.000.000	105.411.332	519.050.800	370.963.560
Short-term portions of long-term loans:						
USD loans (***)	Libor + 1,70 - 4,67	Libor + 1,70 - 4,26	25.034.003	8.071.505	87.796.752	29.071.835
Euro loans (****)	Euribor + 0,87 - 3,00	Euribor + 0,87 - 3,00	12.772.758	6.942.856	51.129.256	26.423.892
Total short-term loans					1.054.275.903	517.194.620
Long-term loans:						
USD loans (***)	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	220.999.104	239.001.672	775.065.957	841.094.684
Euro loans (****)	Euribor + 0,73 - 3,00	Euribor + 0,73 - 3,00	82.125.321	89.323.076	328.747.658	331.379.684
Total long-term loans					1.103.813.615	1.172.474.368
Total Borrowings					2.158.089.518	1.689.668.988

* As of June 30, 2017, short-term TL denominated bank borrowings consist of fixed rate loans with an interest rate of 10,20 and 13,35% per annum.

** As of June 30, 2017, short-term USD denominated bank borrowings consist of fixed rate loans with an interest rate of 1,34% and 2,19% per annum.

*** As of June 30, 2017, long-term USD denominated bank borrowings consist of fixed and floating interest loans with an interest rate of 0,3% and 5,97% per annum.

**** As of June 30, 2017, long-term EUR denominated bank borrowings consist of fixed and floating rate loans with an annual interest rate of Euribor + 0,75 and 3,00%.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 7 - BORROWINGS AND BORROWING COSTS (Continued)

The repayment schedule of principal obligations of long-term loans as of 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017
1 July 2018-30 June 2019	107.990.516
1 July 2019-30 June 2020	94.270.483
1 July 2020-30 June 2021	108.059.459
1 July 2021-30 June 2022	121.158.990
1 July 2022-30 June 2023	122.520.004
2023 and over	549.814.163
	1.103.813.615
	31 December 2016
Year 2018	148.913.757
Year 2019	90.177.581
Year 2020	93.636.722
Year 2021	110.240.586
2022 and over	729.505.722
	1.172.474.368

Short-term bank loans and other financial liabilities are short-term and long-term loans approximate the values they hold because they are predominantly floating-rate bank loans and interest rates are updated taking into account the changing market conditions.

7.b. Other Financial Liabilities

Other financial liabilities are comprised of letter of credit obligations arising from the acquisition of banknotes. The average maturity of letter of credit transactions is 85 days and consists of commission expenses accrued in accordance with the effective interest method for such letter of credits as of the reporting date (31 December 2016: average maturity is 108 days).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2017**

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Transfers	Disposals	Foreign currency translation differences	30 June 2017
<u>Cost:</u>						
Land	13.522.050	-	-	-	(20.532)	13.501.518
Land improvements	115.726.542	-	46.075	(3.394)	(6.139)	115.763.084
Buildings	171.618.044	-	40.788	-	(1.771)	171.657.061
Machinery and equipment	6.560.805.487	-	215.846.188	(9.846.808)	-	6.766.804.867
Motor vehicles	12.513.099	-	467.684	(1.401.132)	-	11.579.651
Furniture and fixtures	91.565.404	-	2.171.734	(26.891)	(1.710)	93.708.537
Other fixed assets	996.152	-	-	-	-	996.152
Leasehold improvements	671.403	-	-	-	-	671.403
Assets subject to operating lease	536.666.080	-	87.829.869	-	(3.739.779)	620.756.170
Construction in progress (*)	966.567.852	204.556.845	(308.502.682)	(108.379)	(1.420)	862.512.216
	8.470.652.113	204.556.845	(2.100.344)	(11.386.604)	(3.771.351)	8.657.950.659
<u>Accumulated depreciation:</u>						
Land improvements	(87.814.829)	(1.479.121)	-	-	4.812	(89.289.138)
Buildings	(102.921.776)	(1.892.096)	-	-	2.245	(104.811.627)
Machinery and equipment	(5.373.700.397)	(67.951.911)	-	9.825.544	-	(5.431.826.764)
Motor vehicles	(9.648.130)	(463.841)	-	1.372.105	-	(8.739.866)
Furniture and fixtures	(62.187.737)	(3.057.851)	-	23.851	3.057	(65.218.680)
Other fixed assets	(996.152)	-	-	-	-	(996.152)
Leasehold improvements	(589.295)	(258.495)	-	-	-	(847.790)
Assets subject to operating lease	(1.532.648)	(10.013.839)	-	-	456.868	(11.089.619)
	(5.639.390.964)	(85.117.154)	-	11.221.500	466.982	(5.712.819.636)
Net book value	2.831.261.149					2.945.131.023

