TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013 TOGETHER WITH AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Turcas Petrol A.Ş.

Introduction

1. We have audited the accompanying consolidated balance sheet of Turcas Petrol A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group") as at 31 December 2013 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Cad. No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey
www.pwc.com/tr *Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050*

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error and/or fraud. In making those risk assessments, the Group's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the consolidated financial statements prepared by the Group and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Group's management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Turcas Petrol A.Ş. and its Subsidiaries as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

5. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

6. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the Company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the Company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 6 March 2012 and it is comprised of 5 members. The committee has met 6 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Ediz Günsel, SMMM
Partner

Istanbul, 11 March 2014

TURCAS PETROL A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

CONTENTS **PAGE**

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

TURCAS PETROL A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013 AND 2012

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

	Notes	31 December 2013	31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	81,692,069	118,140,599
Financial assets	5	7,011,076	2,090,187
Trade receivables	7	12,035,362	4,493,835
- Trade receivables from related parties		*4,052*	*202,13*
- Trade receivables from third parties		*12,031,310*	*4,291,700*
Other receivables	8	35,743,335	69,081,439
- Other receivables from related parties		*35,464,589*	*27,827,010*
- Other receivables from third parties		*278,746*	*41,254,429*
Prepaid expenses		1,490,267	1,539,005
Assets related to current period tax		314,692	62,700
Other current assets	15	2,286,500	1,572,923
		140,573,301	**196,980,688**
Assets held for sale		246,953	246,953
Total currents assets		**140,820,254**	**197,227,641**
Non-current assets			
Other receivables	8	299,021,841	251,622,904
- Other receivables from related parties		*298,933,788*	*251,538,413*
- Other receivables from third parties		*88,053*	*84,491*
Financial assets	5	13,240	58,240
Investments accounted for under equity accounting	9	696,777,036	553,928,943
Property, plant and equipment	10	18,851,023	3,060,567
Intangible assets			
- Other intangible assets	11	*1,880*	*20,672*
Prepaid expenses		6,708	10,708,554
Deferred tax assets	23	18,080,411	2,040,971
Other non-current assets	15	3,926,610	3,828,715
Total non-current assets		**1,036,678,748**	**825,269,566**
TOTAL ASSETS		**1,177,499,002**	**1,022,497,207**

These consolidated financial statements as at and for the year ended 31 December 2013 have been approved for issue by the Board of Directors on 10 March 2014 and signed on its behalf by Erkan İlhantekin, Finance Director and by Nurettin Demircan, Accounting Department Manager. These consolidated financial statements are subject to the approval of General Assembly.

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

TURCAS PETROL A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013 AND 2012

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

	Notes	31 December 2013	31 December 2012
LIABILITIES			
Current liabilities			
Financial liabilities	6	52,122,787	16,363,885
- Short term financial liabilities		*-*	*75,259*
- Short term portions of long term financial liabilities		*52,122,787*	*16,288,626*
Trade payables	7	9,849,514	4,593,492
- Trade payables to related parties		*368,340*	*265,237*
- Trade payables to third parties		*9,481,174*	*4,328,255*
Other payables	8	3,497,124	14,030,945
- Other payables to related parties		*222,992*	*535,897*
- Other payables to third parties		*3,274,132*	*13,495,048*
Current income tax liabilities		-	-
Short term provisions		575,732	299,094
- Short term provisions for employee benefits		*325,732*	*294,594*
- Other short term provisions	*13*	*250,000*	*4,500*
Other current liabilities		42	36,656
Total current liabilities		**66,045,199**	**35,324,072**
Non-current liabilities			
Financial liabilities	7	403,167,922	292,796,276
Long term provisions for employee benefits	14	443,522	353,913
Deferred tax liabilities	23	51,786	54,691
Other non-current liabilities	15	1,092,439	1,148,583
Total non-current liabilities		**404,755,669**	**294,353,463**
EQUITY			
Paid-in capital	16	225,000,000	225,000,000
Adjustment to share capital	16	41,247,788	41,247,788
Actuarial gain / (loss) for employee benefits		(4,280,400)	-
Treasury shares (-)	16	(22,850,916)	(22,850,916)
Restricted reserves	16	34,823,299	32,356,963
Retained earnings		407,493,623	346,419,109
Net income for year		25,256,777	70,638,974
Attributable to			
equity holders of the parent		706,690,171	692,811,918
Minority interest		7,963	7,754
Total equity		**706,698,134**	**692,819,672**
TOTAL LIABILITIES AND EQUITY		**1,177,499,002**	**1,022,497,207**

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

TURCAS PETROL A.Ş.

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	**2013**	**2012**
CONTINUED OPERATIONS			
Sales	17	48,611,819	23,300,403
Cost of sales (-)	17	(46,093,725)	(22,498,681)
GROSS PROFIT		**2,518,094**	**801,722**
General administrative expenses (-)	18	(13,784,132)	(11,545,514)
Marketing expenses (-)	18	(1,812,283)	(1,450,844)
Other operating income	20	23,024,054	19,476,581
Other operating expenses (-)	20	(4,681,229)	(169,441)
OPERATING PROFIT		**5,264,504**	**7,112,504**
Share of profit of investments accounted for using the equity method	9	70,213,371	47,091,004
OPERATING PROFIT BEFORE FINANCIAL INCOME AND EXPENSE		**75,477,875**	**54,203,508**
Financial incomes	21	56,287,266	67,013,119
Financial expenses (-)	22	(117,632,460)	(47,533,720)
PROFIT /LOSS BEFORE TAX FROM CONTINUED OPERATIONS		**14,132,681**	**73,682,907**
Tax income / expense from continued operations			
Taxes on income	23	(4,918,216)	(4,908,672)
Deferred tax income	23	16,042,346	1,860,222
CONTINUED OPERATIONS NET INCOME		**25,256,811**	**70,634,457**
Attributable to:			
Equity holders of the parent		25,256,777	70,638,974
Minority interest		34	(4,517)
Earnings per share (Kr)	24	0.1123	0.3140

TURCAS PETROL A.Ş.

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

OTHER COMPRENSIVE INCOME	**Notes**	**2013**	**2012**
Items not to be reclassified to profit or loss			
Shares not to be reclassified to profit or loss from other comprehensive income of associates		(4,280,400)	-
Total comprehensive income		**20,976,411**	**70,634,457**
Attributable to:			
Equity holders of the parent		20,976,377	70,638,974
Minority interest		34	(4,517)

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

TURCAS PETROL A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

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

	Paid in capital	Adjustment to share capital	Treasury shares	Restricted reserves	Actuarial gain / loss	Retained earnings	Net income for year	Equity holders of the parent	Minority interest	Total Equity
PREVIOUS PERIOD										
1 January 2012	**225,000,000**	**41,247,788**	**(22,850,916)**	**29,863,083**	**-**	**258,095,696**	**97,915,312**	**629,270,963**	**6,177**	**629,277,140**
Transfers	-	-	-	2,493,880	-	95,421,432	(97,915,312)	-	-	-
Increases/(decreases) due to changes in ownership rate of subsidiaries that do not result in control losses	-	-	-	-	-	-	-	-	6,094	6,094
Dividends	-	-	-	-	-	(7,098,019)	-	(7,098,019)	-	(7,098,019)
Total comprehensive income	-	-	-	-	-	-	70,638,974	70,638,974	(4,517)	70,634,457
31 December 2012	**225,000,000**	**41,247,788**	**(22,850,916)**	**32,356,963**	**-**	**346,419,109**	**70,638,974**	**692,811,918**	**7,754**	**692,819,672**
CURRENT PERIOD										
1 January 2013	**225,000,000**	**41,247,788**	**(22,850,916)**	**32,356,963**	**-**	**346,419,109**	**70,638,974**	**692,811,918**	**7,754**	**692,819,672**
Transfers	-	-	-	2,466,336	-	68,172,638	(70,638,974)	-	-	-
Increases/(decreases) due to changes in ownership rate of subsidiaries that do not result in control losses	-	-	-	-	-	-	-	-	173	173
Dividends	-	-	-	-	-	(7,098,124)	-	(7,098,124)	-	(7,098,124)
Total comprehensive income	-	-	-	-	(4,280,400)	-	25,256,777	20,976,377	36	20,976,413
31 December 2013	**225,000,000**	**41,247,788**	**(22,850,916)**	**34,823,299**	**(4,280,400)**	**407,493,623**	**25,256,777**	**706,690,171**	**7,963**	**706,698,134**

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

TURCAS PETROL A.Ş

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2013	2012
A. Cash flows from operating activities			
Income before tax		14,132,681	73,682,907
Adjustments to reconcile net profit		**(2,821,271)**	**(44,669,645)**
Unrealized foreign exchange loss / (gain)		62,772,342	(6,670,297)
Depreciation and amortization	10, 11	1,488,010	1,202,209
Changes in financial investments		(70,213,371)	(39,001,073)
Adjustments to retained earnings of associates		3,011,001	-
Provision for employee benefits		89,609	20,945
Provision for unused vacation		31,138	(221,429)
Changes in working capital		**(17,040,290)**	**(17,542,485)**
Changes in trade receivables from related parties and third parties		(7,541,526)	(2,883,283)
Changes in other receivables		(14,060,832)	(19,321,797)
Changes in other payables and liabilities		(10,381,080)	1,560,828
Changes in trade payables to related parties and third parties		5,256,022	2,259,960
Changes in prepaid expenses and other current assets		(916,831)	(3,299,413)
Changes in prepaid expenses and other non-current assets		10,603,958	4,141,220
Cash flows from operating activities		**(21,124,119)**	**(22,766,849)**
Tax payments		(4,918,216)	(6,697,277)
Interest expense	22	13,510,843	13,427,644
Interest income	21	(29,716,746)	(29,497,216)
B. Cash flows from investing activities		**(72,462,298)**	**(71,996,150)**
Cash provided from export instruments related with share and other equity		45,000	-
Acquisition of tangible and intangible assets		(17,335,506)	(790,202)
Cash provided from sales of tangible and intangible assets		75,832	27,185
Income from associates		(4,920,888)	(2,090,187)
Cash provided to associates for capital expenditure		-	(124,594,637)
Capital advances given to subsidiaries		(109,926,123)	-
Interest received		29,599,387	28,451,691
Dividends received	9	30,000,000	27,000,000
C. Cash flows from financing activities		**62,749,410**	**83,098,784**
Proceeds from bank borrowings		131,710,962	105,391,804
Repayment of bank borrowings		(48,496,684)	(1,797,345)
Interest paid		(13,366,918)	(13,403,750)
Dividends paid		(7,098,123)	(7,098,019)
Capital increase-minority interest		173	6,094
Net increase / (decrease) in cash and cash equivalents		**(36,565,887)**	**(193,438)**
Cash and cash equivalents at the beginning of the year	**4**	**117,987,702**	**118,181,140**
Cash and cash equivalents at the end of the year	**4**	**81,421,815**	**117,987,702**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Turcas Petrol A.Ş. and its subsidiaries ("The Group") consist of Turcas Petrol A.Ş. ("The Company"), 6 subsidiaries and 4 associates

Turcas Petrolcülük A.Ş. was established in 1988 by Türkpetrol Holding and Burmah-Castrol. In 1996, Tabaş Petrolcülük A.Ş. ("Tabaş") purchased shares of Turcas Petrolcülük A.Ş, resulting in an ownership of 82.16%.

