TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014 TOGETHER WITH INDEPENDENT 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.;

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Turcas Petrol A.Ş. (the "Company") and its Subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 and Independent Auditing Standards, which is a part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi 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

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Turcas Petrol A.Ş. and its Subsidiaries as at 31 December 2014 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 10 March 2015.

6. In accordance with subparagraph 4 of Article 402 of the TCC; 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 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Çağlar Sürücü, SMMM
Partner

Istanbul, 10 March 2015

TURCAS PETROL A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014	31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	193,719,985	81,692,069
Financial assets	5	7,774,969	7,011,076
Trade receivables	7	5,561,889	12,035,362
- Trade receivables from related parties		*218,224*	*4,052*
- Trade receivables from third parties		*5,343,665*	*12,031,310*
Other receivables	8	44,442,208	35,743,335
- Other receivables from related parties		*44,213,731*	*35,464,589*
- Other receivables from third parties		*228,477*	*278,746*
Prepaid expenses		1,573,960	1,490,267
Assets related to current period tax		278,558	314,692
Other current assets	15	7,190,824	2,286,500
		260,542,393	**140,573,301**
Assets held for sale		246,953	246,953
Total currents assets		**260,789,346**	**140,820,254**
Non-current assets			
Other receivables	8	302,185,867	299,021,841
- Other receivables from related parties		*302,109,988*	*298,933,788*
- Other receivables from third parties		*75,879*	*88,053*
Financial assets	5	63,240	13,240
Investments accounted by equity method	9	498,513,898	696,777,036
Property, plant and equipment	10	20,105,490	18,851,023
Intangible assets		4,733	1,880
- Other intangible assets	11	*4,733*	*1,880*
Prepaid expenses		-	6,708
Deferred tax assets	24	11,951,345	18,080,411
Other non-current assets	15	4,018,182	3,926,609
Total non-current assets		**836,842,755**	**1,036,678,748**
TOTAL ASSETS		**1,097,632,101**	**1,177,499,002**

These consolidated financial statements as at and for the year ended 31 December 2014 have been approved by the Board of Directors on 9 March 2015 and signed by Erkan İlhantekin, Finance Director and Nurettin Demircan, Accounting Department Manager. These consolidated financial statements are subject to the approval of General Assembly.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

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

	Notes	31 December 2014	31 December 2013
LIABILITIES			
Current liabilities			
Financial liabilities	6	52,912,203	52,122,787
- Short term portions of long term financial liabilities		*52,912,203*	*52,122,787*
Trade payables	7	6,309,794	9,849,514
- Trade payables to related parties		*3,602,170*	*368,340*
- Trade payables to third parties		*2,707,624*	*9,481,174*
Other payables	8	4,487,900	3,497,124
- Other payables to related parties		*418,430*	*222,992*
- Other payables to third parties		*4,069,470*	*3,274,132*
Current income tax liabilities	24	579,951	-
Short term provisions		556,204	575,732
- Short term provisions for employee benefits	*13*	*325,755*	*325,732*
- Other short term provisions	*13*	*230,449*	*250,000*
Other current liabilities		-	44
Total current liabilities		**64,846,052**	**66,045,201**
Non-current liabilities			
Financial liabilities	6	350,566,964	403,167,922
Long term provisions for employee benefits	14	507,932	443,522
Deferred tax liabilities	24	587,980	51,786
Other non-current liabilities	15	1,093,079	1,092,439
Total non-current liabilities		**352,755,955**	**404,755,669**
EQUITY			
Paid-in capital	16	225,000,000	225,000,000
Adjustment to share capital	16	41,247,788	41,247,788
Actuarial gain for employee benefits		(5,515,500)	(4,280,400)
Treasury shares (-)	16	(22,850,916)	(22,850,916)
Restricted reserves	16	36,674,580	34,823,299
Retained earnings		420,252,091	407,493,623
Net (loss)/ income for year		(14,777,958)	25,256,777
Attributable to equity holders of the parent		680,030,085	706,690,171
Non-controlling interest		9	7,961
Total equity		**680,030,094**	**706,698,132**
TOTAL LIABILITIES AND EQUITY		**1,097,632,101**	**1,177,499,002**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Notes	2014	2013
CONTINUED OPERATIONS			
Sales	17	59,896,346	48,611,819
Cost of sales (-)	17	(58,861,365)	(46,093,725)
GROSS PROFIT		**1,034,981**	**2,518,094**
General administrative expenses (-)	18	(13,908,107)	(13,784,132)
Marketing expenses (-)	18	(1,642,697)	(1,812,283)
Other operating income	20	29,521,818	19,269,054
Other operating expenses (-)	20	(774,961)	(4,681,229)
OPERATING PROFIT		**14,231,034**	**1,509,504**
Income from invesment activities	21	-	3,755,000
Loss from investment activities	21	(54,732,465)	-
(Loss)/ Income from investments accounted by equity method	9	(11,864,781)	70,213,371
OPERATING (LOSS)/ PROFIT BEFORE FINANCIAL INCOME AND EXPENSE		**(52,366,212)**	**75,477,875**
Financial income	22	147,381,996	56,287,266
Financial expenses (-)	23	(94,515,022)	(117,632,460)
PROFIT BEFORE TAX FROM CONTINUED OPERATIONS		**500,762**	**14,132,681**
Tax income / expense from continued operations			
Taxes on income	24	(8,614,968)	(4,918,216)
Deferred tax (expense)/ income	24	(6,665,260)	16,042,346
CONTINUED OPERATIONS NET (LOSS)/ INCOME		**(14,779,466)**	**25,256,811**
Attributable to:			
Equity holders of the parent		(14,777,958)	25,256,777
Non-controlling interest		(1,508)	34
(Loss)/ earnings per share (Kr)	25	(0.0657)	0.1123

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

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

OTHER COMPRENSIVE INCOME	**Notes**	**2014**	**2013**
CONTINUED OPERATIONS NET (LOSS)/ INCOME		**(14,779,466)**	**25,256,811**
Items not to be reclassified to profit or loss			
Shares not to be reclassified to profit or loss from other comprehensive income of associates		(1,235,100)	(4,280,400)
Total comprehensive (loss)/ income		**(16,014,566)**	**20,976,411**
Attributable to:			
Equity holders of the parent		(16,013,058)	20,976,377
Non-controlling interest		(1,508)	34

