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

PETKİM PETROKİMYA HOLDİNG ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018

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

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CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Notes	Not Audited 31 March 2018	Audited 31 December 2017
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	3.300.262	1.460.449
Trade receivables		943.551	918.838
- Trade receivables from third parties		943.551	918.838
Other receivables		308.102	837.367
- Other receivables from related parties	16	305.138	833.339
- Other receivables from third parties		2.964	4.028
Derivative financial assets		690	-
Inventories	5	818.923	893.579
Prepaid expenses		1.006.159	35.670
- Prepaid expenses to third parties		56.192	30.221
- Prepaid expenses to related parties	16	949.967	5.449
Other current assets		47.250	62.501
- Other current assets from third parties		47.250	62.501
TOTAL CURRENT ASSETS		**6.424.937**	**4.208.404**
NON-CURRENT ASSETS			
Financial investments		8.910	8.910
- Financial assets available for sale		8.910	8.910
Other receivables		79.752	75.290
- Other receivables from related parties	16	79.752	75.290
Investment property		1.476	1.470
Property, plant and equipment	7	3.236.564	3.172.393
Intangible assets		22.439	23.614
Prepaid expenses		63.797	46.358
- Prepaid expenses to third parties		43.071	25.270
- Prepaid expenses to related parties	16	20.726	21.088
Deferred tax assets	11	236.180	237.963
Other non-current assets		14.954	14.453
- Other non-current assets from third parties		14.954	14.453
TOTAL NON-CURRENT ASSETS		**3.664.072**	**3.580.451**
TOTAL ASSETS		**10.089.009**	**7.788.855**

Condesed consolidated financial statements for the interim period 1 January - 31 March 2018, were approved by the Board of Directors of Petkim Petrokimya Holding A.Ş. on 3 May 2018.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Notes	Not Audited 31 March 2018	Audited 31 December 2017
LIABILITIES			
CURRENT LIABILITIES			
Short term borrowings		1.703.219	1.428.313
- Short term borrowings from third parties		1.703.219	1.428.313
- Bank borrowings	6	526.928	630.422
- Bonds issued	6	18.663	-
- Other financial liabilities	6	1.157.628	797.891
Short term portion of long term borrowings		154.802	174.250
- Short term portion of long term borrowings from third parties		154.802	174.250
- Bank borrowings	6	154.802	174.250
Derivative financial liabilities		2.780	-
Trade payables		487.385	540.279
- Trade payables to related parties	16	48.266	30.044
- Trade payables to third parties		439.119	510.235
Short term liabilities for employee benefits		21.946	6.828
Other payables		550.317	38.096
- Other payables to related parties	16	540.087	29.049
- Other payables to third parties		10.230	9.047
Deferred income		67.091	40.805
- Deferred income from related parties	16	19.141	4.176
- Deferred income from third parties	8	47.950	36.629
Short term provisions		11.068	40.660
- Provision for employee benefits	9	8.200	19.730
- Other short term provisions	17	2.868	20.930
Current tax liabilities		23.406	68.417
Other current liabilities		10.442	9.259
- Other current liabilities from third parties		10.442	9.259
TOTAL CURRENT LIABILITIES		**3.032.456**	**2.346.907**
NON-CURRENT LIABITIES			
Long term financial liabilities		3.374.519	1.349.502
- Long term financial liabilities from third parties		3.374.519	1.349.502
- Bank borrowings	6	1.407.696	1.349.502
- Bonds issued	6	1.966.823	-
Derivative financial liabilities		2.795	6.739
Deferred income		139.782	136.064
- Deferred income from related parties	16	4.267	5.095
- Deferred income from third parties	8	135.515	130.969
Long term provisions		98.482	95.565
- Provision for employee benefits Other long term provisions	9	98.482	95.565
TOTAL NON-CURRENT LIABILITIES		**3.615.578**	**1.587.870**
TOTAL LIABILITIES		**6.648.034**	**3.934.777**

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

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS AS OF 31 MARCH 2018 AND 31 DECEMBER 2017

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

	Notes	Not Audited 31 March 2018	Audited 31 December 2017
EQUITY			
Equity Attributable to Owners of the Parent Company		**3.382.884**	**3.793.931**
Share capital	10	1.500.000	1.500.000
Adjustment to share capital	10	238.988	238.988
Share premium		214.188	214.188
Other comprehensive income / (expense) not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plan		(27.291)	(27.291)
Other comprehensive income / (expense) to be reclassified to profit or loss		(8.989)	(6.569)
- Foreign currency translation differences		(5.930)	(2.795)
- Cash flow hedges		(3.059)	(3.774)
Restricted reserves		310.644	192.599
Retained earnings		1.023.971	280.057
Net profit for the period / year		131.373	1.401.959
Non-controlling interest		**58.091**	**60.147**
TOTAL EQUITY		**3.440.975**	**3.854.078**
TOTAL LIABILITIES AND EQUITY		**10.089.009**	**7.788.855**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

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

	Notes	Not Audited 1 January - 31 March 2018	Not Audited 1 January - 31 March2017
PROFIT OR LOSS			
Revenue		1.878.948	1.774.004
Cost of sales		(1.602.947)	(1.305.667)
GROSS PROFIT		**276.001**	**468.337**
General administrative expenses	12	(78.504)	(52.498)
Selling, marketing and distribution expenses		(17.532)	(13.195)
Research and development expenses		(4.704)	(3.088)
Other operating income	13	52.741	115.524
Other operating expense	13	(32.305)	(69.514)
OPERATING PROFIT		**195.697**	**445.566**
Income from investment activities		7.087	7.411
Expense from investment activities		-	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		**202.784**	**452.977**
Financial income	14	275.787	181.481
Financial expenses	14	(312.599)	(192.100)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**165.972**	**442.358**
Tax expense from continuing operations		**(40.164)**	**(83.228)**
- Current tax expense	11	(29.142)	(77.228)
- Deferred tax income	11	(11.022)	(6.000)
PROFIT FOR THE YEAR CONTINUING OPERATIONS		**125.808**	**359.130**
PROFIT FOR THE YEAR		**125.808**	**359.130**
DISTRIBUTION OF INCOME / (EXPENSE) FOR THE PERIOD			
- Non-controlling interest		(5.565)	(6.794)
- Owners of parent		131.373	365.924
Earnings Per Share	15	**0,0876**	**0,2439**
- Earnings per Kr 1 number of 1 shares from continuing operations		**0,0876**	**0,2439**