On 30 September 1999, Tabaş merged with Turcas Petrolcülük A.Ş.. As a result of the merger, the assets and liabilities of Turcas Petrolcülük A.Ş. were transferred to Tabaş and Turcas Petrolcülük A.Ş. was dissolved. As of the same date, the commercial title of Tabaş was changed to Turcas Petrol A.Ş.

As of 1 July 2006, Turcas Petrol A.Ş. transferred its part of shares to Shell & Turcas Petrol A.Ş.("STAŞ") by partial spin-off. 30% shares of STAŞ. were owned by Turcas Petrol A.Ş. and 70% of shares were owned by The Shell Company of Turkey Ltd("Shell Türkiye"). Since this date, main operations of Turcas Petrol A.Ş.; which were purchasing, selling, importing, exporting of petroleum products, have been carried by STAŞ whose selling and export activities has recently begun. By the decision of the Company's Board of Directors, the main operations of the Company changed into search, research, production, transportation, distribution, storage, export, import, re-export, and national and international investments about trade in the energy sector and its subsectors like petroleum, fuel, electricity and natural gas; and to establish new companies and/or to join the management and establishment of the companies that focus on developing new business lines with commercial, industrial, agricultural and financial purposes.

The Company is incorporated in Turkey and the address of the registered office is as follows:

Ahi Evran Cad. 6 Aksoy Plaza. Kat: 7. Maslak/İstanbul

The shares of the Company have been traded on İstanbul Stock Exchange since 1992.

The Company's main shareholder is Aksoy Holding A.Ş. The capital structure of the Company as of the related balance sheet dates have been provided at Note 16.

The number of employees of the Group at the end of the period is 49 (31 December 2012: 46).

Subsidiaries	**Country**	**Nature of business**
Turcas Enerji Holding A.Ş. (former Marmara Petrol ve Rafineri İşleri A.Ş.)	Turkey	Holding
Turcas Elektrik Üretim A.Ş.	Turkey	Electricity
Turcas Elektrik Toptan Satış A.Ş.	Turkey	Electricity
Turcas Gaz Toptan Satış A.Ş.	Turkey	Gas
Turcas Yenilenebilir Enerji Üretim A.Ş.	Turkey	Electricity
Turcas Rafineri Yatırımları A.Ş.	Turkey	Petroleum refineries

In 1996, the Company acquired 100% of Turcas Enerji Holding A.Ş ("Marmara"). During the year, The Company also bought Turcas Enerji Holding A.Ş shares (5%) from Ataş Anadolu Tasfiyehanesi A.Ş, which was established in 1958, owned by "Marmara".

Based on the resolution of the Board of Directors of the Company dated 7 June 2004, the Company's subsidiary Marmara Petrol ve Rafineri İşleri A.Ş. and the other ATAŞ partners returned their Certificate of Refinery to the General Directorate of Petroleum Affairs, put an end to the refining operations of ATAŞ and obtained a Terminal License for ATAŞ from the Energy Market Regulatory Authority ("EMRA"). The entity continues its storage and service operations as of the balance sheet date.

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

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

As a result of the Extraordinary General Assembly meeting held on 27 May 2008, the company resolved for the change of its title from "Marmara Petrol ve Rafineri İşleri A.Ş." to "Turcas Enerji Holding A.Ş.". This decision was published on the Turkish Trade Registry Gazette numbered 7105 on 15 July 2008 and the title is registered and declared as Turcas Enerji Holding A.Ş.

Turcas Elektrik Üretim A.Ş. has been established on 23 December 2003 and obtained Electric Production License with the EMRA's decision numbered 658-2 dated 16 February 2006, for 20 years starting from 16 February 2006.

Turcas Elektrik Toptan Satış A.Ş. has been established on 30 October 2000 and obtained the license to operate in electric wholesale business for 10 years starting from 5 June 2003 in accordance with the Electricity Market Regulation numbered 4628.

Turcas Gaz Toptan Satış A.Ş. has been established on 6 June 2005, in order to operate in the import of natural gas and wholesale activities. The company has obtained sales licence for 30 years period on 17 May 2007.

Turcas Rüzgar Enerji Üretim A.Ş. has been established on 25 October 2007 and it operates in the installation and administration of electric energy production facilities, electric energy production, and the sale of the energy or capacity that has been generated. Turcas Elektrik Üretim A.Ş. owns 99.99% of Turcas Yenilenebilir Enerji Üretim A.Ş.

Turcas Rafineri Yatırımları A.Ş. has been established on 28 December 2011. It operates in the installation of petroleum refineries and additional plants, purchasing and operating of these plants, processing raw petroleum and ensuring that raw petroleum is processed both in domestic and abroad refineries.

Associates	**Company**	**Nature of business**
Shell & Turcas Petrol A.Ş. ("STAŞ")	Turkey	Petroleum products
SOCAR Turkey Yatırım A.Ş. ("STYAŞ")	Turkey	Refinery
RWE&Turcas Güney Elektrik Üretim A.Ş. ("RWE&Turcas Güney")	Turkey	Energy, electricity
Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. ("Turcas&BM")	Turkey	Energy, electricity

STAŞ operates in every aspect of the purchase, sale, import, export, storage and distribution of all types of fuel and oil.

Consolidated financial statements of STYAŞ include financial statements of STAR Rafineri A.Ş., the Company's subsidiary. Share of Star Rafineri A.Ş. that group owned in 29 December 2011, 18.5% of the nominal value of TRY 9,250,000, was transferred to SYTAŞ at a price of TRY 13,005,500 in 2 September 2013. Simultaneously, share of STYAŞ that Socar Turkey Enerji owned with capital at about TRY 50,000, 18.5% of the nominal value of TRY 9,250, was taken over at the nominal value by Group and STYAŞ is incorporated in consolidation scope. Main operations of Star Rafineri A.Ş., owned %100 by STYAŞ, are production of LPG, naphta, products of xylene, diesel and fuel oil.

RWE & Turcas Güney Elektrik Üretim A.Ş has been established on 7 December 2007 in order to construct and operate electricity power plant, generate electrical energy, heat and steam from power plants, perform maintenance services and market the recycled and waste materials.

Turcas&BM Kuyucak Jeotermal Elektrik Üretim A.Ş, partnership with Turcas Enerji Holding A.Ş. (46%), BM Mühendislik ve İnşaat A.Ş. (46%) and Alte Enerji A.Ş. (8%), was established in order to operate in production of geothermal energy.
The detailed information about the investments accounted for using the equity method is given in Note 9.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

The financial statements of the consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the consolidated financial statements of the Group have been prepared accordingly.

The Group maintains its books of account and prepares its 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 and accounting principles issued by the CMB. The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion, 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 TAS.

The preparation of financial statements in conformity with Turkish Accounting Standards requires management to exercise its judgement in the process of applying the group's accounting policies. The significant assumptions and estimates applied in the preparation of the consolidated financial statements, are disclosed in note 2.4.

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

Amendments in Turkish Financial Reporting Standards (TFRS)

(a) Standards, amendments and IFRICs effective for annual periods beginning on after 1 January 2013:

- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

- Amendment to IAS 19, 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

- Amendment to IFRS 1, 'First time adoption', on government loans; ; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

- Amendment to IFRSs 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013.These annual improvements, address six issues in the 2009-2011 reporting cycle.

  - IFRS 1, 'First time adoption'
  - IAS 1, 'Financial statement presentation'
  - IAS 16, 'Property plant and equipment'
  - IAS 32, 'Financial instruments; Presentation'
  - IAS 34, 'Interim financial reporting'

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

- IFRS 10, 'Consolidated financial statements'; is effective for annual periods beginning on or after 1 January 2013. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.

- IFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

- IAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

- IAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

- IFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

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

(b) Standards, amendments and interpretations to existing standards that are not yet effective as of 31 December 2013 and have not been early adopted by the Company:

- Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- Amendments to IFRS 10,12 and IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- IFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- IFRS 9 'Financial instruments' – classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.

  The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

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

- Amendments to IFRS 9'Financial instruments', regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

- Amendment to IAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

  - IFRS 2, 'Share-based payment'
  - IFRS 3, 'Business Combinations'
  - IFRS 8, 'Operating segments'
  - IAS 16, 'Property, plant and equipment' and IAS 38'Intangible assets'
  - IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets'
  - IAS 39, Financial instruments – Recognition and measurement'

  Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

  - IFRS 1, 'First time adoption'
  - IFRS 3, 'Business combinations'
  - IFRS 13, 'Fair value measurement' and
  - IAS 40, 'Investment property'

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from 31 December 2012. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the consolidated financial statements of the Group.

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in TRY, which is the functional currency of Turcas and the presentation currency of the Group.

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

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

Consolidation Principles

(a) The consolidated financial statements include the accounts of the parent company, Turcas, and its Subsidiaries and Associates on the basis set out in sections (b) to (d) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications for the purpose of presentation in conformity with Turkish Accounting Standards and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Turcas has capability to control the financial and operating policies for the benefit of Turcas through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases. Where necessary, accounting policies for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Turcas and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Turcas and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Turcas in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their direct and indirect ownership, which are identical to their economic interests, at years ended 31 December 2013 and 2012 (%):

	31 December 2013		31 December 2012	
	Ownership interest (%)	**Economic interest (%)**	**Ownership interest (%)**	**Economic interest (%)**
Turcas Enerji Holding A.Ş.	100,00	100,00	100,00	100,00
Turcas Elektrik Üretim A.Ş.	100,00	100,00	100,00	100,00
Turcas Elektrik Toptan Satış A.Ş.	100,00	100,00	100,00	100,00
Turcas Gaz Toptan Satış A.Ş.	100,00	100,00	100,00	100,00
Turcas Yenilenebilir Enerji Üretim A.Ş.	100,00	100,00	100,00	100,00
Turcas Rafineri Yatırımları A.Ş.	99,60	99,60	99,60	99,60

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

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

(d) Associates are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the caesura of the significant influence the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

The table below sets out all Associates and shows their direct and indirect ownership at 31 December 2013 and 2012:

	2013 (%)	**2012 (%)**
Shell & Turcas Petrol A.Ş.	30,00	30,00
RWE & Turcas Güney Elektrik Üretim A.Ş.	30,00	30,00
Turcas & BM Kuyucak Jeotermal Elektrik Üretim A.Ş.	46,00	-
SOCAR Turkey Yatırım A.Ş.	18,50	-
STAR Rafineri A.Ş.	-	18,50

(e) Available-for-sale investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment.

Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value(Note 5).

(f) The minority shareholders' share in the net assets and results of Subsidiaries for the year are separately classified as minority interest in the consolidated balance sheets and statements of income.

Going Concern

Group prepared consolidated financial statements in accordance with the going concern assumption.

Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realise the assets and settle the liabilities simultaneously.

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

Comparatives and restatement of prior periods’ financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year consolidated financial statements and the significant changes are explained.

2.2 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods’ consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

Where necessary, comparative figures are reclassified to conform to changes in presentation in the current period and material differences are disclosed.