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013

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

	Paid in capital	**Adjustment to share capital**	**Treasury shares**	**Restricted reserves**	**Actuarial gain**	**Retained earnings**	**Net (loss)/ income for year**	**Equity holders of the parent**	**Non-controlling interest**	**Total Equity**
PREVIOUS 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	34	20,976,411
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**	**7,961**	**706,698,132**
CURRENT PERIOD										
1 January 2014	**225,000,000**	**41,247,788**	**(22,850,916)**	**34,823,299**	**(4,280,400)**	**407,493,623**	**25,256,777**	**706,690,171**	**7,961**	**706,698,132**
Transfers	-	-	-	1,851,281	-	23,405,496	(25,256,777)	-	-	-
Increases/(decreases) due to changes in ownership rate of subsidiaries that do not result in control losses	-	-	-	-	-	-	-	-	(6,444)	(6,444)
Dividends	-	-	-	-	-	(10,647,028)	-	(10,647,028)		(10,647,028)
Total comprehensive loss	-	-	-	-	(1,235,100)	-	(14,777,958)	(16,013,058)	(1,508)	(16,014,566)
31 December 2014	**225,000,000**	**41,247,788**	**(22,850,916)**	**36,674,580**	**(5,515,500)**	**420,252,091**	**(14,777,958)**	**680,030,085**	**9**	**680,030,094**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2013
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	2014	2013
A. Cash flows from operating activities		**(9,920,823)**	**(41,308,219)**
Net (loss)/ income		(14,779,466)	25,256,811
Adjustments to reconcile net profit		**79,124,813**	**(13,945,403)**
Tax expense/(income)		15,280,228	(11,124,130)
Unrealized foreign exchange (gain)/ loss		(2,990,345)	62,772,341
Depreciation and amortization of property, plant and equipment and intangible assets	10, 11	1,703,061	1,488,009
Loss on sale of associate		54,732,465	-
Changes in financial assets		(763,893)	-
Expense/ (income) from investment accounted for under equity accounting	9	11,864,781	(70,213,371)
Transactions with associates	9	(765,917)	3,011,001
Provision for employee termination benefits		64,410	89,609
Provision for unused vacation		23	31,138
Changes in working capital		**(36,072,642)**	**(31,495,508)**
Changes in trade receivables from related parties and third parties		6,473,473	(7,541,526)
Changes in other receivables		(34,941,474)	(28,516,051)
Changes in other payables and liabilities		971,824	(10,381,080)
Changes in trade payables to related parties and third parties		(3,539,720)	5,256,022
Changes in prepaid expenses and other current assets		(4,945,173)	(916,831)
Changes in prepaid expenses and other non-current assets		(91,572)	10,603,958
Cash flows from operating activities		**28,272,705**	**(20,184,100)**
Tax payments		(8,035,017)	(4,918,216)
Interest expense	23	14,661,589	13,510,843
Interest income	22	(44,820,100)	(29,716,746)
B. Cash flows from investing activities		**196,194,698**	**(58,007,078)**
Cash provided from export instruments related with share and other equity		-	45,000
Acquisition of tangible and intangible assets		(3,337,773)	(17,335,506)
Cash provided from sales of tangible and intangible assets		377,392	75,833
Capital increases of associates		(24,805,920)	(4,920,888)
Cash inflows from the management fees	20	23,078,575	14,455,219
Acquisition of marketable security of affiliates	5	(50,000)	-
Cash inflows from the sale of associate		123,002,629	-
Capital advances given to subsidiaries		-	(109,926,123)
Interest received		44,929,795	29,599,387
Dividends received	9	33,000,000	30,000,000
C. Cash flows from financing activities		**(74,136,263)**	**62,749,409**
Proceeds from bank borrowings		6,388,004	131,710,962
Repayment of bank borrowings		(55,155,422)	(48,496,684)
Interest paid		(14,715,373)	(13,366,918)
Dividends paid		(10,647,028)	(7,098,124)
Capital increase in non-controlling interest		(6,444)	173
Net increase/ (decrease) in cash and cash equivalents		**112,137,612**	**(36,565,888)**
Cash and cash equivalents at the beginning of the year	**4**	**81,421,814**	**117,987,702**
Cash and cash equivalents at the end of the year	**4**	**193,559,426**	**81,421,814**

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 3 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 Sarıyer 34398 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 48 (31 December 2013: 49).

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. Electricity Production License has been terminated as of 31 January 2015 by the EMRA Board Decision No. 5440-17 dated 29 January 2015.

Turcas Elektrik Toptan Satış A.Ş. has been established on 30 October 2000 and obtained the license to operate in electricity trading 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 and wholesale of natural gas. The Company has obtained sales licence for a period of 30 years on 17 May 2007.

Turcas Rüzgar Enerji Üretim A.Ş. has been established on 25 October 2007 and it operates in the establishment and opearation of electricity production facilities, electricity generation, and sale of electricity or electricity capacity. Turcas Elektrik Üretim A.Ş. owns 99.99% of Turcas Yenilenebilir Enerji Üretim A.Ş. (former Turcas Rüzgar Enerji Üretim A.Ş.).

Turcas Rafineri Yatırımları A.Ş. has been established on 28 December 2011. It operates in the establishment 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 foreign refineries.

Associates	**Company**	**Nature of business**
Shell & Turcas Petrol A.Ş. ("STAŞ")	Turkey	Petroleum products
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.

RWE & Turcas Güney Elektrik Üretim A.Ş has been established on 7 December 2007 in order to construct and operate electricity power plant, generate electricity, 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 geothermal power generation in September 2013.

The detailed information about the investments accounted by 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.

2.2 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.

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

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

2.2 Consolidation Principles (Continued)

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 2014 and 2013 (%):

	31 December 2014		31 December 2013	
	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.	100,00	100,00	99,60	99,60

(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 2014 and 2013:

	2014 (%)	**2013 (%)**
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	46,00
SOCAR Turkey Yatırım A.Ş.	-	18,50

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

2.2 Consolidation Principles (Continued)

(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 non-controlling interest in the consolidated statement of financial position and statements of income.

2.3 Amendments in Turkish Financial Reporting Standards

a. Standards, Amendments and IFRICs applicable to 31 December 2014 year ends;

- Amendment to IAS 32,'Financial instruments:Presentation', on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet

- Amendments to IAS 36, 'Impairment of assets', effective from annual periods beginning on or after 1 January 2014. These amendments address 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', on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

- IFRIC 21, 'Levies', effective from annual periods beginning on or after 1 January 2014. This interpretation is on 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.

- Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities, effective from 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.

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

b. IFRS standards, amendments and IFRICs effective after 1 January 2015

- Annual improvements 2012; effective from 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'
    - IFRS 13, 'Fair value measurement'
    - IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets'
    - Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and
    - IAS 39, Financial instruments – Recognition and measurement'

- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 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'

- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

b. IFRS standards, amendments and IFRICs effective after 1 January 2015 (Continued)

- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

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

- Amendments to IAS 16 'Property,plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

- Amendment to IAS 19 regarding defined benefit plans, effective from 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.

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

b. IFRS standards, amendments and IFRICs effective after 1 January 2015 (Continued)

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

  - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, 'Employee benefits' regarding discount rates.
  - IAS 34, 'Interim financial reporting' regarding disclosure of information.

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and interpretations will not have a significant effect on the 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.

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.

Comparatives and restatement of prior periods' financial statements

The Group prepares comparative financial information, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

The consolidated statement of financial position of the Group at 31 December 2014 has been provided with the comparative financial information of 31 December 2013 and the consolidated statements of income and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2014 have been provided with the comparative financial information, for the year ended 31 December 2013.

