

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2018
TOGETHER WITH AUDITOR' S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

To the General Assembly of Hacı Ömer Sabancı Holding A.Ş.

Introduction

1. We have reviewed the accompanying interim condensed consolidated balance sheet of Hacı Ömer Sabancı Holding A.Ş. ("Holding") and its subsidiaries (collectively referred as the "Group") as at 30 June 2018 and the related interim condensed consolidated statement of income, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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



Emphasis of Matter

4. Subsidiaries are companies in which Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest. Our conclusion is not modified in respect of this matter.

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

A handwritten signature in blue ink, appearing to read 'B. Özpoyraz', is written over the printed name.

Burak Özpoyraz, SMMM
Partner

Istanbul, 14 August 2018

CONTENTS	PAGE
CONDENSED CONSOLIDATED BALANCE SHEET.....	1-2
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....	3
CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW.....	6
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	7-93
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	7-8
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	9-27
NOTE 3 SEGMENT REPORTING.....	27-47
NOTE 4 FINANCIAL ASSETS.....	48-51
NOTE 5 FINANCIAL LIABILITIES.....	52-56
NOTE 6 OTHER RECEIVABLES AND PAYABLES.....	57
NOTE 7 INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD.....	57-59
NOTE 8 PROPERTY, PLANT AND EQUIPMENT	60-61
NOTE 9 INTANGIBLE ASSETS	62
NOTE 10 GOODWILL	63
NOTE 11 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	63-67
NOTE 12 COMMITMENTS.....	68-71
NOTE 13 OTHER ASSETS AND LIABILITIES.....	72
NOTE 14 EQUITY	73-74
NOTE 15 ASSETS HELD FOR SALE	75
NOTE 16 FINANCE INCOME/EXPENSES	75
NOTE 17 TAX ASSETS AND LIABILITIES.....	76-79
NOTE 18 DERIVATIVE FINANCIAL INSTRUMENTS.....	80-81
NOTE 19 RECEIVABLES FROM FINANCE SECTOR OPERATIONS.....	81-83
NOTE 20 PAYABLES FROM FINANCE SECTOR OPERATIONS.....	84
NOTE 21 RELATED PARTY DISCLOSURES.....	84
NOTE 22 NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS.....	85-88
NOTE 23 FINANCIAL INSTRUMENTS	89-92
NOTE 24 EVENTS AFTER THE REPORTING PERIOD.....	93

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note	Reviewed 30 June 2018 USD(*)	Reviewed 30 June 2018	Audited 31 December 2017
	References			
ASSETS				
Current Assets				
Cash and Cash Equivalents		40.602.700	185.176.732	163.547.705
Financial Assets		3.954.047	18.033.223	14.519.064
- Financial Assets Through Profit or Loss	4.a	2.158.270	9.843.224	8.832.334
- Financial Assets Through Other Comprehensive Income	4.b	33.747	153.910	39.890
- Financial Assets at Amortised Cost	4.c	1.360.882	6.206.574	4.190.446
- Time Deposits	4.d	761.726	3.474.004	4.593.808
Trade Receivables		1.915	8.736	8.190
Receivables from Finance Sector Operations	19	451.968	2.061.289	1.881.888
Bank of the Republic of Turkey		22.607.427	103.105.694	97.520.756
Other Receivables	6	8.887.215	40.531.922	33.055.479
Derivative Financial Instruments	18	671.300	3.061.597	2.464.026
Inventories		894.801	4.080.918	1.812.017
Prepaid Expenses		657.283	2.997.669	2.312.094
Current Tax Assets		226.815	1.034.433	749.214
Other Current Assets	13	746	3.403	9.093
		87.554	399.308	370.559
		40.597.426	185.152.681	163.526.524
Assets Classified As Held for Sale	15	5.274	24.051	21.181
Non-current Assets				
Financial Assets		43.584.301	198.774.921	190.587.046
- Financial Assets Through Other Comprehensive Income	4.b	10.396.785	47.416.618	52.944.726
- Financial Assets at Amortised Cost	4.c	8.691.650	39.640.010	38.655.381
Trade Receivables		1.705.135	7.776.608	14.289.345
Receivables From Finance Sector Operations	19	27.774	126.669	121.678
Other Receivables		26.332.009	120.092.395	114.186.246
Derivative Financial Instruments	18	213.664	974.456	998.184
Investments Accounted Through Equity Method	7	3.311.474	15.102.639	7.698.970
Investment Property		1.407.826	6.420.671	6.439.214
Property, Plant and Equipment	8	26.003	118.592	282.506
Goodwill	10	1.260.259	5.747.661	5.529.745
Intangible Assets	9	191.439	873.097	873.097
Prepaid Expenses		188.388	859.179	817.098
Deferred Tax Assets	17	4.517	20.601	23.098
Other Non Current Assets	13	197.182	899.289	552.671
		26.981	123.054	119.813
Total Assets		84.187.001	383.951.653	354.134.751

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY exchange rate announced by CBRT at 30 June 2018, and therefore do not form part of these consolidated financial statements (Note 2.1.6).

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 14 August 2018. On behalf of the Board of Directors, it has been signed by the Board Member and CEO Mehmet Göçmen and Finance Group President Barış Oran. The General Assembly has the authority to change the financial statements.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	Reviewed 30 June 2018 USD(*)	Reviewed 30 June 2018	Audited 31 December 2017
LIABILITIES				
Short Term Liabilities		57.823.348	263.714.941	247.467.413
Financial Liabilities	5	3.023.616	13.789.807	13.917.173
Current Portion of Long-Term Financial Liabilities	5	4.382.788	19.988.580	16.018.279
Trade Payables		624.165	2.846.631	2.882.349
Payables from Finance Sector Operations	20	46.669.897	212.847.398	204.692.399
Short Term Employee Benefits		28.081	128.071	75.997
Other Payables	6	1.529.718	6.976.583	5.401.108
Derivative Financial Instruments	18	1.118.635	5.101.759	2.138.123
Deferred Income		45.570	207.832	217.393
Income Taxes Payable	17	110.467	503.805	802.451
Short Term Provisions		150.491	686.341	651.217
- Short Term Provisions for Employee Benefits		59.556	271.615	318.279
- Other Short Term Provisions	11	90.935	414.726	332.938
Other Short Term Liabilities	13	138.680	632.478	665.662
		57.822.108	263.709.285	247.462.151
Liabilities Classified As Held for Sale	15	1.240	5.656	5.262
Long Term Liabilities		14.569.711	66.448.077	54.669.399
Financial Liabilities	5	7.495.313	34.183.873	25.322.315
Payables from Finance Sector Operations	20	5.249.332	23.940.628	23.664.909
Other Payables	6	270.976	1.235.841	1.541.534
Derivative Financial Instruments	18	1.373.344	6.263.409	3.375.454
Deferred Income		35.343	161.188	143.793
Long Term Provisions		95.212	434.232	416.977
- Long Term Provisions for Employee Benefits		94.058	428.971	412.364
- Other Long Term Provisions	11	1.154	5.261	4.613
Deferred Tax Liabilities	17	36.206	165.123	149.352
Other Long Term Liabilities	13	13.985	63.783	55.065
EQUITY		11.793.942	53.788.635	51.997.939
Equity Attributable to the Parent		14	6.101.044	27.825.034
Share Capital	14	447.388	2.040.404	2.040.404
Adjustment to Share Capital		751.367	3.426.761	3.426.761
Share Premium	14	4.876	22.237	22.237
Treasury Shares (-)	14	(41.763)	(190.470)	(190.470)
Accumulated Other Comprehensive Income or Loss That Will Not Be Reclassified to Profit or Loss		(16.075)	(73.313)	(76.380)
- Actuarial Gains/Losses		(16.075)	(73.313)	(76.380)
Accumulated Other Comprehensive Income or Loss That Will Be Reclassified to Profit or Loss		(1.510.022)	(228.541)	64.615
- Currency Translation Reserve	14	(1.228.135)	1.057.062	724.660
- Hedge Reserve	14	(57.658)	(262.963)	(349.708)
- Revaluation Reserve	14	(224.229)	(1.022.640)	(310.337)
Restricted Reserves	14	227.807	1.038.960	1.032.916
Retained Earnings		5.693.762	19.567.310	16.790.619
Net Income for the Period		543.704	2.221.686	3.481.086
Non-controlling Interests		5.692.898	25.963.601	25.406.151
TOTAL EQUITY AND LIABILITIES		84.187.001	383.951.653	354.134.751

(*) USD amounts presented above are translated from TRY for convenience purposes only, at the official TRY exchange rate announced by CBRT at 30 June 2018, and therefore do not form part of these consolidated financial statements.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 1 JANUARY - 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	Reviewed 1 Januar- 30 June 2018 (USD) (*)	Reviewed 1 January- 30 June 2018	Reviewed 1 January - 30 June 2017	Not Reviewed 1 April- 30 June 2018	Not Reviewed 1 April- 30 June 2017
CONTINUING OPERATIONS						
Sales (net)	3	1.797.397	7.344.526	6.361.439	3.937.366	3.409.680
Cost of Sales (-)	3	(1.416.200)	(5.786.878)	(5.015.492)	(3.081.984)	(2.708.670)
Gross Profit From Non-Financial Operations		381.197	1.557.648	1.345.947	855.382	701.010
Interest, Premium, Commission and Other Income	3	4.185.184	17.101.507	12.811.552	9.186.852	6.663.284
Interest, Premium, Commission and Other Expense (-)	3	(2.500.127)	(10.216.024)	(6.693.457)	(5.890.657)	(3.534.016)
Gross Profit From Financial Operations		1.685.057	6.885.483	6.118.095	3.296.195	3.129.268
GROSS PROFIT		2.066.254	8.443.131	7.464.042	4.151.577	3.830.278
General Administrative Expenses (-)		(809.301)	(3.306.966)	(2.535.497)	(1.826.102)	(1.283.659)
Marketing, Selling and Distribution Expenses (-)		(232.340)	(949.387)	(821.531)	(484.922)	(413.401)
Research and Development Expenses (-)		(1.709)	(6.985)	(4.596)	(4.556)	(3.088)
Income From Other Operating Activities		196.783	804.097	418.700	561.313	146.470
Expense From Other Operating Activities (-)		(105.878)	(432.638)	(278.743)	(265.553)	(114.857)
Interest in Income of Investments						
Accounted Through Equity Method	7	90.358	369.220	71.181	219.347	117.322
OPERATING PROFIT		1.204.167	4.920.472	4.313.556	2.351.104	2.279.065
Income From Investment Activities	8	178.823	730.708	36.985	549.190	9.317
Expense From Investment Activities (-)		(2.369)	(9.681)	(646)	(9.329)	(249)
OPERATING PROFIT BEFORE						
FINANCIAL INCOME / (EXPENSES)		1.380.621	5.641.499	4.349.895	2.890.965	2.288.133
Financial Income	16	1.932	7.895	113.739	1.183	57.924
Financial Expenses (-)	16	(80.157)	(327.538)	(304.974)	(176.135)	(157.853)
NET INCOME BEFORE TAX						
FROM CONTINUING OPERATIONS		1.302.396	5.321.856	4.158.660	2.716.013	2.188.204
Tax Income / (Expense) from Continuing Operations						
Current Income Tax Expense		(207.734)	(848.845)	(800.887)	(497.162)	(330.272)
Deferred Income Tax Benefit / Charge	17	(51.140)	(208.969)	(17.511)	(45.883)	(90.380)
NET INCOME FOR THE YEAR						
FROM CONTINUING OPERATIONS		1.043.522	4.264.042	3.340.262	2.172.968	1.767.552
DISCONTINUED OPERATIONS						
Net Income After Tax From Discontinued Operations	15	7	27	(3.753)	2	(3.753)
NET INCOME FOR THE YEAR		1.043.529	4.264.069	3.336.509	2.172.970	1.763.799
ALLOCATION OF NET INCOME						
- Non-controlling Interests		499.823	2.042.383	1.876.939	1.017.672	973.631
- Equity Holders of the Parent		543.704	2.221.686	1.459.570	1.155.298	790.168
Earnings per share						
- thousands of ordinary shares (TRY)		2.67	10,90	7,14	5,67	3,87
Earnings per share from continuing operations						
- thousands of ordinary shares (TRY)		2.67	10,90	7,16	5,67	3,89

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE
INCOME FOR THE PERIOD ENDED 1 JANUARY - 30 JUNE 2018**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017	Not Reviewed 1 April- 30 June 2018	Not Reviewed 1 April- 30 June 2017
NET INCOME FOR THE YEAR		4.264.069	3.336.509	2.172.970	1.763.799
Other Comprehensive Income / (Loss) :					
Items That Will Not Be Reclassified					
Subsequently To Profit or Loss		6.070	(1.454)	(1.642)	(2.001)
Actuarial (losses) / gains	17	7.459	(3.180)	(782)	(1.843)
Other comprehensive income / (expense)					
shares of investments accounted					
by equity method, after tax		(1.389)	1.726	(860)	(158)
Items That Will Be Reclassified					
Subsequently To Profit or Loss		(804.752)	861.786	(847.610)	210.017
Changes in the fair value of available-for-sale financial assets	17	(1.855.824)	746.345	(1.542.987)	176.731
Currency translation differences	17	737.257	160.744	444.548	20.532
Cash flow hedges, after tax	17	594.698	(22.029)	447.401	(29.782)
Financial assets related to the hedging of net investment in a foreign operation, after tax	17	(198.731)	(77.747)	(110.272)	(37.633)
Other comprehensive income / (expense)					
shares of investments					
accounted by equity method, after tax		(82.152)	54.473	(86.300)	80.169
OTHER COMPREHENSIVE INCOME / (LOSS) (AFTER TAX)		(798.682)	860.332	(849.252)	208.016
TOTAL COMPREHENSIVE INCOME		3.465.387	4.196.841	1.323.718	1.971.815
ALLOCATION OF TOTAL COMPREHENSIVE INCOME					
- Non-controlling Interests		1.591.642	2.353.875	535.569	1.046.074
- Equity Holders of the Parent		1.873.745	1.842.966	788.149	925.741

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY - 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Accumulated Other Comprehensive Income or Loss That Will													
	Not Be Reclassified				Be Reclassified									
	to Profit or Loss													
	Share Capital	Adjustment to share capital	Capital adjustments due to cross ownership	Share premium	Actuarial gains/ losses	Currency translation reserve	Hedge reserve	Revaluation funds	Restricted reserves	Retained earnings	Net income for the year	Equity attributable to the parent	Non-controlling interests	Total
Balances at 01 January 2017	2.040.404	3.426.761	(190.470)	22.237	(59.814)	499.438	(323.312)	(444.676)	929.750	14.585.848	2.660.131	23.146.297	21.661.046	44.807.343
Transfers	-	-	-	-	-	-	-	-	102.140	2.557.991	(2.660.131)	-	-	-
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(424.918)	-	(424.918)	(637.740)	(1.062.658)
Total comprehensive income	-	-	-	-	(179)	67.757	7.390	308.428	-	-	1.459.570	1.842.966	2.353.875	4.196.841
Balances at 30 June 2017	2.040.404	3.426.761	(190.470)	22.237	(59.993)	567.195	(315.922)	(136.248)	1.031.890	16.718.921	1.459.570	24.564.345	23.377.181	47.941.526
Balances at 01 January 2018	2.040.404	3.426.761	(190.470)	22.237	(76.380)	724.660	(349.708)	(310.337)	1.032.916	16.790.619	3.481.086	26.591.788	25.406.151	51.997.939
Effect of changes to accounting policies	-	-	-	-	-	-	-	57.591	-	(43.869)	-	13.722	29.183	42.905
Restated Balances at 30 June 2018	2.040.404	3.426.761	(190.470)	22.237	(76.380)	724.660	(349.708)	(252.746)	1.032.916	16.746.750	3.481.086	26.605.510	25.435.334	52.040.844
Transfers	-	-	-	-	-	-	-	-	19.962	3.461.124	(3.481.086)	-	-	-
Dividends paid (*)	-	-	-	-	-	-	-	-	-	(639.523)	-	(639.523)	(991.885)	(1.631.408)
Other (**)	-	-	-	-	696	-	-	(435)	(13.918)	15.765	-	2.108	-	2.108
Calling of shares in subsidiaries holding (***)	-	-	-	-	-	-	-	-	-	(16.806)	-	(16.806)	(71.490)	(88.296)
Total comprehensive income	-	-	-	-	2.371	332.402	86.745	(769.459)	-	-	2.221.686	1.873.745	1.591.642	3.455.387
Balances at 30 June 2018	2.040.404	3.426.761	(190.470)	22.237	(73.313)	1.057.062	(262.963)	(1.022.640)	1.038.960	19.567.310	2.221.686	27.825.034	25.963.601	53.778.635

(*) Dividends paid by the Holding per share with a TRY 1 nominal value is 0, 30 TRY (2017: 0, 20 TRY).

(**) As of February 8, 2018, Enerjisa Enerji A.Ş., a joint venture of the Group, initial public offering is completed with a 20% share.

(***) In April 2018, 6,908,992 lot shares corresponding to 5,11% of the shares of Çimsa Çimento Sanayi ve Ticaret AS, a subsidiary of the Group, were purchased at a price of TRY 12,78 per lot.