In accordance with the decision taken in the CMB meeting numbered 20/670 held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period. Explanations of these classifications are as follow:

i) In the consolidated balance sheet at 31 December 2012, prepaid expenses which were classified under “other current assets” and “other non-current assets, respectively amounting to TRY 1,539,005 and TRY 10,708,554, are classified under “prepaid expenses”.

ii) In the consolidated balance sheet at 31 December 2012, prepaid expenses and funds amounting to TRY 62,700 which were classified under “other current assets” are classified under “assets related to current year tax” account.

2.3 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarised below:

Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Aksoy Holding group are considered and referred to as related parties (Note 25).

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

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant (Note 7).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

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

Credit finance income/charges

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges calculated by using the effective interest method are recognised as financial income or expenses over the period of credit sale and purchases, and included under financial income and expenses (Notes 21 and 22).

Financial investments

Classification

The group classifies its financial assets in the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those with maturities greater than 12 months are classified as non-current assets. The group's loans and receivables are classified as "trade and other receivables" in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date.

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

(c) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets that are not classified under loans and receivables and are held-for-trading at the time of acquisition and are not included in available-for-sale financial assets, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognized at cost which is considered as their fair value. The fair values of held-to-maturity financial assets on initial recognition are either the transaction prices at acquisition or the market prices of similar financial instruments. Held-to-maturity securities are carried at "amortized cost" using the "effective interest method" after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

There are no financial assets of the Company that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in the related accounting policies.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 4).

Property, plant, equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life. The depreciation periods for property and equipment, which approximate the economic useful lives of assets concerned, are as follows:

Machinery and equipment	5-10 years
Motor vehicles, furniture and fixtures	5-10 years
Special costs	5 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell.

Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred (Note 10).

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

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 11).

a) Trademark licenses

Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (five years).

b) Computer software

Computer software is recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives of five years and carried at cost less accumulated amortization.

Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings. Borrowing costs are charged to the income statement when they are incurred (Note 6). Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In such case, the tax is also recognised in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 23).

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

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

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using estimated liability method. All actuarial profits and losses are recognised in consolidated statements of income (Note 14).

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the consolidated statements of income.

Revenue recognition

Revenues are recognized on an accrual basis when the electricity is delivered (risk and rewards are transferred), the amount of the revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Net sales represent the invoiced value of electricity delivered less sales returns and commission. Transmission revenue is netted off with its related costs in consolidated financial statements (Notes 21 and 22).

Interest income is recognised on a time proportion basis that takes into account the effective yield on the assets.

Dividends

Dividends receivable are recognised as income in the period when they are declared. Dividends payable are recognised as an appropriation of profit in the period in which they are declared .

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

Paid-in capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury Shares

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs(net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued and is shown as treasury shares in balance sheet. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders (Note 16).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognised for operating losses expected in later periods (Note 13).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated balance sheets and are disclosed as contingent assets or liabilities (Note 12).

Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions (Note 3).

Reporting of cash flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents with maturity periods of less than three months.

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

2.4 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Deferred Taxes:

Group accounts the deferred tax assets and liabilities for the temporary differences arising from the timing differences between the statutory financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards. Subsidiaries of the Group have deferred tax assets consisting of carry forward tax losses which may be deducted from the future taxable income and other deductible temporary differences. Amount of the deferred tax assets which may be partially or completely recovered are anticipated according to the current conditions. During the projections, future taxable income, current period losses, expiration dates of the carry forward tax losses, other tax assets and the tax planning strategies, if necessary, are taken into account. Group has carry forward tax losses amounting to TRY 90,675,464 from which can be utilized with future profits, as of 31 December 2013 (31 December 2012: TRY 16,343,032). Since the Group projects that Turcas Elektrik Üretim A.Ş., which is a subsidiary of Group, is going to generate taxable income for the next five years, deferred tax assets amounting to TRY 15,236,689 has been recognized for total TRY 76,183,445 carry forward tax losses (Note 23).

NOTE 3 - SEGMENT REPORTING

The reportable segments of Turcas have been organized by management as oil, petrochemicals, electricity and natural gas. The products which are included in oil are lubricants, engine oil and fuel products. Petrochemicals group mainly consists of the production and distribution of thermoplacstics and other petrochemicals. The Group has sold all its shares in Socar&Turcas Enerji A.Ş. which is an associate of the Group operates in petrochemical section on 26 December 2011 (Note 2.1.d.). Correspondingly, the Group has no activity in petrochemical section since then. Electricity group consists of the production, wholesale and distribution of electricity products.

Accounting policies applied by each operational segment of Turcas are the same as those are applied in Turcas's consolidated financial statements prepared in accordance with Public Oversight Financial Reporting Standards.

Turcas's reportable segments are strategical business units which presents various products and services. Each of these segments are administrated seperately by the necessity of requiring different technologies and marketing strategies.

Earnings before interest, tax, depreciation and amortisation (EBITDA) have been taken into consideration for evaluation of the performance of the operational segments. Management considers EBITDA as the most adequate indicator for making comparison with competitors in the sector.

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

NOTE 3 - SEGMENT REPORTING (Continued)

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2013 are as follows:

	Oil	Petrochemicals	Natural gas	Electricity	Other*	Total
Revenue from external customers	-	-	-	48,611,819	-	48,611,819
EBITDA	(48,510)	-	(350,644)	(1,340,650)	(14,013,007)	(15,752,811)
Financial income	717,777	-	-	35,855,113	19,714,376	56,287,266
Financial expenses	-	-	(61,020)	(113,940,011)	(3,631,429)	(117,632,460)
Amortization and depreciation expenses	-	-	(253)	(171,713)	(1,316,044)	(1,488,010)
Income/(expense) from associates	85,183,706	-	-	(14,956,723)	-	70,213,371
Purchase of tangible and intangible assets	-	-	-	2,153	17,333,353	17,335,506

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2012 are as follows:

	Oil	Petrochemicals	Natural gas	Electricity	Other*	Total
Revenue from external customers	-	-	-	23,300,403	-	23,300,403
EBITDA	(13,694)	-	(213,851)	(3,723,752)	(7,041,130)	(10,992,427)
Financial income	-	-	579,488	47,661,602	18,772,029	67,013,119
Financial expenses	-	-	(185,491)	(37,287,308)	(10,060,921)	(47,533,720)
Amortization and depreciation expenses	-	-	(380)	(188,719)	(1,013,110)	(1,202,209)
Income/(expense) from associates	51,626,988	-	-	(4,535,984)		47,091,004
Purchase of tangible and intangible assets	-	-	-	3,710	786,492	790,202

c) Operating segment information as of 31 December 2013 is shown below:

	Oil	Petrochemicals	Natural gas	Electricity	Other*	Eliminations	Total
Segment Assets	742,142	-	8,149,506	449,089,239	339,283,588	(316,542,509)	480,721,966
Associates	599,933,498	-	-	96,843,538	-	-	696,777,036
Segment Liabilities	31,642,279	-	86,750	473,374,005	4,132,270	(38,434,438)	470,800,866

d) Operating segment information as of 31 December 2012 is shown below:

	Oil	Petrochemicals	Natural gas	Electricity	Other*	Eliminations	Total
Segment Assets	1,665,260	-	7,861,030	371,338,749	326,515,158	(238,866,624)	468,513,573
Associates	441,978,153	-	-	111,950,790	-	-	553,928,943
Segment Liabilities	10,625,756	-	102,104	316,634,197	3,110,818	(850,031)	329,622,844

(*) Other segment consists of holding activity of Turcas Petrol.

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

NOTE 3 - SEGMENT REPORTING (Continued)

e) Reconciliation between reportable segment income, EBITDA, assets and liabilities and other significant items are as follows:

	31 December 2013	31 December 2012
Income		
Segment revenue	48,611,819	23,300,403
Consolidated income	**48,611,819**	**23,300,403**

	31 December 2013	31 December 2012
EBITDA		
Segment EBITDA	(1,739,804)	(3,951,297)
Other EBITDA	(14,013,007)	(7,041,130)
Consolidated EBITDA	**(15,752,811)**	**(10,992,427)**
Financial income	56,287,266	67,013,119
Financial expense	(117,632,460)	(47,533,720)
Other operational income	22,505,325	19,307,140
Share of profit of investments accounted for using the equity method	70,213,371	47,091,004
Amortization and depreciation	(1,488,010)	(1,202,209)
Consolidated income before tax	**14,132,681**	**73,682,907**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash	4,948	10,806
Banks		
- demand deposits	404,877	232,905
- time deposits	81,282,243	117,896,888
	81,692,069	**118,140,599**

The maturities of cash and cash equivalents are as follows:

Up to 30 days	81,692,069	118,140,599
	81,692,069	**118,140,599**

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The effective interest rates (%) of time deposits are as follows:

	2013	2012
TRY	6.55	6.30
US Dollars	2.54	2.35

The analysis of cash and cash equivalents included in the consolidated statements of cash flows for the years ended 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Cash and cash equivalents	81,692,069	118,140,599
Less: Interest Accrual	(270,254)	(152,897)
	81,421,815	**117,987,702**

The company has no restricted deposits as of 31 December 2013 (31 December 2012: None).

NOTE 5 - FINANCIAL ASSETS

	2013			2012		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Financial assets held for sale	-	13,240	13,240	-	58,240	58,240
Held-to-maturity financial assets	7,011,076	-	7,011,076	2,090,187	-	2,090,187
	7,011,076	**13,240**	**7,024,316**	**2,090,187**	**58,240**	**2,148,427**

a) Financial assets available for sale:

	31 December 2013		31 December 2012	
	Participation amount	Participation rate (%)	Participation amount	Participation rate (%)
ATAŞ	13,240	5.00	13,240	5.00
RWE & Turcas Kuzey Elektrik Üretim A,Ş,	-	-	45,000	30.00
	13,240		**58,240**	

Financial assets are valuated by using purchase cost of financial assets less provision for impairment (if any) under the circumstances of no fair value of financial assets available for sale recorded in stock market or no other available methods to calculate the fair value.

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

NOTE 5 - FINANCIAL ASSETS (Continued)

b) Held-to-maturity financial assets:

The details of held-to-maturity financial assets are as follows:

	31 December 2013	31 December 2012
Bonds:		
Private sector bonds	7,011,076	2,090,187
	7,011,076	**2,090,187**

Remaining time to maturity dates of held-to-maturity financial assets in agreements as of 31 December 2013 is as follows:

	Banking	Other firms	Total
Less than 3 months	7,011,076	-	7,011,076
Total	**7,011,076**	**-**	**7,011,076**

Remaining time to repricing dates of held-to-maturity financial assets in agreements as of 31 December 2013 is as follows:

	Banking	Other firms	Total
Less than 3 months	7,011,076	-	7,011,076
Total	**7,011,076**	**-**	**7,011,076**

The movement table of held-to-maturity financial assets is as follows:

	2013	2012
Balance at 1 January	**2,090,187**	**-**
Purchases	4,858,786	2,080,559
Additions due to amortized cost	62,103	9,628
Total	**7,011,076**	**2,090,187**

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

NOTE 6 - FINANCIAL LIABILITIES

	2013	2012
Short-term bank borrowings	52,122,787	16,363,885
Long-term bank borrowings	403,167,922	292,796,276
	455,290,709	**309,160,161**

	31 December 2013		
	Yearly average effective interest rate(%)	**Original amount**	**TRY**
EUR borrowings			
- Fixed interest rate	6.20%	34,060	100,016
- Floating interest rate	1.88%	12,401,006	36,415,554
EUR borrowings			
- Floating interest rate	3.79%	7,312,569	15,607,217
Total short term financial liabilities			**52,122,787**
EUR borrowings			
- Floating interest rate (*)	1.88%	105,323,872	309,283,551
- Fixed interest rate	6.20%	17,848	52,411
- Interest accrual of floating rate loan		64,247	188,661
USD borrowings			
- Floating interest rate (**)	3.79%	43,864,521	93,620,048
- Interest accrual of floating rate loan		10,894	23,251
Total long term financial liabilities			**403,167,922**
Total financial liabilities			**455,290,709**

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TRY 370,467,777 (EUR126,159,638), ECA premium of TRY 23,369,453 (EUR 10,784,740) and management fee of TRY1,399,220 (EUR746,760) have been deducted from the original amount, These amounts will be amortised until the end of loan agreement.

