



Corporate Governance Compliance Rating Report



Turcas Petrol A.Ş.

01 March 2019

Validity Period : 01.03.2019-01.03.2020

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Turcas Petrol A.Ş. is compiled in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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TURCAS PETROL A.Ş

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

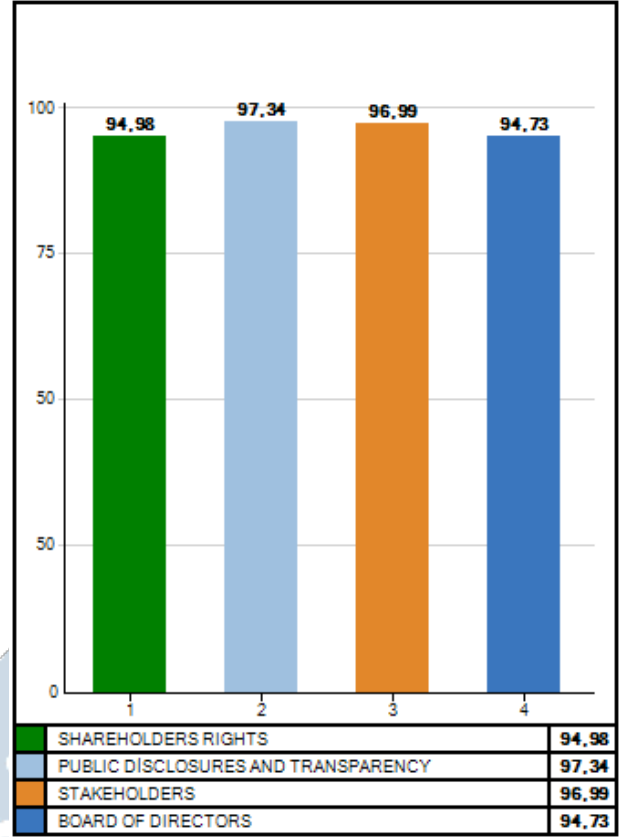
BIST THIRD GROUP

9.58

Kobirate Uluslararası Kredi Derecelendirme
ve Kurumsal Yönetim Hizmetleri A.Ş

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1. TENTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **TURCAS PETROL A.Ş.** with the Corporate Governance Principles has been prepared through onsite examinations of the documents, interviews held with executives and persons involved, examination of information open to public and other reviews. The rating process is based on the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S. Methodology and the process of rating are based on CMB's Corporate Governance Principles Communiqué no II-17.1 No: 28871, published on 03.01.2014.

According to CMB's decision No: 2/51, dated 10.01.2019, Turcas Petrol A.Ş. is on BIST 3rd Group Companies. The Company has been examined through 399 criteria, as described in the methodology of Kobirate A.S. for "BIST Third Group Companies". At the end of the examination under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, the Corporate Governance Compliance Rating Grade of TURCAS PETROL A.Ş. is determined as **9.58**.

This result signifies that the Company has achieved a considerable compliance with the CMB's Corporate Governance Principles.

Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors is significantly compliant with corporate governance principles. This grade shows that the Company highly deserves to be on BIST Corporate Governance Index.

▪ At the section of Shareholders, it is seen that Turcas has achieved the grade of **94.98**.

Relations with shareholders are managed by the Investor Relations Department (IRD). IRD activities are conducted by IRD Assistant Manager Pinar SAATÇIOĞLU (Ceritoğlu), under the coordination and supervision of CFO / IRD Director Erkan İLHANTEKİN. They both have Capital Markets Activities Level 3 and Corporate Governance Rating Licenses.

Erkan İlhantekin, Head of Investor Relations Department, has been a member of Corporate Governance Committee since 04.06.2012 in compliance with Capital Markets Board's Communiqué II-17.1. On the other hand IRD Assistant Manager Pinar SAATÇIOĞLU (Ceritoğlu) has also been appointed as a member of Corporate Governance Committee with the Board of Directors decision dated 02.03.2016, no: 2016/06. It is believed that this appointment is important in terms of increasing the experience of this official and of contributing to direct communication between the Committee and Department.