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 1 JANUARY - 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

	Note References	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017
Net income before tax from continuing operations		5.321.856	4.158.660
Net income after tax from discontinued operations		27	(3.753)
Adjustments to reconcile income before taxation to net cash provided by operating activities:			
Depreciation and amortisation expenses	3	394.659	314.070
Provision for loan losses	19	2.267.142	878.239
Changes in the fair value of derivative instruments		(3.145.123)	99.627
Interest income and foreign currency gains		(2.576.338)	(1.085.569)
Interest expense		230.783	85.666
Provision for employment termination benefits		79.821	42.561
Impairment charge on property, plant and equipment, intangible assets and investment property	3	(5.068)	1.538
Income from sale of property, plant and equipment, intangible assets and investment property		(584.361)	(31.271)
Income from associates and joint ventures		(369.220)	(71.181)
Income from sale of shares of associates and joint ventures		(144.538)	-
Provision for / (reversal of) inventory impairment		(7.811)	(15.300)
Provision for/ (reversal of) doubtful receivables		60.998	(1.111)
Unrealized foreign currency translation differences		499.363	165.245
Other		(1.111)	(2.307)
Net cash provided by operating activities before changes in operating assets and liabilities		2.021.079	4.535.114
Changes in trade receivables		(245.391)	(262.551)
Changes in inventories		(678.486)	(275.140)
Changes in other receivables and other current assets		(882.866)	(1.054.744)
Changes in trade payables		(35.718)	(156.918)
Changes in other liabilities and other payables		1.433.765	1.739.473
Net cash provided in operating activities of assets classified as held for sale		(2.476)	(6.198)
Changes in assets and liabilities in finance segment:			
Changes in securities held for trading		(304.907)	(24.674)
Changes in receivables from finance sector operations		(12.407.479)	(11.815.681)
Changes in payables from finance sector operations		8.253.099	10.850.432
Changes in Central Bank of the Republic of Turkey account		(8.971.071)	(3.133.531)
Income taxes paid	17	(1.269.445)	(776.724)
Employment termination benefits paid		(59.775)	(33.410)
Net cash used in operating activities		(13.149.671)	(414.552)
Cash flows from investing activities:			
Capital expenditures	3	(636.140)	(498.396)
Sale / (purchase) of available for sale and held to maturity financial assets		2.634.675	(2.937.173)
Cash flows used in obtaining control of Subsidiaries		(88.297)	-
Property, plant and equipment inflows used in obtaining control of Subsidiaries		-	17.976
Cash provided from the share sale of joint ventures		738.168	-
Proceeds from sale of non current assets held for sale, property, plant and equipment and intangible assets		958.948	70.590
Dividends received		414.737	299.679
Capital increase of joint ventures		(714.000)	-
Net cash provided from / (used in) investing activities		3.308.091	(3.047.324)
Cash flows from financing activities:			
Changes in financial liabilities		12.396.546	3.051.468
Dividends paid		(639.523)	(424.918)
Dividends paid to non-controlling interests		(991.885)	(637.740)
Net cash provided by / (used in) financing activities		10.765.138	1.988.810
Effect of change in foreign currency rates on cash and cash equivalents		1.083.712	457.741
Net increase/(decrease) in cash and cash equivalents		2.007.270	(1.015.325)
Cash and cash equivalents at the beginning of the period (*)		9.975.545	7.235.675
Cash and cash equivalents at the end of the period		11.982.815	6.220.350

(*) Cash and cash equivalents at the end of the period comprise interest accruals of TRY 13.940 (31 December 2017: TRY 1.679). Restricted cash in the banks is not included in the cash and cash equivalents. At the beginning and at the end of the current period, restricted deposit is TRY 4.541.840 and TRY 6.036.468, respectively (30 June 2017: TRY 5.356.843 and TRY 3.975.618, respectively).

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

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Hacı Ömer Sabancı Holding A.Ş. (the "Holding") was established in 1967 to coordinate and perform liaison services regarding the activities of companies operating in various fields including mainly finance, manufacturing and trade. The Holding is registered in Turkey and is owned by the members of the Sabancı family. The number of employees as at 30 June 2018 is 62.917 (31 December 2017: 63.152). Holding's registered address is as follows:

Sabancı Center, 4. Levent, İstanbul, Türkiye.

The Holding is registered with the Capital Markets Board ("CMB") and its shares have been quoted on Borsa İstanbul ("BİST") (previously known as the İstanbul Stock Exchange ("ISE") since 1997. As of 30 June 2018, the principal shareholders and their respective shareholding rates in the Holding are as follows (Note 14):

	%
Sakıp Sabancı Holding A.Ş.	14,07
Serra Sabancı	7,21
Suzan Sabancı Dinçer	6,94
Çiğdem Sabancı Bilen	6,94
Other	64,84
	100,00

The Holding, its Subsidiaries, Joint Ventures and Associates are together referred to as the "Group". The Holding is managed by the Sabancı Family.

Subsidiaries

As of 30 June 2018, the nature of the business of the Subsidiaries consolidated in these consolidated financial statements and, their respective business segments are as follows:

Subsidiaries	Name of Exchange Traded	Nature of bussiness	Bussiness segment	Number of employees
Akbank T.A.Ş. ("Akbank")	BİST	Banking	Banking	17.538
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. ("Carrefoursa")	BİST	Trade	Retailing	11.283
Teknosa İç ve Dış Ticaret A.Ş. ("Teknosa")	BİST	Trade	Retailing	2.481
Çimsa Çimento Sanayi ve Ticaret A.Ş. ("Çimsa")	BİST	Cement	Cement	2.603
Kordsa Teknik Tekstil Anonim Şirketi ("Kordsa")	BİST	Tire	Industry	4.097
Temsa Global Sanayi ve Ticaret A.Ş. ("Temsa")	-	Automotive	Industry	1.708
Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Yünsa")	BİST	Textile	Industry	1.146
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. ("Exsa")	-	Trade	Other	8
Ankara Enternasyonel Otelcilik A.Ş. ("AEO")	-	Tourism	Other	1
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. ("Tursa")	-	Tourism	Other	3
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. ("Bimsa")		Trade of data and processing systems	Other	161

Subsidiaries are established in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (CONTINUED)

For the purposes of segment information, Holding's stand-alone financial statements have been included within the "Other" business segment.

Joint Ventures

As at 30 June 2018, the nature of business and operating segments of the Joint Ventures which are accounted through equity method in the consolidated financial statements are as follows:

Joint ventures	Traded Stock Market	Type of Activity	Bussiness segment	Ventures	Number of employees
Aksigorta A.Ş. ("Aksigorta")	BİST	Insurance	Insurance	Ageas	642
Avivasa Emeklilik ve Hayat A.Ş. ("Avivasa")	BİST	Pension	Insurance	Aviva	1.580
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş. ("Brisa")	BİST	Tire	Industry	Bridgestone	2.307
Akçansa Çimento Sanayi ve Ticaret A.Ş. ("Akçansa")	BİST	Cement	Cement	Heidelberg	2.724
Enerjisa Enerji A.Ş. ("Enerjisa Enerji") (*)	BİST	Energy	Energy	E.ON SE	10.142
Enerjisa Üretim Santralleri A.Ş. ("Enerjisa Üretim") (*)	-	Energy	Energy	E.ON SE	626
Temsa İş Makinaları	-	Automotive	Industry	Marubeni	244

All Joint Ventures are registered in Turkey.

(*) Enerjisa Enerji A.Ş. is a joint venture of the Group and E.ON SE which is established in Germany, based on equal shares structure, has divided its energy production, energy wholesale and natural gas wholesale activities partially to Enerjisa Üretim Santralleri A.Ş. The divestiture process, which was conducted by the method of establishing a new company, was completed on August 25, 2017. As a result of the completion of the partial division process, Enerjisa Enerji A.Ş. has only the companies that carry out electricity distribution and retail sales activities. As of February 8, 2018, Enerjisa Enerji A.Ş. has started to trading in the Stock Exchange Market.

Associates

As at 30 June 2018, the nature of business and operating segments of the Affiliates which are accounted through equity method in the consolidated financial statements are as follows:

Associates	Traded Stock Market	Type of Activity	Bussiness Segment	Ventures	Number of Employees
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (Philsa)	-	Tobacco products Production	Industry	Philip Morris	3.135
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	-	Tobacco products Marketing and sales	Industry	Philip Morris	

Number of employees represent the total number of employees of Philsa and Philip Morrissa.

All affiliates are registered in Turkey.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 *Basis of Presentation*

2.1.1 Statement of compliance with TAS

Sabancı Holding, its Subsidiaries and Joint Ventures registered in Turkey maintain their books of accounts and prepare their statutory financial statements ("Statutory Financial Statements") in TRY in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, applicable Turkish insurance laws for insurance companies and banking law, accounting principles and instructions promulgated by the Banking Regulation and Supervising Agency for banks and accounting principles issued by the CMB for listed companies. The foreign Subsidiaries and Joint Ventures maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Accounting Standards issued by POA.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

Additionally, the consolidated financial statements and disclosures are presented in accordance with the formats published by CMB on 7 June 2013. The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

2.1.2 New and Revised Turkish Accounting Standards

(a) Standards that are effective from 2018 and that do not affect the Group's financial statements in the Consolt, changes and interpretations to existing standards

None.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards(continued):

b) Standards, amendments and interpretations applicable as at 30 June 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.

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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 *Basis of Presentation (continued)*

2.1.2 **New and Revised Turkish Accounting Standards (continued)**

b) Standards, amendments and interpretations applicable as at 30 June 2018(continued):

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.

(c) Standards, amendments and interpretations that are issued but not effective as at 30 June 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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards (continued)

c) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018 (continued):

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

IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, 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 far-reaching 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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of Presentation (continued)

2.1.2 New and Revised Turkish Accounting Standards (continued)

c) Standards, amendments and interpretations that are issued but not effective as at 30 June 2018(continued):

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

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

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

- use updated assumptions to determine current service cost and net interest for the remainder 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.

2.1.3 Basis of Consolidation

a) The consolidated financial statements include the accounts of the parent company, Hacı Ömer Sabancı Holding A.Ş., its Subsidiaries and Joint Ventures (collectively referred to as the "Group") on the basis set out in sections (b) to (f) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards as explained in Note 2.1.1. The result of operations of Subsidiaries, Joint Ventures and Associates are included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively.

b) Subsidiaries are companies that the Holding controls directly or indirectly. The Group controls the entity if it is exposed to variable interest due to its relationship with a company or is entitled to such an offer, and at the same time it has the possibility to influence this offer with the power of the company.

c) Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of Presentation (continued)

2.1.3 Basis of Consolidation(continued)

d) When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial instruments: recognition and measurement", when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The companies which Holding has less than 50% shares are considered as subsidiaries since Holding exercises a dominant influence and power to govern the financial and operating policies through exercise of voting power related to shares held by Holding together with voting power which Holding effectively exercises related to shares held by Sabancı family members. Sabancı family members allow Holding to exercise voting power in respect of shares held in these companies. In the accompanying consolidated financial statements the shares held by Sabancı family members are presented as non-controlling interest.

The table below sets out all consolidated Subsidiaries and shows the proportion of ownership interest and the effective interest of the Holding in these subsidiaries at 30 June 2018 and 31 December 2017:

	30 June 2018		31 December 2017	
	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of effective interest (%)	Direct and indirect ownership interest by the Holding and its Subsidiaries (%)	Proportion of effective Interest (%)
Subsidiaries				
AEO	76,85	76,85	76,85	76,85
Akbank	40,75	40,75	40,75	40,75
Bimsa	100,00	100,00	100,00	100,00
Çimsa (*)	63,52	58,10	58,41	53,00
Exsa (*)	61,68	47,90	61,68	46,23
Kordsa	71,11	71,11	71,11	71,11
Teknosa	60,28	60,28	60,28	60,28
Temsa	48,71	48,71	48,71	48,71
Tursa	100,00	100,00	100,00	100,00
Yünsa	57,88	57,88	57,88	57,88
Carrefoursa	50,61	50,61	50,61	50,61

(*) In April 2018, 6,908,992 lot shares corresponding to 5,11% of Çimsa Çimento Sanayi ve Ticaret AS, a subsidiary of the Group, were purchased at a price of TRY 12,78 per lot. The effective shareholding interest in Exsa, a subsidiary of the Group, has increased from 46.23% to 47.90% as Çimsa owns 32.88% of Exsa shares.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of Presentation (continued)

2.1.3 Basis of Consolidation (continued)

The balance sheets and statements of profit or loss of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the shares held by the Holding and its Subsidiaries is deducted from the related shareholders' equity. Intercompany transactions and balances between the Holding and its Subsidiaries are eliminated in consolidation. The cost of financing the shares in Subsidiaries held by the Holding and its Subsidiaries and the dividends pertaining to these shares are deducted from equity and income for the period, respectively.

The Subsidiaries are included into or excluded from the scope of consolidation subsequent to the date of transmission of the control to the Group. The shares of non-controlling shareholders in the net assets and operating results of Subsidiaries are presented in the consolidated balance sheet and profit or loss table as non-controlling interests. Sabancı Family, "Sabancı Foundation" and a retirement fund for Akbank employees called "Akbank Retirement Fund" established both by Sabancı Family, have a share in the capitals of some subsidiaries and affiliates which are accounted in the consolidated financial statements. This share is considered as non-controlling share in the consolidated financial statements and it is not included in the current period profit.

e) Joint venture - If Holding and its subsidiaries have rights on net assets relating to operations subject to a joint arrangement, such net assets are accounted through equity method in the consolidated financial statements.

The table below sets out the Joint Ventures and shows the proportion of ownership interest and effective interest of the Holding in these Joint Ventures at 30 June 2018 and 31 December 2017:

	30 June 2018		31 December 2017	
	Direct and indirect ownership interest by the Holding and its Subsidiaries	Proportion of Effective interest	Direct and indirect ownership interest by the Holding and its Subsidiaries	Proportion of effective interest
Joint Ventures	(%)	(%)	(%)	(%)
Akçansa	39,72	39,72	39,72	39,72
Aksigorta	36,00	36,00	36,00	36,00
Avivasa	40,00	40,00	40,00	40,00
Brisa	43,63	43,63	43,63	43,63
Enerjisa Enerji (*)	40,00	40,00	50,00	50,00
Enerjisa Üretim	50,00	50,00	50,00	50,00
Temsa Mısır	73,75	73,75	73,75	73,75
Temsa İş Makinaları	51,00	24,84	51,00	24,84

(*) On 8 February 2018, Enerjisa Enerji A.Ş., a joint venture of the Group, was offered to public. After the initial public offering, the Group's shares in the Company decreased to 40%.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 Basis of Presentation (continued)

2.1.3 Basis of Consolidation (continued)

Investments in Joint Ventures were consolidated by equity method. Sabancı family members do not have any interest in the share capital of the Joint Venture.

f) Investments in Associates are accounted for by the equity method. These are companies where the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Unrealized gains that result from intercompany transactions between the Group and its Associates are adjusted to the extent of the Group's share in the associate and unrealized losses are restated if the transaction does not address an impairment on transferred asset. In this respect, the Group does not undertake any obligation or make commitment about its Subsidiaries.

The table below sets out all Associates and shows the total interest of the Holding in these associates at 30 June 2018 and 31 December 2017:

Associates	Proportion of effective interest by the Holding (%)
Philsa Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. ("Philsa")	25,00
Philip Morris Sabancı Pazarlama Satış A.Ş. ("Philip Morrissa")	24,75

Sabancı family members do not have any interest in the share capital of Associates.

g) Available-for-sale financial assets that are not have significant effect on the Group or has no material significance in terms of financial statements, not traded in an organized market and whose fair values can not be reliably measured are reflected in the consolidated financial statements at cost, after deducting the amount of provision for impairment losses. Available-for-sale financial assets that are traded on organized markets and whose fair value can be reliably measured are accounted at fair value.

2.1.4 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.5 Comparatives and Restatement of Prior Year Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. The Group presented the consolidated balance sheet as of 30 June 2018 comparatively with the consolidated balance sheet as of 31 December 2017 and presented the consolidated statement of profit or loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the period 1 January-30 June 2018 comparatively with the year 1 January-30 June 2017.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.1 *Basis of Presentation (continued)*

2.1.5 Comparatives and Restatement of Prior Year Financial Statements (Continued)

First transition to IFRS 15 “Revenue arising from agreements made with customers”

The Group recognised IFRS 15 “Revenue arising from agreements made with customers”, which replaced TAS 18, using the cumulative impact method as of 01 January 2018, the date of first implementation. Using this method, the Group registered the cumulative impact concerning the first transition to IFRS 15 with retained earnings on the date of first implementation. Therefore, there was no need to restate the previous years’ consolidated financial statements, and the financial statements were presented in line with TAS 18. The transition impact of the standard was recognised using the to the simplified method. As per this transition method, the Group accounted the effect of the agreements that are effective from 01 January 2018, the date of first implementation, and recognised the cumulative impact under equity.

First transition to IFRS 9 “Financial instruments” standard

The Group applied IFRS 9 “Financial instruments”, which replaced TAS 39, as of 1 January 2018, the date of first implementation. The standard includes obligations concerning the classification and measurement of financial assets and liabilities and the expected credit risk model, which will replace the currently used realised impairment model. The transition impact of the standard was recognised using to the simplified method. Using this method, the Group registered the cumulative impact concerning the first transition to IFRS 9 with the equity on the date of first implementation. Therefore, there was no need to restate the previous years’ consolidated financial statements, and the financial statements were presented in line with TAS 39.

In the other comprehensive income statement for the 1 January - 30 June 2017 accounting period, the Group presented the shares of the investments which are valued with the equity method, which are recognised to be reclassified under profit or loss and are recognised not to be reclassified under profit or loss and which are respectively TRY 1.726 and TRY 54.473 in gross amount in order to be consistent with the current period.

2.1.6 US Dollar Translation

USD amounts presented in the consolidated financial statements have been included solely for the convenience of the reader of the consolidated financial statements. Consolidated balance sheet, consolidated statement of profit or loss and consolidated statements of cash flows are translated from TRY, as a matter of arithmetic computation only, at the official USD bid rate announced by the CBRT and average USD exchange rate on 30 June 2018 of TRY 4,5607 = USD 1 and TRY 4,0862 = USD 1, respectively and do not form part of these consolidated financial statements. The resulting difference from the use of average CBRT rate for the translation of consolidated statement of profit or loss and the use of bid rate at the balance sheet date for the translation of the consolidated balance sheet is included in translation reserves under shareholders’ equity in accordance with the translation requirements of TAS 21 “The effects of Changes in Foreign Exchange Rates” when the financial statements are presented in a currency other than the functional currency.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

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

2.2 Changes in Accounting Policies and Estimates and Errors

Changes made in the accounting policies and corrections regarding accounting errors are applied retrospectively and prior year financial statements are restated.

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Group.

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated. There has been no significant accounting error that the Group determined in the current year.