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

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

Comparatives and restatement of prior periods' financial statements (Continued)

The Group has performed reclassifications in the consolidated financial information as of 31 December 2013 in order to conform to presentation of consolidated financial information as of 31 December 2014.

i) Income from sale of Star's shares amounting to TRY3,755,000 accounted under "other operating income " in the consolidated statement of income and other comprehensive income at 31 December 2013, is reclassified under "income from investing activities".

ii) Loss from investment accounted for under Equity Accounting amounting to TRY70,213,371 accounted under "cash flow from investing activities" in the consolidated statement of cash flow at 31 December 2013, is reclassified under "adjustments to reconcile net profit".

2.4 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.

2.5 Summary of significant accounting policies

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

Related parties

If one of the below listed criteria exists the party is regarded as related with the Group:

a) Directly, or indirectly through one or more intermediaries, the party:

    i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
    ii) has an interest in the Group that gives it significant influence over the Group; or
    iii) has joint control over the Group;

b) The party is an associate of the Group;
c) The party is a joint venture in which the Group is a venture;
d) The party is member of the key management personnel of the Group or its parent;
e) The party is a close member of the family of any individual referred to in (a) or (d);
f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or
g) The party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

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

2.5 Summary of significant accounting policies (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) Trade receivables

Trade 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 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)

2.5 Summary of significant accounting policies (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)

2.5 Summary of significant accounting policies (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)

2.5 Summary of significant accounting policies (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 24).

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.

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.

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

2.5 Summary of significant accounting policies (Continued)

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 7).

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 (Notes 22 and 23).

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.

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.

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

2.5 Summary of significant accounting policies (Continued)

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 (Note 25).

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)

2.6 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 TRY55,186,214 from which can be utilized with future profits, as of 31 December 2014 (31 December 2013: TRY90,675,464). 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 TRY9,668,593 has been recognized for total TRY48,342,964 carry forward tax losses (Note 24).

Contingent Liabilities:

Regarding the tax inspection carried out for STAŞ, STAŞ management considers that matters criticized in the tax inspection report are in compliance and consistent with the related regulations; accordingly no provision regarding the inspection has been recognized in the financial statements of STAŞ (Note 12).

NOTE 3 - SEGMENT REPORTING

The reportable segments of Turcas have been organized by management as oil, electricity and natural gas. The products which are included in oil are lubricants, engine oil and fuel products. Electricity group consists of the production, wholesale and distribution of electricity products. Natural gas group consists of wholesale business of natural gas.

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 2014 are as follows:

	Oil	Natural gas	Electricity	Other*	Total
Revenue from external customers	-	-	59,896,346	-	59,896,346
EBITDA	(72,541)	(183,253)	(3,092,541)	19,282,430	15,934,095
Financial income	23,267,963	888,226	111,824,260	11,401,547	147,381,996
Financial expenses	(7,050,838)	(275,202)	(82,647,979)	(4,541,003)	(94,515,022)
Amortization and depreciation expenses	-	-	(123,779)	(1,579,282)	(1,703,061)
Income/ (loss) from associates	16,448,096	-	(28,312,877)	-	(11,864,781)
Purchase of tangible and intangible assets	-	-	-	3,337,773	3,337,773

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

	Oil	Natural gas	Electricity	Other*	Total
Revenue from external customers	-	-	48,611,819	-	48,611,819
EBITDA	(48,003)	(350,394)	4,036,496	(640,585)	2,997,514
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/ (loss) from associates	85,183,706	-	(14,970,335)	-	70,213,371
Purchase of tangible and intangible assets	-	-	2,153	17,333,353	17,335,506

c) Operating segment information as of 31 December 2014 is shown below:

	Oil	Natural gas	Electricity	Other*	Eliminations	Total
Segment Assets	139,590,016	8,505,351	520,481,235	435,139,785	(504,598,184)	599,118,203
Associates	404,411,400	-	94,102,498	-	-	498,513,898
Segment Liabilities	23,322	9,665	464,917,296	5,193,138	(52,541,414)	417,602,007

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

	Oil	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	4,132,274	(38,434,438)	470,800,870

(*) 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 2014	31 December 2013
Income		
Segment revenue	59,896,346	48,611,819
Consolidated income	**59,896,346**	**48,611,819**

	31 December 2014	31 December 2013
EBITDA		
Segment EBITDA	(3,348,335)	3,638,099
Other EBITDA	19,282,430	(640,585)
Consolidated EBITDA	**15,934,095**	**2,997,514**
Financial income	147,381,996	56,287,266
Financial expense	(94,515,022)	(117,632,460)
Income/ (loss) from investment activities	(54,732,465)	3,755,000
(Loss)/ Income from investments accounted by equity method	(11,864,781)	70,213,371
Amortization and depreciation	(1,703,061)	(1,488,010)
Consolidated income before tax	**500,762**	**14,132,681**

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash	6,454	4,948
Banks		
- demand deposits	484,069	404,878
- time deposits	193,229,462	81,282,243
	193,719,985	**81,692,069**

The maturities of cash and cash equivalents are as follows:

Up to 30 days	193,719,985	81,692,069
	193,719,985	**81,692,069**

(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:

	2014	**2013**
TRY	8.58	6.55
US Dollars	1.56	2.54

The analysis of cash and cash equivalents included in the consolidated statements of cash flows for the years ended 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Cash and cash equivalents	193,719,985	81,692,069
Less: Interest Accrual	(160,559)	(270,255)
	193,559,426	**81,421,814**

The company has no restricted deposits as of 31 December 2014 (31 December 2013: None).

NOTE 5 - FINANCIAL ASSETS

	2014			**2013**		
	Short Term	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Financial assets held for sale	-	63,240	63,240	-	13,240	13,240
Held-to-maturity financial assets	7,774,969	-	7,774,969	7,011,076	-	7,011,076
	7,774,969	**63,240**	**7,838,209**	**7,011,076**	**13,240**	**7,024,316**

a) Financial assets available for sale:

	31 December 2014		**31 December 2013**	
	Participation amount	**Participation rate (%)**	**Participation amount**	**Participation rate (%)**
ATAŞ	13,240	5,00	13,240	5.00
Enerji Piyasaları İşletmeleri Anonim Şirketi (*)	50,000	0,08	-	-
	63,240		**13,240**	

(*) 100% subsidiary of the Group, Turcas Elektrik Toptan Satış A.Ş., has participated to Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ) by 0.08 % with 50.000 C Type shares which will be established with TRY61.572.770 capital.