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2017**

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

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2016	Additions	Transfers	Disposals	30 June 2016
Cost:					
Land	13.200.586	-	-	-	13.200.586
Land improvements	113.957.571	-	-	-	113.957.571
Buildings	171.235.674	-	-	-	171.235.674
Machinery and equipment	6.436.255.729	-	77.722.598	(508.337)	6.513.469.990
Motor vehicles	12.319.269	-	666.977	(1.221.797)	11.764.449
Furniture and fixtures	74.702.806	-	15.212.794	(116.821)	89.798.779
Other fixed assets	996.152	-	-	-	996.152
Leasehold improvements	581.831	-	-	-	581.831
Construction in progress (*)	987.795.284	240.340.973	(95.759.238)	-	1.132.377.019
	7.811.044.902	240.340.973	(2.156.869)	(1.846.955)	8.047.382.051
Accumulated depreciation:					
Land improvements	(85.089.479)	(1.356.561)	-	-	(86.446.040)
Buildings	(98.986.892)	(1.870.455)	-	-	(100.857.347)
Machinery and equipment	(5.281.270.613)	(51.191.406)	-	141.099	(5.332.320.920)
Motor vehicles	(9.909.746)	(378.573)	-	1.115.531	(9.172.788)
Furniture and fixtures	(57.753.151)	(2.082.436)	-	116.062	(59.719.525)
Other fixed assets	(996.152)	-	-	-	(996.152)
Leasehold improvements	(404.795)	(96.972)	-	-	(501.767)
	(5.534.410.828)	(56.976.403)	-	1.372.692	(5.590.014.539)
Net book value	2.276.634.074				2.457.367.512

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 9 - DEFERRED INCOME

a) Short term deferred income

	30 June 2017	31 December 2016
Advances received	41.752.827	28.820.322
Income from next months (*)	4.631.449	6.126.429
	46.384.276	34.946.751

b) Long term deferred income

Income from next years (*)	121.082.220	120.807.592
	121.082.220	120.807.592

(*) For a container port to be established inside Petkim facilities to be operated by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminals), an operation agreement was signed between the Group and APMT BV. and APM Terminals on 22 February 2013. Under the agreement, the amount paid by the Group APM Terminals TL 3.278.505 in short-term deferred revenue, TL 119.338.169 is followed in long-term deferred revenue.

NOTE 10 - PREPAID EXPENSES

	30 June 2017	31 December 2016
a) Short term prepaid expenses		
Prepaid rent, insurance and other expenses	22.608.643	14.850.908
Advances given for inventory orders	19.455.880	587.442
Advances given for customs procedures	6.469.957	3.599.354
	48.534.480	19.037.704

b) Long term prepaid expenses

Advances given for property, plant and equipment	71.017.847	76.651.061
Advances given for customs procedures	12.772.125	12.772.125
Prepaid rent, insurance and other expenses	2.087.836	2.131.361
	85.877.808	91.554.547
İmpairment on advances give	(31.807.000)	(31.807.000)
	54.070.808	59.747.547

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 11 - EMPLOYEE BENEFITS

	30 June 2017	31 December 2016
a) Short-term employee benefits:		
Provision for seniority incentive bonus	4.762.192	-
Provision for bonus premium	4.129.781	2.617.402
	8.891.973	2.617.402
b) Long-term employee benefits:		
Provision for employment termination benefits	78.521.130	79.216.848
Provision for unused vacation rights	15.738.891	8.867.379
Provision for seniority incentive bonus	4.446.991	3.224.095
	98.707.012	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	6.871.512	5.609.398
30 June	15.738.891	13.296.073

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 TL 4.426,16 for each year of service as of 30 June 2017 (31 December 2016 - TL 4.297,21).