The preparation of consolidated financial statements in conformity with Turkish Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied to the financials to see the effect on net profit/loss for the period.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

DİPNOT 2 - KONSOLİDE FİNANSAL TABLOLARIN SUNUMUNA İLİŞKİN ESASLAR (Devamı)

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1 Financial assets:

The Group classifies and recognises its financial assets as “Financial Assets Whose Fair Value Difference is Reflected to Profit/Loss”, “Financial Assets Whose Fair Value Difference is Reflected to Other Comprehensive Income” or “Financial Assets Measured by Amortised Cost”. The financial assets are Recognized or Derecognized in records according to “Recognized or Derecognized in Financial Statements” set forth in the third section of “IFRS 9 Financial Assets”, which relates to the classification and measurement of financial assets and was promulgated in Official Gazette No. 29953, dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured using their fair value when they are first included in financial statements. Transaction costs are also included in the fair value during the first measurement of financial assets other than “Financial Assets Whose Fair Value Difference is Reflected to Profit/Loss”. The Group includes a financial asset in the financial statements only when the Group is a party to agreement provisions concerning the financial instrument. The business model determined by bank management and the characteristics of the cash flows of the financial asset subject to agreement are considered when a financial asset is included in financial statements for the first time. When the business model determined by bank management is changed, all financial asset affected by the change are reclassified prospectively. In these cases, no adjustment is made for revenue, loss or interest previously included in financial statements.

a. Financial assets those stat fair value difference is accounted under profit/loss:

Financial assets whose fair value difference is accounted under profit/loss are those which are managed by a model other than a model aiming to hold assets to collect cash flows subject to agreement, a model aiming to collect cash flows subject to agreement and sell the asset and the financial assets acquired to make a profit on the price and other fluctuations in the market in the short run, or which are part of a portfolio aiming to make a profit in the short-run regardless of acquiring the asset if the agreement conditions regarding the financial asset do not drive cash flows including interest payments arising only from the principal and the principal balance on specific dates. Financial assets whose fair value difference is reflected to profit/loss are recognised at their fair value and are valued based on their fair value. Gains and losses emerging as a result of a valuation are included in the profit/loss accounts.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 *Changes in Accounting Policies and Estimates and Errors (Continued)*

2.2.1 **Financial assets (continued):**

b. Financial assets whose fair value difference is accounted under other comprehensive income:

If the financial asset is held within the scope of a business model aiming to collect cash flows subject to agreement and to sell the financial asset, and the agreement conditions regarding the financial asset cause cash flows that include interest payments which only arise from principal and principal balance on specific dates, then the financial asset is classified as a financial asset whose fair value difference is accounted under other comprehensive income. Financial assets whose fair value difference is accounted under other comprehensive income are recognised by adding transaction costs to acquisition cost reflecting the fair value. Financial assets whose fair value difference is accounted under other comprehensive income are valued based on their fair value after they are recognised. The interest income by using the effective rate method of financial assets whose fair value difference is accounted under other comprehensive income and dividend income of securities representing the share in capital are reflected on the income statement.

The difference between the fair value and amortised costs of financial assets whose fair value difference is accounted under other comprehensive income, namely, "Unrealized profit and loss", is reflected in the income statement of the relevant period until either the price of the financial asset is collected or the asset is sold, disposed of or weakened, and is tracked under "Other Accumulated Comprehensive Income or Expenses to be Reclassified in Profit or Loss" under equity. When the securities are collected or disposed of, the cumulative fair value differences reflected to equities are reflected on the income statement. Securities representing the share of capital classified as financial assets whose fair value difference is reflected to other comprehensive income are recognised using their fair value if they are traded in organised markets and/or their fair value is determined in a reliable manner. If they are not traded in organised markets and their fair value is not determined in a reliable manner, they are reflected on financial statements using their cost after the provision for impairment is deducted.

When recognising them in financial statements for the first time, the company may choose to make a irreversible choice to present future changes in the fair value of an investment in an equity instrument which is not held for sale under other comprehensive income. In this case, dividends earned from the said investment are transferred to financial statements as profit or loss.

c. Financial assets measured by amortised cost:

If the financial asset is held within the scope of a business model aiming to collect cash flows subject to agreement, and the agreement conditions regarding the financial asset cause cash flows that include interest payments which only arise from principal and principal balance on specific dates, then the financial asset is classified as a financial asset which is measured by amortised cost. Financial assets measured by amortised cost are first recognised by adding transaction costs to acquisition cost reflecting their fair value, and then are measured by amortised cost using the "efficient interest (internal rate of return) method". Interest income concerning financial assets measured by amortised cost are reflected in the income statement. There are bonds index-linked to consumer prices ("CPI") in the securities portfolio for which the fair value difference is reflected to other comprehensive income and which are measured by amortized cost.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 *Changes in Accounting Policies and Estimates and Errors (Continued)*

2.2.1 Financial assets (continued):

c. Financial assets measured by amortised cost (continued):

The securities are valued and recognised according to the effective interest method and are based on the index calculated considering real coupon rates, the reference inflation index on the date of issuance and estimated inflation rates. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The bank sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary. The real inflation rate is used at the end of the year.

d. Derivative Assets:

The Group's derivative transactions generally consist of foreign currency swaps and interest swaps, cross currency swaps, currency options and future contracts. The Group's derivative instruments are classified as "Derivative Financial Instruments Whose Fair Value Difference is Reflected to Profit Loss" or "Derivative Financial Instruments Whose Fair Value Difference is Reflected to Other Comprehensive Income" as per "IFRS 9 Derivative Instruments" ("IFRS 9").

Receivables and liabilities arising in derivatives transactions are recognised in memorandum accounts based on contractual amounts. Derivatives transactions are valued based on their fair value after they are recognised.

If the fair value of a derivative instrument is positive, it is classified under "Fair Value Difference of Derivative Assets Which is Reflected Under Profit Loss" or "Fair Value Difference of Derivative Assets Which is Reflected Under Other Comprehensive Income", and if the fair value is negative, it is classified under "Fair Value Difference of Derivative Liabilities Which is Reflected Under Profit Loss" or "Fair Value Difference of Derivative Liabilities Which is Reflected Under Other Comprehensive Income". Differences in the fair value of derivative assets reflected under profit/loss are recognised under profit/loss from derivative financial transactions in the profit/loss item on the income statement. The fair values of derivatives are calculated according to market value or discounted cash flow.

e. Borrowings:

Loans are financial assets which have fixed or specifiable payments and are not listed in an active market. The said held-to-maturity loans cost is first recognised by adding transaction costs to acquisition cost, reflecting their fair value, and then are measured along with the amortised amount using the "effective interest (internal efficiency) rate method". All Group loans are tracked under "Amortized Costs".

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 *Changes in Accounting Policies and Estimates and Errors (Continued)*

2.2.1 Financial assets (continued):

f. Explanations on expected loss provisions:

The Group allocates expected loss provisions for amortised costs and financial assets whose fair value differences are measured by reflecting them to other comprehensive income.

As per the "Regulation on Classification of Loans and Procedures and Principles for Provisions to be Allocated for Loans" promulgated in Official Gazette No. 29750, dated 22 June 2016, the Group began allocating impairment provisions in line with IFRS 9 as of 01 January 2018. Within this scope, the method for allocating loan provisions as per the relevant legislation dated 31 December 2017 was changed with the implementation of the expected loan losses model as per IFRS 9. The estimate of expected credit loss includes information which is objective, weighted based on possibility and supported by past, current and future economic conditions.

g. Explanations on IFRS 9 Financial Instruments Standard

The "IFRS 9 Financial Instruments" standard, regarding the classification and measurement of financial instruments, promulgated by the Public Oversight Accounting and Auditing Standards Authority in Official Gazette No. 29953 dated 19 January 2017, replaced the "TMS 39 Financial Instruments: Recognition and Measurement" standard as of 01 January 2018. The IFRS 9 standard sets forth new principals regarding classification and measurement of financial instruments, expected loss provisions for financial instruments and hedge accounting.

Classification and measurement of financial instruments

According to the IFRS 9 standard, financial assets are classified and measured based on the business model with which the financial asset is managed and whether the assets depend on contractual cash flows including interest payments for only the principal and principal balance.

Information about cases where contractual cash flows only include interest payments concerning the principal and principal balance:

"Principal" is defined as the fair value when the financial asset is initially recognised in financial statements. "Interest" considers the loan risk related with the time value of money for a specific period, the other main loan risks and the costs related to the profit margin (e.g. liquidity risk and administrative costs). The Group considers the contractual conditions of the financial asset when evaluating contractual cash flows including only principal and interest payments concerning principal. This includes evaluating whether there is any contractual condition that may change the timing or amount of the contractual cash flows of the financial asset. The Group considers the following when making the evaluation:

- incidents that may change the amount and timing of cash flows,
- leverage features,
- down payment and extension conditions,
- conditions that limit the Group's access to cash flow arising from specific assets,
- things that must be considered when measuring the time value of money (e.g. resetting interest rates periodically).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1 Financial assets (continued):

g. Explanations on IFRS 9 Financial Instruments Standard(continued)

The Group meets balance sheet classification and measurement criteria by implementing the above-mentioned procedures for all its financial assets. When recognised in financial statements for the first time, each financial asset is classified by reflecting its fair value in profit or loss based on its recognized cost or by reflecting the fair value change to other comprehensive income. Implementation of provisions in TAS 39 do not significantly change for the classification and measurement of financial assets. The following section includes the Group's explanations concerning the implementation of IFRS 9.

Reconciliation of the statement of financial positions of classified financial assets during transition to IFRS 9:

	Before IFRS 9 Book Value 31 December 2017	Reclassifications	Remeasurements	IFRS 9 Book Value 1 January 2018
Amortized cost				
Before reclassifications (held-to-maturity)	18,883,153	-	-	-
Fair value effect reclassified under other comprehensive income	-	(4,927,185)	-	-
Book value after reclassification	-	-	-	13,955,968
Fair value effect reclassified under profit/loss				
Before reclassifications (held for purchase and sale)	39,890	-	-	-
Classified from held for sales	-	84,865	-	-
Book value after reclassification	-	-	-	124,755
Fair value effect accounted under other comprehensive income				
Before reclassifications (held for sales)	42,845,827	-	-	-
Classified from held-to-maturity	-	4,927,185	-	-
Valuation effect of asset held for sales	-	-	142,269	-
Fair value effect accounted under profit/loss	-	(84,865)	-	-
Book value after reclassification	-	-	-	47,830,416

The reasons for classification of some financial assets held by the Group in accordance with IFRS 9 terms as above are explained below:

1) Financial assets that have fair value differences accounted under other comprehensive income:

The Group reassessed the management model for the collection of contractual cash flows in the security portfolio, the sale of the financial asset and the contractual cash flows of the investment securities. The Bank classifies securities of TRY 4,927.185 previously classified as held-to-maturity and measured at amortized cost, the fair value difference from the date of transition is measured by reflecting the other comprehensive income as it is for the purpose of selling the cash flow or selling the financial asset.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Changes in Accounting Policies and Estimates and Errors (Continued)

2.2.1 Financial assets (continued):

g. Explanations on IFRS 9 Financial Instruments Standard(continued)

2) Securities for which the fair value difference represents the share of capital accounted under profit/loss:

The Group classified its securities, previously classified as available-for-sale financial assets and which represent a capital share amounting to 84.865 TRY, under Fair Value Difference Accounted under Profit/Loss as of the first implementation day of IFRS 9.

3) Classification of financial instruments based on equity:

The Group irreversibly classified the strategic investments in financial instruments based on equity under "Fair Value Difference Reflected to Other Comprehensive Income" and not traded at organised markets and classified as available-for-sale. When the said securities are disposed of, the changes in their fair value will not be reclassified under profit or loss.

4) Reclassification of categories no longer in use without changing the measurement:

In addition to the above, since the previous categories under TAS 39 following debt securities are no longer in use, they are reclassified in the scope of IFRS 9 without changing basis for measurement.

- (i) Those classified as available-for-sale, and those classified as Financial Assets Whose Fair Value Difference is Accounted under Other Comprehensive Income as of 1 January 2018, and
- (ii) those classified as held-to-maturity and those classified as measured by amortised cost as of 1 January 2018.

5) Equity impact of transition to IFRS 9 and IFRS 15:

The impact of the changes concerning the implementation of IFRS 9 on the summary consolidated financial statements dated 1 January 2018 is as follows:

	31 December 2017 Report	Effect of IFRS 9	1 January 2018 Adjusment
Consolidated statement of financial position			
Financial Investment	61.777.060	142.269	61.919.329
Receivable from Financial Sector Activities	211.707.002	(112.192)	211.594.810
Deferred Tax Assets-Net	403.319	(6.617)	396.702
Income Tax Liability	802.451	25.795	828.246

The impact of the transition to IFRS 9 and IFRS 15 on equity dated 1 January 2018 is as below:

IFRS 9 impact related to subsidiaries	49.255
IFRS 9 impact related to joint ventures	11.209
IFRS 15 impact related to joint ventures	(17.559)
Total impact on equity	42.905

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 *Changes in Accounting Policies and Estimates and Errors (Continued)*

2.2.3. Information on previous period accounting policies that are not effective during the current period:

As of 1 January 2018, the "IFRS 9 Financial Instruments" standard replaced the "TAS 39 Financial Instruments: Recognition and Measurement" standard. Below are the accounting policies that are invalid after the transition to IFRS 9. The Group classifies and recognises its financial assets as "financial assets whose fair value difference is reflected to profit/loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". The trading transactions of the said financial assets are recorded and removed from the records in accordance with the "delivery date". The classifications of financial assets are decided upon on the date of their acquisition, considering bank management's purpose for the acquisition.

a. **Financial assets whose fair value difference is accounted under profit/loss:**

This category has two subcategories: "Financial assets held for trading" and "financial assets classified as financial assets whose fair value difference is reflected to profit/loss" during the first period. Available-for-sale financial assets are acquired to gain profit from the short-term fluctuations in prices and such, or, independent of the reason for acquisition, are part of a portfolio aimed at gaining short-term profit. Financial assets held for trading are recognised at their fair value and are valued based on their fair value. Gains and losses emerging as a result of a valuation are included in the profit/loss accounts. Interest gained from financial assets held for trading is recorded as interest income, and profit shares gained are recorded as dividend income. Unless derivative financial instruments are defined as hedging instruments, they are classified as financial assets held for trading.

The Group does not own financial assets classified as financial assets whose fair value difference is reflected to profit/loss.

b. **Financial assets available for sale:**

Available-for-sale financial assets include those other than loans and receivables, assets held-to-maturity, financial assets whose the fair value is reflected in profit/loss and financial assets that are not derivative financial assets. Available-for-sale financial assets are recognised by adding transaction costs to acquisition costs reflecting fair value. Available-for-sale financial assets are valued at fair value after they are recorded. Interest income of available-for-sale debt securities calculated using the effective interest method and dividend income of securities representing a share of capital are reflected on the income statement. The "unrealized profit and loss" arising from the amortised cost of available-for-sale financial assets and changes in fair value is not reflected to the period statement until either the price of the financial asset is collected or the asset is sold, disposed of or weakened and tracked under "real estate valuation differences" under equities. When the said securities are collected or disposed of, the cumulative fair value difference reflected to equities is reflected to the income statement.

Securities representing the share in capital classified as available-for-sale financial assets are recognised at fair value if they are traded in organised markets and/or their fair value is determined in a reliable manner. If they are not traded in organised markets and their fair value is not determined in a reliable manner, they are reflected on financial statements at cost after the depreciation provision is deducted.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 *Changes in Accounting Policies and Estimates and Errors (Continued)*

2.2.3. Information on previous period accounting policies that are not effective during the current period(continued):

c. **Loans and receivables:**

Loans and receivables are financial assets whose fair value difference is reflected in profits/losses, which have fixed and specifiable payments and are not quoted on an active market, which are not shown as "available-for-sale" in records and are not derivative financial instruments. The cost of the said held-to-maturity loans and receivables are first recognised by adding transaction cost to acquisition cost reflecting their fair value, and then are valued at a discounted amount by using the "efficient interest (internal rate of return) method". Fees and other similar expenses paid in relation to assets acquired as collateral for the mentioned loans and receivables are not considered part of transaction costs and are not reflected on expense accountsetermining the Characteristics of Loans and Other Receivables and Provisions Set Aside For Them", promulgated in Official Gazette No. 26333 dated 1 November 2006, and other regulations and statements from the BRSA, and classifies its loans and receivables in the relevant groups and allocates special or general provisions depending on the Group the loans and receivables are tracking. Allocated special provisions are recognised under "Provision for impairment of loan and other receivables" and recorded as expenses in the relevant year. When the receivables for which a provision is allocated in the same year, they are deducted from the "Provision for impairment of loan and other receivables" account. Receivables collected from allocated provisions from previous years are reflected as income under "Other operation income". Non-collectible receivables are deleted from the records after all legal processes are complete.

d. **Held-to-maturity investments:**

Held-to-maturity financial assets are assets that are held until maturity with custody intentions, with regard to which the conditions required for being held to maturity, including funding capability, are fulfilled; which have fixed terms with fixed and definable payments and are not loans or receivables; for which the fair value difference is reflected in profits/losses during initial recognition; which are not shown as "available-for-sale" in records; and are not derivative financial instruments. Financial assets held-to-maturity are first recognised by adding transaction costs to acquisition cost reflecting their fair value and then are valued at amortised cost value using the "efficient interest (internal rate of return) method". Interest income related to held-to-maturity financial assets is reflected in the income statement. The Group does not own financial assets classified as held-to-maturity securities but which cannot be subjected to this classification due to a failure to comply with the classification principles. The Group's securities portfolios, which are ready to be sold and are held-to-maturity, have CPI-indexed bonds. The said securities are valued and recognised according to the effective interest method and are based on the index calculated considering real coupon rates, the reference inflation index on the date of issuance and estimated inflation rates. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The Group sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Summary of Significant Accounting Policies

The condensed consolidated interim financial statements for the period ended 30 June 2018 have been prepared in accordance with TAS 34, the standard on the preparation and presentation of interim period financial statements. The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period ended 30 June 2018 are consistent with those used in the preparation of consolidated financial statements for the year ended 31 December 2017. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated statements for the year ended 31 December 2017.

2.4 Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements in conformity with CMB Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and accounted for related period income statement. Changes in accounting estimates, if only for a period in which the change in the current period, if it relates to future periods, both in the period they are recognized in future periods, prospectively applied to the financials to see the effect on net profit / loss for the period.