(**) Original amount of loan obtained TSKB is TRY 109,560,733 (EUR 51,333,333) and management fee of TRY 333,469 (EUR 156,243) have been deducted from the original amount, These amounts will be amortised until the end of loan agreement.

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

	31 December 2012		
	Yearly average effective interest rate(%)	**Original amount**	**TRY**
EUR borrowings			
- Fixed interest rate	6.20	32,002	75,259
- Floating interest rate	2.28	5,496,742	12,926,688
USD borrowings			
- Floating interest rate	4.08	1,885,974	3,361,938
Total long term financial liabilities			**16,363,885**
EUR borrowings			
- Floating interest rate (*)	2.28	104,411,535	245,544,606
- Fixed interest rate	6.20	51,908	122,072
- Interest accrual of floating rate loan	26.562		62,465
USD borrowings			
- Floating interest rate (**)	4.08	26,400,547	47,061,615
- Interest accrual of floating rate loan		3,096	5,518
Total long term financial liabilities			**292,796,276**
Total financial liabilities			**309,160,161**

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TRY 285,519,913 (EUR 121,410,007), ECA premium of TRY25,649,399 (EUR 11,836,909) and management fee of TRY1,399,220 have been deducted from the original amount, These amounts will be amortised until the end of loan agreement.

(**) Original amount of loan obtained TSKB is TRY 50,804,100 (EUR 28,500,000) and management fee of TRY 380,547 (EUR 288,750) have been deducted from the original amount. These amounts will be amortised until the end of loan agreement.

Floating interest rated financial debts denominated in foreign currencies are valuated to TRY using effective exchange rates at period end, Interest rates of floating interest rated financial debts are redetermined in 6 month periods, therefore carrying values are considered to be approximate fair values.

The redemption schedule of financial liabilities is as follows:

	2013	**2012**
0 - 1 year	52,122,787	16,363,885
1 - 2 years	52,075,182	32,657,350
2 - 3 years	52,022,771	32,619,226
3 - 4 years	52,022,771	32,577,252
4 - 5 years	52,022,771	32,577,252
After 5 years	195,024,427	162,365,196
	455,290,709	**309,160,161**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of borrowings as of 31 December 2013 according to their contractual repricing dates of the Group is as follows:

	2013	**2012**
1-3 years	156,220,739	81,640,461
3-5 years	104,045,541	65,154,504
5-7 years	104,045,541	65,154,504
7-10 years	72,771,110	58,430,628
10-13 years	18,207,778	38,780,064
	455,290,709	**309,160,161**

The following is the information compiled regarding the loans made available for the 775 MW Natural Gas Combined Cycle Power Plant investment, currently under construction within the scope of financing corresponding to the share of Turcas Elektrik Üretim A.Ş., an associate of the Group, in the Denizli Project:

The loan agreement was entered into with the bank consortium composing of Bayerische Landesbank ("Bayern LB") and Portigon AG with respect to the amount EUR149,351,984, with a maturity of 13 years and no-payback (grace) period of three years at the interest rate Euribor + 1.65%, under the guarantee of Euler Hermes German Export Loan Agency,

The loan agreement was entered into with Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with respect to the amount USD 55,000,000, with a maturity of 10 years and no-payback (grace) period of three years at the interest rate Libor + 3.40%.

The portion EUR 126,159,638 of the loan received from the bank consortium formed by Bayern LB and Portigon AG and the portion USD 51,333,333 of the loan received from TSKB have been utilised as of 31 December 2013.

Turcas Petrol A.Ş. has provided a Corporate Guarantee as collateral amounting to USD77,000,000 in favor of TSKB and EUR 149,351,984 in favor of Bayern LB and Portigon AG consortium within the scope of the respective loan agreements.

As a requirement of the loan agreement signed with Portigon AG and Bayern LB, a DSRA Standby Letter of Credit has been arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Elektrik Üretim A.Ş. with Bayern LB as the drawee bank in the amount of EUR21,656,038, with maturity ending 15 July 2014. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR21,656,038 in favor of Türkiye Garanti Bankası A.Ş.

Within the scope of the Share Pledge Agreements and Shareholder Assignment of Receivables Agreements entered into by and between Turcas Enerji Holding A.Ş., Turcas Petrol A.Ş., Turcas Elektrik Üretim A.Ş., and Portigon AG, Bayern LB and TSKB, on 11 November 2010 a first degree pledge and assignment of receivables were established, (i)on the shares owned by Turcas Enerji Holding A.Ş. and Turcas Petrol A.Ş. in Turcas Elektrik Üretim A.Ş. and their receivables from Turcas Elektrik Üretim A.Ş., (ii) on the shares owned by Turcas Elektrik Üretim A.Ş. in RWE &Turcas Güney Elektrik Üretim A.Ş. and its receivables from RWE &Turcas Güney Elektrik Üretim A.Ş. on behalf of Portigon AG, Bayern LB and TSKB o pari passu and pro rata basis.

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

NOTES 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**2013**	**2012**
Trade receivables	12,926,282	5,112,253
Due from related parties (Note 25)	4,052	202,135
Other trade receivables	178,341	7,925
	13,108,675	**5,322,313**
Less: Provision for doubtful trade receivables	(593,015)	(689,646)
Less: Deferred financial income (Note 21)	(480,298)	(138,832)
Short-term trade receivables (net)	**12,035,362**	**4,493,835**

Movement of provision for doubtful receivables are as follows:

	2013	**2012**
Balance at the beginning of the year	**689,646**	**881,398**
Provisions no longer required (Note 20)	(96,631)	(191,752)
Balance at the end of the year	**593,015**	**689,646**

The Group has no trade receivables that are overdue but not considered doubtful trade receivables as of 31 December 2013 and 31 December 2012.

Short term other receivables	**2013**	**2012**
Trade payables	9,596,093	4,336,823
Due to related parties (Note 25)	368,340	265,237
	9,964,433	**4,602,060**
Less: Deferred financial expense (Note 22)	(114,919)	(8,568)
Short-term trade payables (net)	**9,849,514**	**4,593,492**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Short term other receivables	**2013**	**2012**
Receivables from related parties (Note 23)	35,464,589	27,827,010
Other	278,746	41,254,429
	35,743,335	**69,081,439**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

Long term other receivables	**2013**	**2012**
Receivables from related parties (Note 25)	298,933,788	251,538,413
Other	88,053	84,491
	299,021,841	**251,622,904**

Other payables	**2013**	**2012**
Taxes and duties payables	3,128,842	2,867,351
Due to related parties (Note 25)	222,992	535,897
Other	145,290	10,627,697
	3,497,124	**14,030,945**

NOTE 9 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING

	%	**31 December 2013**	**%**	**31 December 2012**
STAŞ	30.00	437,891,400	30.00	429,460,200
RWE & Turcas Güney Elektrik Üretim A,Ş,	30.00	93,983,068	30.00	111,950,790
Turcas & BM Kuyucak Jeotermal Elektrik Üretim A,Ş,	46.00	2,860,470	-	-
STYAŞ (*)	18.50	162,042,098	-	-
STAR (*)	-	-	18.50	12,517,953
		696,777,036		**553,928,943**

(*) Share of Star Rafineri A.Ş. that group owned in 29 December 2011, 18.5% of the nominal value of TL 9,250,000, was transferred to SYTAŞ at a price of TL 13,005,500 in 2 September 2013. Simultaneously, share of STYAŞ that Socar Turkey Enerji owned with capital at about TL 50,000, 18.5% of the nominal value of TL 9,250, was taken over at the nominal value by Group.

	31 December 2013	**31 December 2012**
Balance at the beginning of the year	**553,928,943**	**541,927,870**
Income from associates (net)	70,213,371	47,091,004
Dividends received	(30,000,000)	(27,000,000)
Transactions with associates (*)	(3,011,001)	(8,089,931)
Actuarial gain / (loss)	(4,280,400)	-
Capital increases of associates	109,926,123	-
Balance at the end of the year	**696,777,036**	**553,928,943**

(*) The balance consists of the consolidation adjustment for capitalized finance expenses by RWE&Turcas Güney related to the borrowing from the Group in order to finance Denizli Plant investment of RWE&Turcas Güney.

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

NOTE 9 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING (Continued)

STAŞ

As explained in Note 1, STAŞ operates for the sales, purchase, export and import, storage and distribution of each kind of fuel products.

The Shell Company of Turkey Ltd. and Turcas Petrol A.Ş. have established Shell & Turcas Petrol A.Ş. on 1 July 2006 by merging part of their assets. Turcas Petrol A.Ş. owns %30 of the new company. The main fields of activity of Turcas Petrol A.Ş., i.e. purchasing, selling, export and import of petroleum and petroleum products have started to be undertaken by Shell & Turcas Petrol A.Ş. as of 1 July 2006.

Shell & Turcas Petrol A.Ş. continued strong position in fuel and lubricants Turkey market by performing sales revenue amount at TL 13,997,089,000 as of 31 December 2013(2012: TL 12,245,408 thousand). Shell & Turcas Petrol A.Ş. is a market leader of sales per station that is the most important indicator of profitability in the sector. While Shell & Turcas Petrol A.Ş. has maintenanced market leadership with market share by 24 % in petrol sales and 19 % mineral oil sales as of 31 December 2013, Shell & Turcas Petrol A.Ş is third in the white goods market that is total of petrol and diesel sales with 17.5 % share.

The summarized financial information of STAŞ, which is an associate of the Group accounted using the equity method is as follows:

STAŞ	**31 December 2013**	**31 December 2012**
Total assets	3,201,367,000	3,015,835,000
Total liabilities	(1,741,729,000)	(1,584,301,000)
Net assets	1,459,638,000	1,431,534,000
Group's share of associate's net assets	**437,891,400**	**429,460,200**

	1 January - 31 December 2013	**1 January - 31 December 2012**
Net sales	13,997,089,000	12,245,408,000
Profit for the period	142,372,000	161,213,000
Group's share of associate's profit for the period	**42,711,600**	**48,363,900**

RWE&Turcas Güney Elektrik Üretim A.Ş.

