

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY - 30 SEPTEMBER 2016**

(ORIGINALLY ISSUED IN TURKISH)

TURCAS PETROL A.Ş.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2016**

CONTENTS	PAGE
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION.....	1-2
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3-4
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW	6
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	7-41
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	7-8
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	9-13
NOTE 3 SEGMENT REPORTING.....	13-15
NOTE 4 CASH AND CASH EQUIVALENTS.....	16
NOTE 5 FINANCIAL ASSETS	16-17
NOTE 6 FINANCIAL LIABILITIES.....	18-21
NOTE 7 INVESTMENTS ACCOUNTED BY EQUITY METHOD.....	21-23
NOTE 8 PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	23-25
NOTE 9 EQUITY.....	26-27
NOTE 10 SALES AND COST OF SALES.....	28
NOTE 11 EXPENSES BY NATURE.....	28
NOTE 12 OTHER OPERATING INCOME	28
NOTE 13 INCOME FROM INVESTMENT ACTIVITIES	29
NOTE 14 FINANCIAL INCOME.....	29
NOTE 15 FINANCIAL EXPENSE.....	29
NOTE 16 TAX ASSETS AND LIABILITIES	30-32
NOTE 17 EARNINGS/(LOSS) PER SHARE	32
NOTE 18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	33-37
NOTE 19 FOREIGN CURRENCY POSITION	37-40
NOTE 20 BUSINESS COMBINATIONS.....	41
NOTE 21 SUBSEQUENT EVENTS.....	41

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AT 30 SEPTEMBER 2016 AND 31 DECEMBER 2015**

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

		(Not Audited)	(Audited)
	Notes	30 September 2016	31 December 2015
ASSETS			
Current assets			
Cash and cash equivalents	4	160,875,175	168,562,550
Financial assets	5	-	10,368,039
Trade receivables		611,622	512,073
-Trade receivables from related parties	18	154,957	-
-Trade receivables from third parties		456,665	512,073
Other receivables		35,696,141	47,010,265
-Other receivables from related parties	18	35,556,114	46,555,414
-Other receivables from third parties		140,027	454,851
Prepaid expenses		1,757,517	1,526,650
Other current assets		307,681	2,000,901
Total Currents Assets		199,248,136	229,980,478
Non-current assets			
Other receivables		184,771,540	183,329,818
-Trade receivables from related parties	18	184,746,316	183,304,585
-Other receivables from third parties		25,224	25,233
Prepaid expenses		2,842,744	-
Financial assets	5	63,240	63,240
Investments accounted by equity method	7	628,212,148	617,944,470
Property, plant and equipment	20	66,595,555	19,702,714
Intangible assets	20	12,890,438	6,247
Deferred tax assets	16	18,160,496	18,985,199
Other non-current assets		11,171,932	1,724,287
Total Non-Current Assets		924,708,093	841,755,975
Total Assets		1,123,956,229	1,071,736,453

These condensed interim consolidated financial statements as at and for the period ended 30 September 2016 have been approved for issue by the Board of Directors (“BoD”) on 8 November 2016 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 SEPTEMBER 2016 AND 31 DECEMBER 2015**