NOTE 3 - SEGMENT REPORTING

Holding key management reviews the results and performance of its reportable operating segments based on EBITDA (earnings before interest, foreign currency gains and losses and due date income and expenses as part of other operating income and expenses and depreciation and amortization). In addition to the requirements of segment reporting, The Group's management presented this information for certain financial statement readers to utilize this data during their analyses.

a) External revenues (Consolidated):

	1 January - 30 June 2018	1 January - 30 June 2017
Banking	17.101.507	12.811.552
Industry	2.356.842	2.009.414
Retail	4.080.625	3.669.403
Cement	853.329	630.183
Other	53.730	52.439
Total (*)	24.446.033	19.172.991

(*) The distribution of income refers to total revenue in the consolidated income statement.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

b) Segment assets (Consolidated):

	30 June 2018	31 December 2017
Banking	366.076.229	337.538.775
Industry	5.733.129	4.816.631
Retail	4.325.645	4.083.814
Cement	3.146.180	3.042.382
Other	3.267.655	2.600.516
Segment assets (*)	382.548.838	352.082.118
Assets classified as held for sale	24.051	21.181
Investments accounted through equity method (Note 7)	6.420.671	6.439.214
Unallocated assets	(230.371)	(955.871)
Less: intersegment eliminations	(4.811.536)	(3.451.891)
Total assets as per consolidated financial statements	383.951.653	354.134.751

c) Segment Liabilities (Consolidated):

	30 June 2018	31 December 2017
Banking	325.881.382	297.938.890
Industry	3.229.382	2.562.011
Retail	3.974.846	3.996.900
Cement	1.931.829	1.834.398
Other	217.781	195.468
Segment liabilities	335.235.220	306.527.667
Assets classified as held for sale	5.656	5.262
Unallocated Liabilities	(272.195)	(946.791)
Less: intersegment eliminations	(4.805.663)	(3.449.326)
Total liabilities as per consolidated financial statements	330.163.018	302.136.812

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment:

i) Banking:

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	17.692.419	17.692.419	13.881.582	13.881.582
Financial assets	57.247.209	57.247.209	61.764.823	61.764.823
Derivative financial instruments	19.109.791	19.109.791	9.452.332	9.452.332
Reserve deposits with the Central Bank of Republic of Turkey	40.531.922	40.531.922	33.055.479	33.055.479
Receivables from finance sector operations	224.122.030	224.122.030	212.706.935	212.706.935
Property, plant and equipment	1.088.286	1.088.286	973.573	973.573
Intangible assets	516.758	516.758	478.542	478.542
Other receivables and other assets	5.767.814	5.767.814	5.225.509	5.225.509
Total segment assets	366.076.230	366.076.229	337.538.775	337.538.775
Financial liabilities	63.865.971	63.865.971	51.890.944	51.890.944
Payables from finance sector operations	240.641.816	240.641.816	230.770.592	230.770.592
Derivative financial instruments	11.300.860	11.300.860	5.498.740	5.498.740
Other payables and other liabilities	10.072.735	10.072.735	9.778.614	9.778.614
Total segment liabilities	325.881.382	325.881.382	297.938.890	297.938.890

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership..

The bank's cash flows regarding the operating activities equal to TRY (5.758.826) as of 30 June 2018 (30 June 2017: TRY (3.434.903)).

The bank's cash flows regarding the investing activities equal to TRY (737.497) as of 30 June 2018 (30 June 2017: TRY (3.707.577)).

The bank's cash flows regarding the financing activities equal to TRY (532.575) as of 30 June 2018 (30 June 2017: TRY (2.088.436)).

Banking segment consists of Akbank. Akbank's accumulated non-controlling interests calculated from its financial statements amount to TRY 23.816.519 as of 30 June 2018 (31 December 2017: TRY 23.464.002).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued)::

ii) Insurance:

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	2.161.536	-	1.941.785	-
Financial assets	1.173.345	-	1.068.201	-
Receivables from finance sector operations	784.587	-	711.505	-
Investments accounted through equity method (Note 7)	-	412.234	-	435.071
Property, plant and equipment	52.704	-	45.619	-
Intangible assets	87.250	-	79.147	-
Other receivables and other assets	2.534.228	-	2.074.898	-
Total segment assets	6.793.650	412.234	5.921.155	435.071
Payables from finance sector operations	5.383.104	-	4.473.101	-
Other payables and other liabilities	348.836	-	326.724	-
Total segment liabilities	5.731.940	-	4.799.825	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership..

Insurance segment consist of Aksigorta and Avivasa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The balance sheet items by segment (continued):

iii) Energy:	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	1.033.654	-	208.188	-
Financial assets	836	-	836	-
Trade receivables	3.326.047	-	2.685.139	-
Inventories ⁸	318.095	-	217.618	-
Investments accounted through equity method (Note 7)	-	4.946.448	-	4.960.285
Property, plant and equipment	9.980.479	-	10.116.942	-
Intangible assets	5.584.737	-	5.715.215	-
Other receivables and other assets	13.946.109	-	13.748.493	-
Total segment assets	34.189.957	4.946.448	32.692.431	4.960.285
Financial liabilities	16.317.056	-	14.820.651	-
Trade payables	1.829.398	-	1.859.818	-
Other payables and other liabilities	4.940.570	-	6.091.392	-
Total segment liabilities	23.087.024	-	22.771.861	-

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment

(**) Consolidated data reflects the total amounts of the Companies before elimination which belong to the related segment considering the Holding's portion of ownership..

Energy segment consists of Enerjisa and its subsidiaries

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The income statement items by segment (continued):

iv) Industry

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	302.814	47.485	227.760	33.244
Financial assets	167	167	141	141
Trade receivables	2.290.426	1.469.331	2.185.680	1.354.018
Inventories	2.077.176	1.613.358	1.536.591	1.143.366
Investments accounted through equity method	292.994	678.747	367.944	666.147
Property, plant and equipment	3.536.584	1.819.522	3.305.540	1.593.964
Intangible assets	290.222	221.725	268.799	207.776
Other receivables and other assets	1.548.368	585.591	872.574	505.303
Total segment assets	10.338.751	6.435.926	8.765.029	5.503.959
Financial liabilities	4.142.026	1.853.096	3.420.139	1.390.144
Trade payables	1.423.391	730.609	1.211.520	624.032
Other payables and other liabilities	1.055.437	651.333	792.793	553.097
Total segment liabilities	6.620.854	3.235.038	5.424.452	2.567.273

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

The industrial sector includes the results of Kordsa, Temsa, Yünsa, Brisa and Philsa and Philip Morrissa.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The income statement items by segment (continued):

v) Retail	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	1.089.053	1.089.053	584.336	584.336
Financial assets	140.027	133.946	118.254	117.720
Trade receivables	1.162.423	1.162.423	1.020.866	1.020.866
Inventories	10.197	10.197	186.962	186.962
Property, plant and equipment	714.316	714.316	904.493	904.493
Intangible assets	90.634	90.634	99.139	99.139
Other receivables and other assets	1.058.149	1.125.067	1.108.927	1.170.298
Total segment assets	4.264.799	4.325.636	4.022.977	4.083.814
Financial liabilities	1.631.572	1.631.572	1.599.951	1.599.951
Trade payables	1.855.561	1.850.159	1.939.207	1.938.672
Other payables and other liabilities	487.713	493.115	457.737	458.277
Total segment liabilities	3.974.846	3.974.846	3.996.895	3.996.900

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

The retail sector includes the results of Teknosa and Carrefoursa

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The income statement items by segment (continued):

i) Cement	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	170.681	79.755	255.014	217.946
Financial assets	195.569	64	162.783	64
Trade receivables	1.082.568	570.021	999.154	513.467
Inventories	441.485	217.202	297.729	146.775
Investments accounted through equity method	-	383.242	-	377.711
Property, plant and equipment	2.770.036	1.922.359	2.682.867	1.855.212
Intangible assets	58.828	17.115	59.260	16.841
Other receivables and other assets	511.456	339.665	483.487	292.077
Total segment assets	5.230.623	3.529.423	4.940.294	3.420.093
Financial liabilities	1.940.632	1.466.583	1.762.257	1.376.837
Trade payables	613.838	249.680	578.203	290.768
Other payables and other liabilities	364.429	215.566	308.403	166.793
Total segment liabilities	2.918.899	1.931.829	2.648.863	1.834.398

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

The cement sector includes the results of Çimsa and Akçansa

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d) The income statement items by segment (continued):

ii) Other:

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 31 December 2017	Consolidated(**) 31 December 2017
Cash and cash equivalents	2.978.621	2.978.621	2.216.076	2.216.076
Financial assets	11.937.649	12.403	11.788.296	12.032
Trade receivables	26.052	25.360	46.315	46.098
Inventories	4.685	4.685	1.087	1.087
Property, plant and equipment	220.659	184.595	219.983	183.920
Intangible assets	12.984	12.984	14.835	14.835
Other receivables and other assets	177.833	49.007	164.698	126.468
Total segment assets	15.358.483	3.267.655	14.451.290	2.600.516
Financial liabilities	68.867	68.867	-	-
Trade payables	22.947	22.452	43.501	43.482
Other payables and other liabilities	137.128	126.462	181.490	151.986
Total segment liabilities	228.942	217.781	224.991	195.468

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

The other sector includes the results of Sabancı Holding A.Ş., Exsa, Tursa, AEO and Bimsa

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

e) The reconciliation of the consolidated statement of profit or loss

	1 January - 30 June 2018			1 January - 30 June 2017		
	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated	Total Consolidation of Segments Before Elimination	Elimination and Consolidation Adjustments	Consolidated
Total revenue	24.566.109	(120.076)	24.446.033	19.223.397	(50.406)	19.172.991
Cost of sales and interest, premiums, commissions and other expenses	(16.380.554)	377.652	(16.002.902)	(11.799.096)	90.147	(11.708.949)
General administration expensesi	(3.352.130)	45.164	(3.306.966)	(2.561.280)	25.783	(2.535.497)
Sales, marketing and distribution expenses	(949.692)	305	(949.387)	(822.290)	759	(821.531)
Research and development expenses	(6.985)	-	(6.985)	(4.597)	1	(4.596)
Other operating income/(expense) - net	364.466	6.993	371.459	140.199	(242)	139.957
Interest in income of joint ventures	369.220	-	369.220	71.181	-	71.181
Operating profit	4.610.434	310.038	4.920.472	4.247.514	66.042	4.313.556
Income/(expense) from investing activities – net	1.097.951	(376.924)	721.027	130.614	(94.275)	36.339
Operating profit before financial expense	5.708.385	(66.886)	5.641.499	4.378.128	(28.233)	4.349.895
Financial income/(expense) – net	(394.511)	74.868	(319.643)	(221.236)	30.001	(191.235)
Income before tax	5.313.874	7.982	5.321.856	4.156.892	1.768	4.158.660
Tax	(1.057.814)	-	(1.057.814)	(818.397)	(1)	(818.398)
Profit/(loss) after tax from discontinued operations	27	-	27	(3.753)	-	(3.753)
Income for the period	4.256.087	7.982	4.264.069	3.334.742	1.767	3.336.509
Net income attributable to equity holders of the parent			2.221.686			1.459.570

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment:

i) Banking:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	30 June 2018	30 June 2018	30 June 2017	30 June 2017
Interest, commission and other income	17.172.229	17.172.229	12.833.512	12.833.512
Interest, commission and other expenses	(10.588.822)	(10.588.822)	(6.781.039)	(6.781.039)
General administration expenses	(2.985.675)	(2.985.675)	(2.337.871)	(2.337.871)
Other operating income/(expense) - net	316.685	316.685	117.768	117.768
Operating profit	3.914.417	3.914.417	3.832.370	3.832.370
Income/(expense) from investing activities - net	4.829	4.829	2.557	2.557
Profit before tax	3.919.246	3.919.246	3.834.927	3.834.927
Tax	(888.866)	(888.866)	(789.275)	(789.275)
Net income	3.030.380	3.030.380	3.045.652	3.045.652
Net income attributable to equity holders of the parent		1.234.877		1.241.101
EBITDA	4.076.282	4.076.282	3.958.676	3.958.676

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

Akbank's net income attributable to non-controlling interest is TRY1.795.503 as of 30 June 2018 (30 June 2017: TRY 1.804.551).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (Continued):

ii) Insurance:

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 30 June 2017	Consolidated(**) 30 June 2017
Gross premiums written	1.094.717	-	770.873	-
- Gross written premiums	1.961.359	-	1.348.995	-
- Unearned premiums reserves	(866.642)	-	(578.122)	-
Premiums, commission and other expenses	(1.008.496)	-	(596.862)	-
General administration expenses	(237.724)	-	(205.377)	-
Other operating income/(expense) -net	355.434	-	188.702	-
Interest in income of joint ventures	-	65.688	-	53.071
Operating profit	203.931	65.688	157.336	53.071
Income/(expense) from investing activities – net	30.147	-	18.266	-
Operating profit before financial expense	234.078	65.688	175.602	53.071
Financial income/(expense) – net	(10.700)	-	604	-
Profit before tax	223.378	65.688	176.206	53.071
Tax	(50.769)	-	(36.099)	-
Net income	172.609	65.688	140.107	53.071
Net income attributable to equity holders of the parent		65.688		53.071
EBITDA	207.234		160.806	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (Continued):

iii) Energy

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 30 June 2017	Consolidated(**) 30 June 2017
Sales revenue (net)	9.911.666	-	7.193.986	-
Cost of sales	(7.290.893)	-	(5.326.159)	-
General administration expenses	(880.210)	-	(710.530)	-
Sales, marketing and distribution expenses	-	-	-	-
Other operating income/(expense) - net	(66.637)	-	(118.896)	-
Interest in income of joint ventures (Notes 7)	-	151.713	-	(117.203)
Operating profit	1.673.926	151.713	1.038.401	(117.203)
Income/(expense) from investing activities – net	32	-	(282.202)	-
Operating profit before financial expense	1.673.958	151.713	756.199	(117.203)
Financial income/(expense) – net	(1.136.926)	-	(1.046.195)	-
Profit before tax	537.032	151.713	(289.996)	(117.203)
Tax	(133.809)	-	55.588	-
Net income	403.223	151.713	(234.408)	(117.203)
Net income attributable to equity holders of the parent		151.713		(117.203)
EBITDA	2.086.572		1.366.522	

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (Continued):

iv) Industry

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 30 June 2017	Consolidated(**) 30 June 2017
Sales revenue (net)	3.770.901	2.356.819	3.017.443	2.009.420
Cost of sales	(2.952.191)	(1.882.462)	(2.384.853)	(1.631.223)
General administration expenses	(216.671)	(144.348)	(114.529)	(56.088)
Sales, marketing and distribution expenses	(272.131)	(133.410)	(221.159)	(104.232)
Research and development expenses	(5.845)	(5.135)	(7.788)	(3.862)
Other operating income/(expense) - net	116.991	105.714	57.088	33.208
Interest in income of joint ventures (Notes 7)	100.192	110.351	108.026	119.634
Operating profit	541.246	407.529	454.228	366.857
Income/(expense) from investing activities – net	3.572	3.432	10.659	10.485
Operating profit before financial expense	544.818	410.961	464.887	377.342
Financial income/(expense) – net	(287.739)	(163.957)	(156.876)	(78.557)
Profit before tax	257.079	247.004	308.011	298.785
Tax	(15.384)	(17.453)	(23.576)	(28.804)
Income/(expenses) after discontinued operations	27	27	(3.753)	(3.753)
Net income	241.722	229.578	280.682	266.228
Net income attributable to equity holders of the parent		182.212		194.232
EBITDA	584.551	388.203	509.381	395.833

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (Continued):

v) Retail:

	Combined(*)	Consolidated(**)	Combined(*)	Consolidated(**)
	30 June 2018	30 June 2018	30 June 2017	30 June 2017
Sales revenue (net)	4.088.931	4.085.791	3.687.722	3.685.328
Cost of sales	(3.209.090)	(3.205.953)	(2.849.165)	(2.846.775)
General administration expenses	(109.855)	(109.702)	(83.545)	(83.352)
Sales, marketing and distribution expenses	(806.955)	(806.955)	(710.520)	(710.520)
Other operating income/(expense) - net	(79.391)	(79.391)	(53.517)	(53.517)
Operating profit	(116.360)	(116.210)	(9.025)	(8.836)
Income/(expense) from investing activities – net	569.383	569.383	21.443	21.443
Operating profit before financial expense	453.023	453.173	12.418	12.607
Financial income/(expense) – net	(148.516)	(148.516)	(112.029)	(112.029)
Profit before tax	304.507	304.657	(99.611)	(99.422)
Tax	(49.236)	(49.236)	24.979	24.979
Net income	255.271	255.421	(74.632)	(74.443)
Net income attributable to equity holders of the parent		128.213		(36.894)
EBITDA	30.681	30.831	108.241	108.430

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (Continued):

vi) Cement:

	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 30 June 2017	Consolidated(**) 30 June 2017
Sales revenue (net)	1.703.372	853.344	1.319.711	630.189
Cost of sales	(1.275.730)	(619.974)	(1.051.724)	(481.813)
General administration expenses	(82.095)	(48.950)	(64.846)	(32.837)
Research and development expenses	(1.850)	(1.850)	(735)	(735)
Sales, marketing and distribution expenses	(15.517)	(6.344)	(15.577)	(5.135)
Other operating income/(expense) - net	9.651	15.324	(1.681)	6.150
Interest in income of joint ventures	-	41.468	-	15.678
Operating profit	337.831	233.018	185.148	131.497
Income/(expense) from investing activities – net	33.108	17.459	7.581	1.340
Operating profit before financial expense	370.939	250.477	192.729	132.837
Financial income/(expense) – net	(112.664)	(82.176)	(58.612)	(30.374)
Profit before tax	258.275	168.301	134.117	102.463
Tax	(50.865)	(24.989)	(23.871)	(15.702)
Net income	207.410	143.312	110.246	86.761
Net income attributable to equity holders of the parent		97.781		54.730
EBITDA	408.614	257.520	258.905	160.882

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

f) The income statement items by segment (Continued):

vii) Other:	Combined(*) 30 June 2018	Consolidated(**) 30 June 2018	Combined(*) 30 June 2017	Consolidated(**) 30 June 2017
Sales revenue (net)	1.311.955	97.926	948.102	64.948
Cost of sales	(83.517)	(83.341)	(58.392)	(58.246)
General administration expenses	(65.991)	(63.455)	(54.954)	(51.132)
Sales, marketing and distribution expenses	(2.982)	(2.983)	(2.403)	(2.403)
Other operating income/(expense) - net	13.572	6.132	41.601	36.590
Operating profit	1.173.037	(45.721)	873.954	(10.243)
Income/(expense) from investing activities – net	510.017	502.850	99.566	94.789
Operating profit before financial expense	1.683.054	457.129	973.520	84.546
Financial income/(expense) – net	138	138	(276)	(276)
Profit before tax	1.683.192	457.267	973.244	84.270
Tax	(77.271)	(77.271)	(9.594)	(9.594)
Net income	1.605.921	379.996	963.650	74.676
Net income attributable to equity holders of the parent		361.202		70.532
EBITDA	1.185.489	(33.264)	886.908	2.551

(*) Combined data reflects the total amounts of the Companies, which belong to the related segment.