Activities of Investor Relations Department are regularly reported to the Board of Directors. The Department presents its detailed analysis of share performance and liquidity once a week and its comprehensive reports on activities and Company's corporate governance policies once in three months to the Board of Directors. 4 (four) reports were presented to the Board in March, June, September and December in 2018.

There is no regulation or practice of cancelling or restricting shareholders' right

to obtain and review information imposed by the Articles of Association and/or a decision by any corporate unit. Disclosures for shareholders and public are made in accordance with the "Disclosure Policy" of the Company. The policy is accessible at the Company's corporate website. It has been determined that the Company has taken care to ensure use of basic shareholder rights during the rating period.

Ordinary General Assembly meeting to discuss activities of 2017 took place on 21.06.2018. The announcement of the meeting was made through Turkish Trade Registry Gazette (TTSG) No: 9586 and dated 25.05.2018, two national newspapers on 22.05.2018, Public Disclosure Platform Statement on 29.05.2018, Central Registration Agency's e – general assembly system (EGKS) and corporate website, 21 days before the meeting, in accordance with regulations.

A briefing document on general assembly meeting's items of agenda was prepared and published on the corporate website and Public Disclosure Platform. The document included additional explanations within the scope of CMB regulations, as well as agenda items and it is found very descriptive. It has been seen that detailed explanations were also made about Company's choice of using its own shares and changes made in Articles of Association in relation to it.

All Board members, executive management, officials responsible for preparing financial statements, legal advisor and representative of independent audit company attended to the general assembly meeting.

Turcas' compliance with regulations and principles in general assembly practices is at a very good level.

According to consolidated financial statements – prepared in accordance with CMB regulations and independently audited - dated 31.12.2017; the Company made TRY 64,823,058 profit and TRY 142,474,674 profit

according to Tax Method Law. Use of this profit is explained in the section of **ii. Dividend Distribution**” of this report.

Board’s proposal for dividend distribution and dividend distribution table has been published by Public Disclosure Platform on the same day with invitation to the general assembly meeting.

▪ In the section of Public Disclosure and Transparency, the Company has achieved the grade of **97.34**.

The annual report includes information on whether or not previous Board decisions have been implemented, as well as asset purchases or sales. This is the reason for grade increase in this section.

Company’s activities in the field of Public Disclosure and Transparency continue with the same sensitivity and improvements.

It is understood that during the transactions the Company has disclosed timely, correct, equal and sufficient information for the public.

Finance Director (CFO) Erkan İLHANTEKİN and Accounting Manager Engin ÇAYLAN are responsible and authorized for signing public disclosure statements of the Company. These officials are charged with monitoring and watching all subjects related with public disclosure.

Although it is not obligatory for the Company as it is on the list of BIST 3rd Group Companies, Turcas continues to make material event disclosures and declare financial statements, which should be disclosed to public in accordance with capital market regulations, at Public Disclosure Platform simultaneously in Turkish and English.

It has been determined that Company’s corporate website at www.turcas.com.tr and its annual reports are used efficiently as means of public disclosure.

Independent audit of the Company for 2017 has been done by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). There have been no cases in the report where the independent auditor avoided expressing opinions, expressed conditional opinions or avoided signing. Company officials told us that there have been no legal conflicts or developments between the Company and independent auditor and its representatives that could harm the independence.

On the suggestion of Audit Committee and by the approval of general assembly, it has been decided that audit for 2018 would be carried out by the same company.

▪ At the section of Stakeholders, the Company has achieved the grade of **96.99**.

- In order to ensure compliance with regulations, procedures have been prepared for Information Systems Management Communiqué issued by CMB on 05.01.2018, with the support of consultancy services. Required system software, hardware and investments have been put into the scope of 2019 budget.

- Work was started on Protection of Personal Data in November 2018 and necessary actions were taken to conclude projects by February 2019.

- Policy of “Zero Tolerance Against Violence Within Family” was published in May 2018.