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 2014	31 December 2013
Bonds:		
Public sector bonds	5,372,808	-
Private sector bonds	2,402,161	7,011,076
	7,774,969	**7,011,076**

Remaining time to maturity dates of held-to-maturity financial assets in agreements as of 31 December 2014 is as follows:

Less than 3 months	5,937,675
Until the one year	1,837,294
Total	**7,774,969**

Remaining time to repricing dates of held-to-maturity financial assets in agreements as of 31 December 2014 is as follows:

Less than 3 months	7,011,076
Total	**7,011,076**

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

	2014	2013
Balance at 1 January	**7,011,076**	**2,090,187**
Purchases	12,055,212	4,858,786
Disposal due to sale and amortization	(11,331,714)	-
Additions due to changes in amortized cost	40,395	62,103
Total	**7,774,969**	**7,011,076**

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

NOTE 6 - FINANCIAL LIABILITIES

	2014	**2013**
Short-term bank borrowings	52,912,203	52,122,787
Long-term bank borrowings	350,566,964	403,167,922
	403,479,167	**455,290,709**

	31 December 2014		
	Yearly average effective interest rate(%)	**Original amount**	**TRY**
EUR borrowings			
- Fixed interest rate	5.28	82,276	232,077
- Floating interest rate	1.87	12,660,435	35,711,288
USD borrowings			
- Floating interest rate	3.74	7,317,624	16,968,838
Total short term financial liabilities			**52,912,203**
EUR borrowings			
- Floating interest rate (*)	1.87	93,902,617	264,871,110
- Fixed interest rate	4.35	269,916	761,351
- Interest accrual of floating rate loan		52,286	147,482
USD borrowings			
- Floating interest rate (**)	3.74	36,558,873	84,776,372
- Interest accrual of floating rate loan		4,592	10,649
Total long term financial liabilities			**350,566,964**
Total financial liabilities			**403,479,167**

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TRY323,071,125 (EUR114,535,798), ECA premium of TRY21,089,506 (EUR7,476,692) 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 TRY102,031,600 (EUR44,000,000) and management fee of TRY286,391 (EUR123,503) 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 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 TRY370,467,777 (EUR126,159,638), ECA premium of TRY23,369,453 (EUR10,784,740) 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 TRY109,560,733 (EUR51,333,333) and management fee of TRY333,469 (EUR156,243) 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 translated 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 approximate their fair values.

The redemption schedule of financial liabilities is as follows:

	2014	**2013**
0 - 1 year	52,912,203	52,122,787
1 - 2 years	52,483,456	52,075,182
2 - 3 years	52,492,544	52,022,771
3 - 4 years	52,501,925	52,022,771
4 - 5 years	52,456,292	52,022,771
After 5 years	140,632,747	195,024,427
	403,479,167	**455,290,709**

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The following is the information compiled regarding the loans made available for the 775 MW Natural Gas Combined Cycle Power Plant investment, 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 USD55,000,000, with a maturity of 10 years and no-payback (grace) period of three years at the interest rate Libor + 3.40%.

The portion EUR114,535,798 of the loan received from the bank consortium formed by Bayern LB and Portigon AG and the portion USD44,000,000 of the loan received from TSKB have been utilised as of 31 December 2014.

Turcas Petrol A.Ş. has provided a Corporate Guarantee as collateral amounting to USD77,000,000 in favor of TSKB and EUR149,351,984 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 EUR8,500,000, with maturity ending 15 July 2014. (It was amounting to EUR21.656.038 as of 31 December 2013 and it has decreased proportion of difference of security amount in current period. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR8,500,000 (31 December 2013: 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.)

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**2014**	**2013**
Trade receivables	6,030,628	13,018,678
Due from related parties (Note 26)	218,224	4,052
Other trade receivables	18,683	178,341
	6,267,535	**13,201,071**
Provision for doubtful trade receivables	(685,411)	(685,411)
Deferred financial income	(20,235)	(480,298)
Short-term trade receivables (net)	**5,561,889**	**12,035,362**

Movement of provision for doubtful receivables are as follows:

	2014	**2013**
Balance at the beginning of the year	**685,411**	**689,646**
Released provisions	-	(4,235)
Balance at the end of the year	**685,411**	**685,411**

The Group has no trade receivables that are overdue but not considered doubtful trade receivables as of 31 December 2014 and 31 December 2013.

Short term other receivables	**2014**	**2013**
Trade payables	2,737,068	9,596,093
Due to related parties (Note 26)	3,602,170	368,340
	6,339,238	**9,964,433**
Deferred financial expense	(29,444)	(114,919)
Short-term trade payables (net)	**6,309,794**	**9,849,514**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Short term other receivables	**2014**	**2013**
Receivables from related parties (Note 26)	44,213,731	35,464,589
Other	228,477	278,746
	44,442,208	**35,743,335**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

Long term other receivables	**2014**	**2013**
Receivables from related parties (Note 26)	302,109,988	298,933,788
Other	75,879	88,053
	302,185,867	**299,021,841**

Other payables	**2014**	**2013**
Taxes and duties payables	3,924,818	3,128,842
Due to related parties (Note 26)	418,430	222,992
Other	144,652	145,290
	4,487,900	**3,497,124**

NOTE 9 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	%	**31 December 2014**	**%**	**31 December 2013**
STAŞ	30.00	404,411,400	30.00	437,891,400
RWE & Turcas Güney Elektrik Üretim A,Ş,	30.00	90,458,925	30.00	93,983,068
Turcas & BM Kuyucak Jeotermal Elektrik Üretim A,Ş,	46.00	3,643,573	46.00	2,860,470
Socar Turkey Yatırım A.S.	-	-	18,50	162,042,098
		498,513,898		**696,777,036**

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

NOTE 9 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

	31 December 2014	31 December 2013
Balance at the beginning of the year	**696,777,036**	**553,928,943**
Incomes and expenses from associates (net) (*)	(11,864,781)	70,213,371
Dividends received	(33,000,000)	(30,000,000)
Transactions with associates (**)	765,917	(3,011,001)
Changes in scope of consolidation (***)	(186,223,854)	-
Currency translation differences	8,488,760	-
Actuarial gain	(1,235,100)	(4,280,400)
Capital increases of associates	24,805,920	109,926,123
Balance at the end of the year	**498,513,898**	**696,777,036**

(*) The Group's income and expense balances from associates amounting to TRY(11,864,781) consist of income balance from Shell & Turcas Petrol A.Ş amounting to TRY755,100, expense balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TRY28,290,060, expense balance from Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. amounting to TRY22,817 and rest of the balance is consist of the Group's share of income from SOCAR Turkey Yatırım A.Ş amounting to TRY15.692.996 before before it has sold as of 15 May 2014.

(**) 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.

(***) The Group sold its 18.5% shares of Socar Turkey Yatırım A.Ş. amounting to USD59,390,000 to Rafineri Holding A.Ş. as of 15 May 2014.

STAŞ

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

Shell & Turcas Petrol A.Ş. has become operational on 1 July 2006. STAŞ is one of the leading companies in Turkish fuel distribution sector with 1,072 fuel stations, lubricant production facilities, retail and commercial sale.

Shell & Turcas Petrol A.Ş. continued its strong position in fuel distribution and lubricants sector in Turkey and recorded TRY15,823,878,000 sales in 2014 (2013: TRY13,997,089,000). Shell & Turcas Petrol A.Ş. is a market leader in sales per station which is the most important indicator of profitability in the sector. While Shell & Turcas Petrol A.Ş. has maintained sector leadership with market share of 24% in gasoline sales and 26% in lubricants as of 31 December 2014, Shell & Turcas Petrol A.Ş is third in the white products market that is total of gasoline and diesel sales with 18% market share according to PETDER data.

