

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2015
TOGETHER WITH AUDITOR'S REVIEW REPORT**

(ORIGINALLY ISSUED IN TURKISH)



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

INDEPENDENT AUDITOR'S REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Turcas Petrol A.Ş. (the "Company") as at 30 June 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Coşkun Şen, SMMM
Partner

Istanbul, 19 August 2015

TURCAS PETROL A.Ş.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2015**

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TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED
INTERIM STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2015 AND 31 DECEMBER 2014**

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

	Notes	Reviewed 30 June 2015	Audited 31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	4	178,468,211	193,719,985
Financial assets	5	7,692,723	7,774,969
Trade receivables		914,628	5,561,889
-Trade receivables from related parties	18	266,211	218,224
-Trade receivables from third parties		648,417	5,343,665
Other receivables		48,950,367	44,442,208
-Other receivables from related parties	18	48,532,498	44,213,731
-Other receivables from third parties		417,869	228,477
Prepaid expenses		1,647,195	1,573,960
Current income tax assets		-	278,558
Other current assets		36,787,343	7,190,824
		274,460,467	260,542,393
Assets held for sale		-	246,953
Total Currents Assets		274,460,467	260,789,346
Non-current assets			
Other receivables		313,488,438	302,185,867
-Trade receivables from related parties	18	313,488,438	302,109,988
-Other receivables from third parties		49,362	75,879
Financial assets	5	63,240	63,240
Investments accounted by equity method	7	481,903,639	498,513,898
Property, plant and equipment		19,435,626	20,105,490
Intangible assets		-	4,733
Deferred tax assets	16	15,962,791	11,951,345
Other non-current assets		1,771,878	4,018,182
Total Non-Current Assets		832,625,612	836,842,755
Total Assets		1,107,086,079	1,097,632,101

These condensed interim consolidated financial statements as at and for the period ended 30 June 2015 have been approved for issue by the Board of Directors (“BOD”) on 18 August 2015 and signed on behalf of the BOD by Erkan İlhanterkin, Finance Director (CFO) and Nurettin Demircan, Accounting Manager.

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

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED
INTERIM STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2015 AND 31 DECEMBER 2014**

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

	Notes	Reviewed 30 June 2015	Audited 31 December 2014
LIABILITIES			
Current liabilities			
Financial liabilities	6	57,824,530	52,912,203
-Short-term portion of long term financial liabilities		57,824,530	52,912,203
Trade payables		500,240	6,309,794
-Trade payables from related parties	18	-	3,602,170
-Trade payables from third parties		500,240	2,707,624
Other payables		4,836,737	4,487,900
-Trade payables from related parties	18	397,634	418,430
-Trade payables from third parties		4,439,103	4,069,470
Current income tax liabilities	16	155,029	579,951
Short term provisions		589,452	556,204
-Short-term provisions related to employee benefits		359,003	325,755
-Other short term provisions	8	230,449	230,449
Other current liabilities		256	-
Total Current Liabilities		63,906,244	64,846,052
Non-current liabilities			
Long-term financial liabilities	6	366,778,256	350,566,964
Long term provisions for employee benefits		576,327	507,932
Deferred tax liabilities	16	6,217,541	587,980
Other non-current liabilities		1,031,853	1,093,079
Total Non-Current Liabilities		374,603,977	352,755,955
Shareholders' Equity			
Share capital	9	270,000,000	225,000,000
Adjustment to share capital	9	41,247,788	41,247,788
Treasury shares (-)	9	(22,850,916)	(22,850,916)
Restricted reserves	9	36,674,580	36,674,580
Actuarial gain for employee benefits		(5,515,500)	(5,515,500)
Retained earnings		348,170,904	420,252,091
Net income/ (loss) for the period		855,058	(14,777,958)
Equity attributable to equity holders of the parent		668,581,914	680,030,085
Non-controlling interest		(6,056)	9
Total equity		668,575,858	680,030,094
Total Liabilities and Equity		1,107,086,079	1,097,632,101

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX - MONTH PERIODS ENDED 30 JUNE

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

	Notes	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
CONTINUING OPERATIONS					
Revenue	10	689,691	33,460,808	163,326	13,552,075
Cost of sales	10	(561,667)	(32,842,763)	(110,221)	(13,083,315)
GROSS PROFIT		128,024	618,045	53,105	468,760
General administrative expenses (-)		(11,316,717)	(7,935,415)	(5,885,872)	(4,519,072)
Marketing, selling and distribution expenses (-)		(416,404)	(838,236)	(209,273)	(341,798)
Other operating income	12	32,707,191	23,976,674	32,444,668	23,287,677
Other operating expenses (-)		(271,812)	(582,648)	(127,205)	(243,277)
OPERATING PROFIT		20,830,282	15,238,420	26,275,423	18,652,290
Income from investment activities		433,840	-	186,389	-
Loss from investment activities	13	-	(62,583,151)	-	(62,583,151)
(Loss)/ Income from investments accounted by equity method	7	(22,421,217)	18,538,869	4,222,678	(7,505,140)
OPERATING (LOSS)/ PROFIT BEFORE FINANCIAL INCOME AND EXPENSE		(1,157,095)	(28,805,862)	30,684,490	(51,436,001)
Financial income	14	62,922,287	78,918,420	22,387,085	47,261,030
Financial expense (-)	15	(55,588,119)	(47,850,144)	(29,105,303)	(13,815,412)
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		6,177,073	2,262,414	23,966,272	(17,990,383)
Tax Expense From Continued Operations					
- Current income tax expense	16	(3,703,702)	(4,108,208)	(163,529)	(4,015,366)
- Deferred tax expense	16	(1,618,115)	(3,222,309)	(3,995,709)	(4,096,559)
CONTINUED OPERATIONS PROFIT/ (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		855,256	(5,068,103)	19,807,034	(26,102,308)
Equity holders of the parent		855,058	(5,067,324)	19,805,773	(26,101,449)
Non-controlling interest		198	(779)	1,261	(859)
Earnings/ (loss) per share	17	0.003	(0,023)	0.088	(0.116)

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

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR
THE SIX - MONTH PERIODS ENDED 30 JUNE**

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

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
OTHER COMPREHENSIVE INCOME				
CONTINUED OPERATIONS				
NET INCOME/ (LOSS)	855,256	(5,068,103)	19,807,034	(26,102,308)
Attributable to:				
Equity holders of the parent	855,058	(5,067,324)	19,805,773	(26,101,449)
Non-controlling interest	198	(779)	1,261	(859)
Earnings/ (loss) per share	0.003	(0,023)	0.088	(0.116)