(**) Consolidated data reflects the total amounts of the Companies by deducting the financial asset values of the Holding's subsidiaries, joint ventures and associations before elimination which belong to the related segment considering the Holding's portion of ownership.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

g) Net income attributable to equity holders of the parent

One-off incomes and expenses that are not expected to be realized during routine course of business. Details of the net profit / (loss) attributable to equity holders of the parent with adjusted segments is as follows:

	30 June 2018	30 June 2017
Banking	1.234.877	1.241.101
Insurance	65.688	53.071
Industry	180.764	185.368
Cement	91.251	54.730
Energy	130.497	(3.050)
Retail	(107.804)	(52.988)
Other	238.269	37.436
Total	1.833.542	1.515.668

The reconciliation of adjusted net profit attributable to equity holders of the Parent is as follows:

	30 June 2018	30 June 2017
Adjusted net income for		
reported operating segments (Equity holders of the Parent)	1.833.542	1.515.668
Carrefoursa one-off income / expenses	236.018	12.371
Teknosa one-off income / expenses	-	3.723
Enerjisa one-off income / expenses	21.216	(114.153)
The company one-off income / expenses	122.932	35.688
Other	7.978	6.273
Net income (Equity holders of the Parent)	2.221.686	1.459.570

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

h) Combined EBITDA Detail

30 June 2018	Profit before tax	Amortization expense	Income/(expense) from investing activities - net	Financial income/(expense) - net	Operating profit before financial expense	EBITDA
Banking	3.919.246	161.865	4.829	-	-	4.076.282
Industry	257.079	157.166	3.572	(287.739)	113.861	584.551
Cement	258.275	92.048	33.108	(112.664)	21.265	408.614
Retail	304.507	87.186	569.383	(148.516)	(59.855)	30.681
Energy	537.032	340.744	32	(1.136.926)	(71.902)	2.086.572
Insurance	223.378	15.885	30.147	(10.700)	12.582	207.234
Other	1.683.192	14.443	510.017	138	1.991	1.185.489
30 June 2017	Profit before tax	Amortization expense	Income/(expense) from investing activities - net	Financial income/(expense) - net	Operating profit before financial expense	EBITDA
Banking	3.834.927	126.306	2.557	-	-	3.958.676
Industry	308.011	116.438	10.659	(156.876)	61.285	509.381
Cement	134.117	75.999	7.581	(58.612)	2.242	258.905
Retail	(99.611)	70.970	21.443	(112.029)	(46.296)	108.241
Energy	(289.996)	321.318	(282.202)	(1.046.195)	(6.803)	1.366.522
Insurance	176.206	11.121	18.266	604	7.651	160.806
Other	973.244	13.435	99.566	(276)	481	886.908

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

i) Depreciation and amortisation charges, impairment and capital expenditures (Consolidated):

1 January – 30 June 2018

	<u>Finance</u>							
	<u>Banking</u>	<u>Insurance</u>	<u>Industry</u>	<u>Cement</u>	<u>Energy</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
Depreciation and amortization	161.865	-	80.503	50.254	-	87.186	14.851	394.659
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	429	-	-	-	-	4.639	-	5.068
Capital expenditure	318.884	-	134.224	108.124	-	60.889	14.019	636.140

1 January – 30 June 2017

	<u>Finance</u>							
	<u>Banking</u>	<u>Insurance</u>	<u>Industry</u>	<u>Cement</u>	<u>Energy</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
Depreciation and amortization	126.306	-	67.929	35.590	-	70.970	13.275	314.070
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	(1.475)	-	(1.384)	-	-	1.321	-	(1.538)
Capital expenditure	97.590	-	111.491	231.392	-	39.151	18.772	498.396

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

j) Depreciation and amortisation charges, impairment and capital expenditures (Combined):

1 January – 30 June 2018

	<u>Finance</u>							
	<u>Banking</u>	<u>Insurance</u>	<u>Industry</u>	<u>Cement</u>	<u>Energy</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
Depreciation and amortization	161.865	15.885	157.166	92.048	340.744	87.186	14.443	869.337
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	429	-	-	-	-	4.639	-	5.068
Capital expenditure	318.883	31.564	232.127	170.013	943.029	60.889	14.020	1.770.525

1 January – 30 June 2017

	<u>Finance</u>							
	<u>Banking</u>	<u>Insurance</u>	<u>Industry</u>	<u>Cement</u>	<u>Energy</u>	<u>Retail</u>	<u>Other</u>	<u>Total</u>
Depreciation and amortization	126.306	11.121	116.438	75.999	321.318	70.970	13.435	735.587
Impairment / (reversal of impairment) of property, plant and equipment and investment properties	(1.475)	-	(1.384)	-	-	1.321	-	(1.538)
Capital expenditure	97.591	21.371	424.138	295.300	943.853	39.151	18.772	1.840.176

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS

a) Financial assets through profit or loss:

The analysis of financial assets at fair value through profit and loss is as follows:

	30 June 2018
Share certificates	137.115
Government bonds	10.573
Other	6.222
Total	153.910

The analysis of financial assets at 31 December 2017 fair value through profit and loss is as follows:

	31 December 2017
Share certificates	23.432
Government bonds	9.525
Other	6.933
Total	39.890

Effective interest rates of TRY denominated securities at fair value through profit and loss are as follows:

	30 June 2018	31 December 2017
TRY	% 22,45	% 16,16

The Group's activities in the finance sector as collateral for the purchase and sale of financial assets is TRY 11.065 (31 December 2017: TRY 9.731).

The analysis of maturities at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	31 December 2017
3 to 12 months	13.531	16.459
1 to 5 years	953	-
No maturiy	139.426	23.431
Total	153.910	39.890

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS (Continued)

a) Financial assets through profit or loss (Continued):

Period remaining to contractual repricing dates:

	30 June 2018	31 December 2017
Up to 3 months	13.531	2.060
3 to 12 months	953	14.399
No maturiy	139.426	23.431
Total	153.910	39.890

b) Financial assets through other comprehensive income:

The details of the financial assets at fair value through other comprehensive income are as follows 30 June 2018:

	30 June 2018
Debt securities	
- Government bonds	22.703.079
- Eurobonds	15.961.939
- Investment funds	235.732
- Other bonds denominated in foreign currency	6.926.216
Sub-total	45.826.966
Equity securities	
- Listed	116
- Unlisted	19.502
Sub-total	19.618
Total financial investments available for sale	45.846.584

The details of available-for-sale financial assets as of 31 December 2017 are as follows:

	31 December 2017
Debt securities	
- Government bonds	23.159.176
- Eurobonds	13.657.442
- Investment funds	277.987
- Other bonds denominated in foreign currency	5.648.781
Sub-total	42.743.386
Equity securities	
- Listed	116
- Unlisted	102.325
Sub-total	102.441
Total financial investments available for sale	42.845.827

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS (Continued)

b) Financial assets through other comprehensive income (Continued):

Effective interest rates of USD, EUR, JPY and TRY denominated debt securities are 4,30% (31 December 2017: 4,20%), 2,41% (31 December 2017: 2,47%), 3,09% (31 December 2017: 3,09) and 12,65% (31 December 2017: 12,48%), respectively. The Group's financial assets available for sale subject to funds provided from repo are TRY 15.870.848 (31 December 2017: TRY 20.055.533). Available for sale financial assets that are given as collateral because of the Group's financing activities are amounting to TRY 4.869.901 (31 December 2017: TRY 3.470.880). No available for sale financial asset exists whose risk is undertaken by insurance policy holders (31 December 2017: None).

Akbank's securities portfolios, available for sale and held-to-maturity, have CPI-indexed bonds. Reference indexes used to calculate the actual coupon payment amounts of the securities are created based on CPIs from two months prior. The bank sets the estimated inflation rate in line with the reference indexes. The estimated inflation rate used is updated during the year when necessary.

The maturity analysis in accordance with expiring date as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018			31 December 2017		
	Other		Total	Other		Total
	Banking companies			Banking companies		
3 to 12 months	5.874.147	-	5.874.147	3.086.122	-	3.086.122
1 to 5 years	28.214.686	12.010	28.226.696	25.783.774	-	25.783.774
Over 5 years	11.413.314	-	11.413.314	12.871.607	-	12.871.607
No maturity	332.427	-	332.427	1.104.324	-	1.104.324
Total	45.834.574	12.010	45.846.584	42.845.827	-	42.845.827

Based on period remaining to contractual repricing dates as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018			31 December 2017		
	Other		Total	Other		Total
	Banking companies			Banking companies		
Up to 3 months	7.340.379	-	7.340.379	6.936.341	-	6.936.341
3 to 12 months	14.189.215	-	14.189.215	11.749.801	-	11.749.801
1 to 5 years	17.456.636	12.010	17.468.646	16.298.430	-	16.298.430
Over 5 years	6.598.827	-	6.598.827	7.485.228	-	7.485.228
No maturity	249.517	-	249.517	376.027	-	376.027
Total	45.834.574	12.010	45.846.584	42.845.827	-	42.845.827

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS (Continued)

c) Financial assets at amortised cost:

The breakdown of held to maturity financial assets is listed below at 30 June 2018:

	30 June 2018
Government bonds	11.250.612
Total	11.250.612

The breakdown of held to maturity financial assets is listed below at 31 December 2017:

	31 December 2017
Government bonds	18.883.153
Total	18.883.153

The movement table of held to maturity securities is as follows at 30 June 2018 and 31 December 2017:

	30 June 2018	31 December 2017
1 January	18.883.153	17.976.984
Additions (*)	-	226
Foreign exchange differences in monetary assets	1.291.911	1.223.819
Valuation effect	(262.110)	523.600
Disposals through sales and redemptions (*)	(8.685.687)	(766.185)
Allowance for impairment	23.345	(75.291)
Total	11.250.612	18.883.153

(*) The Group reassessed its management model for securities in accordance with IFRS 9 standard and reviewed the securities previously classified as held-to-maturity and measured at amortized cost of TRY 4.927.185 for the purpose of collecting the cash flow of the appropriate management model or for selling the financial asset, classified the fair value through other comprehensive income.

Effective interest rate of debt securities in USD, Euro and TRY are 4,23%, 3,57% and 14,17% respectively. (31 December 2017: Effective interest rate of debt securities in USD, Euro and TRY are 4,11%, 3,62% and 13,22%).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 4 - FINANCIAL ASSETS (Continued)

c) Financial assets at amortised cost (Continued):

Period remaining to contractual maturity dates for held to maturity financial assets as at 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018			31 December 2017		
	Banking	Other companies	Total	Banking	Other companies	Total
3 to 12 months	3.473.863	141	3.474.004	4.593.686	122	4.593.808
1 to 5 years	6.837.851	-	6.837.851	12.668.937	-	12.668.937
Over 5 years	938.757	-	938.757	1.620.408	-	1.620.408
Total	11.250.471	141	11.250.612	18.883.031	122	18.883.153

The remaining period for the re-pricing date specified in the contract as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018			31 December 2017		
	Banking	Other companies	Total	Banking	Other companies	Total
Up to 3 months	2.774.034	-	2.774.034	6.403.521	-	6.403.521
3 to 12 months	4.632.580	141	4.632.721	2.623.044	122	2.623.166
1 to 5 years	2.905.100	-	2.905.100	8.897.479	-	8.897.479
Over 5 years	938.757	-	938.757	958.987	-	958.987
Total	11.250.471	141	11.250.612	18.883.031	122	18.883.153

d) Time Deposits:

The breakdown of maturities of time deposits over 3 months is as follows:

	30 June 2018	31 December 2017
3 to 12 months	8.736	8.190
Total	8.736	8.190

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES

Short term funds borrowed, bank borrowings and debt securities:

	30 June 2018	31 December 2017
Short term	13.789.807	13.917.173
Short-term portion of long term	19.988.580	16.018.279
Total short term	33.778.387	29.935.452
Long-term funds borrowed, bank borrowings and debt securities:		
Long term	34.183.873	25.322.315
Total	67.962.260	55.257.767

Maturity analysis as of 30 June 2018 and 31 December 2017 is as follows:

	30 June 2018	31 December 2017
Up to 3 months	21.759.122	14.837.249
3 to 12 months	12.019.265	15.098.203
Short term borrowings and short term portion of long term borrowings	33.778.387	29.935.452
1 to 5 years	20.352.729	16.168.062
Over 5 years	13.831.144	9.154.253
Long term borrowings	34.183.873	25.322.315
Total financial liabilities	67.962.260	55.257.767

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES (Continued)

The maturity schedule of long term borrowings at 30 June 2018 and 31 December 2017 is summarised below:

	30 June 2018	31 December 2017
2018	-	5.296.171
2019	9.187.551	5.029.825
2020	3.403.008	2.191.491
2021	2.829.394	3.650.575
2022 and beyond	18.763.920	9.154.253
Total	34.183.873	25.322.315

The repricing schedule of borrowings at 30 June 2018 and 31 December 2017 is summarised below:

	30 June 2018	31 December 2017
Up to 3 months	44.657.825	33.182.206
3 to 12 months	8.370.735	9.872.514
1 to 5 years	7.177.999	7.133.178
Over 5 years	7.755.701	5.069.869
Total	67.962.260	55.257.767

The transactions related with the funds and loans as of 30 June 2018 are as follows:

Akbank - Funds borrowed via syndicated credit

As of 30 June 2018, Akbank has five outstanding syndicated loan. On 18 August 2016, the first syndicated loan signed and raised EUR 787.8 million and USD 327 million consisting of 1 year and 3 year maturities. The current amount is EUR 90 million. The cost of 3 year maturity loan is Euribor +215 bps. The second syndicated loan of EUR 738.3 million and USD 404.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 22 March 2017. The current amount is USD 185 million. The cost of 2 years maturity loan is Euribor + 220 bps. The third syndicated loan of USD 335 million with a maturity of 3 year was obtained through the loan agreement signed on 9 July 2015. The cost of the loan is Euribor +185 bps. The fourth syndicated loan of EUR 515.1 million and USD 542.6 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 15 August 2017. The cost of 1 year maturity loan is Euribor +125 and Euribor +135 bps and the cost of 2 year maturity loan is Euribor +220 bps. The fifth syndicated loan of EUR 483 million and USD 604.5 million with a maturity of 1 year and 2 years was obtained through the loan agreement signed on 26 March 2018. The cost of 1 year maturity loan is Euribor +120 and Euribor +130 bps and the cost of 2 year maturity loan is Euribor +210 bps.

Akbank obtained syndicated loans of USD 604.5 million and EUR 483 million, equivalent of USD 1.2 billion, from international markets. The maturity of the portion of the loan which is the equivalent of USD 950 million is one year while the portion of the loan which is the equivalent of USD 250 million is two years. Total cost of the portion of the loan with one year maturity is Libor + 1.30% and Euribor + 1.20% while the total cost of the portion of the loan with two years maturity is Libor + 2.10%.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Issued securities:

Securities issued consist of USD and TRY assets.

The repayment plan for USD securities issued is summarized below:

	30 June 2018		31 December 2017	
	USD	TRY	USD	TRY
2018	240.708	1.090.407	1.208.548	4.519.968
2019	482.638	2.186.350	452.230	1.691.340
2020	1.064.605	4.822.661	848.888	3.174.841
2021	577.096	2.614.245	516.436	1.931.471
2022	966.858	4.379.867	773.845	2.894.180
2023	509.172	2.306.549	464.207	1.736.134
2024	533.022	2.414.590	482.772	1.805.567
2025	832.427	3.770.894	426.707	1.595.884
2026	75.385	341.494	63.293	236.716
2027	314.858	1.426.307	293.150	1.096.381
2028	219.123	992.627	9.893	37.000
Total	5.815.892	26.345.991	5.539.969	20.719.482

The balance amounting to USD 5.815.892 consists of securitization deals and USD denominated securities issued by the Bank.

	30 June 2018		31 December 2017	
	EURO	TRY	EURO	TRY
2018	11.631	61.339	75.260	336.963
2019	45.839	241.732	93.331	417.871
2020	45.824	241.653	45.817	205.136
2021	23.082	121.723	23.075	103.314
2022	341	1.798	334	1.495
2023	328	1.730	321	1.437
2024	315	1.661	309	1.383
2025	303	1.598	297	1.330
2026	291	1.535	285	1.276
2027	280	1.477	274	1.227
2028	269	1.419	263	1.178
2029	6.674	35.195	6.543	29.295
Total	135.177	712.860	246.109	1.101.905

The balance amounting to EUR 135.177 consists of securitization deals and EUR denominated securities issued by the Group.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 5 - FINANCIAL LIABILITIES (Continued)

Issued securities (Continued):

	30 June 2018		31 December 2017	
	RON	TRY	RON	TRY
2018	51.535	57.992	80.994	77.398
2019	55.125	62.032	54.049	51.649
Total	106.660	120.024	135.043	129.047

The balance amounting to RON 106.660 consists of securization deals and RON denominated securities issued by the Bank.

	30 June 2018		31 December 2017	
	HUF	TRY	HUF	TRY
2019	742.163	11.578	782.916	11.431
Total	742.163	11.578	782.916	11.431

The balance amounting to HUF 742.163 consists of securization deals and HUF denominated securities issued by the Bank.

	30 June 2018		31 December 2017	
	JPY	TRY	JPY	TRY
2018	4.885	199	9.925	329
2019	997.715	40.747	992.585	32.894
Total	1.002.600	40.946	1.002.510	33.223

The balance amounting to JPY 1.002.600 consists of securization deals and JPY denominated securities issued by the Bank.