- The section about “Bribe, Corruption and Misuse of Duty” in the policy of “Ethical Rules and Compliance with Regulations” has also been developed.

These developments are seen as the reason for the increase of grade in this section.

In order to ensure employees’ participation to management, “Strategy Sharing Meeting” was held for the first time in 2015 with the attendance of all employees and it convenes

every year. Company's vision, mission and strategic targets were shared with employees at this meeting and their opinions were heard. "Strategic Targets Progress Meeting" has also started in 2015. Progress in strategic targets is discussed at this meeting by directors, general manager, managers and team leaders and their opinions are taken. Both meetings were held most recently on 22.02.2019.

"Synergic Actions Committee", which was established in 2014, also continues its activities. It comprises five (5) members. In order to convey expectations of employees, an "Employee Representative", who is elected by employees, also joins the committee.

"Employee Loyalty and Satisfaction" and "Internal Customer Satisfaction and Organizational Harmony" surveys are conducted regularly every year.

Established under the leadership of Quality, Process Management and Environment Department in 2016, "Office Environmental Risk Assessment Working Group" continues its activities. "Turcas Oil Policy" was approved and put into implementation on 03.05.2017.

The Company established a "Sustainability Working Group" in 2016. The Group comprises 15 (fifteen) members and works to determine sustainability actions within the Company, to take necessary actions and to prepare sustainability reporting.

The Company has a rather detailed and modern HR policy. The processes of HR policies contain written procedures, based on objective criteria and they give priority to productivity, aiming to educate and develop careers of recruited employees, protecting rights of both the employees and the Company.

"Compensation Policy" for employees has been prepared and disclosed to public through corporate website.

Turcas continues to improve its policies in this section.

▪ In the section of Board of Directors, Turcas has received the grade of **94.73**.

Operating Principles of Corporate Governance Committee and Early Detection of Risk Committee have been revised with the Board decision dated 14.06.2017, No 2017/12. The revision stated: "Getting all Independent Board members' yes votes is required for decisions. If this is not the case, negotiations take place for 4 weeks. If a consensus cannot be achieved then the subject is sent to the Board of Directors for final decision." This revision strengthened independent members' position in committees and made them more efficient. It is obvious that this revision has further increased compliance with corporate governance principles and it has been a valuable step within the scope of best practices.

Practices of orientation for new board members and rotation of committee memberships continue.

As a result of interviews at the Company and examination of Decision Books of Board of Directors and Committees, it has been determined that the Board and Committees continue their activities regularly.

Board of Directors has determined Company's strategic targets. Chairman of Board of Directors and General Manager are different persons. In line with the principle of clear differentiation of powers between Chairman of Board and CEO / General Manager, 14th and 16th items of Articles of Association clearly describe duties of the Board of Directors and Chairman of Board. Duties of the Chairman of Board, Board Members and General Manager are also described in detail in the Guidelines that set the principles of activity of the Board of Directors. These job descriptions are in line with the Principles to a great extent.

Company's Board of Directors is formed with seven 7 (seven) individuals; 1 (one) Chairman and 6 (six) members. The Board of Directors has four 4 (four) non – executive members and 2 (two) of the non – executive Directors of the Board are independent Members who meet the criteria for independence described by Corporate Governance Principles.

Audit, Corporate Governance and Early Detection of Risk Committees, which are referred by the Principles are established. Mandates, working principles and membership composition for all three committees have been determined by the Board of Directors, approved as written documents, disclosed to the public and published on the corporate website. All members of the Audit Committee are Independent Members of Board of Directors. Chairmen of Corporate Governance and Early Detection of Risk are also Independent Members of Board of Directors. CEO / General Manager has no assignment in committees. Board of Directors convened 4 (four) times and took 21 (twenty one) decisions in 2018.

Audit Committee held 4 (four) meetings in 2018 and reported meeting results to the Board of Directors.

Corporate Governance Committee held 4 (four) meetings in 2018 and reported meeting results to the Board of Directors. It is also learned that Committee briefs Board of Directors at every Board meeting.