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

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 4.732,48 which is effective from 1 July 2017, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2017 - TL 4.426,16).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 11 - EMPLOYEE BENEFITS (Continued)

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

	2017	2016
1 January	79.216.848	78.796.553
Interest cost	4.428.398	1.497.135
Payments during the period	(9.649.939)	(9.658.497)
Service cost	5.558.421	1.897.451
Actuarial loss	(1.032.598)	3.603.669
30 June	78.521.130	76.136.311

Provision for seniority incentive bonus:

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

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

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

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 11 - EMPLOYEE BENEFITS (Continued)

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

	2017	2016
1 January	5.841.497	5.671.563
Interest cost	326.540	107.760
Payments during the period	(2.076.921)	(3.183.475)
Service cost	4.485.656	2.512.377
30 June	8.576.772	5.108.225

NOTE 12 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

Group: Shareholder:	30 June 2017		31 June 2016	
	Amount	Share (%)	Amount	Share (%)
A Socar Turkey Petrokimya A.Ş.	765.000.000	51,00	765.000.000	51,00
A Public	735.000.000	49,00	735.000.000	49,00
C Özelleştirme İdaresi Başkanlığı	0,01	-	0,01	-
Total paid share capital	1.500.000.000	100	1.500.000.000	100
Adjustment to share capital	238.988.496		238.988.496	
Total share capital	1.738.988.496		1.738.988.496	

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

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

a) Corporate tax:

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

	30 June 2017	31 December 2016
Calculated corporation tax	127.191.346	163.030.686
Less: Prepaid taxes (-)	(80.369.428)	(114.165.868)
Total tax expense	46.821.918	48.864.818

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

**NOTE 13 - INCOME TAXES (INCLUDING DEFERRE TAX ASSETS AND LIABILITIES)
(Continued)**

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

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Deferred tax (loss) / income	(8.737.047)	5.505.610	21.374.795	17.574.363
Current period tax expense	(127.191.346)	(49.963.621)	(80.475.145)	(50.841.629)
Total tax (loss) / gains	(135.928.393)	(44.458.011)	(59.100.350)	(33.267.266)

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 included in full consolidation.

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 CMB Financial Reporting Standards and the statutory tax financial statements.

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%).