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

		(Not Audited)	(Audited)
	Notes	30 September 2016	31 December 2015
LIABILITIES			
Current liabilities			
Financial liabilities	6	57,851,733	78,299,317
-Short-term portion of long term financial liabilities		57,851,733	78,299,317
Trade payables		1,721,547	497,460
-Trade payables from third parties		1,721,547	497,460
Other payables		3,075,873	5,234,976
-Trade payables from related parties	18	1,422,698	552,644
-Trade payables from third parties		1,653,175	4,682,332
Current income tax liabilities	16	291,734	5,630,891
Short term provisions		181,964	497,535
-Short-term provisions related to employee benefits		181,964	267,086
-Other short term provisions		-	230,449
Other current liabilities		2,449	287
Total Current Liabilities		63,125,300	90,160,466
Non-current liabilities			
Long-term financial liabilities	6	414,351,881	346,508,276
Long term provisions for employee benefits		411,902	626,573
Deferred tax liabilities	16	-	21,943
Other non-current liabilities		970,385	996,831
Total Non-Current Liabilities		415,734,168	348,153,623
Shareholders' Equity			
Share capital	9	270,000,000	270,000,000
Adjustment to share capital	9	41,247,788	41,247,788
Treasury shares (-)	9	(22,850,916)	(22,850,916)
Other comprehensive income/expense not to be reclassified to profit or loss		(3,173,625)	(3,393,300)
-Actuarial gains/ (losses) on defined benefit plans		(3,173,625)	(3,393,300)
Restricted reserves	9	37,333,125	36,674,580
Retained earnings		297,557,197	348,170,904
Net profit / (loss) for the period		23,445,296	(36,421,614)
Equity attributable to equity holders of the parent		643,558,865	633,427,442
Non-controlling interest		1,537,896	(5,078)
Total Equity		645,096,761	633,422,364
Total Liabilities and Equity		1,123,956,229	1,071,736,453

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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE - MONTH PERIODS ENDED 30 SEPTEMBER

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

		(Not audited)		(Not audited)	
	Notes	1 January- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2016	1 July - 30 September 2015
CONTINUING OPERATIONS					
Revenue	10	-	755,886	-	66,195
Cost of sales (-)	10,11	-	(621,436)	-	(59,769)
GROSS PROFIT/ (LOSS) FROM TRADING ACTIVITIES		-	134,450	-	6,426
General administrative expenses (-)	11	(16,442,527)	(16,161,417)	(5,741,380)	(4,844,700)
Marketing, selling and distribution expenses (-)	11	(602)	(612,627)	-	(196,223)
Other operating income	12	26,341,028	44,682,281	1,729,050	11,975,090
Other operating expenses (-)		(1,760,519)	(409,395)	(1,453,383)	(137,583)
OPERATING PROFIT/ (LOSS)		8,137,380	27,633,292	(5,465,713)	6,803,010
Income from investment activities	13	4,278,885	433,840	-	-
Income/(Loss) from investments accounted by equity method	7	19,098,465	(27,871,139)	14,743,017	(5,449,922)
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL INCOME AND EXPENSE		31,514,730	195,993	9,277,304	1,353,088
Financial income	14	63,057,862	93,006,422	14,003,908	30,084,135
Financial expense (-)	15	(66,371,613)	(123,519,653)	(22,544,089)	(67,931,534)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		28,200,979	(30,317,238)	737,123	(36,494,311)
Tax (Expense)/Income From Continued Operations					
- Current income tax expense	16	(4,084,127)	(6,926,524)	(263,730)	(3,222,822)
- Deferred tax (expense) / income	16	(819,365)	7,866,411	2,172,161	9,484,526
CONTINUED OPERATIONS PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		23,297,487	(29,377,351)	2,645,554	(30,232,607)
Attributable to:					
Equity holders of the parent		23,445,296	(29,377,917)	2,793,330	(30,232,975)
Non-controlling interest		(147,809)	566	(147,776)	368
Earnings/(loss) per share	17	0.087	(0.1088)	0.010	(0.1344)

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 PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE NINE - MONTH PERIODS ENDED 30
SEPTEMBER**

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

	(Not audited)		(Not audited)	
	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
PROFIT / (LOSS) FOR THE PERIOD	23,297,487	(29,377,351)	2,645,554	(30,232,607)
Other comprehensive income Not to be reclassified to profit or loss				
Actuarial gains / (losses) on defined benefit plans	274,594	-	(202,821)	-
Taxes related to other comprehensive income not to be reclassified to profit or loss				
- Deferred tax (expense) / income	(54,919)	-	40,564	-
OTHER COMPREHENSIVE INCOME / (LOSS)	219,675	-	(162,257)	-
Total comprehensive income/(loss)	23,517,162	(29,377,351)	2,483,297	(30,232,607)
Attributable to:				
Equity holders of the parent	23,664,971	(29,377,917)	2,631,073	(30,232,975)
Non-controlling interests	(147,809)	566	(147,776)	368
Earnings/(Loss) per share	0.088	(0.1088)	0.010	(0.1344)