Turcas Elektrik Üretim A.Ş. which is a %100 subsidiary of Turcas Petrol through the direct and indirect shares and the world's leading energy companies, RWE Holding A.Ş., a subsidiary of RWE AG in Turkey, have established 2 joint ventures companies named RWE & Turcas Güney Elektrik Üretim A.Ş. and RWE & Turcas Kuzey Elektrik Üretim A.Ş.. The share percentage of Turcas Elektrik Üretim A.Ş. is %30 in these companies. RWE & Turcas Güney Elektrik Üretim A.Ş., in order to establish natural gas thermal power plant with775 MW in Denizli, has obtained the certificate of Environmental Impact Assesment from Ministry of Environment and Forestry in 2008 and applied to Energy Market Regulatory Authority for Electricity Production Pre-Licence, and received the license in 2009.

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

NOTE 9 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING (Continued)

Turcas Elektrik Üretim A.Ş. that is 100% subsidiary through direct and indirect shares in electricity production of Turcas has established a joint venture company named RWE & Turcas Güney Elektrik Üretim A.Ş. with RWE Holding A.Ş. that is a subsidiary of RWE AG which is one of the leader energy companies of the world. Share rate of Turcas Elektrik Üretim A.Ş is 30 % in these companies established in 2007. Natural gas combined cycle power plant with 775 MW an installed capacity, is established in Denizli by Turcas RWE & Turcas Güney Elektrik Üretim A.Ş., facility has came into operation with completion temporary admission process conducted by the Ministry as of 24 June 2013.

	31 December 2013	31 December 2012
Total assets	1,643,196,489	1,392,208,084
Total liabilities	(1,292,916,492)	(992,056,136)
Net assets	350,279,997	400,151,948
Group's share of associate's net assets	**105,083,999**	**120,045,584**

	31 December 2013	31 December 2012
Income for the period	(49,855,744)	(15,119,947)
Group's share of income for the period	**(14,956,723)**	**(4,535,984)**

Denizli Combined Cycle Power Plant established by RWE&Turcas Güney Elektrik Üretim A.Ş. is commissioned as of 24 June 2013. On the other hand, the right has born to request the delay compensation as of 1 January 2013 due to the delay in completion date of the project in compliance with related articles of EPC Agreement are accepted and agreed by RWE&Turcas Güney Elektrik Üretim A.S. and Metal Constructions of Greece SA (METKA) and Power Projects Sanayi Insaat Ticaret LTD Sirketleri (PPL) that are located in the plant's owner and operator position. Management of RWE&Turcas Güney Elektrik Üretim A.Ş. decided to record income accrual amounting to TL 61,666,500 at financial statements as of 31 December 2013. Reflective share of the income accrual is amounting to TL 18,499,950 on Group consolidated financial statements.

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

NOTE 9 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING (Continued)

SOCAR Turkey Yatırım A.Ş.

The Group has purchased 18.5% of the shares of Star Rafineri A.Ş., whose TRY49,996,996 out of TRY50,000,000 paid-in share capital is owned by SOCAR Turkey Enerji A.Ş, at 29 December 2011. Production of LPG, naphta, products of xylene, diesel and fuel oil are the main activities of Star Rafineri A.Ş.

Share of Star Rafineri A.Ş. that group owned 18.5% of the nominal value of TL 9,250,000, was transferred to SYTAŞ at a price of TL 13,005,500 in 2 September 2013. Simultaneously, share of STYAŞ that Socar Turkey Enerji owned with capital at about TL 50,000, 18.5% of the nominal value of TL 9,250, was taken over at the nominal value by Group

The summarized financial information of STYAŞ, which is an associate of the Group accounted using the equity method is as follows:

	31 December 2013	31 December 2012
Total assets	1,899,977,054	361,986,941
Total liabilities	161,122,603	(304,152,038)
Net assets	1,738,854,451	57,834,903
Group's share of associate's net assets	**321,688,073**	**10,699,461**
Goodwill	1,818,492	1,818,492
Capital commitments (less)	(161,464,467)	-
Total	**162,042,098**	**12,517,953**

	1 January - 31 December 2013	1 January - 31 December 2012
Profit for the period	229,578,950	17,664,586
Group's share of associate's profit for the period	**42,472,106**	**3,267,948**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	31 December 2013
Cost				
Buildings	-	14,160,000	-	14,160,000
Machinery and equipment	12,410,120	1,635,024	(8,308)	14,036,836
Motor vehicles, furniture and fixtures	1,859,909	1,528,678	(63,667)	3,324,920
Leasehold improvements	365,131	-	(305,144)	59,987
Construction in progress	91,527	-	-	91,527
	14,726,687	**17,323,702**	**(377,119)**	**31,673,270**
Accumulated depreciation				
Buildings	-	217,120	-	217,120
Machinery and equipment	9,836,565	1,059,509	(6,354)	10,889,720
Motor vehicles, furniture and fixtures	1,540,851	167,537	(7,660)	1,700,728
Leasehold improvements	288,704	13,247	(287,272)	14,679
	11,666,120	**1,457,413**	**(301,286)**	**12,822,247**
Net book value	**3,060,567**			**18,851,023**

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Machinery and equipment	11,772,994	690,891	(53,765)	12,410,120
Motor vehicles, furniture and fixtures	1,803,479	58,901	(2,471)	1,859,909
Leasehold improvements	337,473	27,658	-	365,131
Construction in progress	91,527	-	-	91,527
	14,005,473	**777,450**	**(56,236)**	**14,726,687**
Accumulated depreciation				
Machinery and equipment	8,827,950	1,036,389	(27,774)	9,836,565
Motor vehicles, furniture and fixtures	1,423,869	118,259	(1,277)	1,540,851
Leasehold improvements	247,300	41,404	-	288,704
	10,499,119	**1,196,052**	**(29,051)**	**11,666,120**
Net book value	**3,506,354**			**3,060,567**

There is no mortgage on property, plant and equipment as of 31 December 2013 (2012: None).

The depreciation expenses of 31 December 2013 and 2012 have been added to general administrative expenses.

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

NOTE 11 - INTANGIBLE ASSETS

	1 January 2013	**Additions**	**Disposals**	**31 December 2013**
Cost				
Rights	29,669,561	11,804	-	29,681,365
	29,669,561		**-**	**29,681,365**
Accumulated depreciation				
Rights	29,648,889	30,596	-	29,679,485
	29,648,889		**-**	**29,679,485**
Net book value	**20,672**			**1,880**

	1 January 2012	**Additions**	**Disposals**	**31 December 2012**
Cost				
Rights	29,656,809	12,752	-	29,669,561
	29,656,809	**12,752**	**-**	**29,669,561**
Accumulated depreciation				
Rights	29,642,732	6,157	-	29,648,889
	29,642,732	**6,157**	**-**	**29,648,889**
Net Book Value	**14,077**			**20,672**

The depreciation expenses of 31 December 2013 and 2012 have been added to general administrative expenses.

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

NOTE 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Contingent Liabilities related with Turcas

Contingent assets and liabilities of the Group regarding its subsidiaries are as follows:

		31 December 2013		31 December 2012	
	Currency	**Original Amount**	**TRY Amount**	**Original Amount**	**TRY Amount**
GPM's given by the Company (Guarantee-Pledge-Mortgage)					
A. GPM's given for companies Own legal personality	TL	437,976	437,976	420,776	420,776
B. GPM's given on behalf of fully Consolidated companies (**)	TL	14,380,934	14,380,934	6,639,446	6,639,446
C. GPM's given for continuation of its Economic activities on behalf of third parties	TL	-	-	2,502,000	2,502,000
	USD	77,000,000	164,341,100	77,000,000	137,260,200
	EUR	171,208,022	502,752,357	172,508,022	405,687,115
D. Total amount of other GPM's					
i) Total amount GPM's given on behalf of the majority shareholders		-	-	-	-
ii) Total amount of GPM's given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of GPM's given on behalf of third parties which are not in scope of C		-	-	-	-
			681,912,367		**552,509,537**

(*) USD 55.000.000 loan agreement has been made with "TSKB" relating to investment on combined cycle power plant which is activated in Denizli by Turcas Elektrik Üretim A.Ş. The maturity of credit is ten years, and Turcas Elektrik Üretim A.Ş. wouldn't pay any instalment in first three years. Total given guarantee amount by Turcas Petrol A.Ş in accordance with signed loan agreement is USD 77.000.000. As mentioned in note 7, for the financing of project Denizli company gave guarantee to Portigon AG and Bayern LB within the loan agreement signed to fulfill its share. In accordance with the agreement Term external guarantees that are in favor of Turcas Elektrik Üretim A.Ş., are addressed by Bayern LB. are regulated amounted of EUR. 21.656.038 in 15 July 2014 by Türkiye Garanti Bankası A.Ş. (DSRA Standby Letter of Credit).Turcas Petrol A.Ş. has paid amounted of EUR 21.656.038 as a indemnity to Türkiye Garanti Bankası in order to regulate warranty.

(**) It consists of the guarantees that Turcas Elektrik Toptan Satış A.Ş. has given to electricity distributer firms.

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

DİPNOT 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The rate of GPM's given by the Company to equity is 97% as of 31 December 2013 (31 December 2012: 80%).

	31 December 2013	31 December 2012
Letter of guarantees received	9,136,905	2,483,881
Mortgage received	2,201,150	2,201,150
Letter of other guarantees received	62,000	62,000
	11,400,055	**4,747,031**

Contingent assets and liabilities of Turcas Petrol A.Ş. regarding STAŞ

The contingent assets and liabilities of the Group related to STAŞ are follows:

	31 December 2013	31 December 2012
Letters of guarantee given to the customs office	341,741,700	103,406,700
Letters of guarantee given to the EMRA	15,000,000	15,000,000
Letters of guarantee given to the tax office	4,373,400	781,500
Other	3,233,700	2,862,300
	364,348,800	**122,050,500**

	31 December 2013	31 December 2012
Mortgages taken	322,008,600	292,341,000
Letters of guarantees received	151,882,800	194,030,400
Other guarantees received	9,004,200	4,548,900
	482,895,600	**490,920,300**

STAŞ has committed to pay TL 158,955,000 to the station owners for the station improvement in the periods mentioned below (31 December 2012: TRY 118,504,000). The payment terms of group's share of warranty are as follows:

	31 December 2013	31 December 2012
Within 1 year	10,603,200	9,104,400
1-5 years	27,471,300	21,087,900
5-22 years	9,612,000	5,358,900
	47,686,500	**35,551,200**

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

NOTE 12 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

According to the environmental laws in effect, Shell & Turcas Petrol A.Ş. ("STAŞ") is responsible for any environmental pollution that may arise as a result of its operations. In the case that STAŞ causes an environmental pollution, STAŞ may be required to recover the damages. There are no environmental lawsuits claimed against STAŞ as of the balance sheet date, however in the case of abandoning the currently operating terminals in the future, STAŞ may be charged for the soil clean-up costs for these terminals. On the other hand, according to the BCA, any environmental liabilities that have arisen prior to the acquisition date are the responsibility of shareholders. STAŞ is accountable only for the environmental liabilities that occur subsequent to the Acquisition Date. However, STAŞ management does not foresee any liabilities that should be reflected in these consolidated financial statements.