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE

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

	Paid in capital	Adjustment to share capital	Treasury shares	Restricted reserves	Other Comprehensive income and expense not to be reclassified to profit/(loss)	Retained earnings	Net income/ (loss) for period	Equity holders of the parent	Non-controlling interest	Total Equity
1 January 2014	225,000,000	41,247,788	(22,850,916)	34,823,299	(4,280,400)	407,493,624	25,256,777	706,690,172	7,963	706,698,135
Transfers	-	-	-	1,851,281	-	23,405,496	(25,256,777)	-	-	-
Changes in minority shares	-	-	-	-	-	-	-	-	4,307	4,307
Dividends paid	-	-	-	-	-	(10,647,028)	-	(10,647,028)	-	(10,647,028)
Total comprehensive loss	-	-	-	-	-	-	(5,067,324)	(5,067,324)	(779)	(5,068,103)
Changes in scope of consolidation	-	-	-	-	-	2,984,177	-	2,984,177	-	2,984,177
30 June 2014	225,000,000	41,247,788	(22,850,916)	36,674,580	(4,280,400)	423,236,269	(5,067,324)	693,959,997	11,491	693,971,488
1 January 2015	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
Transfers	-	-	-	-	-	(14,777,958)	14,777,958	-	-	-
Capital increase	45,000,000	-	-	-	-	(45,000,000)	-	-	-	-
Changes in minority shares	-	-	-	-	-	-	-	-	(6,263)	(6,263)
Dividends paid	-	-	-	-	-	(12,303,229)	-	(12,303,229)	-	(12,303,229)
Total comprehensive income	-	-	-	-	-	-	855,058	855,058	198	855,256
30 June 2015	270,000,000	41,247,788	(22,850,916)	36,674,580	(5,515,500)	348,170,904	855,058	668,581,914	(6,056)	668,575,858

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

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE SIX
MONTH PERIODS ENDED 30 JUNE**

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

Notes	1 January- 30 June 2015	1 January- 30 June 2014
A. Cash flows from operating activities	714,793	(14,717,294)
Net income/ (loss)	855,256	(5,068,103)
Adjustments to reconcile net income/ (loss)	65,693,107	41,091,988
Tax expense	5,321,817	7,330,517
Unrealized foreign exchange losses / (gains)	37,000,205	(4,991,016)
Depreciation and amortization of property, plant and equipment and intangible assets	715,097	966,555
Income from sale of assets held for sale	433,840	-
Loss on sale of associate	-	62,583,151
Changes in financial assets	82,246	1,917,700
Provision for employee termination benefits	68,395	(34,316)
Provision for unused vacation	33,248	91,910
(Loss)/ income from investments accounted by equity method	22,421,217	(18,538,869)
Adjustments for accumulated earnings of associates	(382,958)	(8,233,644)
Changes in working capital	(43,830,048)	(29,014,295)
Changes in receivables from trade receivables and related parties	4,647,261	5,566,242
Changes in other receivables	(15,810,730)	(34,729,873)
Changes in other payables and liabilities	287,867	4,014,672
Changes in payables from trade payables and related parties	(5,809,554)	(3,673,789)
Changes in prepaid expenses and other current assets	(29,391,196)	(145,671)
Changes in prepaid expenses and non-current assets	2,246,304	(45,876)
Cash used in operations	(22,718,315)	(7,009,590)
Taxes paid	(4,128,624)	(31,513)
Interest expense	6,989,921	7,425,475
Interest income	(24,864,819)	(29,120,846)
B. Net cash generated from investing activities	19,197,834	164,788,617
Purchase of property, plant and equipment and intangible assets	(377,960)	(1,663,542)
Changes in assets held for sale	(186,887)	-
Cash provided from sales of tangible and intangible assets	337,460	91,527
Capital increase of associates	(5,428,000)	(24,000,000)
Cash inflows from the sale of associate	-	123,002,629
Interest received	24,853,221	29,279,428
Cash inflows from the management fees	-	23,078,575
Dividends received	-	15,000,000
C. Net cash used in financing activities	(35,175,999)	(41,432,898)
Proceeds from bank borrowings	14,888,500	4,057,524
Repayment of bank borrowings	(30,743,691)	(27,349,375)
Interest paid	(7,011,316)	(7,498,326)
Capital increase-minority interest	(6,263)	4,307
Dividends paid	(12,303,229)	(10,647,028)
Net (decrease)/ increase in cash and cash equivalents	(15,263,372)	108,638,425
Cash and cash equivalents balance at the beginning of the period	193,559,426	81,421,815
Cash and cash equivalents balance at the end of the period	178,296,054	190,060,240

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

(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 Türkp petrol 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. No:6 Aksoy Plaza. Kat: 7 34398 Maslak/Sarıyer/İstanbul

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

The Company’s main shareholders are Aksoy Holding A.Ş., The capital structure of the Company as of the related balance sheet dates have been provided at Note 9.

The number of employees of the Group as of 30 June 2015 is 50 (31 December 2014: 48).

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

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

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

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.

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 Elektrik Toptan Satış A.Ş. has decided to gradually reduce the retail electricity sales operations with an aim to utilize resources in more efficient investments in accordance with the Board Decision dated 6 May 2015. Contractual obligations of Turcas Elektrik Toptan Satış A.Ş. towards its existing retail customer portfolio will be fulfilled and there won’t be any addition to existing retail customer portfolio starting from the above mentioned date. Wholesale electricity operations will continue with the existing Supplier License of Turcas Elektrik Toptan Satış A.Ş.. In parallel to future positive developments in the electricity market, Turcas Elektrik Toptan Satış A.Ş. may focus again on retail electricity sales operations.

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. Group has been decided to merge with Turcas Gaz Toptan Satış A.Ş. registered to Istanbul Trade Registry Directorate numbered 556066, via takeover method whereby all assets and liabilities of Turcas Gaz Toptan Satış A.Ş. shall be transferred to Turcas Petrol A.Ş. as a whole. Prior to merger transaction, Turcas Gaz Toptan Satış A.Ş. submitted an application to EMRA on 10 June 2015 for the termination of Gas Wholesale License dated 17 May 2007 and numbered DTS/1198-3/153 and Spot LNG License dated 3 August 2010 and numbered DİT/2680-4/213 held by Turcas Gaz Toptan Satış A.Ş. as per the Natural Gas Market License Regulation. Group has been informed that the mentioned applications were approved by EMRA and the related licenses have been terminated in accordance with Article 16 of Natural Gas Market License Regulation.

Turcas Rüzgar Enerji Üretim A.Ş. has been established on 25 October 2007 and it operates in the establishment and operation 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 PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

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

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

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.

<u>Associates</u>	<u>Company</u>	<u>Nature of business</u>
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 7.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Principles Governing the Preparation of Condensed Consolidated Interim Financial Statements

The accompanying condensed interim 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, condensed interim consolidated financial statements are prepared in accordance with the Turkish Accounting Standards 34 (“TAS 34”) “Interim Financial Reporting” issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”).

In compliance with the TAS 34, entities have preference in presenting their condensed interim consolidated financial statements whether full set or condensed. In this framework, Group preferred to present its condensed interim consolidated financial statements in condensed. Therefore the interim condensed consolidated financial statements should be examined together with the year-end consolidated financial statements as of 31 December 2014.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the accounting and financial reporting principles issued by the CMB. Accordingly, the Company did not apply TAS 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) issued by POAASA in its financial statements for the accounting periods starting 1 January 2005.