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

NOTE 9 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

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

STAŞ	**31 December 2014**	**31 December 2013**
Total assets	3,338,590,000	3,201,367,000
Total liabilities	(1,990,550,000)	(1,741,729,000)
Net assets	1,348,040,000	1,459,638,000
Group's share of associate's net assets	**404,411,400**	**437,891,400**

	1 January - 31 December 2014	**1 January - 31 December 2013**
Net sales	15,823,878,000	13,997,089,000
Profit for the period	2,517,000	142,372,000
Group's share of associate's profit for the year	**755,100**	**42,711,600**

RWE&Turcas Güney Elektrik Üretim A.Ş.

Turcas Elektrik Üretim A.Ş. which is 100% direct and indirect subsidiary of Turcas in electricity generation, 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 leading energy companies in the world. Shareholding ratio of Turcas Elektrik Üretim A.Ş is 30 % in this joint venture established in 2007. Natural gas combined cycle power plant with a 775 MW installed capacity, which is established in Denizli by RWE & Turcas Güney Elektrik Üretim A.Ş., has become operational with completion of temporary admission process conducted by the Ministry as of 24 June 2013.

	31 December 2014	**31 December 2013**
Total assets	1,558,555,411	1,643,196,489
Total liabilities	(1,218,812,261)	(1,292,916,492)
Net assets	339,743,150	350,279,997
Group's share of associate's net assets	**101,922,945**	**105,083,999**

	31 December 2014	**31 December 2013**
Net sales	773,049,192	485,546,845
Loss for the period	(94,300,199)	(49,855,744)
Group's share of loss for the year	**(28,290,060)**	**(14,956,723)**

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

NOTE 9 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş.

Turcas&BM Kuyucak Jeotermal Elektrik Üretim A.Ş., has been established to operate in the field of geothermal power generation with the following shareholding structure: Turcas Enerji Holding A.Ş. (46%), BM Mühendislik ve İnşaat A.Ş. (46%) and Alte Enerji A.Ş. (8%).

	31 December 2014	**30 September 2013**
Total assets	15,506,952	6,722,769
Total liabilities	(7,586,142)	(504,357)
Net assets	7,920,810	6,218,412
Group's share of associate's net assets	**3,643,573**	**2,860,470**

	1 January - 31 December 2014	**1 September - 31 December 2013**
Loss for the period	(49,601)	(29,592)
Group's share of associate's loss for the year	**(22,817)**	**(13,613)**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	**Additions**	**Disposals**	**31 December 2014**
Cost				
Buildings	14,160,000	-	-	14,160,000
Machinery and equipment	14,036,836	2,116,648	(384,872)	15,768,612
Motor vehicles, furniture and fixtures	3,324,920	1,201,857	-	4,526,777
Leasehold improvements	59,987	-	-	59,987
Construction in progress	91,527	-	-	91,527
	31,673,270	**3,318,505**	**(384,872)**	**34,606,903**
Accumulated depreciation				
Buildings	217,120	283,200	-	500,320
Machinery and equipment	10,889,720	972,099	(7,480)	11,854,339
Motor vehicles, furniture and fixtures	1,700,728	429,572	-	2,130,300
Leasehold improvements	14,679	1,775	-	16,454
	12,822,247	**1,686,646**	**(7,480)**	**14,501,413**
Net book value	**18,851,023**			**20,105,490**

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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**

There is no mortgage on property, plant and equipment as of 31 December 2014 (2013: None).

The depreciation expenses of 31 December 2014 and 2013 have been added to general administrative expenses.

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

NOTE 11 - INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Rights	29,681,365	19,268	-	29,700,633
	29,681,365	**19,268**	**-**	**29,700,633**
Accumulated depreciation				
Rights	29,679,485	16,415	-	29,695,900
	29,679,485	**16,415**	**-**	**29,695,900**
Net book value	**1,880**			**4,733**

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

The depreciation expenses of 31 December 2014 and 2013 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 2014		31 December 2013	
	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	TRY	381,500	381,500	437,976	437,976
B. GPM's given on behalf of fully Consolidated companies (**)	TRY	4,618,402	4,618,402	14,380,934	14,380,934
	EUR	200,000	564,140	-	-
C. GPM's given for continuation of its Economic activities on behalf of third parties	USD	77,000,000	178,555,300	77,000,000	164,341,100
	EUR	157,851,984	445,253,091	171,208,022	502,752,357
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		-	-	-	-
			629,372,433		**681,912,367**

(*) Turcas Elektrik Üretim A.Ş. has entered into a loan agreement for USD55,000,000 with TSKB, with a maturity of 10 years with a grace period of three years, regarding the loans made available for the 775 MW Natural Gas Combined Cycle Power Plant investment in Denizli. The amount of total guarantee given to TSKB by Turcas Petrol A.Ş. is USD77,000,000. As stated in note 6, as a requirement of the loan agreement signed with Portigon AG and Bayern LB. Turcas Petrol A.Ş. has provided a corporate guarantee amounting to EUR149,351,984 in favor of Portigon AG and Bayern LB. Again, as a requirement of the loan agreement, a DSRA Standby Letter of Credit was 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 a maturity of 15 July 2014. The Guarantee amount was EUR21,656,038 as of 31 December 2013, later on it has decreased to amounting EUR8,500,000 during the period. Therefore, Turcas Petrol A.Ş. has provided a collateral amounting to EUR8,500,000 to Garanti Bank in order to prepare the said guarantee.

(**) 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.)

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

The rate of GPM's given by the Company to equity is 88% as of 31 December 2014 (31 December 2013: 97%).

	31 December 2014	**31 December 2013**
Letter of guarantees received	7,361,109	9,136,905
Mortgage received	2,201,150	2,201,150
Letter of other guarantees received	57,000	62,000
	9,619,259	**11,400,055**

<u>Contingent assets and liabilities of Turcas Petrol A.Ş. regarding STAŞ</u>

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

	31 December 2014	**31 December 2013**
Letters of guarantee given to the customs office	824,856,000	341,741,700
Letters of guarantee given to the tax office	24,577,800	4,373,400
Letters of guarantee given to the EMRA	15,000,000	15,000,000
Other	3,699,300	3,233,700
	868,133,100	**364,348,800**

	31 December 2014	**31 December 2013**
Mortgages taken	391,216,200	322,008,600
Letters of guarantees received	160,657,200	151,882,800
Other guarantees received	50,101,200	9,004,200
	601,974,600	**482,895,600**

STAŞ has committed to pay TRY139,500,000 to the station owners for the station improvement in the periods mentioned below (31 December 2013: TRY158,955,000). The payment terms of group's share of warranty are as follows:

	31 December 2014	**31 December 2013**
Within 1 year	10,438,200	10,603,200
1-5 years	20,816,400	27,471,300
5-22 years	10,595,400	9,612,000
	41,850,000	**47,686,500**

(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.