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

**NOTE 13 - INCOME TAXES (INCLUDING DEFERRE TAX ASSETS AND LIABILITIES)
(Continued)**

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

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Property, plant, equipment and intangible assets	(281.040.328)	(234.712.829)	(56.208.065)	(46.942.565)
Income accrual related with hedging reserve	-	(7.466.471)	-	(1.493.294)
Unincurred finance cost	(3.182.249)	(1.004.159)	(636.450)	(200.832)
Adjustment for internal rate of return	590.470	(1.450.884)	118.094	(290.177)
Adjustment for price difference	-	(1.578.140)	-	(315.628)
Deferred income tax liabilities	(283.632.107)	(246.212.483)	(56.726.421)	(49.242.496)
Unused investment incentives	953.672.503	947.460.922	252.780.098	250.612.314
Employment termination benefits and seniority incentive bonus provision	87.282.271	85.053.223	17.456.454	17.010.645
Deferred income related to the transfer of operating rights	57.013.354	74.386.834	11.402.671	14.877.367
Provision for unused vacation	16.107.038	8.867.379	3.221.407	1.773.476
Adjustment to rediscount of receivables	9.426.886	9.094.536	1.885.377	1.818.907
Expense accruals/provisions for risk hedging	16.239.251	9.459.385	3.247.850	1.891.877
Letter of credit interest accrual and IRR adjustment	2.253.785	5.195.490	450.757	1.039.098
Rent allowance fee	4.559.688	4.643.350	911.938	928.670
Inventory impairment	2.844.062	998.814	568.812	199.763
Advances given exchange rate adjustment	2.066.003	5.040.411	413.201	1.008.083
Accrued expense for personnel bonus	4.762.192	9.524.380	952.438	1.904.876
Provision for legal cases	1.092.104	1.383.579	218.421	276.716
Provision for doubtful receivables	749.854	1.128.024	149.971	225.605
Impairment of property, plant and equipment	-	2.667.127	-	533.425
Other	1.166.041	528.306	233.207	105.661
Deferred income tax assets	1.159.235.032	1.165.431.760	293.892.602	294.206.483
Deferred tax assets / (liabilities) - net			237.166.179	244.963.987

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

**NOTE 13 - INCOME TAXES (INCLUDING DEFERRE TAX ASSETS AND LIABILITIES)
(Continued)**

The movement of deferred income tax is as follows:

	2017	2016
1 January	244.963.987	133.346.497
Charged to consolidated statement of comprehensive income	(8.737.047)	21.374.795
Charged to cash flows hedge reserves	2.892.373	3.025.677
Foreign currency translation differences	(1.953.134)	-
30 June	237.166.179	157.746.969

NOTE 14 - REVENUE AND COST OF SALES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Domestic sales	2.249.097.884	1.194.335.528	1.583.379.531	825.458.990
Overseas sales	1.404.929.293	655.748.659	726.108.136	361.832.798
Other sales	49.916.635	38.908.448	14.357.493	7.687.734
Sales discounts (-)	(77.523.957)	(52.802.469)	(38.102.521)	(18.320.516)
Sales revenue, net	3.626.419.855	1.836.190.166	2.285.742.639	1.176. 659.006
Direct raw materials and supplies	(1.880.694.244)	(911.812.457)	(1.242.708.220)	(612.866.612)
Cost of trade goods sold	(355.900.002)	(224.153.520)	(190.547.161)	(102.407.487)
Energy	(193.879.024)	(103.950.251)	(167.054.075)	(83.352.146)
Labour costs	(122.718.325)	(63.433.117)	(99.515.597)	(49.780.829)
Depreciation and amortization	(74.686.495)	(40.521.314)	(48.268.480)	(24.918.305)
Other	(59.843.508)	(44.173.854)	(58.413.864)	(36.778.243)
Cost of sales	(2.687.721.598)	(1.388.044.513)	(1.806.507.397)	(910.103.622)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 15 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expense	44.637.633	17.409.018	30.296.638	11.601.745
Outsourced services	31.645.787	17.501.723	19.373.212	10.390.962
Energy expenses	6.416.973	1.967.601	6.148.651	2.070.597
Depreciation and amortization	4.033.459	1.900.429	3.682.050	2.077.813
Taxes, funds and fees	3.041.419	1.898.776	4.007.398	1.484.870
EMRA contribution share	1.221.627	558.467	934.914	452.463
Other	10.993.379	8.255.898	8.199.958	4.705.435
	101.990.277	49.491.912	72.642.821	32.783.885