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

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

	Notes	Not Audited 1 January - 31 March 2018	Not Audited 1 January - 31 March 2017
OTHER COMPREHENSIVE INCOME / (LOSS)			
Items to be Reclassified to Profit or Loss		**1.089**	**11.085**
Currency translation differences		(648)	10.451
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		2.172	793
Gain/(Loses) on Cash Flow Hedges		2.172	793
Other Comprehensive Income That Will Be Reclassified To Taxes with Other Comprehensive Income		(435)	(159)
Taxes Relating to Cash Flow Hedges		(435)	(159)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		**1.089**	**11.085**
TOTAL COMPREHENSIVE INCOME		**126.897**	**370.215**
Attributable to:			
Non-controlling interests		(2.056)	(4.197)
Owners of parent		128.953	374.412

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

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

			Other comprehensive income / (expense) not to be reclassified to profit or loss	Other comprehensive income / (expense) to be reclassified to profit or loss								
	Share capital	**Adjustment to share capital**	**Actuarial loss arising from defined benefit plan**	**(Loss) / gain on cash flow hedges**	**Currency translation differences**	**Share premium**	**Restricted reserves**	**Net profit for the year**	**Retained earnings**	**Equity attributable to owners of the parent company**	**Non-controlling interests**	**Total equity**
1 January 2017	**1.500.000**	**238.988**	**(24.695)**	**572**	**-**	**214.188**	**104.958**	**725.786**	**241.912**	**3.001.709**	**67.731**	**3.069.440**
Transfers	-	-	-	-	-	-	35.141	(725.786)	690.645	-	-	-
Total comprehensive income	-	-	-	(1.756)	8.077	-	-	365.924	-	372.245	(2.029)	370.216
- Other comprehensive income (loss)	-	-	-	(1.756)	8.077	-	-	-	-	6.321	4.764	11.085
- Net profit for the period	-	-	-	-	-	-	-	365.924	-	365.924	(6.793)	359.131
Dividend paid	-	-	-	-	-	-	52.500	-	(652.500)	(600.000)	-	(600.000)
31 March 2017	**1.500.000**	**238.988**	**(24.695)**	**(1.184)**	**8.077**	**214.188**	**192.599**	**365.924**	**280.057**	**2.773.954**	**65.702**	**2.839.656**
1 January 2018	**1.500.000**	**238.988**	**(27.291)**	**(3.774)**	**(2.795)**	**214.188**	**192.599**	**1.401.959**	**280.057**	**3.793.931**	**60.147**	**3.854.078**
Transfers	-	-	-	-	-	-	71.545	(1.401.959)	1.330.414	-	-	-
Total comprehensive income	-	-	-	715	(3.135)	-	-	131.373	-	128.953	(2.056)	126.897
- Other comprehensive income (loss)	-	-	-	715	(3.135)	-	-	-	-	(2.420)	3.509	1.089
- Net profit for the period	-	-	-	-	-	-	-	131.373	-	131.373	(5.565)	125.808
Dividend paid	-	-	-	-	-	-	46.500	-	(586.500)	(540.000)	-	(540.000)
31March2018	**1.500.000**	**238.988**	**(27.291)**	**(3.059)**	**(5.930)**	**214.188**	**310.644**	**131.373**	**1.023.971**	**3.382.884**	**58.091**	**3.440.975**

The accompanying notes are an integral part of these consolidated financial statement

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIODS 1 JANUARY - 31 MARCH 2018 AND 2017

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

	Notes	Not Audited 1 January - 31 March 2018	Not Audited 1 January - 31 March 2017
A. Cash flows from operating activities:		**162.039**	**335.992**
Profit for the year (I)		125.808	359.131
Adjustments related to reconciliation of (II) net profit (loss) for the year:		**63.525**	**136.584**
Adjustments for depreciation and amortization		42.643	36.912
Adjustments for impairments/ reversals		(904)	(2.843)
- Adjustments for impairment of inventories	5	(904)	(2.843)
Adjustments for provisions		575	15.317
- Adjustments for provision employment termination benefits	9	18.092	15.381
- Adjustments for provision legal cases	17	231	(435)
- Adjustments for provision / other cases	17	(18.898)	371
Adjustments for interest income/ (expense)		3.283	8.441
- Adjustments for interest income	14	(49.593)	(15.325)
- Adjustments for interest expense	14	49.084	14.951
- Deferred interest expense due to credit purchase		3.219	(350)
- Unearned interest income due to credit sales		573	9.165
Adjustments for unrealized foreign currency translation differences		(22.688)	(2.681)
Adjustments for tax income/ losses		40.164	83.227
Adjustments for gain/ losses on sale of tangible assets		-	(1.643)
Adjustments for income from government incentives		1.602	(146)
Changes in working capital (III)		**65.235**	**(102.274)**
Adjustments for increases/decreases in trade receivables		(5.856)	(98.532)
Adjustments for increases/decreases in other receivables		44.863	20.242
Adjustments for increases/decreases in inventory	5	86.649	(29.915)
Increases/decreases in prepaid expenses		(14.105)	(65.155)
Adjustments for increases/decreases in trade payables		(59.072)	49.372
Adjustments for increases/decreases in other payable		(26.593)	7.286
Increases/decreases in debts from employment termination benefits	9	15.118	(6.943)
Adjustments for increases/decreases in deferred income	8	23.915	21.371
Adjustments for increases/decreases in derivative financial instruments		316	-
Cash flows from operating activities (I+II+III)		**254.568**	**393.441**
Employee termination benefits paid	9	(24.114)	(6.219)
Income taxes refund/ (paid)	11	(68.415)	(51.230)
B. Cash flows from investing activıties		**(477.799)**	**(137.107)**
Cash outflows due to purchases of tangible and intangible assets		(67.811)	(135.464)
Proceeds from sale of tangible and intangible assets		26	(1.643)
Cash inflows due to advances given to related parties		(908.660)	-
Repayments from advances given to related parties		515.757	-
Cash outflows due to advances given to third parties		(17.111)	-
C. Cash flows from financing activities		**2.032.932**	**522.454**
Proceeds from borrowings	6	91.289	819.106
Repayments of borrowings	6	(283.048)	(242.557)
Cash inflows from bonds issued	6	1.882.762	-
Proceeds other financial liabilities	6	383.117	161.794
Repayments of other financial liabilities	6	(68.580)	(212.585)
Interest received		55.369	14.584
Interest paid		(27.977)	(17.888)
D. Net increase / (decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C)		**1.717.172**	**721.339**
E. Effect of currency translation differences on cash and cash equıvalents		**122.641**	**29.539**
Net increase / (decrease) in cash and cash equivalents (D+E)		**1.839.813**	**750.878**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**1.460.449**	**1.267.188**
CASH AND CASH EQUIVALENTSAT THE END OF THE PERIOD	**4**	**3.300.262**	**2.018.066**

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

STEAŞ and SİPAŞ merged on 22 September 2014 under STEAŞ.