Separate Nomination Committee and Remuneration Committee haven't been established because of the Board of Directors' structure. Duties of these committees are carried out by the Corporate Governance Committee. At the general assembly meeting on 21.06.2018, independent board members whose terms expired were replaced by newly elected members. Corporate Governance Committee has assessed applications and suggestions, determined 2 (two)

nominations among the candidates and presented them to the Board of Directors. CV's of nominated candidates for board membership was given to shareholders as part of the information kit for examination. These candidates were elected as independent board members at the general assembly meeting on 21.06.2018. Interviews with officials and examination of documents reveal that the process has been conducted in line with procedures referred by Corporate Governance Principles.

Early Detection of Risk Committee held 5 (five) meetings in the same period and reported meeting results to the Board of Directors.

"Guidelines on Compensation" for the Directors and Top Executives have been determined and disclosed to public through the corporate website. Possible damages to the company due to defects of Board Members and Top Executives while performing their duties are insured, meeting the conditions described by CMB's relevant Communiqué. A Material Event Disclosure on the subject was published by Public Disclosure Platform on 09.08.2018.

Self criticism and performance measurement for the Board of Directors were conducted in 2014 for the first time and the data were evaluated. Performance review for 2018 was carried out in December 2018. We have been informed that results of this review would be evaluated at the first board meeting in 2019.

There 1 (one) woman member of board in the new Board, which was renewed with independent members' election on 21.06.2018. It has been learned that the Company started to work on "Woman Board Member Policy" and on a strategy to achieve it in accordance with CMB's recommendation of "having 25 % woman membership within the Board". The grade is decreased in this section due to the fact that the work has not been completed as of the date of this report.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



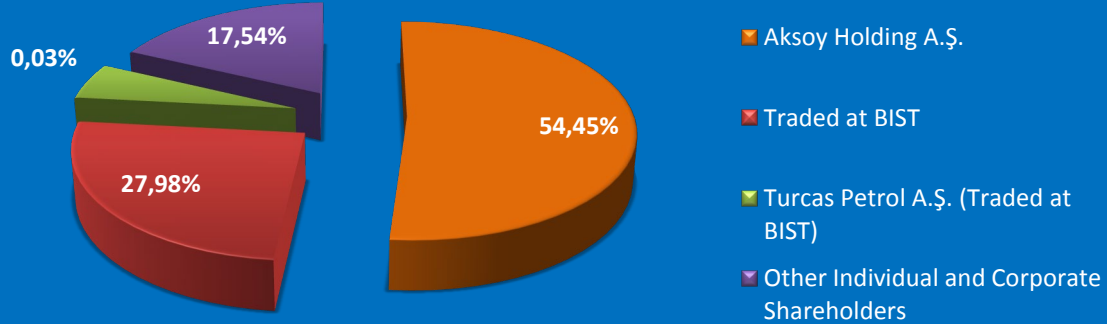
Company Name	: Turcas Petrol Anonim Şirketi
Company Address	: Ahi Evran Caddesi No: 6 Aksoy Plaza Kat:7 34398 Maslak-Sarıyer / İstanbul
Company Phone	: (0212) 2590000 / 17 Hat
Company Facsimile	: (0212) 2590018
Company's Web Address	: www.turcas.com.tr
Company's E-Mail Address	: turcas_investorrelations@turcas.com.tr
Date of Incorporation	: 07/03/1980
Registered Number	: 171118
Paid in Capital	: 270.000.000.-TL
Line of Business	: Energy sector and activities like fuel distribution, search, production, transportation, distribution, storage, import, export, national and international commercial operations and investments in sub segments such as electricity and natural gas.
Company's Sector	: Energy
Company's Representative in Charge of Rating:	
Erkan İLHANTEKİN	