NOTE 16 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange gains on trade payables	41.683.514	(6.043.929)	14.724.985	3.000.040
Interest income on term sales	26.412.145	7.622.595	26.877.935	9.177.876
Foreign exchange gains on trade receivables	13.946.088	21.693.589	6.469.830	(2.861.803)
Rent income	5.061.185	3.514.199	5.508.702	2.680.963
Unearned financial income from trade payables	2.126.145	1.850.039	257.127	(103.272)
Other	5.256.346	4.765.176	6.041.901	4.563.807
	94.485.423	33.401.669	59.880.480	16.457.611

b) Other operating expenses

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Foreign exchange losses on trade payables	(44.249.110)	2.450.924	(8.312.570)	(8.312.570)
Foreign exchange losses on trade receivables	(11.277.894)	(4.486.439)	(5.369.408)	1.468.187
Unearned financial expense from trade receivables	(9.492.380)	(327.362)	(9.361.069)	(260.980)
Provision for doubtful receivables	(9.288.711)	(9.272.011)	(319.079)	146.521
Unearned financial expense from trade payables	(3.182.741)	(1.848.073)	(4.276.857)	(2.775.671)
Other	(8.687.358)	(7.473.101)	(6.804.031)	(2.268.891)
	(86.178.194)	(20.956.062)	(34.443.014)	(12.003.404)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 17 - FINANCIAL INCOME/ EXPENSES

	1 January - 30 June 2017	1 January - 30 June 2016
a) Finance income		
Foreign exchange gain	241.130.731	104.786.254
Interest income	39.742.679	43.608.211
Other	3.062.924	1.443.575
	283.936.334	149.838.040
b) Finance expense		
Foreign exchange loss	(259.722.278)	(109.223.143)
Interest expense	(42.707.888)	(14.307.718)
Interest expense on employee benefits	(4.754.938)	(1.604.895)
Commission expense	(2.271.512)	(725.530)
Other	(3.012.479)	-
	(312.469.095)	(125.861.286)

NOTE 18 - EARNINGS PER SHARE

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Net profit for the period of the equity holders of the parent	662.702.904	302.548.782	373.381.131	226.911.011
Weighted average number of shares with nominal value of Krl each (thousand)	150.000.000	150.000.000	150.000.000	150.000.000
Earnings per share (Kr)	0,4418	0,2017	0,2489	0,1513

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

	30 June 2017	31 December 2016
a) Short term other receivables from related parties:		
STEAŞ ^{(1) (*)}	21.328.803	13.169.638
STAR ⁽²⁾	-	1.149.900
TANAP Doğalgaz İletişim A.Ş. ⁽²⁾	1.389	1.508
	21.330.192	14.321.046

(1) Shareholders of the Company

(2) Shareholders of the Company or SOCAR’s subsidiaries

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

b) Long term other receivables from related parties:

STEAŞ ^{(1) (*)}	355.823.113	356.875.812
SOCAR Power Enerji Yatırımları A.Ş. ^{(2) (**)}	68.271.970	66.429.849
	424.095.083	423.305.661

(*) It relates to the advance given to STEAŞ. The amount of TL 21.328.803 consists of interest and miscellaneous expenses reflects interest of TL 15,55 USD per annum for TL receivables and annual interest of 5,08% is applied.

(**) Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 58.737.065, interest and other receivables amounting to TL 9.534.905.

c) Short term trade payables to related parties:

SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	32.332.507	-
Petrokim Trading Ltd. (“Petrokim”) ⁽²⁾	2.265.982	3.675.964
STEAŞ ⁽¹⁾	368.531	404.943
Azoil Petrolcülük A.Ş. ⁽²⁾	331.702	284.141
STAR ⁽²⁾	30.130	955
SOCAR Gaz Ticareti A.Ş. ⁽²⁾	-	25.217.360
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	-	1.474
	35.328.852	29.584.837

Short term trade payables to related parties are mainly consist of natural gas, fuel, LPG and trade goods purchases. Average maturity of short term trade payables is 16 days. (31 December 2016: 15 days).

d) Other payables to related parties:

	30 June 2017	31 December 2016
Due to shareholder	87.116	87.116
STAR ⁽²⁾	-	26.363.285
	87.116	26.450.401

e) Short term deferred income from related parties

STAR ⁽²⁾	13.767.133	4.188.726
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	-	9.374
	13.767.133	4.198.100