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

The Group is registered at the Capital Markets Board ("CMB") and 49% (31 December 2017: %49) of its shares have been quoted in Borsa İstanbul ("BIST") since 9 July 1990 (Note 10).

These condensed consolidated interim financial statements were approved to be issued by the Board of Directors on 3 May 2018 and signed by Mr. Anar Mammadov, General Manager and Mr. Rıza Bozoklar, Vice President of Finance, on behalf of the Board of Directors.

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

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

As of 31 March 2018, the Company's subsidiaries ("subsidiaries") the Company and its subsidiaries (hereinafter collectively referred to as the "Group") and their respective operating segments are as follows:

The number of personnel in the Group is 2.462 as of 31 March 2018 (31 December 2017 - 2.425).

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

	31 March 2018	**31 December 2017**
Union (*)	1.860	1.877
Non-union (**)	602	587
	2.462	**2.464**

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

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

2.1 Basis of Presentation of Financial Statements

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

The Group prepared its condensed interim consolidated financial statements fort the period ended 31 March 2018 in accordance with ("TAS") 34 "Interim Financial Reporting" in the framework of the Communique Serial II, No: 14.1, and its related announcement. The condensed interim consolidated financial statements and its accompanting notes are presented in compliance with the format recommended by CMB including its mandatory information.

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

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

The Group maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legistation and the uniformchart 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 fort he 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 18).

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

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

2.2 Summary of significant accounting policies

Significant accounting policies applied in the preparation of the financial statements in the interim condensed consolidated statements are consistent with the explanations in the financial statements for the period 1 January - 31 December 2017 except for the following:

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

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

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

2.3 Basis of consolidation

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.

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

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 31 March 2018 and 31 December 2017.

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

b) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

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

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

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

As of 31 March 2018, Petlim's assets and liabilities are translated into TL from the foreign exchange rate at the date of that balance sheet date. The income and expenses of Petlim are translated into TL at the average exchange rate. The effects of conversion of opening net assets of Petlim and the differences arising from the exchange rates at the average exchange rates and balance sheet dates are recognized in "currency translation differences" in other comprehensive income.

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

The end of the period:	**31 March 2018**	**31 December 2017**
Turkish Liras / USD Dollars	3,9489	3,7719

Average:

	31 March 2018	**31 March 2017**
Turkish Liras / USD Dollars	3,8094	3,6933

2.4 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 March 2018:

- **IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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

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

- **Amendments to IFRS 4, 'Insurance contracts'** regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

    - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
    - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

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

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

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

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

  - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,

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

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

b) New standards, amendments and interpretations issued and effective as of 1 January 2018 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) Standards, amendments and interpretations effective after 31 March 2018:

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

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

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

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

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

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

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

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

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

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

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

2.5 Comparative information and restatement of previous year financial statements

The Group prepared its interim condensed consolıdated 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 31 March 2018 on a comparative basis with balance sheet at 31 December 2017; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 March 2018 on a comparative basis with financial statements for the period of 1 January - 31 March 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.

The reclassifications made to interim condensed consolidated income statement and other comprehensive income / (loss) of the Group dated 31 March 2017 are as follows:

- Port operating income amounting to TL 7.771 which is previously presented in income from investing activities is classified as revenue.

- Depreciation expenses amounting to TL 7.703 which is previosuly presented in expense from investing activities is classified as cost of sales.

2.6 Critical accounting estimates and judgments

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

a) Provision for lawsuits

Provision for lawsuits is evaluated by the Group based on opinions of Group Legal Counsel and legal consultants. The Group determines the amount of provisions based on best estimates. As of reporting date, provision for lawsuits is stated in Note 17.

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

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

The Group determines useful lives of tangible and intangible assets and investment properties in line with opinions of technical experts and recognizes depreciation and amortization expenses during aforementioned useful lives. Useful lives of land improvements related to port project are estimated by considering leasing period granted by Petlim in via operator agreement dated 22 February 2013. The Group reviews useful lives of assets subject to aforementioned depreciation in each reporting period and it is estimated that there exist no situation requiring any adjustment in useful lives as of 31 March 2018.

c) Deferred income tax assets

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the tax losses carried forward and investment incentives to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 11). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

d) Provision for employee benefits

Actuarial assumptions about discount rates, inflation rates, future salary increases and employee turnover rates are used to calculate Group's provision for employee benefits. Such assumptions used in determination of the provision for defined benefit plans are disclosed in Note 9.

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

At each reporting period, the assessment of the recoverability of available-for-sale investments and receivables from related parties are performed by the Group management including a determination of the counterparty's ability and intention to repay its obligation to the Group. This assessment includes the Group management's judgment about the ability of the debtor to generate additional sources of financing, revenue, and ultimately adequate cash flows to service those receivables. The Group management does not anticipate any risk in relation to the recoverability of those assets at 31 March 2018.

NOTE 3 - SEGMENT REPORTING

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

The operating segment of the Group are as follows;

- Petrochemical
- Port

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

a) Revenue

	1 January - 31 March 2018	1 January - 31 March 2017
Petrochemical	1.858.757	1.766.239.
Port	20.193	7.771
Total before eliminations and adjustments	**1.878.950**	**1.774.010**
Consolidation eliminations and adjustments	(2)	(6)
	1.878.948	**1.774.004**

b) Operating profit/(loss)

	1 January - 31 March 2018	1 January - 31 March 2017
Petrochemical	188.439	451.723
Port	2.455	(10.055)
Total before eliminations and adjustments	**190.894**	**441.668**
Consolidation eliminations and adjustments	4.803	3.898
Operating profit	**195.697**	**445.566**
Financial (expenses)/income, net	(36.812)	(10.619)
Income from investing activities, net	7.087	7.411
Profit before tax from continued operations	**165.972**	**442.358**
Tax expense	(40.164)	(83.228)
Profit for the period	**125.808**	**359.130**

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

NOTE 3 - SEGMENT REPORTING (Continued)

c) Total assets

	31 March 2018	31 December 2017
Petrochemical	9.223.003	6.891.966
Port	1.604.508	1.527.342
Total before eliminations and adjustments	**10.827.511**	**8.419.308**
Consolidation eliminations and adjustments	(738.502)	(630.453)
	10.089.009	**7.788.855**

d) Total liabilities

	31 March 2018	31 December 2017
Petrochemical	5.671.631	2.940.164
Port	1.420.248	1.336.229
Total before eliminations and adjustments	**7.091.879**	**4.276.393**
Consolidation eliminations and adjustments	(443.845)	(341.616)
	6.648.034	**3.934.777**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash	-	-
Banks	3.300.262	1.460.449
- Demand deposits	9.197	16.526
- TL	3.402	4.581
- Foreign currency	5.795	11.945
- Time deposits	3.291.065	1.443.923
- TL	553.285	459.830
- Foreign currency	2.737.780	984.093
	3.300.262	**1.460.449**

As of 31 March 2018, foreign currency time deposits consist of overnight or monthly deposits. The weighted average effective interest rates of USD and Euro overnight deposits are 3,80% and 1,66% per annum, respectively. (31 December 2017: USD – 3,81% , Euro - 1,64%). The weighted average effective interest rate of the USD denominated time deposits was respectively 4,07% (31 December 2017: 4,59%).