Additionally, as of 30 June 2018, there are bonds issued by the Bank amounting to TRY 3.854.581 with 1-3 months maturity, TRY 1.917.314 with 3-6 months maturity and TRY 1.727.465 with 5 years and over maturity. (31 December 2017, there are bonds issued by the Bank amounting to TRY 3.533.520 with 3 months maturity, TRY 1.122.952 with 4 months maturity, and TRY 2.480.799 with 5 years and over maturity).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 6 - OTHER RECEIVABLES AND PAYABLES

Other short term receivables::	30 June 2018	31 December 2017
Receivables from credit card payments	47.227	38.266
Other receivables	3.014.370	2.425.760
Total	3.061.597	2.464.026

Other short term payables:	30 June 2018	31 December 2017
Payables related to credit card transactions	4.052.223	3.988.420
Taxes and funds payable	520.771	420.915
Export deposits and transfer orders	138.038	71.952
Payment orders to correspondent banks	183.310	268.028
Financial lease payables	28.675	31.976
Other	2.053.566	619.817
Total	6.976.583	5.401.108

Other long term payables:	30 June 2018	31 December 2017
Financial lease payables	59.161	59.490
Taxes and funds payable	-	3.981
Other	1.176.680	1.478.063
Total	1.235.841	1.541.534

NOTE 7 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

Book value of Associates and Joint Ventures is as follows:

	30 June 2018	Share (%)	31 December 2017	Share (%)
Aksigorta	196.795	36,00	205.889	36,00
Avivasa	215.439	40,00	229.182	40,00
Brisa	385.753	43,63	298.202	43,63
Akçansa	383.242	39,72	377.711	39,72
Enerjisa Üretim Santralleri	2.526.371	50,00	2.020.084	50,00
Enerjisa Enerji (*)	2.420.077	40,00	2.940.201	50,00
Philsa	154.660	25,00	207.015	25,00
Philip Morrissa	25.575	24,75	51.490	24,75
Temsa Mısır	(2.235)	73,75	(1.248)	73,75
Temsa İş Makineleri	114.994	51,00	110.688	51,00
Total	6.420.671		6.439.214	

(*) On 8 February 2018, Enerjisa Enerji A.Ş., a joint venture of the Group, was offered to public. After the initial public offering, the Group's shares in the Company decreased to 40%.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 7 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

The summary information on the financial statements of the Associates and Joint Ventures is as follows:

	1 January - 30 June 2018	1 January - 30 June 2017
Aksigorta	30.207	26.753
Avivasa	35.481	26.318
Brisa	10.158	11.607
Akçansa	41.468	15.678
Enerjisa Üretim Santralleri (*)	(47.879)	-
Enerjisa Enerji (*)	199.592	(117.203)
Philsa	61.987	61.026
Philip Morrissa	22.760	37.261
Temsa Mısır	93	(1.196)
Temsa İş Makineleri	15.353	10.937
Total	369.220	71.181

(*) Enerjisa Enerji A.Ş. is a joint venture of the Group and E.ON SE which is established in Germany, based on equal shares structure, has divided its energy production, energy wholesale and natural gas wholesale activities partially to Enerjisa Üretim Santralleri A.Ş. The divestiture process, which was conducted by the method of establishing a new company, was completed on August 25, 2017. As a result of the completion of the partial division process, Enerjisa Enerji A.Ş. has only the companies that carry out electricity distribution and retail sales activities.

The summary information on the financial statements of the Associates and Joint Ventures is as follows:

	30 June 2018		31 December 2017	
	Total assets	Total liabilities	Total assets	Total liabilities
Aksigorta	4.779.956	4.233.304	4.098.960	3.527.045
Avivasa	2.013.694	1.498.636	1.822.195	1.272.780
Brisa	4.269.961	3.385.815	3.540.658	2.857.178
Akçansa	1.964.846	987.070	1.778.315	814.465
Enerjisa Üretim Santralleri	13.801.801	8.749.059	12.649.409	8.609.240
Enerjisa Enerji	20.388.165	14.337.965	20.043.023	14.162.620
Philsa	3.515.384	2.896.743	3.276.178	2.448.119
Philip Morrissa	1.210.658	1.107.325	1.529.981	1.321.939
Temsa Mısır	14.278	17.309	23.120	24.814
Temsa İş Makineleri	675.158	490.297	551.677	374.999
Total	52.633.901	37.703.523	49.313.516	35.413.199

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 7 - INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD (Continued)

Sales

	1 January - 30 June 2018	1 January - 30 June 2017
Aksigorta	1.676.082	1.117.881
Avivasa	285.277	231.114
Brisa	1.414.082	1.008.023
Akçansa	850.028	689.522
Enerjisa Üretim Santralleri (*)	2.084.638	-
Enerjisa Enerji (*)	7.827.028	7.214.532
Philsa (**)	11.428.209	8.843.014
Philip Morrissa	11.291.538	9.915.465
Temsa İş Makineleri	503.714	442.881

Net profit/(loss)

	1 January - 30 June 2018	1 January - 30 June 2017
Aksigorta	83.908	74.314
Avivasa	88.702	65.796
Brisa	23.283	26.604
Akçansa	111.631	56.385
Enerjisa Üretim Santralleri (*)	(95.757)	-
Enerjisa Enerji (*)	498.979	(234.406)
Philsa (**)	247.949	244.102
Philip Morrissa	91.956	150.551
Temsa Mısır	126	(1.623)
Temsa İş Makineleri	30.106	21.445

(*) Enerjisa Enerji A.Ş., 50% - 50% joint venture of the Group with E.ON SE (established in Germany), transferred its subsidiaries that operate in electricity generation, wholesale trading and natural gas trading to a newly established company named Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") by spin-off method. The spin-off of the mentioned subsidiaries to the newly established Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ") was completed on August 25, 2017. As a result of the spin-off process, Enerjisa Enerji A.Ş. ended up with the subsidiaries operating in electricity distribution and retail.

(**) Philsa, which is a manufacturing company, conducts its sales activities through Philip Morrissa, which is a marketing company.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the year ended 30 June 2018 is as follows:

	1 January 2018	Currency translation differences	Additions	Disposals (**)	Transfers (*)	Impairment	Transfers to asset held for sales	30 June 2018
Cost:								
Land and land improvements	549.569	4.739	1.451	(67.559)	1.723	-	-	489.923
Buildings	2.688.983	71.661	13.086	(116.010)	12.540	-	-	2.670.260
Machinery and equipment	3.906.821	280.225	16.383	(2.331)	175.441	-	-	4.376.539
Motor vehicles	111.243	1.147	4.968	(2.046)	-	-	-	115.312
Furniture and fixtures	3.143.030	9.142	170.496	(166.903)	7.932	-	-	3.163.697
Total	10.399.646	366.914	206.384	(354.849)	197.636	-	-	10.815.731
								-
Construction in progress	644.620	7.168	291.135	(7.535)	(230.106)	-	-	705.282
Total	11.044.266	374.082	497.519	(362.384)	(32.470)	-	-	11.521.013
Accumulated depreciation:								
Land and land improvements	(235.214)	(3.269)	(3.867)	545	8.480	-	-	(233.325)
Buildings	(977.040)	(26.372)	(28.487)	36.458	-	429	-	(995.012)
Machinery and equipment	(1.990.166)	(129.720)	(91.805)	1.542	-	-	-	(2.210.149)
Motor vehicles	(95.743)	(829)	(3.474)	1.652	-	-	-	(98.394)
Furniture and fixtures	(2.216.358)	(11.257)	(140.388)	126.892	-	4.639	-	(2.236.472)
Total	(5.514.521)	(171.447)	(268.021)	167.089	8.480	5.068	-	(5.773.352)
Net book value	5.529.745							5.747.661

(*) TRY 23.043 of the transfers from the construction in progress during the period are recognised under intangible fixed assets, TRY 947 of the transfers from the construction in progress during the period are recognised under investment property.

(**) As a result of the sale of two real estate properties in the period by the retailing group, the assets with net book values of TRY 64.503 and TRY 40.093 respectively were disposed from the property, plant and equipment; and an income of TRY 578.564 was accounted under investment income.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 8 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement in property, plant and equipment for the year ended 30 June 2017 is as follows:

	1 January 2017	Currency translation differences	Additions	Disposals	Transfers (*)	Impairment	Transfers to asset held for sales	30 June 2017
Cost:								
Land and land improvements	626.281	1.338	5.329	(17.113)	29.716	-	(1.305)	644.246
Buildings	2.402.987	5.270	5.211	(19.706)	193.838	(1.475)	(16.671)	2.569.454
Machinery and equipment	3.248.618	979	22.283	(24.822)	387.085	160	-	3.634.303
Motor vehicles	113.579	(199)	7.702	(4.808)	3.772	-	-	120.046
Furniture and fixtures	2.883.082	(137)	74.933	(34.618)	11.508	1.451	-	2.936.219
Total	9.274.547	7.251	115.458	(101.067)	625.919	136	(17.976)	9.904.268
Construction in progress	944.284	(773)	317.488	(5.224)	(647.140)	-	-	608.635
Total	10.218.831	6.478	432.946	(106.291)	(21.221)	136	(17.976)	10.512.903
Accumulated depreciation:								
Land and land improvements	(234.731)	72	(3.346)	56	-	-	-	(237.949)
Buildings	(975.917)	(3.345)	(24.410)	11.153	-	-	-	(992.319)
Machinery and equipment	(1.914.886)	(2.955)	(71.158)	24.025	-	-	-	(1.964.974)
Motor vehicles	(95.865)	229	(3.292)	3.152	-	-	-	(95.776)
Furniture and fixtures	(2.032.923)	254	(112.721)	29.643	-	(175)	-	(2.115.922)
Total	(5.254.322)	(5.745)	(214.727)	68.029	-	(175)	-	(5.406.940)
Net book value	4.964.509							5.105.963

(*) TRY 21.221 of the transfers from the construction in progress during the period are recognised under intangible fixed assets.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 9 - INTANGIBLE ASSETS

The movement in intangible assets for the year ended 30 June 2018 is as follows:

	1 January 2018	Currency translation difference	Additions	Impairment	Disposals	Transfers	30 June 2018
Cost	1.827.717	25.978	138.650	154	(5.094)	23.043	2.010.358
Accumulated depreciation: (-)	(1.010.619)	(16.435)	(125.151)	(154)	1.180	-	(1.151.179)
Net book value	817.098						859.179

	1 January 2017	Currency translation differences	Additions	Impairment	Disposals	Transfers	30 June 2017
Cost	1.474.679	7.480	65.451	(2.168)	(1.487)	21.221	1.565.176
Accumulated depreciation: (-)	(801.910)	(7.797)	(97.284)	33	430	-	(906.528)
Net book value	672.769						658.648

(*) Intangible assets mainly consist of licenses and software.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 10 – GOODWILL

The movements of goodwill for the six month period ended on 30 June 2018 and 2017 are as follows:

	2018	2017
1 January	873.097	1.014.815
Additions or disposals	-	-
30 June	873.097	1.014.815

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions	30 June 2018	31 December 2017
Provision for liabilities	341.907	241.673
<i>Credit bonus provision</i>	45.756	69.960
<i>Litigation</i>	93.851	97.249
<i>Uncompensated and not encashed non-cash loans</i>	195.406	67.754
<i>Onerous contracts</i>	4.260	4.260
<i>Other short-term provisions</i>	2.634	2.450
Other	72.819	91.265
Total	414.726	332.938

Other long term provisions	30 June 2018	31 December 2017
Provision for liabilities	5.261	4.613
<i>Other long-term provisions</i>	5.261	4.613
Total	5.261	4.613

Commitments – Banking segment	30 June 2018	31 December 2017
Letters of guarantee given	36.070.525	34.576.533
Letters of credit	9.767.910	6.579.073
Foreign currency acceptance	5.380.934	3.757.710
Other guarantees given	5.915.313	5.914.738
Total	57.134.682	50.828.054

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Commitments – Non-banking segment	30 June 2018	31 December 2017
Letters of guarantee given	828.722	649.971
Other guarantees given	363.408	294.789
Mortgages, guarantees and pledges for tangible assets	11.524	25.185
Total	1.203.654	969.945
<u>Commitments for resale and repurchase of debt securities:</u>		
Commitments for the resale and repurchase of debt securities (government bonds, treasury bills and Eurobonds) at 30 June 2018 and 31 December 2017 are as follows:		
	30 June 2018	31 December 2017
Repurchase commitments	23.997.944	29.229.448
<u>Transactions for held for trading</u>		
	30 June 2018	31 December 2017
Foreign currency purchases	16.320.048	10.601.547
Foreign currency sales	16.270.330	10.564.713
Total	32.590.378	21.166.260
	30 June 2018	31 December 2017
Currency swap purchases	149.864.753	111.502.891
Currency swap sales	146.088.735	106.924.680
Interest swap purchases	68.966.727	46.369.365
Interest swap sales	68.966.727	46.369.365
Total	433.886.942	311.166.301
	30 June 2018	31 December 2017
Spot purchases	12.226.407	5.034.625
Spot sales	11.876.621	5.050.637
Total	24.103.028	10.085.262
	30 June 2018	31 December 2017
Currency, interest and securities options purchases	71.294.800	50.144.128
Currency, interest and securities options sales	71.536.804	50.460.763
Total	142.831.604	100.604.891
	30 June 2018	31 December 2017
Other purchase transactions	9.245.870	6.225.924
Other sales transactions	10.110.792	8.623.132
Total	19.356.662	14.849.056

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative transactions for hedging:

	30 June 2018	31 December 2017
Interest swap purchases	13.564.753	11.759.837
Interest swap sales	13.564.753	11.759.837
Total	27.129.506	23.519.674

	30 June 2018	31 December 2017
Foreign currency purchases	24.504	31.708
Foreign currency sales	56.296	97.386
Total	80.800	129.094

	30 June 2018	31 December 2017
Currency swap purchases	13.798.120	3.482.506
Currency swap sales	11.365.640	2.507.376
Total	25.163.760	5.989.882

The maturity analysis of the off-balance sheet assets of the Banking segment at 30 June 2018 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	5.612.911	30.457.613	36.070.524
Letters of credits	6.050.132	3.717.778	9.767.910
Acceptance credits	4.428.826	952.109	5.380.935
Other guarantees	1.591.686	4.323.627	5.915.313
Total	17.683.555	39.451.127	57.134.682

The maturity analysis of the off-balance sheet assets of the Banking segment at 31 December 2017 is as follows:

	Up to 1 year	Over 1 year	Total
Letters of guarantees given	6.616.283	27.960.249	34.576.532
Letters of credits	5.188.694	1.390.378	6.579.072
Acceptance credits	2.900.711	857.000	3.757.711
Other guarantees	2.497.120	3.417.619	5.914.739
Total	17.202.808	33.625.246	50.828.054

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Derivative transactions for hedging (Continued):

The economic sector risk concentrations of the commitments of the Banking segment at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Financial institutions	7.674.420	7.006.200
Construction	6.927.828	6.252.263
Chemicals	2.516.179	2.791.301
Wholesale	13.376.411	9.970.378
Small-scale retailers	4.755.641	4.806.478
Steel and mining	3.074.055	3.152.082
Food and beverage	1.384.592	798.144
Electricity, gas and water	1.854.622	1.926.591
Automotive	1.016.090	855.703
Other manufacturing	4.274.659	2.965.513
Electronics	396.336	676.712
Textile	1.396.043	1.423.271
Transportation	656.591	621.471
Telecommunications	197.649	224.582
Tourism	373.698	278.993
Agriculture and forestry	190.832	165.071
Other	7.069.036	6.913.301
Total	57.134.682	50.828.054

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Aksigorta, one of the Group's joint ventures, has been subjected to tax investigation by the T.C. Ministry of Finance Tax Audit Board with starting 24 June 2014. Through the this limited tax investigation, with subject to BITT covers years 2009, 2010, 2011 and 2012; 1,8 Million tax and 2,8 Million tax penalty for year 2009, 2 Million tax and 3 Million tax penalty for year 2010, 3 Million tax and 4,6 Million tax penalty for year 2011, 4,3 Million tax and 6,4 Million tax penalty for year 2012, and totally 27,9 Million tax and tax penalty has been charged to the company the claim recovery and salvage operations of the banking and insurance transactions were not subject to tax and has not booked any provision on financial statements. The company has requested reconciliation for the year 2009 tax penalty on 16 January 2015 and for the year 2010, 2011 and 2012 tax penalty on 20 February 2015 to the Ministry of Finance Central Reconciliation Commission. The negotiations with the Ministry of Finance Central Reconciliation Commission at the date of 15 February 2018 has not been reached on reconciliation. No payment will be made at this stage regarding tax incentives and penalties, and legal proceedings will begin within our legal rights.

The Competition Authority resolved to start an investigation by the resolution numbered 15-08/108-M and dated 19 February 2015 against Teknosa which is a subsidiary of the Group and other companies mentioned in the resolution requesting their deference in order to detect if the Act no. 4054 is violated or not. By the resolution numbered 15-28/319-M and dated 7 July 2015, the investigation was extended as consumer electronics and was merged with former investigation. Teknosa submitted its written defence for this investigation. Verbal defense is also provided on 25 October 2016. Similarly, by the resolution numbered 15-28/319-M and dated 7 July 2015 Kliksa which was %100 owned by Teknosa in the previous periods was included to the investigation and Teknosa submitted the written defense on behalf of Kliksa. The final decision of the Competition Authority was published on its official website for these two investigations on 11 November 2016. In accordance with decision, the Competition Authority claimed administrative fine by TRY 18.025.556 (full TRY amount) to Teknosa and Kliksa. Actual settlement was declared by the Competition Authority to Teknosa on 8 March 2017. Teknosa paid 3/4 of this fine amounting to TRY 13.519.167 (full TRY amount) by using early payment discount with a payment notice on 6 April 2017. Management of Teknosa initiated legal action on 5 May 2017 during the legal term in 60 days period.