Commitment and contingent liabilities of Turcas regarding of RWE & Turcas Güney Elektrik Üretim A,Ş.

Commitment and contingent liabilities of Turcas regarding of RWE & Turcas Güney Elektrik Üretim A,Ş. are as follows:

	31 December 2013	31 December 2012
Letters of guarantees given for EMRA	-	5,499,480
Other	2,477,201	6,815,820
	2,477,201	**12,315,300**

	31 December 2013	31 December 2012
Letters of guarantees received	18,499,992	128,907,412
	18,499,992	**128,907,412**

Commitment and contingent liabilities of Turcas regarding of Star Rafineri A,Ş.

Commitment and contingent liabilities of Turcas regarding of Star Rafineri A,Ş. are as follows:

	31 December 2013	31 December 2012
Letters of guarantees given	10,262	11,890
	10,262	**11,890**

	31 December 2013	31 December 2012
Letters of guarantees received	16,407,054	6,338,936
	16,407,054	**6,338,936**

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

NOTE 13 - PROVISIONS

	31 December 2013	31 December 2012
Provision for general administrative expenses	250,000	4,500
	250,000	**4,500**

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (31 December 2012: TL 3,033.98) for each period of service at 31 December 2012.

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

The liability means recent value of which consists the total estimated provision of future liabilities for retired personnel of the Group.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The group is obligated to pay employment termination benefit for the personnel who are called up to military service, passed away or retired. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for company pension. This provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2013	2012
Discount rate (%)	3.75	2.50
Rate used to estimate the probability of retirement (%)	94.99	97.47

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TRY 3,129.25 for each period of service as of 1 January 2013 (1 January 2012: 3,129.25).The maximum liability is revised semi annually

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

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

Movements in the provisions for employment termination benefits for the years ended 31 December are as follows:

	2013	2012
Beginning of the year	**353,913**	**332,968**
Service cost	46,900	87,258
Interest cost	8,848	15,325
Actuarial losses	33,861	35,813
Compensation paid	-	(117,451)
End of the year	**443,522**	**353,913**

NOTE 15 - OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2013	31 December 2012
Work advances given	1,057,365	827,277
VAT transferred	1,229,135	745,646
	2,286,500	**1,572,923**

Other non-current assets

	31 December 2013	31 December 2012
Deferred VAT	3,926,610	3,828,715
	3,926,610	**3,828,715**

Other long-term liabilities

	31 December 2013	31 December 2012
Other payables (*)	1,061,803	1,118,357
Advances received	30,636	30,214
Income accruals	-	12
	1,092,439	**1,148,583**

(*) The amount represents the retirement pay provision of the employees until 30 June 2006 who were transferred from Turcas Petrol A.Ş to Shell & Turcas Petrol A.Ş., which is accounted for by the equity method, due to the spin-off. According to the 10th article of the 'Spin-off Agreement' that was signed between the The Shell Company of Turkey Limited Turkey Branch and Shell & Turcas Petrol A.Ş., Until the date of transfer, Accumulated severence pay amount of the transferred staff to Shell&Turcas Petrol A.Ş is under the responsibility of the Group.

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

NOTE 16 - EQUITY

a) Paid in capital/treasury shares

Shareholders	Group	Allocation (%)	31 December 2013	Allocation (%)	31 December 2012
Aksoy Holding A,Ş,	A/C Group	51,55	115,979,910	51,55	115,979,872
Publicly traded	A Group	24,91	56,048,763	24,86	55,928,634
Turcas Petrol A,Ş, (*)	A Group	5,36	12,059,447	5,36	12,059,447
YTC Turizm ve Enerji Ltd, Şti,	A Group	4,02	9,054,468	4,02	9,054,468
Suna Baban	A/B Group	3,46	7,789,719	3,46	7,789,719
Müeddet Hanzat Öz	A/B Group	3,46	7,794,215	3,46	7,794,215
Yılmaz Tecmen	A/B Group	2,21	4,968,783	2,21	4,968,783
Other	A/B Group	5,02	11,304,695	5,08	11,424,862
Total		**100,00**	**225,000,000**	**100,00**	**225,000,000**
Treasury shares adjustment (*)			(22,850,916)		(22,850,916)
Inflation adjustment			41,247,788		41,247,788
Adjusted capital			**243,396,872**		**243,396,872**

(*) %5.36 shares of Turcas Petrol A.Ş. which was owned by Turcas Enerji Holding A.Ş., one of Turcas Petrol A.Ş.'s subsidiaries, have been purchased by Turcas Petrol A.Ş. on 29 November 2012 as a consequence of Repurchasing Programme prepared in accordance with the communiqué no 26/767 "Principles for the Firms whose shares are quoted in ISE (Istanbul Stock Exchange) during the purchase of their own shares" by CMB on 10 August 2011. Treasury shares as of 31 December 2012 consist of this transaction (Treasury shares as of 31 December 2011 represent the shares of Turcas Petrol A.Ş. owned by Turcas Enerji Holding A.Ş.).

The issued capital of the Company in 2013 is composed of 225,000,000 shares (2012: 225,000,000 shares). The nominal value of shares is TL 1 per share.

At least three members of the Board of Directors are elected among the candidates nominated by Group "B" shareholders. At least two members of the Board of Directors are elected among the candidates nominated by Group C shareholders. Group C shareholders have at least forty percent (40%) right, Group A shareholders have the right of nominating and electing three (3) members of the Board of Directors at the General Assembly Meeting where the members of the Board of Directors are elected. However, the remaining members of the Board of Directors are nominated and elected by the Group B shareholders.

At least one of the Group C shareholders is required to vote in the affirmative for some critical decisions determined in the establishment agreement of the Company.

There is no privilege assigned to any group of shares in terms of dividend distribution.

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

NOTE 16 - EQUITY (Continued)

b) Restricted reserves

	31 December 2013	31 December 2012
Legal reserves	34,823,299	32,356,963
	34,823,299	**32,356,963**

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 company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Quoted companies are subject to dividend requirements regulated by CMB as follows:

It was announced in the CMB decision dated 9 January 2009, number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company's financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No. XI-29 of CMB.

In accordance with the CMB decision dated 27 January 2010, it is decided to remove the obligation related with the minimum dividend distribution rate for publicly traded companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source for capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

NOTE 17 - SALES AND COST OF SALES

	2013	2012
Electricity sales	48,611,819	23,218,358
Other sales	-	82,045
	48,611,819	**23,300,403**

	2013	2012
Cost of electricity sold	45,353,678	21,821,748
Transmission capacity and service fee	730,483	663,253
Other costs	9,564	13,680
	46,093,725	**22,498,681**

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

NOTE 18 - OPERATING EXPENSES

Marketing, Sales and Distribution Expenses	2013	2012
Personnel expenses	902,437	857,903
Other services received (*)	400,190	249,783
Taxes and other liabilities	213,719	165,554
Repair and maintenance expenses	71,146	13,933
Travel expenses	26,176	73,344
Rent expenses	7,319	857
Other	191,297	89,470
	1,812,283	**1,450,844**

(*) TL 215,743 of other service received as of 31 December 2013 consist of the invoices which Yeditepe Beynelmilel Otelcilik Turizm ve Ticaret A.Ş. charged to Group due to unutilized capacity of cogeneration plant (31 December 2012: TL 215.743).

General Administrative Expenses	2013	2012
Personnel expenses	5,742,603	4,758,991
Other services received	1,756,064	1,505,963
Depreciation and amortization expenses	1,488,010	1,202,209
Rent expenses	1,121,845	547,851
Taxes and other liabilities	634,909	355,481
Travel expenses	585,602	660,832
Donation and aid expenses	568,100	201,350
Repair and maintenance expenses	446,939	130,798
Other	1,440,060	2,182,039
	13,784,132	**11,545,514**

NOTE 19 - EXPENSES BY NATURE

	2013	2012
Cost of electricity sold	46,093,725	22,498,681
Personnel expenses	6,645,040	5,616,894
Penalty expenses	4,162,500	-
Services received	2,156,254	1,755,746
Depreciation and amortization expenses	1,488,010	1,202,209
Travel expenses	611,778	734,176
Donation and aid expenses	568,100	201,350
Rent expenses	1,129,164	548,707
Taxes and other liabilities	848,628	521,035
Repair and maintenance expenses	518,085	144,731
Other	1,631,356	2,271,510
	65,852,640	**35,495,039**

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income	**2013**	**2012**
Shell Company Joint Venture Contract revenue (**)	14,455,219	16,244,271
Revenue from the sales of STEAS shares (*)	3,755,500	-
Service revenue	1,390,712	660,944
Rent income	689,523	125,812
Energy consultancy income (***)	215,743	359,973
Terminated provisions (Note 7)	36,418	191,752
Other	2,480,939	1,893,829
	23,024,054	**19,476,581**

(*) Share of Star Rafineri A.Ş. that group owned in 29 December 2011, 18.5% of the nominal value of TRY 9,250,000, was transferred to SYTAŞ at a price of TRY 13,005,500 in 2 September 2013.

(**) Associate Initiative Agreement gives the right to reflect the predetermined amount about Turcas to Shell Türkiye under the circumstances of exceeding amounts of reflected administration expenses from the main associate abroad of Shell Türkiye to STAŞ.

(***) The Group has given energy consultancy service to Yeditepe Beynelmilel Otelcilik Turizm ve Ticaret A.Ş. in accordance with the service agreement between the Group and Yeditepe Beynelmilel Otelcilik Turizm ve Ticaret A.Ş. at 27 October 2010.

Other operating expense

	2013	**2012**
Penalty expenses (*)	4,162,500	-
Provision expenses	360,205	146,240
Other	158,524	23,201
	4,681,229	**169,441**

(*) The lawsuit that is opened by EMRA because company did not comply with the Petroleum Market Law No. 5015, 2, 3 and 4 articles in 2006 was concluded in 2013 and administrative fine amounting to TRY 5,550,000 was applied to company If the amount was paid within 30 days, company would take an advantage of discount of %25.Company has paid administrative fines amounted of TRY 4,162,500 with taking this advantage. Administrative action lawsuit regarding the cancellation process continues.

NOTE 21 - FINANCIAL INCOME

	2013	**2012**
Foreign exchange gains	26,464,169	37,342,951
Interest income	29,716,746	29,497,216
Credit finance income	106,351	172,952
	56,287,266	**67,013,119**

NOTE 22 - FINANCIAL EXPENSES

	2013	**2012**
Foreign exchange losses	103,780,151	34,019,691
Interest expenses	13,510,843	13,427,644
Credit finance charges	341,466	86,385
	117,632,460	**47,533,720**

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

NOTE 23 - TAX ASSETS AND LIABILITIES

Current tax liability

Current tax liability	**31 December 2013**	**31 December 2012**
Corporate tax provision	(4,918,216)	(4,908,672)
Less: Prepaid tax and funds	(4,918,216)	4,971,372
Prepaid tax and funds / (Current tax liability) , net	**-**	**62,700**

Tax expense is comprised of the following:

	2013	**2012**
Current year corporate tax expense	(4,918,216)	(4,908,672)
Deferred tax income	16,042,346	1,860,222
	11,124,130	**(3,048,450)**

Corporate Tax

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

The Group is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Group's results for the period.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2013 (2012: 20%). Corporate Tax rate is applied to net corporate income which is calculated by adding corporate trade profits, non-discountable expenses according to tax laws and subtracting expenses and discounts identified in tax laws. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retrospectively.