As of 31 March 2018, the TL dominated time deposits consist of overnight deposits and the weighted average effective interest rate is 14,56% and 14,84% per annum. (31 December 2017: overnight 14,78%, monthly 15,14%). The Group has no blocked deposits as of 31 March 2018 (31 December 2017: None).

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

NOTE 5 - INVENTORIES

	31 March 2018	31 December 2017
Raw materials	277.334	261.721
Work-in-progress	179.631	187.455
Finished goods	224.038	236.956
Trade goods	26.847	45.883
Goods in transit	62.355	115.474
Other inventories	49.492	47.766
Less: Provision for impairment on inventories	**(774)**	(1.678)
	818.923	**893.579**

Movements of provision for impairment on inventory for the periods ended 31 March 2018 and 2017 were as follows:

	2018	2017
1 January	**(1.678)**	**(999)**
Current year income/expense, net	904	(2.842)
31 March	**(774)**	**(3.842)**

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

	31 March 2018	31 December 2017
Work-in-progress	(460)	(460)
Finished Goods	(13)	-
Trade goods	(280)	(1.197)
Other inventories	(21)	(21)
	(774)	**(1.678)**

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

NOTE 6 - BORROWINGS AND BORROWING COSTS

	31 March 2018	31 December 2017
Short-term borrowings	526.928	630.422
Short-term portions of long-term borrowings (*)	154.802	174.250
Bonds issued (**)	18.663	-
Other financial liabilities (***)	1.157.628	797.891
Short term financial liabilities	**1.858.021**	**1.602.563**
Long term borrowings (*)	1.407.696	1.349.502
Bonds issued (**)	1.966.823	-
Long term borrowings	**3.374.519**	**1.349.502**
Total financial liabilities	**5.232.540**	**2.952.065**

(*) Certain provisions concerning the long-term loan agreement for the container terminal investment of Petlim may possibly be deemed to have been breached because the second phase of the harbour was not commissioned in the current period. Currently, there is no dispute with the relevant finance institution concerning the loan in question. With the second phase of the terminal expected to be commissioned in short term and by obtaining an official waiver of the financial institution on the relevant provisions of the agreement,compliance with TMS 1 is achieved. Therefore, the Group classified the loan amounting to TRY 755.627, equivalent to USD 191.351, as long term liability, considering the relevant provisions of TMS 1, as there is an explicit written legal document that prevents the withdrawal of the loan.

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

(***) Other financial liabilities consist of letters of credits arising from naphtha purchases. The average maturity of letter of credits is 164 days including commission expenses accrued in accordance with the effective interest method as of 31 March 2018 (31 December 2017: average maturity 186 days).

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

NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average Interest rate p.a. (%)		Original currency		TL equivalent	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**	**31 March 2018**	**31 December 2017**
Short - term borrowings:						
TL borrowings	12,40 - 15,50	12,80	200.363	343.758	200.363	343.758
USD borrowings	Libor + 0,50 + 0,65	Libor + 0,65	79.000	76.000	311.963	286.664
EUR borrowings	Libor + 0,50	-	3.000	-	14.602	-
Short - term portions of long-term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	21.149	28.647	83.514	108.054
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 + 3,00 – 1,64	14.646	14.660	71.288	66.196
Total short - term borrowings					**681.730**	**804.672**
Long - term borrowings:						
USD borrowings	Libor + 4,67 - 4,26	Libor + 4,67 - 4,26	225.241	225.891	889.452	852.038
Euro borrowings	Euribor + 0,6 +3,00 - 1,64	Euribor + 0,6 + 3,00 – 1,64	106.475	110.168	518.244	497.464
Total long - term borrowings					**1.407.696**	**1.349.502**
Total borrowings					**2.089.426**	**2.154.174**

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

NOTE 6 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings as of 31 March 2018 and 31 December 2017 is as follows:

	31 March 2018
2019	114.164
2020	137.418
2021	157.510
2022	169.866
2023	160.444
2023 over	668.294
	1.407.696

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

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

	2018	**2017**
1 January	**2.952.066**	**2.392.163**
Proceeds from financial liabilities	2.357.167	980.900
Repayments of financial liabilities	(351.627)	(455.142)
Changes in foreign exchange	244.952	47.917
Changes in interest accrual	29.982	2.642
Less: Cash and cash equivalents	(3.300.262)	(2.018.067)
31 March	**1.932.278**	**950.413**

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2018
Cost:						
Land	13.501	-	-	(26)	-	13.475
Land improvements	177.687	-	993	-	91	178.771
Buildings	171.743	-	8.200	-	28	179.971
Machinery and equipment	6.862.864	-	18.110	-	-	6.880.974
Motor vehicles	11.512	-	-	-	-	11.512
Furniture and fixtures	98.178	-	2.784	-	21	100.983
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Assets subject to operating lease	663.032	-	491.041	-	44.996	1.199.069
Construction in progress	963.829	67.811	(521.128)	-	5.189	515.701
	8.964.013	**67.811**	**-**	**(26)**	**50.325**	**9.082.123**
Accumulated depreciation:						
Land improvements	(90.896)	(1.463)	-	-	(11)	(92.370)
Buildings	(106.681)	(993)	-	-	(11)	(107.685)
Machinery and equipment	(5.504.853)	(38.364)	-	-	-	(5.543.217)
Motor vehicles	(8.893)	(256)	-	-	-	(9.149)
Furniture and fixtures	(57.109)	(2.041)	-	-	(17)	(59.167)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(634)	(11)	-	-	-	(645)
Assets subject to operating lease	(21.558)	(9.515)	-	-	(1.257)	(32.330)
	(5.791.620)	**(52.643)**	**-**	**-**	**(1.296)**	**(5.845.559)**
Net book value	**3.172.393**					**3.236.564**