(1) Shareholders of the Company

(2) Shareholders of the Company or SOCAR’s subsidiaries

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

f) Long term deferred income from related parties

STAR ⁽²⁾	6.928.184	8.829.511
	6.928.184	8.829.511

g) Short term prepaid expense to related parties

STAR ⁽²⁾	10.779.185	12.878.087
	10.779.185	12.878.087

h) Long term prepaid expense to related parties

STAR ⁽²⁾	-	4.292.696
	-	4.292.696

ii) Transactions with related parties

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
a) Other income / (expenses) from related party transactions - net:				
STEAS ⁽¹⁾	11.205.427	(5.256.747)	8.116.460	9.871.323
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	1.597.684	(1.270.062)	1.045.844	1.648.182
STAR ⁽²⁾	508.364	(793.449)	(16.998)	(17.789)
SOCAR Turkey				
Petrokimya A.Ş. ⁽¹⁾	247.838	32.996	-	-
Petrokim ⁽²⁾	43.827	440.494	207.291	222.017
Azoil Petrolcülük A.Ş. ⁽²⁾	1.643	(660)	592	592
SOCAR Azerikimya Production Union ⁽²⁾	5	56	-	-
Socar Gaz Ticareti A.Ş. ⁽²⁾	(162.184)	-	(48.344)	(48.344)
Socar Turkey Petrol Ener. Dağ. A.Ş.	-	-	339	(583)
	13.442.604	(6.847.372)	9.305.184	11.675.398

⁽¹⁾ Shareholders of the Company

⁽²⁾ Shareholders of the Company or SOCAR’s subsidiaries

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

The Group has interest income for TL receivables with the rates of 15,55% and 15,99%, interest income for US Dollar receivables with the rates of 4,22% and 5,08% from SOCAR Power Enerji A.Ş. and interest income for TL receivables with the rate of 15,55% and interest income for US Dollar receivables with the rate of 5.08% from SOCAR Turkey Enerji A.Ş. Of the income derived from STAR, TL1.857.646 of foreign exchange gain and TL2.366.010 of other income. Income from STEAŞ composed of TL12.243.127 of interest income and TL1.052.700 of foreign exchange loss and TL15.000 of other income. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of foreign exchange gain of TL202.944 and interest income of TL1.799.662 and other income of TL966.

b) Service and rent purchases from related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
STAR ⁽²⁾	22.875.839	12.508.203	11.091.740	5.477.910
STEAŞ ⁽¹⁾	6.890.368	3.711.219	7.128.974	3.005.635
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	66.792	-	521.469	49.403
	29.832.999	16.219.422	18.742.183	8.532.948

The rent and service purchases made from STAR consist of TL 6.439.043 rent from the naphtha tank, TL 3.279.953 from labor purchases and TL 13.156.843 from engineering and other purchases. TL 5.710.236 from service purchases made from STEAŞ consists of labor invoiced for STEAŞ personnel who are working on behalf of the Group, expenses of these employees and other purchases amounting to TL 1.180.132.

c) Product purchase from related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Petrokim ⁽²⁾	234.368.342	158.335.094	52.895.337	22.076.282-
SOCAR Turkey Petrokimya A.Ş. ⁽¹⁾	168.292.797	89.152.695	-	-
SOCAR Logistics DMCC ⁽²⁾	52.972.645	3.247.894	-	-
Azoil Petrolcülük A.Ş. ⁽²⁾	1.020.422	469.156	666.588	377.685
SOCAR Gaz Ticareti A.Ş. ⁽²⁾	-	-	139.636.243	64.373.878
SOCAR Turkey Petrol Enerji Dağıtım A.Ş. ⁽²⁾	-	-	4.782.460	4.782.460
	456.654.206	251.204.840	197.980.628	91.610.305