**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE
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(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.1 Basis of Presentation (Continued)

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. The condensed interim consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion, these condensed interim consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

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

2.2 Summary of the Significant Accounting Policies

The accounting policies applied during the preparation of these condensed interim consolidated financial statements are consistent with the accounting policies applied for the financial year between 1 January - 31 December 2014. These condensed interim consolidated financial statements should be read on a comparative basis with annual financial statements for the year between 1 January - 31 December 2014.

There is no difference in the accounting policy applied to the condensed interim consolidated financial statements from the annual consolidated financial statements which have been prepared within the framework of Communiqué II, No: 14.1 and related promulgations to this Communiqué as issued by the CMB in accordance with Turkish Financial Reporting Standards which is based on IAS/IFRS.

a. New standards, amendments and interpretations effective as of 30 June 2015:

- IAS 19, ‘Employee benefits’, effective annual periods on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2010 - 2012, effective annual periods 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’.

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

2.2 New Standards, Amendments and Interpretations (Continued)

- Annual improvements 2011 - 2013, effective annual periods on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
 - IFRS 1, ‘First time adoption’
 - IFRS 3, ‘Business combinations’
 - IFRS 13, ‘Fair value measurement’ and
 - IAS 40, ‘Investment property’.

b. Standards and amendments issued but not yet effective as of 30 June 2015:

- Amendment to IFRS 11, ‘Joint arrangements’, effective annual periods beginning on or after 1 January 2016 . It is about acquisition of an interest in a joint operation. 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.
- Amendments to IAS 16, ‘Property, plant and equipment’, and IAS 41, ‘Agriculture’, effective 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. 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 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’, effective annual periods beginning on or after 1 January 2016. In this amendment 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. The amendment has 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.
- IFRS 14 ‘Regulatory deferral accounts’, effective annual periods beginning on or after 1 January 2016. This standard 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.
- Amendments to IAS 27, ‘Separate financial statements’, effective 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.

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

2.2 New Standards, Amendments and Interpretations (Continued)

- Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective 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.
- Annual improvements 2014, effective 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
 - 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.
- Amendment to IAS 1, ‘Presentation of financial statements’, effective annual periods beginning on or after 1 January 2016. These amendments are to improve presentation and disclosure in financial reports.
- Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception, effective annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- IFRS 15 ‘Revenue from contracts with customers’, effective annual periods beginning on or after 1 January 2017. This standard is a converged standard from the IASB and FASB on revenue recognition which will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9 ‘Financial instruments’; effective 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.

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 condensed interim consolidated financial statements of the Group.

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

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 condensed interim consolidated financial statements are presented in TRY, which is the functional currency of Turcas and the presentation currency of the Group.

Consolidated subsidiaries and associates are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of consolidated subsidiaries and associates are translated at year-end exchange rates with respect to the financial position and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences between the closing balances and opening balances due to the difference in inflation and devaluation are included in currency translation adjustment in equity.

2.3 Comparatives and restatement of prior year financial statements

The Group prepares comparative consolidated financial statements, 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 condensed interim consolidated financial position of the Group at 30 June 2015 has been provided with the comparative financial information of 31 December 2014 and the condensed consolidated interim statements of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the period ended 30 June 2015 have been provided with the comparative financial information, for the period ended 30 June 2014.

2.4 Critical accounting estimates and judgements

The preparation of condensed interim 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:

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

2.4 Critical accounting estimates and judgements (continued)

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 TRY75,741,363 from which can be utilized with future profits, as of 30 June 2015. (31 December 2014: TRY 55,186,214). Since the Group projects that Turcas Elektrik Üretim A.Ş. is going to generate taxable income within the next five years, deferred tax assets amounting to TRY 70,017,976 (31 December: TRY48,342,964) has been recognized for total TRY 14,003,595 carryforward tax losses (31 December 2014:TRY 9,668,593) (Note: 16).

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 8).

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.

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NOTE 3 - SEGMENT REPORTING (Continued)

- a) Operating segments which have been prepared in accordance with the reportable segments as of 1 January-30 June 2015 are as follows:

	Oil	Natural gas	Electricity	Other*	Total
Segment revenue	-	-	689,691	-	689,691
EBITDA	(46,245)	(14,761)	(1,500,952)	23,107,337	21,545,379
Financial income	18,697,489	568,203	32,733,327	10,923,268	62,922,287
Financial expense	(1,267,411)	(8,243)	(53,779,964)	(532,501)	(55,588,119)
Depreciation and amortisation expense	-	-	(5,030)	(710,067)	(715,097)
Income/ (loss) from associates	5,637,300	-	(28,058,517)	-	(22,421,217)
Purchase of tangible and intangible assets	-	-	-	377,960	377,960

- b) Operating segments which have been prepared in accordance with the reportable segments as of 1 January- 30 June 2014 are as follows:

	Oil	Natural gas	Electricity	Other*	Total
Segment revenue	-	-	33,460,808	-	33,460,808
EBITDA	(16,733,799)	(166,058)	(1,603,902)	34,708,734	16,204,975
Financial income	4,254,367	420,597	60,321,027	13,922,429	78,918,420
Financial expense	(801,804)	(191,682)	(43,627,190)	(3,229,468)	(47,850,144)
Depreciation and amortisation expense	-	-	(25,387)	(941,168)	(966,555)
Income/ (loss) from associates	36,116,096	-	(17,577,227)	-	18,538,869
Purchase of tangible and intangible assets	-	-	-	1,663,542	1,663,542

- c) Operating segments which have been prepared in accordance with the reportable segments for the period between 1 April - 30 June 2015 are as follows:

	Oil	Natural gas	Electricity	Other*	Total
Segment revenue	-	-	163,326	-	163,326
EBITDA	(41,794)	(5,996)	(391,505)	27,179,908	26,740,613
Financial income	989,578	207,772	13,786,134	7,403,601	22,387,085
Financial expense	(1,267,319)	(5,017)	(27,326,978)	(505,989)	(29,105,303)
Depreciation and amortisation expense	-	-	(4,634)	(460,556)	(465,190)
Income/ (loss) from associates	21,664,500	-	(17,441,822)	-	4,222,678
Purchase of tangible and intangible assets	-	-	-	223,685	223,685

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NOTE 3 - SEGMENT REPORTING (Continued)

- d) Operating segments which have been prepared in accordance with the reportable segments for the period between 1 April - 30 June 2014 are as follows:

	Oil	Natural gas	Electricity	Other*	Total
Segment revenue	-	-	13,552,075	-	13,552,075
EBITDA	(16,729,606)	(23,999)	(713,749)	36,557,588	19,090,234
Financial income	4,254,367	152,746	32,778,756	10,075,161	47,261,030
Financial expense	(785,923)	(84,690)	(11,254,881)	(1,689,918)	(13,815,412)
Depreciation and amortisation expense	-	-	46,718	(484,662)	(437,944)
Income/ (loss) from associates	2,090,400	-	(9,595,540)	-	(7,505,140)
Purchase of tangible and intangible assets	-	-	-	1,436,637	1,436,637

- e) Operating segments which have been prepared in accordance with the reportable segments as of 30 June 2015 are as follows:

	Oil	Natural gas	Electricity	Other*	Eliminations	Total
Segment Assets	37,908,980	9,044,209	565,404,866	434,864,608	(422,040,223)	625,182,440
Associates	410,048,700	-	71,854,939	-	-	481,903,639
Segment Liabilities	7,937	3,324	520,516,142	22,176,591	(104,193,773)	438,510,221

- f) Operating segments which have been prepared in accordance with the reportable segments as of 31 December 2014 are as follows:

	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

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

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NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Income				
Segment revenue	689,691	33,460,808	163,326	13,552,075
Consolidated Income	689,691	33,460,808	163,326	13,552,075
EBITDA				
Segment EBITDA	(1,561,958)	(18,503,759)	(439,295)	(17,467,354)
Other EBITDA	23,107,337	34,708,734	27,179,908	36,557,588
Consolidated EBITDA	21,545,379	16,204,975	26,740,613	19,090,234
Financial income	62,922,287	78,918,420	22,387,085	47,261,030
Financial expense	(55,588,119)	(47,850,144)	(29,105,303)	(13,815,412)
Income/ (expenses) from investing activities	433,840	(62,583,151)	186,389	(62,583,151)
(Loss)/ income from investments accounted by equity method	(22,421,217)	18,538,869	4,222,678	(7,505,140)
Amortisation and depreciation	(715,097)	(966,555)	(465,190)	(437,944)
Consolidated income/(loss) before tax	6,177,073	2,262,414	23,966,272	(17,990,383)

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2015	31 December 2014
Cash	11,457	6,454
Banks		
- demand deposit	611,782	484,069
- time deposit	177,844,972	193,229,462
	178,468,211	193,719,985

The maturities of cash and cash equivalents are as follows:

Up to 30 days	178,468,211	193,719,985
	178,468,211	193,719,985

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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

	30 June 2015	31 December 2014
TRY	8.93	8.58
USD	1.45	1.56
EUR	0.50	-

Cash and cash equivalents as of 30 June 2015, 31 December 2014 and 30 June 2014, as seen in condensed consolidated interim and consolidated cash flow statements, are as follows:

	30 June 2015	31 December 2014	30 June 2014
Cash and cash equivalents	178,468,211	193,719,985	190,176,224
Less: Interest accrual	(172,157)	(160,559)	(115,984)
	178,296,054	193,559,426	190,060,240

The company has no blocked deposits as of 30 June 2015 (31 December 2014: None).

NOTE 5 - FINANCIAL ASSETS

	30 June 2015			31 December 2014		
	Short term	Long term	Total	Short term	Long term	Total
Financial assets held for sale	-	63,240	63,240	-	63,240	63,240
Held-to-maturity financial assets	7,692,723	-	7,692,723	7,774,969	-	7,774,969
	7,692,723	63,240	7,755,963	7,774,969	63,240	7,838,209

a) Financial assets held for sale

	30 June 2015		31 December 2014	
	Participation amount	Participation rate (%)	Participation amount	Participation rate (%)
ATAŞ	13,240	5.00	13,240	5.00
Elektrik Piyasaları İşletmeleri A.Ş.	50,000	0.08	50,000	0.08
	63,240		63,240	

Financial assets are valued 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.

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NOTE 5 - FINANCIAL ASSETS (Continued)

b) Held to maturity financial assets:

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

	30 June 2015	31 December 2014
Bonds:		
Public sector bonds	5,372,808	5,372,808
Private sector bonds	2,319,915	2,402,161
	7,692,723	7,774,969

Remaining time to maturity dates of held-to-maturity financial assets in agreements as of 30 June 2015 is as follows:

Less than 3 months	5,961,739
Until the one year	1,730,984
Total	7,692,723

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

Less than 3 months	5.937.675
Until the one year	1.837.294
Total	7.774.969

Movement table of held-to-maturity financial assets are as follows:

	2015	2014
1 January	7,774,969	7,011,076
Purchases	24,064	9,482,515
Disposals through sales and redemptions	(146,705)	(11,440,610)
Additions due to amortized cost	40,395	40,395
30 June	7,692,723	5,093,376

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NOTE 6 - FINANCIAL LIABILITIES

As of 30 June 2015 and on 31 December 2014 financial liabilities are as follows:

	30 June 2015	31 December 2014
Short term bank borrowings	57,824,530	52,912,203
Long term bank borrowings	366,778,256	350,566,964
Total financial liabilities	424,602,786	403,479,167

	30 June 2015		
	Yearly average effective interest rate(%)	Original amount	TRY
EUR borrowings			
- Floating interest rate (*)	1.87	12,774,602	38,096,418
- Fixed interest rate	5.28	32,604	97,233
USD borrowings			
- Floating interest rate (**)	3.74	7,307,776	19,630,879
Total short term financial liabilities			57,824,530
EUR borrowings			
- Floating interest rate (*)	1.87	88,012,835	262,471,876
- Interest accrual of floating rate loan		45,850	136,734
- Fixed interest rate (***)	3.36	5,269,916	15,715,943
USD borrowings			
- Floating interest rate (**)			
- Interest accrual of floating rate loan	3.74	32,927,708	88,453,703
Total long term financial liabilities			366,778,256
Total financial liabilities			424,602,786

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TRY321,917,047 (EUR107,946,163), ECA premium of TRY19,949,533 (EUR6,689,535) 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 TRY108,347,434 (USD40,333,333) and management fee of TRY262,852 (USD97,849) have been deducted from the original amount. These amounts will be amortised until the end of loan agreement.

(***) Original amount of loan related to investment of geothermal power plants of Turcas BM Kuyucak is obtained from TSKB is EUR5,000,000 with maturity ending 4 July 2016 at interest rate 2,3%.

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

	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 (USD44,000,000) and management fee of TRY286,391 (USD123,503) 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 valued to TRY using effective exchange rates at period end, Interest rates of floating interest rated financial debts are redetermined in 6 month periods, therefore carrying values are considered to be approximate fair values.

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of financial liabilities is as follows:

	2015	2014
0 - 1 year	57,824,529	52,912,203
1 - 2 years	72,231,920	52,483,456
2 - 3 years	57,380,218	52,492,544
3 - 4 years	57,390,014	52,501,925
4 - 5 years	57,401,369	52,456,292
After 5 years	122,374,736	140,632,747
	424,602,786	403,479,167

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 EUR107,946,163 of the loan received from the bank consortium formed by Bayern LB and Portigon AG and the portion USD40,333,333 of the loan received from TSKB have been utilised as of 30 June 2015.