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

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2017	Additions	Transfers	Disposals	Foreign currency translation differences	31 March 2017
Cost:						
Land	13.522	-	-	-	254	13.776
Land improvements	115.727	-	-	-	73	115.800
Buildings	171.618	-	-	-	15	171.633
Machinery and equipment	6.560.806	-	18.898	(8.768)	-	6.570.936
Motor vehicles	12.513	-	-	(489)	-	12.024
Furniture and fixtures	91.565	-	618	(3)	7	92.187
Other fixed assets	996	-	-	-	-	996
Leasehold improvements	671	-	-	-	-	671
Construction in progress (*)	574.290	69.035	(21.623)	-	-	621.702
	7.541.708	**69.035**	**(2.107)**	**(9.260)**	**349**	**7.599.725**
Accumulated depreciation:						
Land improvements	(87.815)	(723)	-	-	(37)	(88.575)
Buildings	(102.922)	(935)	-	-	(8)	(103.865)
Machinery and equipment	(5.373.701)	(32.406)	-	8.747	-	(5.397.360)
Motor vehicles	(9.648)	(219)	-	472	-	(9.395)
Furniture and fixtures	(62.188)	(1.513)	-	1	(4)	(63.704)
Other fixed assets	(996)	-	-	-	-	(996)
Leasehold improvements	(589)	(11)	-	-	-	(600)
	(5.637.859)	**(35.807)**	**-**	**9.220**	**(49)**	**(5.664.495)**
Net book value	**1.903.849**					**1.935.230**

(*) Construction in progress amounting to TL 2.107 has been transferred to the intangible assets as of 31 March 2017.

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

NOTE 8 - DEFERRED INCOME

a) Short term deferred income

	31 March 2018	31 December 2017
Advances received	44.272	34.590
Deferred income	3.678	2.039
	47.950	**36.629**

b) Long term deferred income

Long-term deferred income (*)	135.515	130.969
	135.515	**130.969**

(*) For a container port to be established inside Petkim facilities to be operated by APM Terminalleri Liman İşletmeciliği A.Ş. (APM Terminalleri), an operation agreement was signed between the Group and APMT BV. and APM Terminalleri on 22 February 2013. Under the agreement, the amount paid by the Group APM Terminals TL 134.410 is followed in long-term deferred income.

NOTE 9 - EMPLOYEE BENEFITS

a) Short-term employee benefits:

	31 March 2018	31 December 2017
Provision for seniority incentive bonus	4.450	4.760
Provision for bonus premium	3.750	14.970
	8.200	**19.730**

b) Long-term employee benefits:

Provision for employment termination benefits	70.836	79.164
Provision for unused vacation rights	22.210	11.491
Provision for seniority incentive bonus	5.436	4.910
	98.482	**95.565**

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

NOTE 9 - EMPLOYEE BENEFITS (Continued)

Provision for unused vacation:

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

	2018	2017
1 January	**11.491**	**8.867**
Changes in the period, net	10.719	8.237
31 March	**22.210**	**17.104**

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of full TL 4.732,48 for each year of service as of 31 March 2018 (31 December 2017 – full TL4.732,48).

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

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL5.001,76 which is effective from 1 January 2018, has been taken into consideration in the calculation of employment termination benefits of the Group (1 January 2017 – full TL4.426,16).

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

NOTE 9 - EMPLOYEE BENEFITS (Continued)

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

	2018	**2017**
1 January	**79.164**	**79.217**
Interest cost	2.308	2.210
Payments during the period	(10.000)	(5.225)
Service cost	(636)	(859)
31 March	**70.836**	**75.343**

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:

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

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

NOTE 9 - EMPLOYEE BENEFITS (Continued)

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

	2018	2017
1 January	**9.670**	**5.672**
Interest cost	283	159
Payments during the period	(1.735)	(823)
Service cost	1.668	3.254
31 March	**9.886**	**8.262**

NOTE 10 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

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

Adjustment to share capital represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement.

As the board of directories meeting decision taken at the December 8, 2015 in the registered capital ceiling of TL4.000.000, increased 50% of the issued share capital and reached from TL1.000.000 to TL1.500.000. Capital increase consists from adjustments to share capital amounting to TL 247.864 and special fund amounting to TL 252.136. Group A registered shares, issued per procuration of the capital increased at an amount of TL500.000, are distributed to shareholders in due form. Approved and issued capital of the Company consist of 149.999.999.999 Group A shares, each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Privatization Administration (31 December 2017 **-** 149.999.999.999 Group A shares each of them having a registered nominal price of 1Kr, and 1 Group C preferred stock belonging to Privatization Administration).

NOTE 10 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Capital of the Company is composed of all registered shares (31 December 2017 – All registered).

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

- The amendments on the articles of association affecting the privileges of type C,

- The recording of the transfer of the registered shares in the stock ledger,

- The determination of the form of the certificate of authority stated in the 31st clause of the Articles of Association,

- The decision related with the reduction of the capacity of any plant by 10% owned by the Company

- The foundation of new company or partnership, acquisition of a company being a partner of existing companies and/or merging with them, spin-off, changes of the titles, annulment and winding-up.

Dividend distribution

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

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

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

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

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

- According to the Article numbered 37 of Association of the Company, dividends in advance can be distributed.

NOTE 10 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

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

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

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

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

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

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

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

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

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

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

Board of Directors' proposal to distribute gross dividend at amount of TL 540.000 in cash and gross dividend in the amount of TL 150.000 corresponding to %10 of the issued capital to shareholders as bonus shares to be covered from Special Funds, the date of payment of cash dividends shall be as 3 May 2018 has been approved on the General Assembly Meeting dated 30 March 2018.

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

NOTE 11 - INCOME TAXES (INCLUDING DEFERRE TAX ASSSETS AND LIABILITIES)

a) Corporate tax:

Tax expenses included in the consolidated income statement for the interim periods ended 31 March 2018 and 2017 are summarized below:

	1 January – 31 March 2018	1 January – 31 March 2017
Deferred tax income	(11.022)	(6.000)
Current year tax	(29.142)	(77.228)
Total tax expense	**(40.164)**	**(83.228)**

The corporation tax rate of the fiscal year 2018 is 22% (31 December 2017 - 20%). Corporation tax is payable at a rate of 22% on the total income of the companies after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution (except for the 19,8% withholding taxes paid in the event of the utilization of investment incentive allowance within the scope of Income Tax Law temporary clause 61).