The Supervisory Board of the Ministry of Finance has launched a general tax inspection for financial years 2009 to 2012 on STAŞ as part of the sector wide tax review. As a result of the inspection, services received from the foreign institution by STAŞ were critisized and STAŞ has been notified to pay TRY45,214,582 as tax base and TRY67,821,873 as tax penalty on 30 December 2014. Similarly, STAŞ has been critisized regaring VAT and stamp duty and has been notified on 31 December 2014 to pay penalty amounting TRY10,765,666 as tax base and TRY11,572,683 as tax penalty. According to STAŞ management, such practices subject to criticism were performed in compliance and consistent with the related regulations. STAŞ has been utilizing all its legal rights, including settlement and all applicable legal processes with respect to notifications issued and have not recognised any provision in relation to the inspection.

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

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

	31 December 2014	**31 December 2013**
Letters of guarantees given for EMRA	2,466,701	-
Other	10,500	2,477,201
	2,477,201	**2,477,201**

	31 December 2014	**31 December 2013**
Letters of guarantees received	3,434,423	18,499,992
Letters of guarantees cheque	80,400	-
	3,514,823	**18,499,992**

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

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

Contingent assets and liabilities of Turcas Petrol A.Ş. regarding Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş.

The contingent assets and liabilities of the Group related to Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. are follows:

	31 December 2014	**31 December 2013**
Letters of guarantees given to the Governorship of Aydın	135,700	135,700
Letters of guarantees given for EMRA	61,962	-
Letters of guarantees given for Aydem Electirc	51,980	-
Letters of guarantees given for District Governorship of Kuyucak	97,578	-
Total	**347,220**	**135,700**

NOTE 13 - PROVISIONS

	31 December 2014	**31 December 2013**
Litigation provisions	230,449	250,000
	230,449	**250,000**

The movement of litigation provisions is as follows:

	2014	**2013**
Opening balance	250,000	4,500
Released provisions	(171,500)	-
Paid provisions	(74,000)	-
Current year charges	225,949	245,500
	230,449	**250,000**

The provison of employment benefits in short term is as follows:

	2014	**2013**
Unused vacation	325,755	325,732
	325,755	**325,732**

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

NOTE 13 - PROVISIONS (Continued)

The movement of employment benefits in short term is as follows:

	2014	**2013**
Employment benefits short term provisions	325,732	294,594
Current year charges	4,222	31,138
Released provisions	(4,199)	-
	325,755	**325,732**

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 TRY3,438.22 (31 December 2013: TRY3,254.44) for each period of service at 31 December 2013.

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.

	2014	**2013**
Discount rate (%)	2.86	3.75
Rate used to estimate the probability of retirement (%)	90.61	94.99

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

NOTE 14 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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 TRY3.541,37 for each period of service as of 1 January 2015 (1 January 2014: TRY3.438,22).The maximum liability is revised semi annually

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

	2014	2013
Beginning of the year	**443,522**	**353,913**
Service cost	18,427	46,900
Interest cost	13,694	8,848
Actuarial losses	105,575	33,861
Compensation paid	(73,286)	-
End of the year	**507,932**	**443,522**

NOTE 15 - OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2014	31 December 2013
Income accruals (*)	4,163,284	-
Deferred VAT	1,760,769	1,229,135
Work advances given	1,266,771	1,057,365
	7,190,824	**2,286,500**

(*) The lawsuit filed in order to cancel the decision related to the administrative fine which was imposed by EMRA on Turcas Petrol A.Ş. on 10 April 2013 and paid on 6 August 2013 has been resolved in favour of the Company, and the TRY4,162,500 fine was collected by the Company on 23 February 2015. The mentioned amount was recognised as an income accrual in the financial statements as at 31 December 2014.

Other non-current assets

	31 December 2014	31 December 2013
Deferred VAT	4,018,182	3,926,609
	4,018,182	**3,926,609**

Other long-term liabilities

	31 December 2014	31 December 2013
Other payables (*)	1,062,221	1,061,803
Advances received	30,858	30,636
	1,093,079	**1,092,439**

(*) 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 2014**	**Allocation (%)**	**31 December 2013**
Aksoy Holding A,Ş,	A/C Group	51.55	115,979,910	51,55	115,979,910
Free Float	A Group	25.03	56,312,433	24,91	56,048,763
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	4.91	11,041,025	5,02	11,304,695
Total		**100**	**225,000,000**	**100**	**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 were 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 Share Buy Back Programme in accordance with the communiqué no 26/767 "Principles for the Listed Companies' Share Buy Backs" by CMB on 10 August 2011.

The issued capital of the Company in 2014 is composed of 225,000,000 shares (2013: 225,000,000 shares). The nominal value of shares is TRY 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 2014	31 December 2013
Legal reserves	36,674,580	34,823,299
	36,674,580	**34,823,299**

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.

Dividend distribution

Dividends are distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies. In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14.1 that sufficient reserves exists in the unconsolidated statutory books.

NOTE 17 - SALES AND COST OF SALES

	2014	2013
Electricity sales	55,734,139	46,393,280
Sales returns	(81,847)	(82,867)
Other sales	4,244,054	2,301,406
	59,896,346	**48,611,819**

	2014	2013
Cost of electricity sold	58,828,789	46,067,101
Transmission capacity and service fee	7,211	3,900
Other costs	25,365	22,724
	58,861,365	**46,093,725**

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

NOTE 18 - OPERATING EXPENSES

Marketing, Sales and Distribution Expenses	2014	2013
Personnel expenses	974,004	902,437
Other services received	320,344	400,190
Taxes and other liabilities	51,539	213,719
Repair and maintenance expenses	50,559	71,146
Travel expenses	17,044	26,176
Rent expenses	19,472	7,319
Other	209,735	191,297
	1,642,697	**1,812,283**

General Administrative Expenses	2014	2013
Personnel expenses	8,040,929	5,742,603
Other services received	1,767,930	1,756,064
Depreciation and amortization expenses	1,703,061	1,488,010
Travel expenses	639,812	585,602
Taxes and other liabilities	507,150	634,909
Rent expenses	226,870	1,121,845
Repair and maintenance expenses	209,792	446,939
Donation and aid expenses	112,500	568,100
Other	700,063	1,440,060
	13,908,107	**13,784,132**

NOTE 19 - EXPENSES BY NATURE

	2014	2013
Cost of electricity sold	58,861,365	46,093,725
Personnel expenses	9,014,933	6,645,040
Services received	2,088,274	2,156,254
Depreciation and amortization expenses	1,703,061	1,488,010
Travel expenses	656,856	611,778
Taxes and other liabilities	558,689	848,628
Repair and maintenance expenses	260,351	518,085
Rent expenses	246,342	1,129,164
Donation and aid expenses	112,500	568,100
Other	909,798	1,631,356
	74,412,169	**61,690,140**

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

NOTE 20 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income	2014	2013
Shell Company Joint Venture Contract revenue (*)	23,078,575	14,455,219
Income from penalty return (Note 15)	4,162,500	-
Rent income	1,035,878	689,523
Service revenue	486,160	1,390,712
Energy consultancy income	-	215,743
Other	758,705	2,517,857
	29,521,818	**19,269,054**

(*) 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.