Finance Director / CFO / Director of Investor Relations Department

erkan.ilhantekin@turcas.com.tr

0212 259 0000/1270

Turcas Petrol A.Ş. Shareholder Structure



TURCAS Petrol A.Ş Shareholder Structure

Shareholder's Name	Share (TL)	Share (%)
Aksoy Holding A.Ş.	139.175.892-	54,45
Traded at BIST	71.518.416-	27,98
Turcas Petrol A.Ş.'s (Traded at BIST)	71.336-	0,03
Other Individual and Corporate Shareholders	44.834.356-	17,54
Total	255.600.000,00	100,00

Source: www.turcas.com.tr

Indirect Individual and Corporate Shareholders

Shareholder's Name	Share (TL)	Share (%)
Erdal AKSOY	75.231.731	29,43
Saffet Batu AKSOY	31.164.531	12,19
Banu Aksoy TARAKÇIOĞLU	31.164.527	12,19
Ayşe Belkis AKSOY	1.093.622	0,43
Aksoy Enternasyonal Ticaret A.Ş.	1.300.451	0,51
Aksoy Holding A.Ş.	520.181	0,20

Source: www.kap.gov.tr

Aksoy Holding A.Ş. Shareholder Structure

Shareholder's Name	Share (TL)	Share (%)
Erdal AKSOY	176.686.056	53,5
S. Batu AKSOY	73.894.229	22,4
Banu Aksoy TARAKÇIOĞLU	73.894.220	22,4
Ayşe Belkis AKSOY	2.441.995	0,7
Aksoy Enternasyonal Ticaret A.Ş.	3.083.500	0,9
TOTAL	330.000.000	100,00

Source: www.turcas.com.tr

Board of Directors

Name / Surname	Title	Executive / Non - Executive
Erdal AKSOY	Chairman of the Board	Executive
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board	Executive
S. Batu AKSOY	Board Member and CEO	Executive
Matthew J. BRYZA	Board Member	Non – executive
M. Timuçin TECMEN	Board Member	Non – executive
Prof. Dr. Mustafa ERGEN	Independent Board Member	Independent / Non – executive
Emre DERMAN	Independent Board Member	Independent / Non – executive

Source: www.kap.gov.tr

Top Management

Name / Surname	Title
Erdal AKSOY	Chairman of the Board
S. Batu AKSOY	Board Member and CEO
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board
Arkin AKBAY	Operational Director
Erkan İLHANTEKİN	Finance Director(CFO)/IRD Head
Altan KOLBAY	Corporate Communication and Public Relations Manager

Source: www.turcas.com.tr

Committees Formed Within the Board of Directors

Audit Committee

Name / Surname	Title
Emre DERMAN	Independent Board Member / Committee Chairman
Prof. Dr. Mustafa ERGEN	Independent Board Member / Committee Member

Source: www.kap.gov.tr

Corporate Governance Committee

Name / Surname	Title
Prof. Dr. Mustafa ERGEN	Independent Board Member / Committee Chairman
M. Timuçin TECMEN	Board Member / Committee Member
Matthew J. BRYZA	Board Member / Committee Member
Erkan İLHANTEKİN	Finance Director(CFO)/IRD Head / Committee Member
Altan KOLBAY	Corporate Communication and Public Relations Manager / Committee Member
Pinar SAATÇIOĞLU	Investor Relations Deputy Manager / Committee Member

Source: www.turcas.com.tr

Early Detection of Risk Committee

Name / Surname	Title
Emre DERMAN	Independent Board Member / Committee Chairman
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board
Erkan İLHANTEKİN	Finance Director(CFO) / IRD Head
Murat Kubilay ŞİMŞEK	Corporate Finance Manager
Ayşe Nihal ŞEKER	Corporate Treasure Manager

Source: www.turcas.com.tr

Investor Relations Department

Name / Surname	Title	Communication
Erkan İLHANTEKİN	Finance Director(CFO) / IRD Head	0(212) 259 0000 erkan.ilhantekin@turcas.com.tr
Pınar SAATÇİOĞLU	Investor Relations Deputy Manager/ Investor Relations Department Official	0(212) 259 0000 (Internal: 1287) pinar.ceritoglu@turcas.com.tr

Source: www.kap.gov.tr

Comparison of Company's Certain Selected Items for Consolidated Balance-Sheet belonging to 9th Months of last two years (TL)