In December 2016, the Competition Authority resolved to start an investigation regarding the Group's subsidiary, Enerjisa Enerji A.Ş., following a preliminary inspection in November 2016, in order to determine whether the Group's subsidiaries are acting in accordance with the Competition Law No. 4054. The Competition Authority communicated to the company, its report regarding the investigation on 5 January 2018, claiming that the company's distribution and retailing companies are abusing their dominance and power; so, an administrative fine must be imposed. The Competition Authority announced its brief decision regarding this matter on 9 August 2018 and resolved to impose a total administrative fine of TRY 143.061.738,12 to İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş., Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş., Başkent Elektrik Perakende Satış A.Ş. and Enerjisa Toroslar Elektrik Perakende Satış A.Ş. The reasoned judgement is expected to be communicated within 2018.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 12 - COMMITMENTS

Collaterals, pledges and mortgages ("CPM") given by Joint ventures at 30 June 2018 is as follows:

	30 June 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1.181.595	265.413	137.350	54.390	1.006
B, Collaterals given on behalf of fully consolidated companies	1.138.172	224.996	13.953	159.176	4.442
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	57.134.682	22.549.061	4.713.490	2.383.410	434.811
D, Total amount of other Collaterals					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	59.454.449	23.039.470	4.864.793	2.596.976	440.259
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 12 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("CPM") given by Joint ventures at 30 June 2018 is as follows:

	30 June 2018				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals					
given for its own legal entity	632.592	618.512	1.225	1.600	-
B, Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	341	341	-	-	-
D, Total amount of other Collaterals	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	632.933	618.853	1.225	1.600	-
A, Total amount of the mortgages					
given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges					
given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges	-	-	-	-	-
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 12 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("CPM") given by the Joint Ventures at 31 December 2017 is as follows:

	31 December 2017				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	1.295.946	434.563	133.887	78.704	987
B, Collaterals given on behalf of fully consolidated companies	1.135.058	276.886	64.605	135.303	3.528
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	50.810.439	21.370.968	4.744.023	2.471.376	385.992
D, Total amount of other Collaterals					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	53.241.443	22.082.417	4.942.515	2.685.383	390.507
A, Total amount of the mortgages given for its own legal entity	97.083	-	-	21.500	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	97.083	-	-	21.500	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 12 - COMMITMENTS (Continued)

Collaterals, pledges and mortgages ("CPM") given by the Joint Ventures at 31 December 2017 is as follows:

	31 December 2017				
	Total TL Equivalent	TL	USD	EUR	Other
A, Total amount of the Collaterals given for its own legal entity	895.128	893.057	393	130	-
B, Collaterals given on behalf of fully consolidated companies	-	-	-	-	-
C, Collaterals given on behalf of the third parties' debt for continuation of their economic activities	495	495	-	-	-
D, Total amount of other Collaterals					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Collaterals	895.623	893.552	393	130	-
A, Total amount of the mortgages given for its own legal entity	-	-	-	-	-
B, Mortgages given on behalf of fully consolidated companies	-	-	-	-	-
C, Mortgages given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Mortgages					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Mortgages	-	-	-	-	-
A, Total amount of the pledges given for its own legal entity	-	-	-	-	-
B, Pledges given on behalf of fully consolidated companies	-	-	-	-	-
C, Pledges given on behalf of third parties' debt for continuation of their economic activities	-	-	-	-	-
D, Total amount of other Pledges					
i, Given on behalf of majority shareholder	-	-	-	-	-
ii, Given on behalf of other group companies which are not in the scope of B and C	-	-	-	-	-
iii, Given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total Pledges	-	-	-	-	-

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 13 - OTHER ASSETS AND LIABILITIES

Other Current Assets	30 June 2018	31 December 2017
Cheques in clearance	154.214	149.829
Deductible, deferred and other VAT	185.066	156.615
Other	60.028	64.115
Total	399.308	370.559

Other Non-Current Assets	30 June 2018	31 December 2017
Long term tax claims and other legal receivables	23.005	26.941
Deductible, deferred and other VAT	9.556	4.928
Other non-current assets	90.493	87.944
Total	123.054	119.813

Other Short Term Liabilities	30 June 2018	31 December 2017
Cheques in clearance	319.865	291.353
Saving deposits insurance	53.065	50.641
Other short term liabilities	259.548	323.668
Total	632.478	665.662

Other Long Term Liabilities	30 June 2018	31 December 2017
Other long term liabilities	63.783	55.065
Total	63.783	55.065

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 14 - EQUITY

The Holding's authorized and issued capital consists of 204.040.393.100 (31 December 2017: 204.040.393.100) shares of Kr 1 each.

The Holding's authorized and paid-in share capital and shareholding structure at 30 June 2018 and 31 December 2017 is as follows:

Shareholders	Share (%)	30 June 2018	Share (%)	31 December 2017
Sakıp Sabancı Holding A.Ş.	14,07	287.100	14,07	287.100
Serra Sabancı	7,21	147.160	7,21	147.160
Suzan Sabancı Dinçer	6,94	141.567	6,94	141.567
Çiğdem Sabancı Bilen	6,94	141.567	6,94	141.567
Other	64,84	1.323.010	64,84	1.323.010
Share capital	100,00	2.040.404	100,00	2.040.404
Capital adjustments due to cross-ownership (-)		(190.470)		(190.470)
Share premium		22.237		22.237

According to Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş. (Exsa)'s Board of Director decision on December 22, 2015, company has started to make repurchasing agreement at BİST (İstanbul Stock Market). Hence; with these transactions Exsa's share at Sabancı Holding reached at 1,17 % as of 30 June 2018. These shares in consolidated equity as capital adjustments due to cross-ownership.

Restricted Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Holding's paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Furthermore, to be entitled to the exemption for sale of participation shares with 75% and property with 50% of related gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. Based on the exemption for sale of participation shares and property, 75% and 50% respectively of the related gain arising in the statutory financial statements as a result of the subsidiary sale was held in the account "gain on sale of subsidiaries". In 2012, related to the initial public offering of Teknosa, Holding accounted for 75% of this gain in this account.

The details of restricted reserves mentioned above are as follows:

	30 June 2018	31 December 2017
Legal reserves	705.591	699.547
Gain on sales of association	333.369	333.369
Total	1.038.960	1.032.916

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 14 - EQUITY (Continued)

Dividend Distribution

Public companies distribute profit in accordance with Profit Share Communiqué no II-19.1 issued by CMB effective from 1 February 2014.

Companies distribute their profits with a decision of the general assembly, within the framework of profit distribution policies determined by their general assemblies and in accordance with the related legislation provisions. As per the related Communiqué, a minimum distribution rate was not set. The companies pay dividends as specified in their articles of association or profit distribution policies.

Accumulated Other Comprehensive Income or Loss to be Reclassified to Profit or Loss

	Revaluation Fund	Cash Flow Hedge Fund	Net Investment Hedge Fund	Currency translation differences
Balance as of 1 January 2017	(444.676)	(177.288)	(146.024)	499.438
Increases/(decreases) during the period	415.994	38.968	(39.602)	67.757
Gain transferred to income statement	(36.017)	10.285	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	5.147	-	-	-
Tax effect	(76.696)	(10.180)	7.921	-
Balance as of 30 June 2017	(136.248)	(138.215)	(177.707)	567.195
Balance as of 1 January 2018	(310.337)	(121.522)	(228.186)	724.660
Increases/(decreases) during the period	(873.489)	162.748	(103.824)	332.402
Gain transferred to income statement	(46.792)	52.286	-	-
Net gains & losses included in the income statement due to transfer of available for sale financial assets into held to maturity assets	1.400	-	-	-
Tax effect	206.578	(47.306)	22.841	-
Balance as of 30 June 2018	(1.022.640)	46.206	(309.169)	1.057.062

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 15 - ASSETS CLASSIFIED AS HELD FOR SALE

1 January - 30 June 2018

As of 30 June 2018, Temsa, a subsidiary of the Group acquired a real estate with value of TRY 9.986.395 in return of receivables as a guarantee which is accounted under "Assets Held for Sale" (31 December 2017: Total TRY 9.986.395).

Nile Kordsa Company for Industrial Fabrics S.A.E., a subsidiary of Kordsa, which is a subsidiary of the Group, had a full period profit amounting to Total TRY 26.896 as of 30 June 2018 (30 June 2017: Total TRY 3.752.849). In 30 June 2018 and 30 June 2017, operating results of this company reclassified as income/expense from the discontinued operations in consolidated financial statements.

The amount recognised under "Assets Held For Sale" is Total TRY 14.064.700 as of 30 June 2018 (31 December 2017: Total TRY 11.194.785). The amount recognised under "Liabilities Held For Sale" is Total TRY 5.655.699 as of 30 June 2018 (31 December 2017: Total TRY 5.261.866).

1 January - 30 June 2017

Assets the Group showed as "Assets Classified as Held for Sale" in its financial statements are comprised of real estate worth Total TRY 17.976.763 which Temsa, Group's subsidiary, acquired for guarantee and now wants to dispose and also comprised of shares of Kordsa, which is a subsidiary of Group and owns 51% of Nile Kordsa Company for Industrial Fabrics S.A.E. as per Board of Directors' decision no 2015/29 dated 31 December 2015. These shares are the result of classifying Nile Kordsa Company for Industrial Fabrics S.A.E. under "Assets Classified as Held for Sale" amounting to Total TRY 16.943.483.

A subsidiary of the Group, Kordsa Global's subsidiary Nile Kordsa Company for Industrial Fabrics S.A.E.'s had a full period loss amounting to Total TRY 3.752.849 as of 30 June 2017. In 30 June 2017 consolidated financial statements the operating result of this company is classified as income/expense from discontinued operations.

NOTE 16 - FINANCE INCOME/EXPENSES

	1 January- 30 June 2018	1 January- 30 June 2017	1 April- 30 June 2018	1 April- 30 June 2017
Financial income				
Foreign currency gains	2.829	113.739	95	57.924
Interest income	5.066	-	1.088	-
Total	7.895	113.739	1.183	57.924
Financial expenses				
Foreign currency loss	(113.809)	(143.836)	(68.274)	(85.306)
Interest expense	(195.463)	(134.533)	(102.304)	(60.620)
Other financial expenses	(18.266)	(26.605)	(5.557)	(11.927)
Total	(327.538)	(304.974)	(176.135)	(157.853)

Financial income and financial expenses relate to segments other than banking.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 17 - TAX ASSETS AND LIABILITIES

	30 June 2018	31 December 2017
Corporate and income taxes payable	970.798	1.705.443
Less: prepaid taxes	(466.993)	(902.992)
Total taxes payable	503.805	802.451

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The Corporate Tax Law was amended as of 13 June 2006 with Law No 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. The effective tax rate of the fiscal year 2018 is 22% (2017: 20%). Corporation tax is payable on the total income of the Holding after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc. and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, except from these corporations" dividends subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution.

Corporations calculate corporate tax quarterly at the rate of 22% on their corporate income and declare it until the 10th day and pay it on the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, corporate tax rate is 20%. This ratio will be applied as 22% for a period of three years, according to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette dated 5 December 2017.

In Turkey, there is no procedure for a final and definitive agreement on tax assetments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate

Tax inspection authorities may review the accounting records within five years, and if an incorrect transaction is detected, the tax amount to be paid may change due to a tax assessment.

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.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

There are numerous exemptions in the Corporate Tax Law concerning the corporations. Those related to Group are as follows:

Exemption for participation in subsidiaries

Dividend income from participation in shares of capital of another full-fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

Preferential right certificate sales and issued premiums exemption

Gains from issued premiums derived from the disposal of sales at nominal values during incorporations and the capital increase of joint stock companies are exempt from corporate tax.

Exemption for participation into foreign subsidiaries

The participation income of corporations participating in 10% or more of the capital of a limited liability or joint stock company which does not have its legal or business center in Turkey (except for corporations whose principal activity is financial leasing or by investment of marketable securities) for at least one year until the date of the income is generated and transferred to Turkey until the date of the filing of the corporate income tax return of the fiscal year in which the income is generated is exempt from corporation tax subject to those subsidiaries being subject to corporate income tax, or alike, in their country of legal residence or business center at the rate of at least 15% (the corporate income tax rate applicable in Turkey for those companies whose principal activity is financial assurance or insurance).

Exemption for sale of participation shares and property

75% of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which have remained in assets for more than two full years are exempt from corporate tax. This exemption was revised to be 50% for real property effective from 1 January 2018. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The proceed related to the sale transaction has to be collected up until the end of the second calendar year following the year the sale was realized.

Brokerage houses and real estate companies who are dealing with the trading and the leasing of the real estate cannot benefit from this exemption.

Exemption for Investment Incentive

The revoked phrase "only attributable to 2006, 2007 and 2008" stated in Provisional Article 69 of Income Tax Law No: 193 with the effect of Article 5 of Law No: 6009 after having published in the Official Gazette No: 27659 as at 1 August 2010 and the Constitutional Court's issued resolution no: 2009/144 published in the official Gazette as at 8 January 2010 has been revised. The revised regulation allows companies to continue to benefit from the exception of undeductible and carry forward investment incentive due to in sufficient earnings irrespective of having any time constraints. However, deductible amount for investment incentive exception used in the determination of tax base cannot exceed 25% of the related period's income. In addition, companies that opt to use the investment incentive exemption are allowed to apply 22% of income tax, instead of 30% under the related revised regulation.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Exemption for Investment Incentive (Continued)

The additional paragraph to Provisional Article 69 included in accordance with Law No: 6009, which is related to the 25% threshold and requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed 25% of the respective income, has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court's resolution No: E. 2010/93 K. 2012/20 ("stay of execution") issued on 9 February 2012 and published in the Official Gazette No: 28208 on 18 February 2012. The related Constitutional Court's Decision was published in the official Gazette No: 28719 as at 26 July 2013.

The tax charges for comprehensive income statement items for the periods ended 30 June 2018 and 2017 are as follows:

	30 June 2018			30 June 2017		
	Before Tax	Tax Charge	After Tax	Before Tax	Tax Charge	After Tax
Fair value of financial assets transferred to the other comprehensive income	(2.398.010)	527.564	(1.870.446)	936.264	(187.253)	749.011
Cash flow hedges	675.856	(148.688)	527.168	37.223	(7.445)	29.778
Income/(loss) from the derivative financial assets related to the hedging of net investment in a foreign operation	(254.783)	56.052	(198.731)	(97.184)	19.437	(77.747)
Change in currency translation differences	737.257	-	737.257	160.744	-	160.744
Actuarial gains / losses	7.782	(1.712)	6.070	(1.817)	363	(1.454)
Other comprehensive income	(1.231.898)	433.216	(798.682)	1.035.230	(174.898)	860.332

Deferred tax

The Group recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS and their statutory tax financial statements. These differences usually result from the recognition of revenue and expenses in different reporting periods for TAS and tax purposes, carry forward tax losses and investment incentive exceptions. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20%. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

Since the subsidiaries and joint ventures which are separately taxpayers presented their deferred tax assets and liabilities as net values in their financial statements, the effect of the presentation of the net amounts has been reflected to the Group's consolidated balance sheet. Temporary differences and deferred tax assets and liabilities presented in the table below are based on the gross values.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax(Continued)

According to Law No: 7061 "The Law regarding amendments on Certain Tax Laws and their implications on Deferred Tax Calculations" published in the Official Gazette No: 30261 dated 5 December 2017 and temporary 10th Article added to Corporate Income Tax Law No. 5520, tax ratio will be applied as 22% for the periods of 2018, 2019 and 2020. After these three years, it is foreseen that the tax rate will be 20%. The Council of Ministers is authorised to reduce the rate up to 20%

For the period ended 30 June 2018, tax on the income generated for the three-month periods are paid at the rate of 22% (2017: 20%) according to tax legislation and the amounts paid in this manner are deducted from the tax calculated on the annual earnings. With the amendment made in the law, this ratio was set at 22% for the years 2018, 2019 and 2020.

At 30 June 2018, the Group has not recognized deferred income tax assets over carry forward tax losses in the amount of TRY 824.445 which can offset against future taxable profits for a period of five years (31 December 2017: TRY 1.142.324). As of 30 June 2018 and 31 December 2017, carried forward tax losses and the latest annual periods are as follows:

	30 June 2018	31 December 2017
2019	-	11.970
2020	24.796	41.345
2021	441.087	741.504
2022	353.219	347.505
2023	5.343	-
Total	824.445	1.142.324

The movements in deferred income tax assets/(liabilities) for the years ended at 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Deferred tax assets	899.289	552.671
Deferred tax liabilities	(165.123)	(149.352)
Net Deferred Tax Assets	734.166	403.319

The movements in deferred income tax assets/ (liabilities) for the six-month periods ended 30 June 2018 and 2017 are as follows:

	2018	2017
1 January	403.319	496.251
Charged to equity	554.759	(129.728)
Currency translation differences	(20.171)	3.996
Charged to statement of profit or loss	(208.969)	(17.511)
Other	5.228	913
30 June	734.166	353.921

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS

30 June 2018	Fair Value	
	Asset	Liability
Derivative instruments held for trading:		
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales	11.409.457	9.739.628
Currency options purchases and sales	1.055.523	948.016
Forward currency purchases and sales	651.259	582.180
Other purchases and sales	2.350.048	-
Total derivative instruments held for trading	15.466.287	11.269.824
Derivative instruments held for hedging:		
Currency and interest rate swap purchases and sales	3.657.529	46.019
Currency options purchases and sales	59.741	45.572
Forward exchange	-	3.753
Total derivative instruments held for hedging	3.717.270	95.344
Total derivative instruments	19.183.557	11.365.168
31 December 2017	Fair Value	
Derivative instruments held for trading:	Asset	Liability
Foreign exchange derivative instruments		
Currency and interest rate swaps purchases and sales	6.104.829	4.722.590
Forward currency purchases and sales	421.897	457.597
Currency options purchases and sales	203.603	242.212
Other purchases and sales	1.587.534	5.092
Total derivative instruments held for trading	8.317.863	5.427.491
Derivative instruments held for hedging:		
Currency and interest rate swaps purchases and sales	1.136.284	75.710
Currency options purchases and sales	19.817	10.376
Forward exchange	37.023	-
Total derivative instruments held for hedging	1.193.124	86.086
Total derivative instruments	9.510.987	5.513.577

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 18 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Akbank, Brisa, Yünsa, Carrefoursa and Enerjisa are protected from cash flow risk through the use of interest rate swaps against the cash flow risk arising from financial borrowings. Within the scope of cash flow hedge accounting, effective portion of the fair value changes of the hedging instrument is recognized under hedge reserves within equity. Akbank is also protected against cross-currency swaps and Turkish currency fixed interest rate financial assets and foreign currency financial debt arising from fair value risk.

NOTE 19 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS

Banking

Loans and advances to customers	30 June 2018	31 December 2017
Consumer loans and credit cards receivables	49.767.057	48.763.903
Project finance loans (*)	41.134.119	35.328.282
Construction	31.700.802	29.093.069
Financial institutions	27.276.036	28.290.165
Small-scale enterprises	17.994.097	17.271.905
Mining	5.962.074	6.746.537
Telecommunication	8.166.580	6.804.962
Other manufacturing industries	10.471.857	6.418.826
Food and beverage, wholesale and retail	5.635.306	5.392.196
Textile	5.819.838	5.273.075
Chemicals	4.500.483	4.099.549
Automotive	3.693.291	3.616.780
Other	13.173.684	15.759.297
Total loans and advances to customers	225.295.224	212.858.546
Allowance for loan losses	(8.130.539)	(6.963.538)
Leasing receivables	6.033.404	5.811.994
Net loans and advances to customers	223.198.089	211.707.002

The above table includes the total live and follow-up lending of the bank and the credit risk reserve is set as a result of the bank evaluation considering the whole credit risk.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 19 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (Continued)

(*) Includes a cash loan exposure to Ojer Telekomünikasyon A.Ş. (OTAŞ) with a principal balance of USD 1.748 million included accrued interest related with the acquisition finance of Türk Telekomünikasyon A.Ş. (Türk Telekom) within a syndicate formed by various domestic and foreign banks, where the financing structure includes acquired company's shares pledged as collateral. The respective loan is classified as loans under follow up as of 30 June 2018. All creditors including Akbank, have reached an agreement on restructuring the related loan. As per the agreed structure, it is contemplated that OTAŞ's 1.925.000.000. Class A shares in Türk Telekom, representing 55% of Türk Telekom's issued share capital, which have been pledged as security for the existing facilities would be taken over by a special purpose vehicle incorporated or to be incorporated directly or indirectly by the creditors in the Republic of Turkey. The transaction expected to be completed following agreements with respect to the facilities to be restructured at the new company level being agreed, all requisite corporate, governmental and any other approvals and consents being obtained and all requisite conditions under the agreements being met.