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 EUR 8,500,000, with maturity ending 3 February 2016. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR8,500,000 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.

TURCAS PETROL A.Ş.

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	%	30 June 2015	%	31 December 2014
STAŞ	30.00	410,048,700	30.00	404,411,400
RWE & Turcas Güney Elektrik Üretim A.Ş.,	30.00	62,797,877	30.00	90,458,925
Turcas & BM Kuyucak Jeotermal Elektrik Üretim A.Ş.,	46.00	9,057,062	46.00	3,643,573
		481,903,639		498,513,898
		30 June 2015		30 June 2014
Balance at the beginning of the period		498,513,898		696,777,036
Incomes and loss from associates (net) (*)		(22,421,217)		18,538,869
Dividends received		-		(15,000,000)
Transactions with associates (**)		382,958		3,367,135
Currency translation differences		-		16,339,446
Changes in scope of consolidation		-		(194,074,540)
Capital increase of associates (***)		5,428,000		24,000,000
Balance at the end of the period		481,903,639		549,947,946

(*) The Group’s income and loss balances from associates amounting to TRY(22,421,217) consist of income balance from Shell & Turcas Petrol A.Ş amounting to TRY5,637,300, expense balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TRY(28,044,007), expense balance from Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. amounting to TRY(14,510).

(**) 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 capital increase is related to Turcas & BM Kuyucak Jeotermal Elektrik Üretim A.S. as of 30 June 2015.

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 1,069 fuel stations, lubricant production facilities, retail and commercial sale.

TURCAS PETROL A.Ş.

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

Shell & Turcas Petrol A.Ş. continued its strong position in fuel distribution and lubricants sector in Turkey and recorded TRY6,939,803,000 sales in the first three months of 2015 (30 June 2014: TRY7,332,742,000). 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 25% in gasoline sales and 24% in lubricants as of 31 March 2015, Shell & Turcas Petrol A.Ş. is third in the white products market that is total of gasoline and diesel sales with 17% market share according to PETDER data.

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

STAS

	30 June 2015	31 December 2014
Total assets	3,704,996,000	3,338,590,000
Total liabilities	(2,338,167,000)	(1,990,550,000)
Net assets	1,366,829,000	1,348,040,000

Group’s share of associate’s net assets **410,048,700** **404,411,400**

	1 January - 30 June 2015	1 January - 30 June 2014
Net sales revenue	6,939,803,000	7,332,742,000
Net income for the period	18,791,000	68,077,000

Group’s share of associate’s profit for the period **5,637,300** **20,423,100**

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.

	30 June 2015	31 December 2014
Total assets	1,517,296,266	1,558,555,411
Total liabilities	(1,271,033,139)	(1,218,812,261)
Net assets	246,263,127	339,743,150

Group’s share of associate’s net assets **73,878,938** **101,922,945**

TURCAS PETROL A.Ş.

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

	1 January - 30 June 2015	1 January - 30 June 2014
Net sales revenue	283,064,000	326,214,308
Loss for the period	(93,480,023)	(58,567,952)
Group’s share of loss for the period	(28,044,007)	(17,570,386)

Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş.

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

	30 June 2015	31 December 2014
Total asset	22,877,266	15,506,952
Total liabilities	(3,188,001)	(7,586,142)
Net assets	19,689,265	7,920,810
Group’s share of associate’s net assets (*)	9,057,062	3,643,573

(*) Group has made a contribution amounting to TRY 5,428,000 to the capital increase made in Turcas BM&Kuyucak Jeotermal Elektrik Üretim A.Ş. on 17 April 2015.

	1 January - 30 June 2015	1 January - 30 June 2014
Loss for the period	(31,543)	(14,871)
Group’s share of associate’s loss for the period	(14,510)	(6,841)

TURCAS PETROL A.Ş.

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

NOTE 8 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a. Contingent assets and liabilities

Contingent assets and liabilities of Turcas Petrol

Collaterals, pledges, mortgages (CPM) given by the Group, as of 30 June 2015 and 31 December 2014 are as follows:

	Currency	30 June 2015		31 December 2014	
		Original Amount	TRY Amount	Original Amount	TRY Amount
A. CPM's given for companies' Own legal personality	TRY	429,085	429,085	381,500	381,500
B. CPM's given on behalf of fully Consolidated companies (**)	TRY	4,467,941	4,467,941	4,618,402	4,618,402
	EUR	-	-	200,000	564,140
C. CPM's given for continuation of its economic activities on behalf of third parties(*)	USD	77,000,000	206,845,100	77,000,000	178,555,300
	EUR	157,851,984	470,746,187	157,851,984	445,253,091
D. Total amount of other CPM's					
i) Total amount CPM's given on behalf of the majority shareholders		-	-	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C		-	-	-	-
			682,488,313		629,372,433

(*) 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 distributor firms.

TURCAS PETROL A.Ş.

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

NOTE 8 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The rate of GPM’s given by the Company to equity is 102% as of 30 June 2015 (31 December 2014: 88%).

	30 June 2015	31 December 2014
Letter of guarantees received	37,000	7,361,109
Letter of other guarantees received	27,000	57,000
Mortgage received	-	2,201,150
	64,000	9,619,259

Contingent assets and liabilities of Turcas Petrol A.Ş. regarding Shell & Turcas Petrol A.Ş.

The contingent assets and liabilities of the Group related to Shell&Turcas Petrol A.Ş. are follows:

	30 June 2015	31 December 2014
Letters of guarantee given to the customs office	898,126,500	824,856,000
Letters of guarantee given to the tax office	39,741,300	24,577,800
Letters of guarantee given to the EMRA	15,001,500	15,000,000
Other	1,716,600	3,699,300
Total	954,585,900	868,133,100

	30 June 2015	31 December 2014
Mortgages taken	445,030,200	391,216,200
Letters of guarantees received	163,135,200	160,657,200
Other guarantees received	77,143,500	50,101,200
Total	685,308,900	601,974,600

Shell&Turcas Petrol A.Ş. has committed to pay TRY118,149,000 to the station owners for the station improvement in the periods mentioned below (31 December 2014: 139,500,000). The payment terms of group’s share of warranty is as follows:

	30 June 2015	31 December 2014
Within 1 year	6,230,100	10,438,200
1-5 years	20,828,700	20,816,400
5-22 years	8,385,900	10,595,400
	35,444,700	41,850,000

TURCAS PETROL A.Ş.

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

NOTE 8 - PROVISIONS, 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 criticized 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 criticized regarding VAT and stamp duty and has been notified on 31 December 2014 to pay penalty amounting TRY10,165,263 as tax base and TRY10,671,868 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.

Contingent assets and liabilities of Turcas Petrol A.Ş. regarding RWE & Turcas Güney Elektrik Üretim A.Ş.