	2017/09	2018/09	Change 09/2017- 09/2018 (%)	2017/12
Current Assets	140.807.887	211.980.338	50,55	148.469.684
Fixed Assets	1.182.346.530	1.326.356.176	12,18	1.199.679.803
Total Assets	1.323.154.417	1.538.336.514	16,26	1.348.149.487
Short Term Liabilities	182.485.830	192.254.977	5,35	142.060.734
Long Term Liabilities	491.299.197	785.612.943	59,91	517.137.294
Equity	649.369.390	560.468.594	-13,69	688.951.459

Source: www.kap.gov.tr

Comparison of Company's Certain Selected Items for Summary Consolidated Income Statements belonging to 9th Months of last two years (TL)

	2017/09	2018/09	Change 09/2017- 09/2018 (%)	2017/12
Sales Income	-	32.968.118	100	-
Sales Cost (-)	-	(9.922.278)	100	-
Operational Profit or Loss	(16.683.081)	4.588.228	463,61	57.826.205
Profit / Loss before Tax	22.410.723	(201.816.800)	-1.000,53	86.885.541
Net Periodical Profit / Loss	24.071.712	(184.140.939)	-867,78	64.823.058

Source: www.kap.gov.tr

The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included

BIST Code: TRCAS

Indexes it is Included: BIST CORPORATE GOVERNANCE / BIST STAR / BIST FINANCIAL / BIST Istanbul / BIST 100-30 / BIST HOLDING AND INVESTMENT / BIST ALL / BIST ALL-100

The Bottom and Peak Closing Values of Company's Shares traded on the BIST for last year (22.02.2018-22.02.2019)

Bottom (TL)	Peak(TL)
1,35.- (12.11.2018)	2,79.- (22.03.2018)

Source: Turcas Petrol A.Ş

Information about Subsidiaries, Affiliated Companies, Financial Fixed Assets and Financial Investments

Commercial Title	Line of Business	Paid/Extracted Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)	Nature of Relationship with the Company
TURCAS ELEKTRİK TOPTAN SATIŞ A.Ş.	Electricity Production	4.300.000	4.300.000	TRY	100,00	AFFILIATED COMPANY (DIRECT)
TURCAS KUYUCAK JEOTERMAL ELEKTRİK ÜR. A.Ş.	Electricity Production	39.777.656	39.777.656	TRY	100,00	AFFILIATED COMPANY (DIRECT)
SHELL&TURCAS PETROL. A.Ş.	Oil Products	528.117.660	158.435.298	TRY	30,00	DIRECT SUBSIDIARY
RWE & TURCAS GÜNEY ELEKTRİK ÜRETİM A.Ş.	Electricity Production	1.527.000.000	458.100.000	TRY	30,00	DIRECT SUBSIDIARY
ATAŞ ANADOLU TASFIYEHANESİ A.Ş.	Fuel Oil Storage	8.400.000	420.000	TRY	5,00	FINANCIAL INVESTMENT
ENERJİ PİYASALARI İŞLETME A.Ş. (EPIAŞ)	Energy Markets Man.	61.572.770	50.000	TRY	0,08	FINANCIAL INVESTMENT

Source: www.kap.gov.tr

B. Changes within Last Year:

i. Changes of Capital, Shareholder Structure and Articles of Association:

Company's Material Event Disclosure dated 15.03.2018;

"According to our Board of Directors Decision on 14.03.2018, No 2018/05, It has been resolved that:

i) Our Company is the holder of its own 14,471,335.91 shares with a nominal value TL 14,471,335.91 corresponding to 5.36% of the paid-up capital of the Company. In order to eliminate the effect on our share price, caused by the uncertainty that our current or potential investors may feel about how the mentioned buy-back shares will be treated in the future; the portion of TL 14,400,000.00 of the shares with the nominal value of TL 14,471,335.91 repurchased in accordance with the legislation be redeemed according to the procedures of decreasing capital not requiring fund outflow in accordance with paragraph nine of Article 19 of the Communiqué with Serial No. II-22.1 on Buy-Back Shares of the Capital Markets Board and the current paid-up capital of the Company in the amount of TL 270,000,000.00 be decreased to TL 255,600,000.00 ("Capital Decrease Procedure"),