Other operating expense

	2014	2013
Provision expenses	108,896	360,205
Penalty expenses	-	4,162,500
Other	666,065	158,524
	774,961	**4,681,229**

NOTE 21 - INCOME/ (LOSS) FROM INVESTMENT ACTIVITIES

Income from investment activities

	31 December 2014	31 December 2013
Income on sale of associate (*)	-	3,755,000
	-	**3,755,000**

(*) Share of STAR Rafineri A.Ş. that the Group owned in 29 December 2011, 18.5% of the nominal value of TRY9,250,000, was transferred to Socar Turkey Yatırım A.Ş. at a price of TRY13,005,500 in 2 September 2013.

Loss from investment activities

	31 December 2014	31 December 2013
Loss on sale of associate (*)	54,732,465	-
	54,732,465	**-**

(*) On 15 May 2015, the Group has sold all their shares of Socar Turkey Yatırım A.Ş (total %18,5 of company) to Rafineri Holding A.Ş. in amount of USD59.390.000. The loss arising from the sale of shares, is equal to amount of net assets contributing to the Group share as of the date of sale and the sales price.

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

NOTE 22 - FINANCIAL INCOME

	2014	2013
Foreign exchange gains	102,052,153	26,464,169
Interest income	44,820,100	29,716,746
Credit finance income	509,743	106,351
	147,381,996	**56,287,266**

NOTE 23 - FINANCIAL EXPENSES

	2014	2013
Foreign exchange losses	79,718,278	103,780,151
Interest expenses	14,661,589	13,510,843
Credit finance charges	135,155	341,466
	94,515,022	**117,632,460**

NOTE 24 - TAX ASSETS AND LIABILITIES

Current tax liability	**31 December 2014**	**31 December 2013**
Corporate tax provision	(8,614,968)	(4,918,216)
Less: Prepaid tax and funds	8,035,017	(4,918,216)
Prepaid tax and funds / (Current tax liability) , net	**(579,951)**	**-**

Tax expense is comprised of the following:

	2014	2013
Current year corporate tax expense	(8,614,968)	(4,918,216)
Deferred tax (expense)/ income	(6,665,260)	16,042,346
	(15,280,228)	**11,124,130**

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 2014 (2013: 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.

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

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.

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% (2013: %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 2014	31 December 2013	31 December 2014	31 December 2013
Carryforward tax loss	(48,342,964)	(76,183,445)	9,668,593	15,236,689
Interest accrual	10,506,708	11,488,753	2,101,342	2,297,751
Income accrual (Note 15)	4,162,500	-	(832,500)	-
Tangible and intangible assets	1,079,224	1,090,796	215,845	218,159
Provision for employment termination benefits (Note 14)	(507,932)	(443,522)	101,586	88,704
Litigation provision (Note 13)	(225,949)	(245,500)	45,190	49,100
Unused vacation provisions (Note 13)	(325,755)	(325,732)	65,151	65,146
Unearned credit finance income	20,235	480,298	4,047	96,060
Unearned credit finance expense	29,444	114,919	(5,889)	(22,984)
Deferred tax asset			**11,363,365**	**18,028,625**

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

NOTE 24 - TAX ASSETS AND LIABILITIES (Continued)

As of the balance sheet date, the Group has carry forward tax losses amounting to TRY55,186,214 (2013: TRY 90,675,465) to be deducted from future profits.

The expiration dates of unrecognized carry-forward tax losses are as follows:

	31 December 2014	**31 December 2013**
2014	1,688,540	11,610,869
2015	926,802	792,820
2016	739,644	543,041
2017	1,130,847	1,051,200
2018	494,090	494,090
2019	1,863,327	-
	6,843,250	**14,492,020**

The expiration dates of recognized carry-forward tax losses are as follows:

	31 December 2014	**31 December 2013**
2018	48,342,964	76,183,445
	48,342,964	**76,183,445**

The movement of deferred tax assets and liabilities as of 31 December 2014 and 2013 are as follows:

	31 December 2014	**31 December 2013**
Opening balance	18,028,625	1,986,279
Deferred tax (expense)/ income	(6,665,260)	16,042,346
Closing balance	**11,363,365**	**18,028,625**

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

	31 December 2014	**31 December 2013**
Profit before tax	**500,762**	**14,132,681**
Tax Effect (%)	20%	20%
Tax expense of the Group	(100,152)	(2,826,536)
Transactions with associates	(2,372,956)	14,042,674
Tax effect of exemptions	10,020	3,354,134
Unused portion of carry forward tax losses	(1,368,650)	(2,898,404)
Loss on sale of associate	(10,946,493)	-
Tax effect of non deductible expenses	(87,833)	(967,513)
Other	(414,164)	419,775
Income tax (expense)/ income	**(15,280,228)**	**11,124,130**

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

NOTE 25 - EARNINGS PER SHARE

At 31 December 2014 and 2013, the weighted average number of shares and earnings per share are as follows:

	31 December 2014	**31 December 2013**
Weighted average number of outstanding shares	225,000,000	225,000,000
Net (loss)/profit of shareholders	(14,777,958)	25,256,777
(Loss)/earnings per share	**(0.0657)**	**0.1123**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2014							
	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.	-	-	-	-	284	5,415	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	41,076,955	-	302,109,988	3,601,886	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A.Ş.	-	3,133,873	-	-	-	-	-	-
Other entities								
Conrad Yeditepe Beyn. Otelcilik Turz.ve Tic. A.Ş. (**)	218,224	-	-	-	-	-	-	-
Dividend payable to real person shareholders	-	-	-	-	-	190,071	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	177,007	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	1,145	-	-	-	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	45,937	-	-
Aksoy Taşınmaz Yatırımları A.Ş.	-	1,758	-	-	-	-	-	-
	218,224	**44,213,731**	**-**	**302,109,988**	**3,602,170**	**418,430**	**-**	**-**

(*) In order to finance the section corresponding to its part in 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, Principal and interest of the loan (TRY Libor+2) is reflected to RWE & Turcas Güney Elektrik Üretim A.Ş., as stated in Shareholder Loan Agreement signed on 3 December 2010, TRY 37,491,933 of interest income has been booked regarding related receivables.