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15 %.Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

The Group, recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for CMB Financial Reporting Standards and tax purposes.

The rate applied in the calculation of deferred tax assets and liabilities is 20% (2012: %20).

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates are as follows:

	Total temporary differences		**Deferred tax asset/(liability)**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Carry forward tax loss	(76,183,445)	-	15,236,689	-
Interest accrual	11,488,753	(8,094,794)	2,297,751	1,618,959
Tangible and intangible assets	1,090,796	(906,776)	218,159	181,355
Provision for employment termination benefits	(443,522)	(353,913)	88,704	70,783
Doubtful receivables provision	(245,500)	(151,055)	49,100	30,211
Unused vacation provisions	(325,732)	(294,594)	65,146	58,919
Unearned credit finance expense	480,298	138,832	96,060	27,766
Unearned credit finance income	114,919	8,568	(22,984)	(1,713)
Deferred tax asset / (liability), net			**18,028,625**	**1,986,280**

As of the balance sheet date, the Group has carry forward tax losses amounting to TRY 14,492,020 (2012: TL 16,343,032) to be deducted from future profits. The expiration dates of unrecognized carry-forward tax losses are as follows (Note 2.4):

	31 December 2013	**31 December 2012**
2013	-	10,034,994
2014	11,610,869	2,128,337
2015	792,820	792,820
2016	543,041	543,041
2017	1,051,200	2,843,840
2018	494,090	-
	14,492,020	**16,343,032**

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

NOTE 23 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred tax assets and liabilities as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Opening balance	1,986,279	126,057
Deferred tax expense	16,042,346	1,860,222
Closing balance	**18,028,625**	**1,986,279**

The reconciliation of tax expenses stated in consolidated income statements is as follows:

	31 December 2013	31 December 2012
Profit before tax	**14,132,681**	**73,682,907**
Tax Effect (%)	20%	20%
Tax expense of the Group	(2,826,536)	(14,736,581)
Dividend income	6,000,000	5,400,000
Transactions with associates	14,042,674	7,801,186
Used portion of carry forward tax losses	419,775	3,055,911
Tax effect of exemptions	2,039,202	1,537,512
Unused portion of carry forward tax losses	(2,898,404)	(3,268,606)
Tax effect of non deductible expenses	(3,957,643)	(2,676,245)
Other	(1,694,938)	(161,627)
Income tax expense	**11,124,130**	**(3,048,450)**

NOTE 24 - EARNINGS PER SHARE

At 31 December 2013 and 2012, the weighted average number of shares and earnings per share are as follows:

	31 December 2013	31 December 2012
Weighted average number of outstanding shares	225,000,000	225,000,000
Net profit of shareholders	25,256,777	70,638,974
Earnings per share	**0.1123**	**0.3140**

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2013							
	Receivables				Payables			
	Short Term		Long Term		Short Term		Long Term	
Balances with related parties	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**
Associates								
Shell & Turcas Petrol A,Ş,	-	-	-	-	-	23,373	-	-
RWE & Turcas Güney Elektrik Üretim A,Ş, (*)	-	35,446,006	-	298,933,788	-	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A,Ş,	4,052	-	-	-	8,532	-	-	-
Other entities controlled by the main shareholder								
Ataş Anadolu Tasfiyehanesi A,Ş,	-	-	-	-	-	199,619	-	-
Dividend payable to real person shareholders	-	-	-	-	279,097	-	-	-
Aksoy Holding A,Ş,	-	18,583	-	-	80,711	-	-	-
	4,052	**35,464,589**	**-**	**298,933,788**	**368,340**	**222,992**	**-**	**-**

(*) In order to finance the Denizli Project of RWE & Turcas Güney Elektrik Üretim A.Ş., the Group has entered into a loan agreement with Bayern LB, Portigon AG and TSKB. This Loan is being utilized to RWE & Turcas Güney Elektrik Üretim A.Ş., as Shareholder Loans as per the terms stated in Shareholder Loan Agreement signed on 31 December 2010. TRY23,737,828 interest income is booked related to these receivables using interest rate (TLLibor+2) as stated in the agreement.

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2013							
Transactions with related parties	**Purchases**	**Sales**	**Interest received**	**Interest given**	**Rent income**	**Dividend income**	**Other income**	**Other expenses**
Associates								
Shell & Turcas Petrol A,Ş,	134,169	1,510,666	-	-	-	-	-	-
RWE & Turcas Güney Elektrik Üretim A,Ş,	795,125	401,876	24,347,273	-	-	-	-	-
Star Rafineri A,S,	-	-	593,101					
RWE & Turcas Enerji Toptan Satış A,Ş,	-	-	11,245	-	-	-	-	-
Other entities controlled by the main shareholder								
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic A,Ş,	36,947	2,365,892	-	-	-	-	-	-
Etiler Dış Ticaret Ltd, Şti,	-	-	-	-	2,000	-	9,649	-
Aksoy Holding A,Ş,	-	-	-	-	16,384	-	32,607	17,100
Enak Yapı ve Dış Ticaret A.Ş.	-	-	-	-	6,396	-	64,336	-
YTC Turizm ve Enerji Ltd. Sti.	6,253	193	-	-	-	-	3,030	136,890
Ataş Anadolu Tasfiyehanesi A,Ş,	1,103,662	-	-	-	114,360	-	147,658	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	1,900	-	1,907	-
Aksoy Taşınmaz Yatırımları A,Ş,	-	-	-	-	2,000	-	-	83,534
	2,076,156	**4,278,627**	**24,951,619**	**-**	**143,040**	**-**	**259,187**	**237,524**

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2012							
	Receivables				Payables			
	Short Term		Long Term		Short Term		Long Term	
Balances with related parties	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**
Associates								
Shell & Turcas Petrol A,Ş,	-	-	-	-	-	11,671	-	-
Star Rafineri A,Ş, (***)	-	14,559,646	-	-	-	-	-	-
RWE & Turcas Güney Elektrik Üretim A,Ş, (*)	-	13,242,973	-	251,538,413	-	-	-	-
Other entities controlled by the main shareholder								
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic, A,Ş, (**)	202,135	-	-	-	-	254,577	-	-
Ataş Anadolu Tasfiyehanesi A,Ş,	-	-	-	-	-	269,649	-	-
Dividend payable to real person shareholders	-	-	-	-	265,237	-	-	-
Aksoy Holding A,Ş,	-	24,391	-	-	-	-	-	-
	202,135	**27,827,010**	**-**	**251,538,413**	**265,237**	**535,897**	**-**	**-**

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2012							
Transactions with related parties	**Purchases**	**Sales**	**Interest received**	**Interest given**	**Rent income**	**Dividend income**	**Other income**	**Other expenses**
Associates								
Star Rafineri A,Ş,	-	-	1,681,517	-	-	-	-	-
Shell & Turcas Petrol A,Ş,	140,289	2,149,156	-	-	-	27,000,000	-	-
RWE & Turcas Güney Elektrik Üretim A,Ş,	-	-	23,737,828	-	-	-	-	-
Other entities controlled by the main shareholder								
Conrad Yeditepe Beyn, Otelcilik Turz. ve Tic A,Ş,	52,274	2,657,557	-	-	-	-	722,105	-
Etiler Dış Ticaret Ltd, Şti,	-	-	-	-	1,200	-	-	-
Aksoy Holding A,Ş,	-	-	-	-	1,200	-	40,189	-
Enak Yapı ve Dış Ticaret A,Ş,	-	-	-	-	1,200	-	-	-
Ataş Anadolu Tasfiyehanesi A,Ş,	984,592	-	-	-	107,912	-	10,611	-
	1,177,155	**4,806,713**	**25,419,345**	**-**	**111,512**	**27,000,000**	**772,905**	**-**

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Total compensation provided to key management personnel by the Company during the year ended 31 December 2013 is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Salaries and other short term benefits	2,015,190	2,207,180

The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits in 2013 and 2012.

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As of 31 December 2013 and 2012 net debt/total capital ratio is as follows:

	31 December 2013	31 December 2012
Total liabilities	468,637,347	327,784,598
Cash and cash equivalents	(81,692,069)	(118,140,599)
Net debt	386,945,278	209,643,999
Total equity	706,690,171	692,811,918
Total capital	1,093,635,450	902,455,917
Net debt / total capital ratio	**35%**	**23%**

The Group's overall strategy is not different from previous period.

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk factors

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.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the financial position of customers is reviewed taking into consideration of the historical experiences and other factors. Ongoing credit evaluation is performed on the financial condition of accounts receivable based on the group policies and procedures and, where appropriate, doubtful provision is booked and net position is disclosed on the balance sheet.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivable		Other receivable				
31 December 2013	**Related party**	**Third party**	**Related party**	**Third party**	**Deposits at banks**	**Derivative instruments**	**Other**
Maximum net credit risk as of balance sheet date (*) (A +B+C+D+E)	4,052	13,148,424	33,359,218	278,746	81,687,121	-	4,948
- The part of maximum risk under guarantee with collateral etc,	-	564,948	-	-	-	-	-
A -Net book value of financial assets that are neither past due nor impaired	4,052	12,031,310	33,359,218	278,746	81,687,121	-	4,948
The part under guarantee with collateral etc,	-	277,423	-	-	-	-	-
B - Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-	-
C -Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-	-
D -Net book value of impaired assets	-	425,261	-	-	-	-	-
- Past due (gross carrying amount)	-	1,110,672	-	-	-	-	-
- Impairment (-)	-	(685,411)	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	287,525	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	-	-	-	-	-	-
E -Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance,

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivable		Other receivable				
31 December 2012	**Related party**	**Other party**	**Related party**	**Other party**	**Deposits at bank**	**Derivative instruments**	**Other**
Maximum net credit risk as of balance sheet date (*) (A +B+C+D+E)	202,135	4,712,726	15,561,592	41,254,429	118,129,793	-	10,806
- The part of maximum risk under guarantee with collateral etc,	-	1,772,900	-	-	-	-	-
A -Net book value of financial assets that are neither past due nor impaired	202,135	4,291,700	15,561,592	41,254,429	118,129,793	-	10,806
The part under guarantee with collateral etc,	-	1,485,375	-	-	-	-	-
B -Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
The part under guarantee with collateral etc	-	-	-	-	-	-	-
C -Carrying value of financial assets that are past due but not impaired							
- The part under guarantee with collateral etc	-	-	-	-	-	-	-
D -Net book value of impaired assets	-	421,026	-	-	-	-	-
- Past due (gross carrying amount)	-	1,110,672	-	-	-	-	-
- Impairment (-) (-)	-	(689,646)	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	287,525	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	-	-	-	-	-	-
E - Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2013, trade receivables of TL 10,485,038 (31 December 2012:TL 4,493,835) were neither due nor impaired.

As of 31 December 2013, there were no trade receivables (31 December 2012: None) past due but not impaired. As a result of the sect oral conditions and dynamics, the Group does not consider any collection risk for the overdue receivables which are up to 60 days. For the receivables which the Group could not collect in 60 days, the Group has guarantees like mortgage and does not consider any collection risk.