The contingent assets and liabilities of the Group related to RWE & Turcas Güney Elektrik Üretim A.Ş. are follows:

	30 June 2015	31 December 2014
Letters of guarantees given to EMRA	2,466,701	2,466,701
Letters of guarantees given to suppliers	4,500	-
Other	6,000	10,500
Total	2,477,201	2,477,201
	30 June 2015	31 December 2014
Letters of guarantees received	4,879,825	3,434,423
Cheque of guarantees received	80,400	80,400
Total	4,960,225	3,514,823

TURCAS PETROL A.Ş.

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

NOTE 8 - PROVISIONS, 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:

	30 June 2015	31 December 2014
Letters of guarantees given to the Sub-Governorship of Kuyucak	358,356	97,578
Letters of guarantees given to the Governorship of Aydın	135,700	135,700
Letters of guarantees given to EMRA	61,962	61,962
Letters of guarantees given to Aydem Elektrik	5,980	51,980
Total	561,998	347,220

NOTE 9 - EQUITY

a) Share capital

Shareholders	Group	Allocation (%)	30 June 2015	Allocation (%)	31 December 2014
Aksoy Holding A.Ş.	A/C Group	51.55	139,175,892	51.55	115,979,910
Publicly Traded	A Group	25.04	67,605,319	25.03	56,312,433
Turcas Petrol A.Ş. (*)	A Group	5.36	14,471,336	5.36	12,059,447
YTC Turizm ve Enerji Ltd. Şti.	A Group	4.02	10,865,362	4.02	9,054,468
Suna Baban	A/B Group	3.46	9,347,663	3.46	7,789,719
Müeddet Hanzat Öz	A/B Group	3.46	9,353,058	3.46	7,794,215
Yılmaz Tecmen	A/B Group	2.21	5,962,540	2.21	4,968,783
Other	A/B Group	4.90	13,218,830	4.91	11,041,025
Total		100,00	270,000,000	100,00	225,000,000
Treasury shares adjustment (*)			(22,850,916)		(22,850,916)
Inflation adjustment			41,247,788		41,247,788
Adjusted capital			288,396,872		243,396,872

(*) %5.36 shares of Turcas Petrol A.Ş. which was owned by Turcas Enerji Holding A.Ş., one of Turcas Petrol A.Ş.'s subsidiaries, have been purchased by Turcas Petrol A.Ş. on 29 November 2012 as a consequence of Repurchasing Programme prepared in accordance with the communiqué no 26/767 "Principles for the Firms whose shares are quoted in ISE (Istanbul Stock Exchange) during the purchase of their own shares" by CMB on 10 August 2011. Treasury shares as of 30 June 2015 and 31 December 2014 consist of this transaction.

TURCAS PETROL A.Ş.

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

NOTE 9 - EQUITY (Continued)

a) Share capital (Continued)

As of 24 June 2015, Group has increased its share capital from TRY225,000,000 to TRY270,000,000 by transferring from retained earnings.

The issued capital of the Company in 2015 is composed of 270,000,000 shares (31 December 2014: 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 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.

b) Restricted reserves excepted from profit

	30 June 2015	31 December 2014
Legal Reserves	36,674,580	36,674,580
	36,674,580	36,674,580

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. In accordance with the Turkish Commercial Code, legal reserves can be used for offsetting the losses as long as they do not exceed 50% of the paid in capital. Apart from that, they can not be used in anyhow.

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.

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 JUNE 2015**

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

NOTE 10 - SALES AND COST OF SALES

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Electricity sales (*)	583,072	30,887,389	149,546	13,552,075
Other sales	106,619	2,573,419	13,780	-
	689,691	33,460,808	163,326	13,552,075
	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Electricity costs	553,584	32,808,644	108,390	13,064,412
Transmission capacity and service fee	2,818	24,569	1,406	12,768
Other costs	5,265	9,550	425	6,135
	561,667	32,842,763	110,221	13,083,315

(*) Turcas Elektrik Toptan Satış A.Ş. has decided to gradually reduce the retail electricity sales operations with an aim to utilize resources in more efficient investments in accordance with the Board Decision dated 6 May 2015.

NOTE 11 - EXPENSES BY NATURE

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Personnel expenses	6,141,059	5,142,901	2,334,827	3,096,281
Outsourced services	1,749,101	1,057,255	1,301,080	551,621
Rent expenses	806,893	139,809	758,697	57,367
Depreciation and amortization expenses	715,097	966,555	465,190	437,944
Cost of electricity sold	561,667	32,842,763	110,221	13,083,315
Repair and maintenance expenses	510,678	137,588	264,103	15,545
Taxes and other liabilities	482,140	160,524	315,172	99,488
Travel expenses	353,430	450,222	227,886	265,252
Donations	20,326	-	-	-
Other	954,397	718,797	428,190	337,372
	12,294,788	41,616,414	6,205,366	17,944,185

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

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

NOTE 12 - OTHER OPERATING INCOME

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Shell Company Joint Venture				
Contract revenue (*) (Note 16)	32,235,600	23,078,575	32,235,600	23,078,575
Rent income	145,904	135,198	82,003	66,644
Service revenue	106,645	181,053	48,783	66,734
Income on sale of tangible assets	10,678	-	10,678	-
Other	208,364	581,848	67,604	75,724
	32,707,191	23,976,674	32,444,668	23,287,677

(*) Associate Initiative Agreement gives the right to reflect the predetermined amount about Turcas to Shell Türkiye under the circumstances of exceeding amounts of reflected administration expenses from the main associate abroad of Shell Türkiye to STAŞ. The Group accounted for an income accrual amounting to TRY32,235,600 in accordance with the Joint Venture Contract between Turcas Petrol A.Ş. and Shell Turkey in the condensed consolidated interim financial statements as of 30 June 2015.

NOTE 13 - LOSS FROM INVESTMENT ACTIVITIES

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Loss on sale of associate (*)	-	62,583,151	-	62,583,151
	-	62,583,151	-	62,583,151

(*) The Group has sold its shares which was 18.5% of Socar Turkey Yatırım A.Ş. to Rafineri Holding A.Ş. amounting to USD59,390,000 on 15 May 2014. Loss on sale of associate is equal to difference between the Group’s share of the Associate’s net asset and sales price as of date of sale.