(**) Turcas Elektrik Toptan Satış A.Ş., one of the Group's subsidiary, sells electricity to Conrad Yeditepe Beynelmilel Otelcilik Turizm ve Ticaret A.Ş., on an arm's length basis, according to sales contract signed between them. This amount has been collected in subsequent period

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2014							
Transactions with related parties	**Purchases**	**Sales**	**Interest received**	**Interest given**	**Rent income**	**Dividend income**	**Other income**	**Other expenses**
Associates								
Shell & Turcas Petrol A.S.	8,244	1,109,096	-	-	-	33,000,000	765,504	-
RWE & Turcas Güney Elektrik Üretim A.S.	24,128,273	-	37,491,933	-	-	-	-	-
Other entities								
The Shell Company of Turkey LTD.	-	-	-	-	-	-	23,078,575	-
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic A.Ş.	-	3,913,920	-	-	-	-	-	-
Etiler Dış Ticaret Ltd. Şti.	-	-	-	-	6,000	-	17,681	-
Aksoy Taşınmaz Yatırımları A.Ş.	-	-	-	-	12,000	-	35,362	-
Aksoy Holding A.S.	-	-	-	-	6,000	-	150,747	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	6,000	-	17,681	-
Aksoy Enternasyonal Ticaret.A.Ş.	-	-	-	-	6,000	-	60,037	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	130,976	-	16,239	-
YTC Turizm ve Enerji Ltd. Şti.	3,470	-	-	-	-	-	21,820	-
	24,139,987	**5,023,016**	**37,491,933**	**-**	**166,976**	**33,000,000**	**24,163,646**	**-**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	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								
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. TRY24,347,273 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 26 - 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	-	-	-	30,000,000	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	795,125	401,876	24,347,273	-	-	-	-	-
Star Rafineri A.Ş.	-	-	593,101					
RWE & Turcas Enerji Toptan Satış A.Ş.	-	-	11,245	-	-	-	-	-
Other entities								
The Shell Company of Turkey LTD.	-	-	-	-	-	-	14,455,219	-
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. Şti.	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**	**30,000,000**	**14,714,406**	**237,524**

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

NOTE 26 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Total compensation provided to key management personnel by the Company during the year ended 31 December 2014 is as follows:

	1 January - 31 December 2014	**1 January - 31 December 2013**
Salaries and other short term benefits	3,363,950	2,451,306

The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits in 2014 and 2013.

NOTE 27 - 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 2014 and 2013 net debt/total capital ratio is as follows:

	31 December 2014	**31 December 2013**
Total liabilities	414,276,861	468,637,347
Cash and cash equivalents	(193,719,985)	(81,692,069)
Net debt	220,556,876	386,945,278
Total equity	680,030,094	706,690,171
Total capital	900,586,970	1,093,635,450
Net debt / total capital ratio	**24%**	**35%**

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

NOTE 27 - 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 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivable		**Other receivable**				
31 December 2014	**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)	218,224	5,768,707	44,213,731	228,477	193,713,531	-	6,454
- The part of maximum risk under guarantee with collateral etc,	-	3,960,828	-	-	-	-	-
A -Net book value of financial assets that are neither past	218,224	5,343,665	44,213,731	228,477	193,713,531	-	6,454
due nor impaired	-	3,673,303	-	-	-	-	-
The part under guarantee with collateral etc,							
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	-	425,042	-	-	-	-	-
- Past due (gross carrying amount)	-	1,110,453	-	-	-	-	-
- 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 27 - 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	12,456,571	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 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2014, there were no trade receivables (31 December 2013: 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 2014, trade receivables of TRY1,110,453 (31 December 2013: TRY1,110,672) were assessed as impaired. The collaterals held for these receivables were deducted and TRY685,411 provision has been provided for as of 31 December 2014 (31 December 2013: TRY685,411). 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 2014	**Trade receivables**	**Other receivables**
Past due 1-5 years	-	-
Past due more than 5 years	1,110,453	-
	1,110,453	**-**

	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	**-**

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 27 - 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 2014

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	403,479,167	426,205,622	-	55,285,569	220,885,499	150,034,554
Trade payables	6,309,794	6,309,794	6,309,794	-	-	-
Total liabilities	**409,788,961**	**432,515,416**	**6,309,794**	**55,285,569**	**220,885,499**	**150,034,554**

31 December 2013

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	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**

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 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

	31 December 2014			
	TRY Equivalent (Functional currency)	**USD**	**Euro**	**Other**
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	157,461,670	67,888,515	12,406	-
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	**157,461,670**	**67,888,515**	**12,406**	**-**
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)	**157,461,670**	**67,888,515**	**12,406**	**-**
10- Trade payables	-	-	-	-
11- Financial liabilities	52,912,203	7,317,624	12,742,711	-
12a-Other monetary financial liabilities	-	-	-	-
12b-Other non-monetary financial liabilities	-	-	-	-
13- Current Liabilities (10+11+12)	**52,912,203**	**7,317,624**	**12,742,711**	**-**
14- Trade payables	-	-	-	-
15- Financial liabilities	350,566,966	36,563,465	94,224,819	-
16a-Other monetary financial liabilities	-	-	-	-
16b-Other non-monetary financial liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	**350,566,966**	**36,563,465**	**94,224,819**	**-**
18- Total liabilities (13+17)	**403,479,169**	**43,881,089**	**106,967,530**	**-**
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)	**(246,017,499)**	**24,007,426**	**(106,955,124)**	**-**
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14+15-16a)	**(246,017,499)**	**24,007,426**	**(106,955,124)**	**-**
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 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2013			
	TRY Equivalent (Functional currency)	**USD**	**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**	**51,187,984**	**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)	**(412,894,099)**	**(31,330,485)**	**(117,836,011)**	**-**
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14+15-16a)	**(412,894,099)**	**(31,330,485)**	**(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 27 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity

	31 December 2014			
	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- USD net asset / liability	5,567,082	(5,567,082)	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**5,567,082**	**(5,567,082)**	**-**	**-**
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(30,168,832)	30,168,832	-	-
5- Hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(30,168,832)**	**30,168,832**	**-**	**-**
TOTAL (3+6)	**(24,601,750)**	**24,601,750**	**-**	**-**

	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- USD net asset / liability	(6,686,865)	6,686,865	(6,686,865)	6,686,865
2- Hedged from USD risk (-)	-	-	-	-
3- USD 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**

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

NOTE 27 - 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 2014	**31 December 2013**
Fixed interest rate financial instruments		
Financial assets	193,229,462	81,282,243
Held to maturity financial assets	7,774,969	7,011,076
Financial liabilities	993,428	152,427
Floating interest rate financial instruments		
Financial liabilities	402,485,739	455,138,282

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 TRY7,532,752 lower / higher. (2013: TRY7,569,223 lower / higher).

NOTE 28 - 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 28 - 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 29 - SUBSEQUENT EVENTS

1. The Capital Markets Board and the T.R. Ministry of Customs and Trade approved, on 13 January 2015 and 11 February 2015 respectively, the amended draft regarding Article 6 of the Articles of Association, entitled "Capital and Stocks", which was prepared to increase the Company's paid-in capital from TRY225,000,000 to TRY270,000,000 via bonus issuance. The amendment to the Articles of Association pursuant to the provisions of the Turkish Commercial Code will be included in the agenda of the Company's Annual General Meeting for 2014.

2. The lawsuit filed in order to cancel the decision related to the administrative fine which was imposed by EMRA on Turcas Petrol A.Ş. on 10 April 2013 and paid on 6 August 2013 has been resolved in favour of the Company, and the TRY4,162,500 fine was collected by the Company on 23 February 2015. The mentioned amount was recognised as an income accrual in the financial statements as at 31 December 2014.

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