With the article 5 of the law 6009 adopted by Turkish National Assembly on 23 July 2010 and published on the official gazette on August 1, 2010, phrase in the temporary article numbered 69 of Income Tax Law numbered 193 stating that" might be offset from the fiscal gain within the context of the laws and regulations(including tax rate) applicable at this date", was substituted as " might be offset from fiscal gain within the context of the laws and regulations(including tax rate specified in paragraph 2 article 61 of this law) applicable at this date".

In addition, a phrase coming after the substituted phrase stating that "investment incentives which will be deducted from fiscal gain during determination of tax base cannot be greater than 25% of the gain and tax is calculated from remaining gain according to applicable tax rate" was also added.

With the above mentioned amendments,

a. Unused and carried investment incentive amounts might be used without any period limitation but the amount of investment incentive that can be deducted was restricted up to the limit of 25% of fiscal gain.

b. The practice of applying income tax rate (20%- 40%) applicable as of December 31, 2005 for income tax payers and 30% for corporate tax payers on remaining tax base, if any, after deducting investment incentive was abandoned and principle of using applicable tax rate (15%-35% for income tax payers and 20% for corporation tax payers) of the period investment incentive used is adopted.

c. With the phrase added to paragraph 1 of article 69 ("including tax rate specified in paragraph 2 article 61 of this law") 19,8% of income tax cut is applied to fiscal gains for which investment incentive (applied before April 24, 2003) is applied but ceded to following period due to inadequate fiscal gain, parallel to former application. Hence, 19,8% stoppage application, formerly called "withholding investment incentive" remained unchanged.

Tax returns are open for five years from the beginning of the year that follows the date of filling during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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

NOTE 11 - INCOME TAXES (INCLUDING DEFERRE TAX ASSSETS AND LIABILITIES) (Continued)

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 2017 - 20%).

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

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

	Taxable Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 March 2018	**31 December 2017**	**31 March 2018**	**31 December 2017**
Difference between the carrying values and tax bases of property, plant, equipment and intangible assets	(184.362)	(201.665)	(36.873)	(40.333)
Other	(2.263)	(3.339)	(425)	(668)
Deferred income tax liabilities	**(186.625)**	**(205.004)**	**(37.325)**	**(41.001)**
Unused investment incentives	905.371	894.457	241.156	239.803
Provision for employee benefits	102.919	115.290	20.584	23.058
Deferred revenue related to the transfer of operating rights	29.451	35.478	5.890	7.096
Adjustment to rediscount of receivables	10.755	10.183	2.151	2.037
Rent allowance fee	4.434	4.476	887	895
Provision for legal cases	2.854	3.202	571	640
Other	11.330	27.177	2.266	5.435
Deferred income tax assets	**1.067.114**	**1.090.263**	**273.505**	**278.964**
Deferred tax assets / (liabilities) – net			**236.180**	**237.963**

The movement of deferred income tax is as follows:

	2018	**2017**
1 January	**237.963**	**244.964**
Recognized in the profit or loss statement	(11.022)	(6.000)
Recognized in other comprehensive income	(434)	(159)
Foreign currency translation differences	9.673	7.094
31 March	**236.180**	**245.899**

As of 31 March 2018, the Group has TL 905.371 unused investment spending for which the realization of the related tax benefit through the future taxable profit has deemed probable with respect to its projections (31 December 2017 - TL 894.457).

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

NOTE 12 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 March 2018	1 January - 31 March 2017
Personnel expense	(33.644)	(27.229)
Outsourced services	(22.337)	(14.144)
Energy expenses	(3.709)	(4.449)
Taxes, funds and fees	(3.019)	(1.143)
Depreciation and amortization	(2.995)	(2.133)
Other	(12.800)	(3.400)
	(78.504)	**(52.498)**

NOTE 13 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

a) Other operating income:

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange gains	26.888	66.598
Foreign exchange gains on trade receivables	23.918	24.389
Other	1.935	24.537
	52.741	**115.524**

b) Other operating expenses:

Foreign exchange losses	(12.534)	(54.638)
Rediscount expense on trade receivables	(11.253)	(9.165)
Other	(8.518)	(5.711)
	(32.305)	**(69.514)**

NOTE 14 - FINANCIAL INCOME/ EXPENSES

a) Finance income

	1 January - 31 March 2018	1 January - 31 March 2017
Foreign exchange gain	224.679	165.246
Interest income	49.593	15.325
Other	1.515	910
	275.787	**181.481**

b) Finance expense

Foreign exchange loss	(233.699)	(173.541)
Interest expense	(49.084)	(14.952)
Commission expense	(3.271)	(1.239)
Interest expense on employee benefits	(2.591)	(2.368)
Other	(23.954)	-
	(312.599)	**(192.100)**

NOTE 15 - EARNINGS PER SHARE

	1 January - 31 March 2018	1 January - 31 March 2017
Net profit for the period of the equity holders of the parent	131.373	365.924
Weighted average number of shares with nominal value of Kr1 each (thousand)	150.000	150.000
Earnings per share (Kr)	**0,0876**	**0,2439**

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties

a) Short term other receivables from related parties:

	31 March 2018	31 December 2017
SOCAR Turkey Petrokimya A.Ş. (1)	237.242	223.250
SCR Gayrimenkul A.Ş. (2)	41.510	68.432
STAR (2)	25.018	-
STEAŞ (1)	1.359	541.652
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	8	3
TANAP Doğalgaz İletişim A.Ş. (2)	1	2
	305.138	**833.339**

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

b) Long term other receivables from related parties:

SOCAR Power Enerji Yatırımları A.Ş. (2) (*)	79.752	75.290
	79.752	**75.290**

(*) Revenue from Socar Power Enerji Yatırımları A.Ş. consist from land sale and rent receivable amounting to TL 65.966, interest and other receivables amounting to TL 13.786.

c) Short term trade payables to related parties:

SOCAR Turkey Enerji A.Ş.("STEAŞ") (1)	31.635	29.559
SOCAR Turkey Petrol Ener. Dağ. A.Ş. (2)	16.164	-
Azoil Petrolcülük A.Ş. (2)	383	408
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	81	77
SOCAR Power Enerji Yatırımları A.Ş. (2)	3	-
	48.266	**30.044**

Short term trade payables to related parties mainly consist of product purchases and consulting purchases. Average maturity of short term trade payables is 2 days. (31 December 2017 –6 days).

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

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Other payables to related parties:

	31 March 2018	31 December 2017
Due to shareholder (*)	540.087	87
STAR (2)	-	28.962
	540.087	**29.049**

(*) According to the decision of General Assembly meeting dated 30 March 2018 amounting to TL 540.000 dividend will be paid on 03 May 2018.