ii) The above mentioned Capital Decrease Procedure be made according to the procedure as provided for in paragraphs 6, 9, 10 and 11 of the Communiqué with Serial No. II-22.1 on Buy-Back Shares of the Capital Markets Board in accordance with the decision number 23/759 dated 24.07.2014 and Principle Resolution Number İ-SPK.22.1 of the Capital Markets Board,

iii) In accordance with sub-paragraph (c) of paragraph 11 of Article 19 with heading "capital decrease not requiring fund outflow" of the Communiqué with Serial No. VII-128.1 on Shares of the Capital Markets Board, the attached Capital Decrease Report prepared by the Board of Directors be submitted to the Capital Markets Board for obtaining approval,

iv) In case approval is obtained from the Capital Markets Board, the Capital Decrease Procedure be presented to the first General Assembly to be held for obtaining approval.

The application mentioned in paragraph three, have been submitted to Capital Markets Board on 14.03.2018.

It is stated; "The shares subjected to the Capital Decrease Procedure will be redeemed to all our shareholders in proportion to their shares in our Company. Our company is aiming to contribute to its consistent dividend payment policy by redeeming of the mentioned shares."

After this disclosure, required permissions have been obtained, legal procedures have been carried out and a revision in Article 6 of Articles of Association has been presented to the general assembly for approval.

As a result;

- Company's paid in capital has been reduced to TRY 255,600,000.00 from TRY 270,000,000.00,
- In line with this development Article 6 of Articles of Association has been changed as below;

“Articles of Association Article 6: “Company’s capital is TRY 255,600,000, which has been divided into 255,600,000 shares, each with a nominal value of TRY 1 (one). Paid in capital, which was previously TRY 270,000,000 has been reduced by TRY 14,400,000 and became TRY 255,600,000.”

ii. Dividend Distribution:

According to consolidated financial statements dated 31.12.2017 - prepared in accordance with CMB regulations and independently audited - the Company has earned TRY 64,823,058 (TRY 142,474,674 according to Taxation Method Law) profit. However no distribution was made since there was no distributable profit because of previous years’ losses. Board decision dated 16.04.2018 and numbered 2018/07 was presented to the general assembly meeting on 21.06.2018 and approved by shareholders.

Board decision on dividend distribution and dividend distribution statement were disclosed to public on 06.04.2018 with a material event disclosure, same day with the invitation for general assembly meeting.

iii. Policies:

Within the period of rating;

- “Zero Tolerance against Violence within Family” policy has been prepared and published on May 2018.
- “Bribe, Corruption and Misuse of Duty” section in “Ethical Rules and Compliance with Regulations” policy has been improved.

Other policies did not change.

iv. Company Mergers, Relations with Subsidiaries and Affiliated Companies:

According to Company’s Material Event Disclosure for PEP;

“According to our Board of Directors Decision dated 11.12.2018, it has been decided to acquire Alte Enerji’s 3.182.212 lot shares, each with a nominal value of 1 TL, (corresponding to 8% of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.’s paid in capital), in our 92% subsidiary Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. for 1,500,000 USD (of which 1,140,000 USD paid in cash and remaining 360.000 USD to be paid in 31.12.2019).

Above mentioned share acquisition transaction has been completed today and related share transfer has been realized. Accordingly, in line with Turcas Petrol A.Ş.’s strategy to focus on renewable energy investments, Turcas Petrol A.Ş.’s stake in Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. (owner of geothermal power plant located in Aydın, Kuyucak with an installed capacity of 18 MW) has increased to 100% from 92% previously.”

3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Onaylandığı Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established

within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

399 criteria are used in the rating process for BIST Second Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance

Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DEFINITIONS
<p>9-10</p>	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
<p>7-8,9</p>	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
<p>6-6,9</p>	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>