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

⁽¹⁾ Shareholders of the Company

⁽²⁾ Shareholders of the Company or SOCAR’s subsidiaries

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

d) Product and service sales to related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
STAR ⁽²⁾	4.712.650	2.450.081	961.974	492.232
STEAS ⁽¹⁾	122.007	61.180	136.428	33.376
SOCAR Power Enerji Yatırımları A.Ş. ⁽²⁾	966	342	1.109	546
Petrokim ⁽²⁾	-	-	1.416.718	644.718
	4.835.623	2.511.603	2.516.229	1.170.872

e) Rent income from related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
STAR ⁽²⁾	11.520.331	5.765.178		
Socar Power Enerji Yatırımları A.Ş. ⁽²⁾	8.520	3.408		
Socar Teknolojik Çözümler A.Ş.	-	-		
	11.528.851	5.768.586		

⁽¹⁾ Shareholders of the Company

⁽²⁾ Shareholders of the Company or SOCAR’s subsidiaries

f) Key management emoluments:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
i. Key management emoluments - short term:				
Payments for salary and seniority incentives	7.489.932	3.135.451	4.999.242	1.617.399
ii. Key management emoluments - long term:				
Provision for employment termination benefits	577.368	115.836	812.607	(18.059)
Provision for seniority incentives	90.040	783	71.158	652
Provision for unused vacation	72.104	10.282	111.107	11.200
	739.512	126.901	994.872	(6.207)
	8.229.444	3.262.352	5.994.114	1.611.192

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

NOTE 20 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
a) Short - term provisions:		
Provision for legal cases	1.078.134	1.383.579
	1.078.134	1.383.579
b) Guaranties received:		
Bank guarantees within the context of DOCS	554.815.407	491.942.679
Letters of guarantee received from customers	335.000.100	288.961.642
Letters of guarantee received from suppliers	184.557.622	183.424.856
Letters of credit	133.199.634	84.503.722
Receivable insurance	105.990.126	96.013.037
Mortgages	2.000.000	2.000.000
Policies received	9.746.201	1.502.374
	1.325.309.090	1.148.348.310
c) Guaranties given:		
Mortgages given to banks	1.056.747.132	585.141.407
Securities given to banks (*)	864.804.030	867.787.728
Custom offices	53.129.203	50.099.000
EMRA	5.600.000	5.600.000
Türkiye Elektrik Ticaret ve Taahhüt A.Ş.	74.164	8.478.465
Other	108.828.234	109.379.677
	2.089.182.763	1.626.486.277

(*) The guarantee given for the loan used by Petlim Limancılık Ticaret A.Ş. is related to pledge and mortgage. Petkim Petrokimya Holding A.Ş. and Petlim Limancılık Ticaret A.Ş.'s pledge amounting to TL 105 million and Petlim Limancılık Ticaret A.Ş.'s credit limit of USD 212 million amounting to TL 691.827.728, was used as of 30 June 2017. In the first phase of the loan, Petkim pledged Petlim stock at a nominal value of TL 105 million. Later on 20 November 2015, a mortgage amounting to USD 350 million was established by Petkim on Petlim's land sold at a price of TL 5.650.000. It is judged that it is appropriate to consider the land price instead of the mortgage amount in terms of the risk created by the given mortgage.

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

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

	30 June 2017	31 December 2016
A. Total amount of CPMs given for the Company’s own legal personality	1.224.378.733	758.698.549
B. Total amount of CPMs given on behalf of fully consolidated companies	689.449.030	691.827.728
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	175.355.000	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	-	-
	2.089.182.763	1.626.486.277

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

d) Operational leases

	30 June 2017	31 December 2016
0-5 year	268.312.320	241.217.690
5-10 year(s)	767.235.246	650.779.200
10 years and more	1.518.254.845	1.750.698.696
Total	2.553.802.411	2.642.695.586

NOTE 21 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIODS
1 JANUARY - 30 JUNE 2017**