NOTE 14 - FINANCIAL INCOME

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Foreign exchange gains	38,037,233	49,287,841	8,958,813	29,925,116
Interest income	24,864,819	29,120,846	13,428,272	17,362,978
Deferred finance income	20,235	509,733	-	(27,064)
	62,922,287	78,918,420	22,387,085	47,261,030

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

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

NOTE 15 - FINANCIAL EXPENSE

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Foreign exchange losses	48,568,753	40,282,740	25,302,835	10,276,842
Interest expenses	6,989,921	7,425,475	3,802,468	3,585,674
Deferred finance charges	29,445	141,929	-	(47,104)
	55,588,119	47,850,144	29,105,303	13,815,412

NOTE 16 - TAX ASSETS AND LIABILITIES

Current tax liability	30 June 2015	31 December 2014
Corporate tax provision	(3,703,702)	(8,614,968)
Less: Prepaid tax and funds	3,548,673	8,035,017
Prepaid tax and funds / (Current tax liability) , net	(155,029)	(579,951)

Tax expense is comprised of the following:

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Current period corporate tax provision	(3,703,702)	(4,108,208)	(163,529)	(4,015,366)
Deferred tax expense	(1,618,115)	(3,222,309)	(3,995,709)	(4,096,559)
	(5,321,817)	(7,330,517)	(4,159,238)	(8,111,925)

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% (31 December 2014: 20%). 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 retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. The companies file their tax returns between 1st-25th of fourth month after fiscal year end.

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NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

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 Turkish 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 Turkish Financial Reporting Standards and tax purposes.

The rate applied in the calculation of deferred tax assets and liabilities is 20% (31 December 2014: 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)	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Carryforward tax loss	(70,017,976)	(48,342,964)	14,003,595	9,668,593
RWE&Turcas Güney interest accrual	1,773,075	-	(354,615)	-
Income accrual from Shell Company				
Joint Venture Contract revenue	32,235,600	4,162,500	(6,447,120)	(832,500)
Interest accrual	10,515,308	10,506,708	2,103,062	2,101,342
Tangible and intangible assets	1,040,363	1,079,224	208,073	215,845
Provision for employee termination benefit	(576,327)	(507,932)	115,265	101,586
Litigation provision	(225,949)	(225,949)	45,190	45,190
Unused vacation provisions	(359,003)	(325,755)	71,800	65,151
Unearned credit finance income	-	20,235	-	4,047
Unearned credit finance expense	-	29,444	-	(5,889)
Deferred tax assets/ (liabilities) (net)			9,745,250	11,363,365

As of the balance sheet date, the Group has carryforward tax losses amounting to TRY75,741,363 (31 December 2014: TRY55,186,214) to be deducted from future profits.

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NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

The Group has carry forward tax losses amounting to TRY75,741,363 from its affiliates. Total carry forward tax losses from Turcas Elektrik Üretim A.Ş., Turcas Yenilenebilir Enerji A.Ş., Turcas Enerji Holding A.Ş., Turcas Elektrik Toptan Satış A.Ş., Turcas Gaz Toptan Satış are TRY70,017,976, TRY4,223,947, TRY1,175,175, TRY318,767 and TRY5,498, respectively. According to Group assessment, carryforward tax losses amounting to TRY5,723,387 can not be utilized from taxable income within the next five years. Therefore, the Group hasn't recognized deferred tax assets from these carryforward tax losses.

The expiration dates of recognized carryforward tax losses are as follows:

	30 June 2015	31 December 2014
2018	48,342,964	48,342,964
2019	21,675,012	-
	70,017,976	48,342,964

The movement of deferred tax assets and liabilities as of 30 June 2015 and 2014 are as follows:

	1 January- 30 June 2015	1 January- 30 June 2014
Opening balance	11,363,365	18,028,625
Deferred tax expense	(1,618,115)	(3,222,309)
Closing balance	9,745,250	14,806,316

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

	30 June 2015	30 June 2014
Profit before tax	6,177,073	2,262,414
Tax Effect (%)	20%	20%
Tax expense of the Group	(1,235,415)	(452,483)
Tax effect of exemptions	832,500	10,020
Transactions with associates	(4,484,243)	3,707,774
Tax effect of non deductible expenses	(27,020)	(40,389)
Utilized carry forward tax losses	61,199	12,577
Unused portion of carry forward tax losses	(174,934)	(192,012)
Loss on sale of associate		(10,946,493)
Other	(293,904)	570,489
Income tax expense	(5,321,817)	(7,330,517)

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NOTE 17 - EARNINGS PER SHARE/ (LOSS)

At 30 June 2015 and 2014, the weighted average number of shares and earnings per share/ (loss) are as follows:

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Weighted average number of outstanding shares	270,000,000	225,000,000	270,000,000	225,000,000
Profit/ (loss) attributable to the equity holders of the parent	855,058	(5,067,324)	19,805,773	(26,101,449)
Earnings per share/ (loss)	0.003	(0.023)	0.088	(0.116)

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NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Balances with related parties	30 June 2015							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Trade	Other	Trade	Other	Trade	Other	Trade	Other	
Associates								
Shell&Turcas Petrol A.S.	-	-	-	-	-	53,536	-	-
RWE & Turcas Güney Elektrik Üretim A.S. (*)	-	47,507,413	-	313,439,076	-	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A.S.	-	1,008,320	-	-	-	-	-	-
Other entities								
Conrad Yeditepe Beyn. Otelcilik Turz.ve Tic. A.Ş. (**)	266,211	-	-	-	-	-	-	-
Gerçek kişi ortaklara ödenecek temettüleri	-	-	-	-	-	221,635	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	13,288	-	-	-	63,419	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	3,477	-	-	-	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	54,857	-	-
Aksoy Holding A.Ş.	-	-	-	-	-	4,187	-	-
	266,211	48,532,498	-	313,439,076	-	397,634	-	-

(*) 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, TRY21,868,259 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 Beynelmillel Otelcilik Turizm ve Ticaret A.Ş., as with other clients, according to sales contract signed between them. This amount has been collected in subsequent period.

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2015**

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NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Transactions with related parties	1 January - 30 June 2015						
	Purchases	Sales	Interest received	Interest paid	Rent income	Other income	Other expense
Associates							
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	21,868,259	-	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A.Ş.	-	-	139	-	-	3,000	-
Other Entities							
The Shell Company of Turkey LTD.	-	-	-	-	-	32,235,600	-
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic. A.S.	-	230,200	-	-	-	-	-
Etiler Dış Ticaret Ltd. Sti.	-	-	-	-	3,000	10,060	-
Aksoy Maslak Taşınmaz Yatırımları A.S.	-	-	-	-	3,000	10,060	-
Aksoy Holding A.S.	-	-	-	-	3,000	165,774	-
Aksoy Bodrum Taşınmaz Yatırımları A.S.	-	-	-	-	3,000	10,060	-
Aksoy Enternasyonal Ticaret Anonim Sirketi	-	-	-	-	3,000	34,634	-
Aksoy Petrol Taşınmaz Yatırımları A.S.	-	-	-	-	3,000	10,060	-
Ataş Anadolu Tasfiyehanesi A.S.	-	-	-	-	76,588	10,499	-
YTC Turizm ve Enerji Ltd. Sti.	-	-	-	-	-	3,328	-
TOTAL	-	230,200	21,868,398	-	94,588	32,493,075	-

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NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Balances with related parties	31 December 2014							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	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	-	-	-	-	-	-	-
Gerçek kişi ortaklara ödenecek temettüleri	-	-	-	-	-	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.