As of 31 December 2013, trade receivables of TL 1,110,672 (31 December 2012: TL 1,110,672) were assessed as impaired. The collaterals held for these receivables were deducted and TL 685,411 provision has been provided for as of 31 December 2013 (31 December 2012: TL 689,646). This provision is determined as the past experience of the Group on not to being able to collect.

The aging of the past due receivables are as follows:

	Receivables	
31 December 2013	**Trade receivables**	**Other receivables**
Past due 1-5 years	578,306	-
Past due more than 5 years	532,366	-
	1,110,672	**-**

	Receivables	
31 December 2012	**Trade receivables**	**Other receivables**
Past due 1-5 years	578,306	-
Past due more than 5 years	532,366	-
	1,110,672	**-**

Liquidity risk management

The group manages its liquidity risk by monitoring the expected and actual cash flow statements and matching financial assets and liabilities to keep to flow of necessary funds and debt reserves.

Liquidity risk tables

Careful liquidity risk management shows the ability to keep the right amount of cash, the usability of loan transactions and fund resources and the power of closing market positions.

The current and future loans' funding risk is managed by making the accessibility to adequate and high quality loan suppliers permanently.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the due dates of the non-derivative financial liabilities of The Group. Interests of future periods' liabilities have been distributed to the due dates below and the said interests have been shown in the corrections column in order to have reconciliation with the balance sheet values.

31 December 2013

Contractual Maturity Analysis	Carrying value	Total contractual cash flow (I-II-III-IV)	Less than 3 Months	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Financial borrowings	455,290,709	479,968,511	-	54,648,141	218,592,566	206,727,804
Trade payables	9,849,514	9,849,514	9,849,514	-	-	-
Total liabilities	**465,140,223**	**489,818,025**	**9,849,514**	**54,648,141**	**218,592,566**	**206,727,804**

31 December 2012

Contractual Maturity Analysis	Carrying value	Total contractual cash flow (I-II-III-IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Financial borrowings	309,160,161	336,391,996	-	17,666,427	141,331,414	177,394,155
Trade payables	4,593,492	4,602,061	4,602,061	-	-	-
Total liabilities	**313,753,653**	**340,994,057**	**4,602,061**	**17,666,427**	**141,331,414**	**177,394,155**

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

Market risk exposures of the Group are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk management

Foreign currency transactions cause foreign currency risk.

The Group has foreign currency risk, due to the fluctuations in exchange rates used in foreign currency transactions. The foreign currency risk arises from future trade transactions and the difference between recorded assets and liabilities. Under such circumstances, the group controls this risk by netting off the foreign currency assets and liabilities. The management analyzes the group's foreign currency position and takes necessary precautions when needed.

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Group is primarily exposed to risks from US Dollar and EUR, other currency's effects are immaterial.

	31 December 2013			
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**Other**
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	42,396,610	19,857,501	5,022	-
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	**42,396,610**	**19,857,501**	**5,022**	**-**
5- Trade receivables	-	-	-	-
6a- Monetary financial assets	-	-	-	-
6b- Non-monetary financial assets	-	-	-	-
7- Other	-	-	-	-
8- Non-current assets (5+6+7)	**-**	**-**	**-**	**-**
9- Total Assets (4+8)	**42,396,610**	**19,857,501**	**5,022**	**-**
10- Trade payables	-	-	-	-
11- Financial liabilities	52,122,787	7,312,569	12,435,066	-
12a-Other monetary financial liabilities	-	-	-	-
12b-Other non-monetary financial liabilities	-	-	-	-
13- Current Liabilities (10+11+12)	**52,122,787**	**7,312,569**	**12,435,066**	**-**
14- Trade payables	-	-	-	-
15- Financial liabilities	403,167,922	43,875,415	105,405,967	-
16a-Other monetary financial liabilities	-	-	-	-
16b-Other non-monetary financial liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	**403,167,922**	**43,875,415**	**105,405,967**	**-**
18- Total liabilities (13+17)	**455,290,709**	**51,187,985**	**117,841,033**	**-**
19- Net asset / liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**
19a-Off-balance sheet foreign currency derivative assets	-	-	-	-
19b-Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20- Net foreign currency asset liability position (9-18+19)	**(412,894,098)**	**(31,330,484)**	**(117,836,011)**	**-**
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14+15-16a)	**(412,894,098)**	**(31,330,484)**	**(117,836,011)**	**-**
22- Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**
23- Hedged foreign currency assets	**-**	**-**	**-**	**-**
24- Hedged foreign currency liabilities	**-**	**-**	**-**	**-**
25- Exports	**-**	**-**	**-**	**-**
26- Imports	**-**	**-**	**-**	**-**

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2012			
	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**Other**
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	81,841,762	45,911,456	-	-
2b- Non monetary financial assets	-	-	-	-
3-Other	11,194,728	6,280,000	-	-
4- Current assets (1+2+3)	**93,036,490**	**52,191,456**	**-**	**-**
5- Trade receivables	-	-	-	-
6a- Monetary financial assets	-	-	-	-
6b- Non monetary financial assets	-	-	-	-
7- Other	-	-	-	-
8- Non-current assets ((5+6+7)	**-**	**-**	**-**	**-**
9- Total Assets (4+8)	**93,036,490**	**52,191,456**	**-**	**-**
10- Trade payables	-	-	-	-
11- Financial liabilities	16,363,885	1,885,974	5,528,744	-
12a-Other monetary financial liabilities	-	-	-	-
12b-Other non monetary financial liabilities	-	-	-	-
13- Current liabilities (10+11+12)	**16,363,885**	**1,885,974**	**5,528,744**	**-**
14- Trade payables	-	-	-	-
15- Financial liabilities	292,796,276	26,403,643	104,490,004	-
16a-Other monetary financial liabilities	-	-	-	-
16b-Other non monetary financial liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	**292,796,276**	**26,403,643**	**104,490,004**	**-**
18- Total liabilities (13+17)	**309,160,161**	**28,289,617**	**110,018,748**	**-**
19- Net asset / liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**
19a-Off-balance sheet foreign currency derivative assets	-	-	-	-
19b-Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20- Net foreign currency asset liability position (9-18+19)	**(216,123,671)**	**23,901,839**	**(110,018,748)**	**-**
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14+15-16a)	**(216,123,671)**	**23,901,839**	**(110,018,748)**	**-**
22- Fair value of foreign currency hedged financial assets	**-**	**-**	**-**	**-**
23- Hedged foreign currency assets	**-**	**-**	**-**	**-**
24- Hedged foreign currency liabilities	**-**	**-**	**-**	**-**
25- Exports	**-**	**-**	**-**	**-**
26- Imports	**-**	**-**	**-**	**-**

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity

	31 December 2013			
	Gain/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
+/-10% fluctuation of USD rate				
1- US Dollar net asset / liability	(6,686,865)	6,686,865	(6,686,865)	6,686,865
2- Hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1+2)	**(6,686,865)**	**6,686,865**	**(6,686,865)**	**6,686,865**
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(34,602,545)	34,602,545	(34,602,545)	34,602,545
5- Hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(34,602,545)**	**34,602,545**	**(34,602,545)**	**34,602,545**
TOTAL (3+6)	**(41,289,410)**	**41,289,410**	**(41,289,410)**	**41,289,410**

	31 December 2012			
	Gain/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
+/-10% fluctuation of USD rate				
1- US Dollar net asset / liability	4,260,742	(4,260,742)	4,260,742	(4,260,742)
2- Hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1+2)	4,260,742	(4,260,742)	4,260,742	(4,260,742)
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(25,873,109)	25,873,109	(25,873,109)	25,873,109
5- Hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(25,873,109)**	**25,873,109**	**(25,873,109)**	**25,873,109**
TOTAL (3+6)	**(21,612,367)**	**21,612,367**	**(21,612,367)**	**21,612,367**
+/-10% fluctuation of Other foreign currency rates				
7- Other foreign currency net asset / liability	-	-	-	-
8- Hedged from other foreign currency risks (-)	-	-	-	-
9-Other foreign currency net effect (7+8)	-	-	-	-
TOTAL (3+6+9)	**(41,289,410)**	**41,289,410**	**(41,289,410)**	**41,289,410**

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

NOTE 26 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(ii) Interest risk management

Financial liabilities expose the Group to interest rate risk. This interest rate risk is managed by natural precautions which are formed by balancing the assets and liabilities that have interest rate sensitivity.

Interest rate sensitivity

The financial instruments that are sensitive to interest rate are as follows:

	31 December 2013	31 December 2012
Fixed interest rate financial instruments		
Financial assets	81,282,243	117,896,888
Held to maturity financial assets	7,011,076	2,090,187
Financial liabilities	152,427	197,331
Floating interest rate financial instruments		
Financial liabilities	455,138,282	308,962,830

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated. Based on the simulations performed, if interest rates of borrowings with floating rates had been 1 basis points higher / lower with all other variables held constant, post tax profit of the Group would be TL 7,569,223 lower / higher. (2012:TL 1,111,761 lower / higher).

NOTE 27 - FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

Financial Assets

The fair values of trade receivables denominated in foreign currencies, which are translated at period-end exchange rates, are considered to be the approximate carrying values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

The fair values of financial assets along with the related allowances for impairment are estimated to be their carrying values.

Financial Liabilities

The fair values of short-term financial liabilities are estimated to be their carrying values since they are short term.

The fair values of long term credits denominated in foreign currencies, which have floating interest rates, are considered to be the approximate carrying values.

Liabilities for employee benefits are booked by their discounted values.

Fair Value Estimation

The disclosure of fair value measurements by level of the fair value measurement hierarchy is as follows:

Level 1: Quoted prices 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 or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks are considered to approximate to their respective carrying values due to their short-term nature.

Trade receivables and payables are valued at amortized cost using the effective interest method. Trade receivables and payables are considered to approximate fair values.

NOTE 28 - SUBSEQUENT EVENTS

a) Negotiations related to sales 13.5 % part of STAR shares of 18.5 % shares that indirectly owned by Group to Rafineri Holding A.Ş. and thus related to decreases to 5 % the indirect shareholding rate of company in STAR shares are began between Group and Turcas Rafineri Yatırımları A.Ş., its subsidiaries, and Rafineri Holding A.Ş. (%100 subsidiary of SOCAR Turkey Enerji A.Ş.).

b) Company's Corporate Governance Compliance Rating Notes was increased from 8.75 to 9.09 as a result of annual assessment endeavouring was made in accordance with the Corporate Governance Principles Compliance Rating methodology by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate) (out of 100 full points).

When we look at the main headings of annual assessment endeavouring, Shareholders section, Public Disclosure and Transparency section, Stakeholders section and Board of Directors section are scored by respectively 90.84 point, 91.89 point, 90.81 point and 90.21 point (out of 100 full points).

c) In Extraordinary General Meeting held on 17 February 2014 of Shell Turcas Petrol A.Ş. which is associate of the company with %30 rate, decision made that TL 50,000,000 dividend would pay to shareholders. The Group's share from the mentioned amount is TL 15,000,000 Mentioned amount paid to the Group in February 2014.

……………………..