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

e) Short term deferred income from related parties

STAR (2) (**)	18.502	4.176
SOCAR Turkey Akaryakıt Depolama A.Ş. (2)	639	-
	19.141	**4.176**

f) Long term deferred income from related parties

STAR (2) (**)	4.267	5.095
	4.267	**5.095**

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

g) Short term prepaid expense to related parties

STEAŞ(1)(***)	947.788	50
STAR (2)	2.179	5.399
	949.967	**5.449**

(***) As a result of negotiations between the Group and its main shareholder SOCAR Turkey Enerji A.Ş. (STEAŞ), a share sale and transfer agreement ("agreement") has been signed on 9 January 2018 in order to acquire 30% shares of Rafineri Holding A.Ş. (Rafineri Holding) from STEAŞ with a purchase price of USD 720 million.1/3 of the purchase price amounting to USD 240.000 has been paid as of 31 March 2018. 1/3 of the price shall be paid on the date on which testing commences during the commissioning of the refinery which is constructed by STAR Rafineri A.Ş (STAR) in Aliaga and such date shall be communicated and the remaining 1/3 of the purchase price shall be paid on transfer date of the shares. In accordance with the terms of the agreement, share transfer contract can be terminated at its discretion by Petkim. Therefore, advances paid are classified as financial assets on the balance sheet as of 31 March 2018.Rafineri Holding A.Ş. holds 60% shares of SOCAR Turkey Yatırım A.Ş. which holds 100% shares of STAR, that has the ongoing STAR Refinery investment. With this agreement, the Group will have 18% indirect share of STAR. Rafineri Holding A.Ş.shares subject to this agreement will be transferred to the Group after obtaining the necessary approvals at a future time, that is defined as closing date in the agreement. The latest date for the closing date is determined as 31 March 2019.

h) Long term prepaid expense to related parties

STAR (2)	20.726	20.999
STEAŞ(1)	-	89
	20.726	**21.088**

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

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

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with related parties

a) Other income / (expenses) from related party transactions – net:

	1 January - 31 March 2018	1 January - 31 March 2017
STEAŞ (1)	48.494	16.462
SOCAR Turkey Petrokimya A.Ş. (1)	13.438	-
SOCAR Power Enerji Yatırımları A.Ş. (2)	4.233	2.868
SCR Gayrimenkul A.Ş.(2)	2.164	-
STAR (2)	1.600	1.302
Azoil Petrolcülük A.Ş. (2)	-	2
Petrokim (2)	-	215
SOCAR Turkey Akaryakıt Depolama A.Ş.(2)	(2)	-
SOCAR Trading SA(2)	(14)	-
Socar Turkey Petrol Ener. Dağ. A.Ş. (2)	(864)	-
SOCAR Azerikimya Production Union (2)	-	(162)
Socar Gaz Ticareti A.Ş. (2)	-	(397)
	69.049	**20.290**

The Group has interest income for TL receivables with the rates of 16,65% and 16,83%, interest income for US Dollar receivables with the rates of 4,88% and 5,30% from SOCAR Power Enerji A.Ş. and interest income for TL receivables with the rate of 16,83% .Of the income derived from STAR, TL 26 of foreign exchange loss and TL 1.626 of other income. Income from STEAŞ composed of TL 4.503 of interest income and TL 43.956 of foreign exchange gain and TL 35 of other income. Income from SOCAR Power Enerji Yatırımları A.Ş. consists of foreign exchange gain of TL 2.969 and interest income of TL 1.264.

b) Service and rent purchases from related parties:

STAR (2)	3.492	10.368
STEAŞ (1)	3.320	3.179
Socar Turkey Petrol Enerji Dağıtım A.Ş. (2)	37	-
SOCAR Power Enerji Yatırımları A.Ş. (2)	3	67
	6.852	**13.614**

The rent and service purchases from STAR consist of rent amounting to TL 3.492. The service purchases from STEAŞ consist of other purchases amounting to TL 3.320.

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

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

NOTE 16 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

c) Product purchase from related parties:

	1 January - 31 March 2018	1 January - 31 March 2017
SOCAR Turkey Petrol Enerji Dağıtım A.Ş.(2)	40.362	-
SOCAR Trading SA(2)	17.408	-
Azoil Petrolcülük A.Ş. (2)	539	551
SOCAR Logistics DMCC(2)	-	49.725
SOCAR Turkey Petrokimya A.Ş. (1)	-	79.140
Petrokim (2)	-	76.033
	58.309	**205.449**

Purchases made from related parties during the interim period ended 31 March 2018 consist of commercial products and fuel purchases.

d) Product and service sales to related parties:

STAR (2)	5.068	2.262
STEAŞ (1)	213	61
SOCAR Turkey Akaryakıt Depolama A.Ş.(2)	8	-
SOCAR Power Enerji Yatırımları A.Ş. (2)	-	1
	5.289	**2.324**

e) Rent income from related parties:

STAR (2)	6.113	5.604
SOCAR Turkey Akaryakıt Depolama A.Ş.(2)	213	-
SOCAR Power Enerji Yatırımları A.Ş. (2)	-	5
	6.326	**5.609**

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

f) Key management emoluments:

i. Key management emoluments – short term:

Payments for salary and seniority incentives	6.815	4.354
	6.815	**4.354**

ii. Key management emoluments – long term:

Provision for unused vacation	1.125	462
Provision for seniority incentives	136	89
Provision for employment termination benefits	103	62
	1.364	**613**
	8.179	**4.967**

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.

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

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short - term provisions:

	31 March 2018	31 December 2017
Provision for legal cases	2.868	3.202
Other	-	17.728
	2.868	**20.930**

b) Guarantees received:

Bank guarantees within the context of DOCS	548.496	633.726
Letters of guarantee received from customers	447.187	439.350
Receivable insurance	261.897	184.814
Letters of guarantee received from suppliers	175.159	144.219
Letters of credit	90.527	134.134
Mortgages	2.000	2.000
Policies received	1.500	-
	1.526.766	**1.538.243**

c) Guarantees given:

Mortgages given to banks	1.011.206	1.204.129
Securities given to banks (*)	837.167	799.643
Custom offices	42.099	69.254
Other	104.553	91.311
	1.995.025	**2.164.337**

(*) Mortgage amounting to USD 350 million is related with the borrowing for port investment amounting to USD 212 million as of 31 March 2018.