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

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

Foreign currency position

	30 June 2017				31 December 2016			
	TL Equivalent	ABD Dollar	Euro	Other	TL Equivalent	ABD Dollar	Euro	Other
1. Trade receivables	486.960.639	106.764.941	28.110.246	-	390.148.989	93.945.230	16.048.124	-
2a. Monetary financial assets (Cash, bank accounts included)	1.005.223.178	264.463.353	19.415.493	1.057	1.013.602.609	263.001.335	23.733.204	497
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	1.492.183.817	371.228.294	47.525.739	1.057	1.403.751.597	356.946.565	39.781.328	497
4. Trade receivables	-	-	-	-	-	-	-	-
5a. Monetary financial assets	363.939.531	103.772.214	-	-	365.195.175	103.772.214	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	363.939.531	103.772.214	-	-	365.195.175	103.772.214	-	-
8. Total assets (3+7)	1.856.123.348	475.000.508	47.525.739	1.057	1.768.946.773	460.718.779	39.781.328	497
9. Trade payables	289.110.314	72.624.726	8.568.037	24.308	289.340.519	74.598.272	7.139.375	327.913
10. Financial liabilities	844.001.702	226.076.372	12.772.735	-	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)	1.133.112.016	298.701.098	21.340.772	24.308	1.418.438.101	387.791.470	14.392.422	327.913
13. Trade payables	-	-	-	-	-	-	-	-
14. Financial liabilities	1.103.813.614	220.999.104	82.125.320	-	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)	1.103.813.614	220.999.104	82.125.320	-	1.172.474.367	239.001.672	89.323.077	-
17. Total liabilities (12+16)	2.236.925.630	519.700.202	103.466.092	24.308	2.590.912.468	626.793.142	103.715.499	327.913
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	242.838.500	35.000.000	30.000.000	-	325.687.680	87.275.000	5.000.000	-
18a. Amount of asset nature off-balance sheet derivative instruments	242.838.500	35.000.000	30.000.000	-	325.687.680	87.275.000	5.000.000	-
18b. Amount of liability nature off-balance sheet derivative instruments	-	-	-	-	-	-	-	-
19. Net foreign (liability) / asset position (8-17+19)	(137.963.781)	(9.699.694)	(25.940.353)	(23.251)	(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)	(380.802.281)	(44.699.694)	(55.940.353)	(23.251)	(821.965.695)	(166.074.363)	(63.934.171)	(327.416)
21. Total fair value of financial instruments used for foreign currency hedging	(3.959.771)	(476.697)	(571.558)	-	1.556.304	163.660	264.252	-
22. Hedged amount for current assets	242.838.500	35.000.000	30.000.000	-	325.687.680	87.275.000	5.000.000	-
23. Hedged amount for current liabilities	-	-	-	-	-	-	-	-
24. Export	1.331.339.341	250.300.340	146.660.652	-	1.350.245.112	239.964.703	182.543.988	-
25. Import	2.503.680.490	650.319.728	34.684.041	9.543.871	2.976.902.046	934.910.668	42.161.459	17.541.205

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

Table of sensitivity analysis for foreign currency risk

30 June 2017

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	(15.676.630)	15.676.630	-	-
2- The part hedged for USD risk (-)	12.274.850	(12.274.850)	-	-
3- USD effect - net (1+2)	3.401.780	(3.401.780)	-	-
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(22.392.923)	22.392.923	-	-
5- The part hedged for EUR risk (-)	12.009.000	(12.009.000)	-	-
6- EUR effect - net (4+5)	(10.383.923)	10.383.923	-	-
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(10.675)	10.675	-	-
8- The part hedged for other foreign currency risk (-)		-	-	-
9- Other foreign currency effect - net (7+8)	(10.675)	10.675	-	-
Total (3+6+9)	(13.796.378)	13.796.378	-	-

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR
THE INTERIM PERIODS 1 JANUARY - 30 JUNE 2017**

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

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

31 December 2016

	<u>Profit/(Loss)</u>		<u>Equity</u>	
	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>	<u>Appreciation of foreign currency</u>	<u>Depreciation of foreign currency</u>
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	-	-

.....