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NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Transactions with related parties	1 January - 30 June 2014						
	Purchases	Sales	Interest received	Rent income	Dividend income	Other income	Other expense
Associates							
Shell & Turcas Petrol A.Ş.	5,612	588,251	-	-	15,000,000	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	5,806,426	-	17,476,719	-	-	-	-
Other Entities							
The Shell Company of Turkey LTD.	-	-	-	-	-	23,078,575	-
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic. A.Ş.	-	1,962,510	-	-	-	-	-
Etiler Dış Ticaret Ltd. Şti.	-	-	-	3,000	-	8,833	-
Aksoy Taşınmaz Yatırımları A.Ş.	-	-	-	6,000	-	17,667	-
Aksoy Holding A.Ş.	-	-	-	3,000	-	107,595	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	3,000	-	8,833	-
Aksoy Enternasyonal Ticaret Anonim Şirketi	-	-	-	3,000	-	28,941	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	65,114	-	-	-
YTC Turizm ve Enerji Ltd. Şti	2,307	-	-	-	-	-	-
	5,814,345	2,550,761	17,476,719	83,114	15,000,000	23,250,444	-

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NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Total compensation provided to key management personnel by the Company during the current period are as follows:

	1 January - 30 June 2015	1 January - 30 June 2014	1 April - 30 June 2015	1 April - 30 June 2014
Salaries and other short term benefits	1,940,280	1,839,811	1,394,547	983,497
	1,940,280	1,839,811	1,394,547	983,497

Between 2015 and 2014, the senior management bonuses, daily allowance, retirement benefits, dismissal, post employment benefits, equity settled share-based payments, and other long-term benefits did not provided.

NOTE 19 - FOREIGN CURRENCY POSITION

Foreign currency transactions cause foreign currency risk.

The Group has foreign currency risk, due to the fluctuations in exchange rates used in used in foreign currency transactions. The foreign currency risk arises from future trade transactions, 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. The Group is primarily exposed to risks from USD and EUR, other currency's effects are immaterial.

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NOTE 19 - FOREIGN CURRENCY POSITION (Continued)

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

		30 June 2015			
		TRY Equivalent (Functional currency)	USD	Euro	Other
1-	Trade receivables	-	-	-	-
2a-	Monetary financial assets	156,771,833	52,768,247	5,036,579	407
2b-	Non-monetary financial assets	-	-	-	-
3-	Other	-	-	-	-
4-	Current assets (1+2+3)	156,771,833	52,768,247	5,036,579	407
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)	156,771,833	52,768,247	5,036,579	407
10-	Trade payables	-	-	-	-
11-	Financial liabilities	57,824,530	7,307,776	12,807,207	-
12a-	Other monetary financial liabilities	-	-	-	-
12b-	Other non-monetary financial liabilities	-	-	-	-
13-	Current Liabilities (10+11+12)	57,824,530	7,307,776	12,807,207	-
14-	Trade payables	-	-	-	-
15-	Financial liabilities	366,778,256	32,927,708	93,328,601	-
16a-	Other monetary financial liabilities	-	-	-	-
16b-	Other non-monetary financial liabilities	-	-	-	-
17-	Non-current liabilities (14+15+16)	366,778,256	32,927,708	93,328,601	-
18-	Total liabilities (13+17)	424,602,786	40,235,484	106,135,808	-
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)	(267,830,953)	12,532,763	(101,099,229)	407
21-	Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(152,181,893)	27,148,315	(75,484,815)	407
22-	Fair value of foreign currency hedged financial assets	-	-	-	-
23-	Hedged foreign currency assets	-	-	-	-
24-	Hedged foreign currency liabilities	-	-	-	-
25-	Exports	-	-	-	-
26-	Imports	-	-	-	-

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NOTE 19 - FOREIGN CURRENCY POSITION (Continued)

		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	350,566,964	36,563,465	94,224,819	-
16a-	Other monetary financial liabilities	-	-	-	-
16b-	Other non-monetary financial liabilities	-	-	-	-
17-	Non-current liabilities (14+15+16)	350,566,964	36,563,465	94,224,819	-
18-	Total liabilities (13+17)	403,479,167	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)	(246,017,497)	24,007,426	(106,955,124)	-
21-	Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10-11-12a-14+15-16a)	(246,017,497)	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	-	-	-	-

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NOTE 19 - FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity

	30 June 2015			
	Gain/(Loss)		Equity	
	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	3,366,676	(3,366,676)	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	3,366,676	(3,366,676)	-	-
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(30,149,812)	30,149,812	-	-
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(30,149,812)	30,149,812	-	-
+/-10% fluctuation of GBP rate				
7- GBP net asset / liability	171	(171)	-	-
8- Part of hedged from GBP risk (-)	-	-	-	-
9- GBP net effect (7+8)	171	(171)	-	-
TOTAL (3+6+9)	(26,782,965)	26,782,965	-	-

	31 December 2014			
	Gain/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation 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	-	-

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NOTE 20 - SUBSEQUENT EVENTS

- a) Group has been decided to merge with Turcas Gaz Toptan Satış A.Ş. (100% subsidiary) registered to Istanbul Trade Registry Directorate numbered 556066, via takeover method whereby all assets and liabilities of Turcas Gaz Toptan Satış A.Ş. shall be transferred to Turcas Petrol A.Ş. as a whole. Prior to merger transaction, Turcas Gaz Toptan Satış A.Ş. submitted an application to Energy Market Regulatory Authority ("EMRA") on 10 June 2015 for the termination of Gas Wholesale License dated 17 May 2007 and numbered DTS/1198-3/153 and Spot LNG License dated 3 August 2010 and numbered DİT/2680-4/213 held by Turcas Gaz Toptan Satış A.Ş. as per the Natural Gas Market License Regulation. Group has been informed that the mentioned applications were approved by EMRA and the related licenses have been terminated in accordance with Article 16 of Natural Gas Market License Regulation. Therefore, Group has been informed that the sign-off decision of attached Merger Agreement has been taken during the Board of Directors decisions of Turcas Petrol A.Ş. and Turcas Gaz Toptan Satış A.Ş. dated 23 July 2015. Accordingly, Merger Agreement has been signed on 24 July 2015. Following this step, Text of Announcement will be submitted to Capital Markets Board for approval.
- b) Group subsidiary (100%) which is Turcas Enerji Holding A.S. and Azalternativenerji Limited Company operating under Azerbaijan Republic Alternative and Renewable Energy Sources Government Agency (ABEMDA) has signed a MoU on 21 July 2015 with an aim to collaborate in solar, wind and geothermal power plant investments that are planned to take place in Turkey and Azerbaijan and to develop projects. The mentioned MoU will be valid for 3 years starting from the date of signature.
- c) According to announcement made by International Credit Rating Agency Fitch Ratings on the 7 August 2015, Turcas Petrol A.Ş.'s Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) were affirmed at "B" and its National Long-Term Rating was affirmed at "BBB-(Tur)" with a "Stable" Outlook.

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