Effective interest rates of USD, EUR, YEN and TRY denominated loans and advances to customers are %6,54 p.a. (31 December 2016: 5,93% p.a.), %3,92 p.a. (31 December 2016: 3,73% p.a.), %4,77 p.a. (31 December 2016: 4,24% p.a.), and %17,79 (31 December 2016: 14,55% p.a) respectively.

The movement of loan loss provision of banking segment as of 30 June 2018 by class is as follows:

	Corporate	Commercial	Total
1 January 2018	3.942.225	3.021.313	6.963.538
Gross provisions	1.975.195	291.947	2.267.142
Recoveries	(235.028)	(92.445)	(327.473)
Currency translation differences (*)	(234.617)	(538.051)	(772.668)
30 June 2018	5.447.775	2.682.764	8.130.539

(*) The Bank has sold TRY 774 million (total TRY amount) in the following loans portfolio to three companies which are Güven Varlık Yönetim A.Ş., Efes Varlık Yönetim A.Ş. and Hayat Varlık Yönetimi A.Ş. for a consideration of TRY 36 million (total TRY amount).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 19 - RECEIVABLES FROM FINANCE SECTOR OPERATIONS (Continued)

Banking (Continued)

The movement of loan loss provision of banking segment as of 30 June 2017 by class is as follows:

	Corporate	Commercial	Total
1 January 2017	3.662.281	3.302.324	6.964.605
Gross provisions	443.723	434.516	878.239
Recoveries	(120.293)	(292.165)	(412.458)
Written-off	(179.868)	(536.282)	(716.150)
30 June 2017	3.805.843	2.908.393	6.714.236

The maturity schedule of loans and advances to customers at 30 June 2018 and 31 December 2017 are summarized below:

	30 June 2018	31 December 2017
Up to 3 months	64.914.069	52.114.105
3 to 12 months	36.251.870	43.286.730
Current	101.165.939	95.400.835
1 to 5 years	92.409.458	86.445.812
Over 5 years	23.589.288	24.048.361
Non-current	115.998.746	110.494.173
Total	217.164.685	205.895.008

The repricing schedule of loans and advances to customers at 30 June 2018 and 31 December 2017 are summarized below:

	30 June 2018	31 December 2017
Up to 3 months	92.910.271	76.335.391
3 to 12 months	43.863.067	48.493.144
1 to 5 years	76.903.270	71.314.084
Over 5 years	3.488.077	9.752.389
Total	217.164.685	205.895.008

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 20 - PAYABLES FROM FINANCE SECTOR OPERATIONS

Banking

	30 June 2018			31 December 2017		
	Demand	Time	Total	Demand	Time	Total
Saving deposits	21.355.654	92.358.751	113.714.405	17.851.983	89.346.331	107.198.314
Commercial deposits	17.981.785	62.715.393	80.697.178	17.616.473	57.209.394	74.825.867
Bank deposits	1.636.799	15.387.670	17.024.469	1.187.569	12.741.468	13.929.037
Funds provided from repo transactions	-	22.287.147	22.287.147	-	28.850.276	28.850.276
Other	732.686	2.332.141	3.064.827	546.072	3.007.742	3.553.814
Total	41.706.924	195.081.102	236.788.026	37.202.097	191.155.211	228.357.308

Effective interest rates of USD, EUR and TRY denominated customer deposits are 2,25% p.a. (31 December 2017: 1,97% p.a.), 0,52% p.a. (31 December 2017: 0,49% p.a.) and 15,60% p.a. (31 December 2017: 10,81% p.a.).

As of 30 June 2018 and 31 December 2017, deposits and money market borrowings, the analysis of the remaining maturity dates and repricing dates in the contract are presented below:

	30 June 2018	31 December 2017
On demand	39.072.138	35.239.920
Up to 3 months	166.391.744	166.467.421
3 to 12 months	23.410.575	19.360.469
1 to 5 years	7.270.553	6.693.448
Over 5 years	643.016	596.050
Total	236.788.026	228.357.308

NOTE 21 - RELATED PARTY DISCLOSURES

Key management personnel compensation:

The Group defined its key management as board of directors, general manager, general secretary, group chiefs, head of departments and group director's belonging to a group and over. Short term benefits include wages, bonuses, social security, health insurance, unused vacation, premium bonuses and incentive premiums. Other long term benefits include private pension system payments. Benefits resulted from discharge include severance pay and unused vacation payments for executive management who is discharged as a result of transfer or retirement.

The detailed schedule of compensation paid or payable to key management for the periods ended 30 June 2018 and 2017 are as follows:

	30 June 2018	30 June 2017
Short term benefits	15.262	12.919
Benefits resulted from termination	2.271	1.745
Other long term benefits	131	124
Total	17.664	14.788

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

22.1 Financial Instruments and Financial Risk Management

22.1.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by individual Subsidiaries and Joint Ventures under policies, approved by their Board of Directors.

22.1.1.1 Foreign Exchange Risk

The Group is exposed to foreign exchange risk through the impact of rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored and limited by analyzing foreign currency position. The Group aims to lower foreign exchange risk arising from assets and liabilities by using swap and forward derivative instruments.

The difference between the assets and liabilities of Akbank both denominated in foreign currency is defined as the "Net Foreign Currency ("FC") position" and is the exposure to foreign currency risk. Another dimension of the foreign exchange risk is the change in the value of the foreign currencies themselves within the net FC position (cross rate risk). The Bank keeps the amount exposed to foreign exchange risk within the limits determined by the Risk Management Committee. The Risk Management Committee monitors the general economic conditions and developments in the markets and sets new limits when necessary. These limits are set and monitored separately for the net FC position and for the cross rate risk. When necessary swap and forward contracts are used as a tool to hedge the foreign exchange risk.

The Group is exposed to foreign exchange risk arising primarily from the EUR, USD and GBP.

Foreign currency denominated assets and liabilities held by the Group before consolidation eliminations as at 30 June 2018 and 31 December 2017 in terms of TRY are as follows:

	30 June 2018	31 December 2017
Assets	179.480.236	161.104.048
Liabilities	(215.670.516)	(182.835.953)
Net foreign currency balance sheet position	(36.190.280)	(21.731.905)
Net foreign currency position of		
off-balance sheet derivative financial instruments	40.076.464	25.034.376
Net foreign currency balance sheet and off-balance sheet position	3.886.184	3.302.471

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

22.1.1.1 Foreign Exchange Risk (continued)

30 June 2018	Total TRY Equivalent	USD	EUR	GBP	Other
Assets:					
Cash and cash equivalents	14.503.956	11.210.588	2.898.483	98.911	295.974
Financial assets	30.409.881	23.773.658	6.021.086	-	615.137
Receivables from financial operations	95.414.836	46.704.646	48.617.397	4.417	88.376
Reserve deposits at Central Bank	30.568.939	20.271.379	5.216.903	-	5.080.657
Trade receivables	1.016.527	252.867	723.481	12.860	27.319
Other current assets	7.566.097	5.240.570	2.201.132	88	124.307
Total Assets	179.480.236	107.453.708	65.678.482	116.276	6.231.770
Liabilities:					
Funds borrowed and debt securities in issue	56.395.324	37.224.012	18.980.218	2.980	188.114
Customer deposits	147.094.264	102.848.727	38.341.320	2.948.353	2.955.864
Trade payables	395.920	224.541	131.047	6.694	33.638
Other payables and provisions	11.785.008	9.754.582	2.002.453	4.014	23.959
Total Liabilities	215.670.516	150.051.862	59.455.038	2.962.041	3.201.575
Net foreign currency position of off-balance sheet derivative financial instruments	40.076.464	45.200.340	(4.900.443)	2.842.129	(3.065.562)
Net foreign currency position	3.886.184	2.602.186	1.323.001	(3.636)	(35.367)

Net profit effect of the consolidated to the total net foreign currency position is (long) TRY 450.638 as of 30 June 2018 (Akbank and Philsa - Philip Morrissa excluded).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

22.1.1.1 Foreign Exchange Risk (continued)

31 December 2017	Total TRY Equivalent	USD	EUR	GBP	Other
Cash and cash equivalents	12.318.462	7.893.806	4.145.078	52.544	227.034
Financial assets	32.180.170	25.185.618	6.392.315	-	602.237
Receivables from financial operations	83.896.510	41.048.634	42.768.170	11.770	67.936
Reserve deposits at Central Bank	26.021.620	15.713.902	5.189.660	-	5.118.058
Trade receivables	1.121.971	376.046	606.215	8.308	131.402
Other current assets	5.565.315	4.003.835	1.376.868	135	184.477
Total Assets	161.104.048	94.221.841	60.478.306	72.757	6.331.144
Liabilities:					
Funds borrowed and debt securities in issue	45.039.292	32.586.221	12.256.491	4.043	192.537
Customer deposits	133.504.077	84.394.537	44.909.486	2.020.256	2.179.798
Trade payables	511.452	335.149	126.560	432	49.311
Other payables and provisions	3.781.132	1.378.168	2.238.673	6.000	158.291
Total Liabilities	182.835.953	118.694.075	59.531.210	2.030.731	2.579.937
Net foreign currency position of off-balance sheet derivative financial instruments	25.034.376	26.382.824	314.075	1.961.391	(3.623.914)
Net foreign currency position	3.302.471	1.910.590	1.261.171	3.417	127.293

Net profit effect of the consolidated to the total net foreign currency position is TRY 441.531 as of 30 June 2017 (Akbank and Philsa - Philip Morrissa excluded).

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 22 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

22.1.1.1 Foreign Exchange Risk (continued)

Change of foreign currency has no material effect on financial statements because foreign exchange risk of the Bank is not material.

The foreign exchange risk of Group companies other than that of the banking segment for the years ended 30 June 2018 and 31 December 2017 is summarized as follows:

30 June 2018	Profit/Loss	
	Appreciation of Foreign currency	Depreciation of Foreign currency
Change in USD against TRY by 20%		
USD net assets/liabilities	208.828	(208.828)
Hedged items (-)	-	-
USD net effect	208.828	(208.828)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	8.771	(8.771)
Hedged items (-)	-	-
EUR net effect	8.771	(8.771)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	137	(137)
Hedged items (-)	-	-
GBP net effect	137	(137)
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	4.198	(4.198)
Hedged items (-)	-	-
Other currency net effect	4.198	(4.198)
30 June 2017		
Change in USD against TRY by 20%		
USD net assets/liabilities	167.994	(167.994)
Hedged items (-)	-	-
USD net effect	167.994	(167.994)
Change in EUR against TRY by 20%		
EUR net assets/liabilities	63.032	(63.032)
Hedged items (-)	-	-
EUR net effect	63.032	(63.032)
Change in GBP against TRY by 20%		
GBP net assets/liabilities	(144)	144
Hedged items (-)	-	-
GBP net effect	(144)	144
Change in other currency against TRY by 20%		
Other currency net assets/liabilities	(1.236)	1.236
Hedged items (-)	-	-
Other currency net effect	(1.236)	1.236

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 23 - FINANCIAL INSTRUMENTS

Classification of financial instruments

30 June 2018	Note	Held to maturity securities classified as amortised cost	Loan and receivables classified as amortised cost (include cash and cash equivalents)	Available for sale financial assets classified as FVOCI	Financial liabilities measured at fair value	Booking value	Fair value
Financial assets							
Cash and cash equivalents		-	18.033.223	-	-	18.033.223	18.033.223
Trade receivables		-	2.187.959	-	-	2.187.959	2.187.959
Other financial assets (*)	4,6	11.250.612	4.044.789	45.846.584	-	61.141.985	60.899.267
Receivables from financial operations	19	-	223.198.089	-	-	223.198.089	217.037.835
Financial liabilities							
Financial payables	5	-	-	-	67.962.260	67.962.260	67.962.260
Trade payables		-	-	-	2.846.631	2.846.631	2.846.631
Other financial liabilities (**)	6	-	-	-	8.212.424	8.212.424	8.212.424
Payables from financial operations	20	-	-	-	236.788.026	236.788.026	236.913.641
31 December 2017							
Financial assets							
Cash and cash equivalents		-	14.519.064	-	-	14.519.064	14.519.064
Trade receivables		-	2.003.566	-	-	2.003.566	2.003.566
Other financial assets (*)	4,6	18.883.153	3.470.400	42.845.827	-	65.199.380	65.369.313
Receivables from financial operations	19	-	211.707.002	-	-	211.707.002	190.926.453
Financial liabilities							
Financial payables	5	-	-	-	55.257.767	55.257.767	55.257.767
Trade payables		-	-	-	2.882.349	2.882.349	2.882.349
Other financial liabilities (**)	6	-	-	-	6.942.642	6.942.642	6.942.642
Payables from financial operations	20	-	-	-	228.357.308	228.357.308	227.590.819

(*) Other financial assets consist of other receivables, available-for-sale securities, time deposits and securities held to maturity.

(**) Other financial liabilities consist of other payables.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments

Fair value hierarchy of the financial assets and liabilities of the Group carried at fair value is as state below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data

a) Banking industrial segment

Fair values of the financial assets and liabilities of the Group's banking segment as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018			
	Level 1	Level 2	Level 3	Total
Held for trading securities	149.999	3.911	-	153.910
- Government bonds	10.573	-	-	10.573
- Share certificates	137.115	-	-	137.115
- Other	2.311	3.911	-	6.222
Available for sale securities	45.741.234	87.341	-	45.828.575
- Government bonds	22.649.864	-	-	22.649.864
- Eurobonds	15.961.939	-	-	15.961.939
- Mutual funds	235.897	-	-	235.897
- Shares are traded in an active market	53.215	13.620	-	66.835
- Other	6.840.319	73.721	-	6.914.040
Trading derivative financial assets	4.683	15.447.578	-	15.452.261
Hedging derivative financial assets	-	3.657.529	-	3.657.529
Total Assets	45.895.916	19.196.359	-	65.092.275
Trading derivative financial instruments	7.062	11.248.183	-	11.255.245
Hedging derivative financial instruments	-	45.616	-	45.616
Total liabilities	7.062	11.293.799	-	11.300.861

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (continued)

a) Banking industrial segment (continued)

Share certificates classified as available for sale that are not traded in an active market and whose fair value cannot be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between the first and the second levels in the current year

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Held for trading securities	32.957	6.933	-	39.890
- Government bonds	9.525	-	-	9.525
- Share certificates	23.432	-	-	23.432
- Other	-	6.933	-	6.933
Available for sale securities	42.743.386	102.441	-	42.845.827
- Government bonds	23.159.176	-	-	23.159.176
- Eurobonds	13.657.442	-	-	13.657.442
- Mutual funds	277.987	-	-	277.987
- Shares are traded in an active market	-	116	-	116
-Other	5.648.781	102.325	-	5.751.106
Trading derivative financial assets	2.328	8.313.721	-	8.316.049
Hedging derivative financial assets	-	1.136.284	-	1.136.284
Total Assets	42.778.671	9.559.379	-	52.338.050
Trading derivative financial instruments	186	5.423.642	-	5.423.828
Hedging derivative financial instruments	-	75.710	-	75.710
Total liabilities	186	5.499.352	-	5.499.538

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 23 - FINANCIAL INSTRUMENTS (Continued)

Fair value of financial instruments (continued)

a) Other industrial segment

	30 June 2018			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	14.025	-	14.025
Derivatives held for hedging	-	59.741	-	59.741
Total Assets	-	73.766	-	73.766
Derivatives held for trading	-	14.580	-	14.580
Derivatives held for hedging	-	49.729	-	49.729
Total Liabilities	-	64.309	-	64.309

Share certificates classified as available for sale that are not traded in an active market and whose fair value cannot be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

	31 December 2017			
	Level 1	Level 2	Level 3	Total
Derivatives held for trading	-	1.814	-	1.814
Derivatives held for hedging	-	56.840	-	56.840
Total Assets	-	58.654	-	58.654
Derivatives held for trading	-	3.663	-	3.663
Derivatives held for hedging	-	10.376	-	10.376
Total Liabilities	-	14.039	-	14.039

Share certificates classified as available for sale that are not traded in an active market and whose fair value cannot be reliably determined are stated at cost less any impairment losses on the consolidated financial statements.

There are no transfers between the first and the second levels in the prior year.

HACI ÖMER SABANCI HOLDİNG A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated. Currencies other than TRY are expressed in thousands unless otherwise indicated.)

NOTE 24 - EVENTS AFTER THE REPORTING PERIOD

Kordsa Inc., which is 100% subsidiary of Kordsa, a subsidiary of the Group, and resident in the USA, completed the acquisition of two different unlimited companies that named as "Fabric Development, Inc." and "Textile Products, Inc.", which provide advanced composite materials to commercial aviation industry and fully owned by Piyush A.Shah and Abantika P.Shah, for USD 98.181.859. For purchase of the related companies, bank loan that is amounting to USD 100.000.000 was obtained from Bank of America Merrill Lynch.

In parallel with the acquisition transaction, it was decided to participate in capital increase of Kordsa Inc., the subsidiary of the Entity, with the company's board of directors' decision No. 2018/23 dated 13 July 2018. The total capital increase that projected is USD 65.000.000. The Entity will join the capital increase 100% which is the same as its shareholding rate.

The price of the gas used by electricity generation power plants was raised by Boru Hatları ile Petrol Taşıma AŞ (BOTAŞ) by 49,5% effective from 1 August 2018. The payment of the gas purchased by the power plants that stated as above will be indexed to USD.

Energy Market Regulatory Authority (EPDK) announced that, reactive energy price has been increased in the range of 9,2% to 16,7% and distribution price has been increased between the range of 7% to 11% per customer groups in the national tariff effective from 1 August 2018.

Temsa, one of the group's subsidiaries, decided to start the liquidation and closure transactions for Temsa Egypt SAE entity and to establish a company for sales, marketing and after-sales services for the buses, minibuses and similar vehicles on behalf of Temsa North America in the USA.

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