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

A. Total amount of CPMs given for the Company's own legal personality	1.157.858	1.364.694
B. Total amount of CPMs given on behalf of fully consolidated companies	837.167	799.643
C. Total amount of CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs		
i. Total amount of CPMs given on behalf of the majority shareholder	-	-
ii. Total amount of CPMs given to on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPMs given to on behalf of third parties which are not in scope of C	-	-
	1.995.025	**2.164.337**

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

NOTE 17 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

d) Ongoing cases and investigations

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

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

At the same time during 2017, two of the three ongoing lawsuits at local tax courts related to the imported Pygas were concluded in favour of the Group, with the conclusion that the product customs tariff statistical position does not require SCT. In the third lawsuit it was ruled that the product does require SCT but that the penalty amount was unfair. Subsequently on 28 September 2017 all the lawsuits which were heard at the Regional Administrative Court (the "Court of Appeals") were concluded in favour of the Group with rulings that the product's customs tariff statistical position does not require SCT, and a lawsuit was filed with the Council of State by the Customs Administration. Furthermore, as of 31 December 2017, tax inspection related with the same issue for the years 2013, 2015 and 2016 is still ongoing and the Group management has not received any notification for the related periods.

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

Group management and Group legal consultants estimate that since the Court of Appeals has ruled that the customs tariff statistical position of Pygas does not require SCT, the tax principal and penalty communicated by the Turkish Ministry of Finance will then be concluded via a settlement and/or litigation in a way that does not constitute any material financial risk.

e) Operational leases

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

	31 March 2018	**31 December 2017**
0-1 year	335.104	316.087
1-5 year(s)	1.148.113	933.277
5 years and more	1.862.834	1.939.877
Total	**3.346.051**	**3.189.241**

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Foreign exchange risk

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

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

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

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency position

	31 March 2018				31 December 2017			
	TL equivalent	**USD dollar**	**Euro**	**Other**	**TL equivalent**	**USD dollar**	**Euro**	**Other**
1. Trade receivables	529.359	100.305	27.379	-	493.826	99.358	26.368	-
2a. Monetary financial assets (Cash, bank accounts included)	3.911.181	977.114	10.756	305	1.673.012	421.153	18.631	332
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Current assets (1+2)	**4.440.540**	**1.077.419**	**38.135**	**305**	**2.166.838**	**520.511**	**44.999**	**332**
4. Trade receivables	-	-	-	-				
5a. Monetary financial assets	485.082	122.840	-	-	385.307	102.152	-	-
5b. Non-monetary financial assets	-	-	-	-	-	-	-	-
6. Other	-	-	-	-	-	-	-	-
7. Non-current assets (4+5+6)	**485.082**	**122.840**	**-**	**-**	**385.307**	**102.152**	**-**	**-**
8. Total assets (3+7)	**4.925.622**	**1.200.259**	**38.135**	**305**	**2.552.145**	**622.663**	**44.999**	**332**
9. Trade payables	353.435	76.136	7.229	17.527	442.004	107.144	5.755	11.170
10. Financial liabilities	1.609.495	385.830	17.646	-	1.182.920	296.064	14.660	-
11a. Monetary other liabilities	-	-	-	-	-	-	-	-
11b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
12. Short-term liabilities (9+10+11)	**1.962.930**	**461.967**	**24.875**	**17.527**	**1.624.924**	**403.208**	**20.415**	**11.170**
13. Trade payables	-	-	-	-				
14. Financial liabilities	2.618.474	531.852	106.475	-	625.745	34.010	110.168	-
15a. Monetary other liabilities	-	-	-	-	-	-	-	-
15b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
16. Long-term liabilities (13+14+15a+15b)	**2.618.474**	**531.852**	**106.475**	**-**	**625.745**	**34.010**	**110.168**	**-**
17. Total liabilities (12+16)	**4.581.404**	**993.819**	**131.349**	**17.527**	**2.250.669**	**437.218**	**130.583**	**11.170**
18. Net (liability)/asset position of off-balance sheet derivative instruments (18a-18b)	**(137.722)**	**(23.783)**	**(9.000)**	**-**	**-**	**-**	**-**	**-**
18a. Amount of asset nature off-balance sheet derivative instruments	**44.295**	**11.217**	**-**	**-**	**-**	**-**	**-**	**-**
18b. Amount of liability nature-off balance sheet derivative instruments	**(182.017)**	**(35.000)**	**(9.000)**	**-**	**-**	**-**	**-**	**-**
19. Net foreign (liability) / asset position (8-17+19)	**206.496**	**206.441**	**(93.215)**	**(17.222)**	**301.476**	**185.445**	**(85.584)**	**(10.838)**
20. Net foreign currency (liability) / asset position of monetary items (IFRS 7.B23) (=1+2a+4+5a-9-10-11a-13-14-15a)	**344.218**	**206.441**	**(93.215)**	**(17.222)**	**301.476**	**185.445**	**(85.584)**	**(10.838)**
21. Total fair value of financial instruments used for foreign currency hedging	**(2.089)**	**(651)**	**99**	**-**	**-**	**-**	**-**	**-**
22. Hedged amount for current assets	**44.295**	**11.217**	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged amount for current liabilities	**(182.017)**	**(35.000)**	**(9.000)**	**-**	**-**	**-**	**-**	**-**
24. Export	**728.289**	**105.490**	**67.700**	**11.207**	**2.659.400**	**393.775**	**291.273**	**19.132**
25. Import	**1.028.621**	**256.521**	**7.829**	**21.919**	**4.121.331**	**1.048.873**	**68.073**	**350.883**

NOTE 18 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Table of sensitivity analysis for foreign currency risk

31 March 2018

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	81.521	(81.521)	-	-
2- The part hedged for USD risk (-)	(9.392)	9.392	-	-
3- USD effect - net (1+2)	**72.130**	**(72.130)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(45.370)	45.370	-	-
5- The part hedged for EUR risk (-)	(4.381)	4.381	-	-
6- EUR effect - net (4+5)	**(49.751)**	**49.751**	**-**	**-**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(8)	8	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(8)**	**8**	**-**	**-**
Total (3+6+9)	**20.650**	**(20.650)**	**-**	**-**

31 March 2017

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	(40.377)	40.377	-	-
2- The part hedged for USD risk (-)	19.103	(19.103)	-	-
3- USD effect - net (1+2)	**(21.274)**	**21.274**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(26.630)	26.630	-	-
5- The part hedged for EUR risk (-)	3.127	**(3.127)**	-	-
6- EUR effect - net (4+5)	**(23.503)**	**23.503**	**-**	**-**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(227)	227	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**(227)**	**227**	**-**	**-**
Total (3+6+9)	**(45.004)**	**45.004**		

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