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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER

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

	Paid in Capital	Adjustment to share capital	Treasury shares	Restricted reserves	Other comprehensive income/expense not to be reclassified to profit or loss Actuarial gains / (losses) on defined benefit plans	Retained earnings	Net (loss)/income for period	Equity holders of the parent	Non-controlling interest	Total Equity
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	-	-	-
Share capital increase	45,000,000	-	-	-	-	45,000,000	-	-	-	-
Changes in ownership rate of subsidiaries that do not result in control losses	-	-	-	-	-	-	-	-	(5,411)	(5,411)
Dividends paid	-	-	-	-	-	(12,303,229)	-	(12,303,229)	-	(12,303,229)
Total comprehensive loss	-	-	-	-	-	-	(29,377,917)	(29,377,917)	566	(29,377,351)
30 September 2015	270,000,000	41,247,788	(22,850,916)	36,674,580	(5,515,500)	348,170,904	(29,377,917)	638,348,939	(4,836)	638,344,103
1 January 2016	270,000,000	41,247,788	(22,850,916)	36,674,580	(3,393,300)	348,170,904	(36,421,614)	633,427,442	(5,078)	633,422,364
Dividends paid	-	-	-	658,545	-	(14,192,093)	-	(13,533,548)	-	(13,533,548)
Transfers	-	-	-	-	-	(36,421,614)	36,421,614	-	-	-
Transactions made with non-controlling interests (Note 20)	-	-	-	-	-	-	-	-	1,690,783 (*)	1,690,783
Other comprehensive income / (expense)	-	-	-	-	219,675	-	-	219,675	-	219,675
Net income for the period	-	-	-	-	-	-	23,445,296	23,445,296	(147,809)	23,297,487
Total comprehensive income	-	-	-	-	219,675	-	23,445,296	23,664,971	(147,809)	23,517,162
30 September 2016	270,000,000	41,247,788	(22,850,916)	37,333,125	(3,173,625)	297,557,197	23,445,296	643,558,865	1,537,896	645,096,761

(*) For the nine month interim period ending 30 September 2016, TL 1,690,333 portion of the transactions made with non-controlling interests amounting to TL 1,690,783 result from the acquisition of 46% shares of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. (Note 20).

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 NINE MONTH PERIODS ENDED 30 SEPTEMBER

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

	Notes	1 January- 30 September 2016	1 January- 30 September 2015
A. Cash flows from operating activities		74,799,359	2,813,368
Net income/(loss)		23,297,487	(29,377,351)
Adjustments to reconcile net income/(loss)		36,552,214	105,041,239
Adjustments related to tax (income) / expense	16	4,903,492	(939,887)
Adjustment related to unrealized foreign currency translation differences		55,908,294	101,693,003
Adjustments related to depreciation and amortization expenses		1,626,450	1,067,049
Adjustments related to losses / (gains) resulting from the disposal of the non-current assets held for sale or distribution to the shareholders		10,368,039	487,093
Adjustments related to provisions / (reversals) for employee termination benefits		24,653	(55,181)
Adjustments related to provision for litigations		(230,449)	-
Adjustments related to undistributed profit/losses of investments accounted using the equity method	7	(19,098,465)	27,871,139
Adjustments related to undistributed profits of associates	7	-	(574,437)
Adjustments related to losses / (gains) resulting from the disposal of associates, joint ventures and financial investments or from the change in their shareholdings	13, 20	(4,135,456)	-
Adjustments related to interest income	15	14,031,426	10,702,649
Adjustments related to interest expense	14	(26,845,770)	(35,210,189)
Changes in working capital		24,455,653	(68,721,897)
Adjustments related to decrease / (increase) in trade receivables		(99,549)	4,971,631
Decrease / (Increase) in prepaid expenses		1,608,977	(47,728,795)
Adjustments related to increase / (decrease) in trade payables		1,224,087	(5,786,125)
Decrease / (increase) in other assets related to operations		31,421,659	(16,585,037)
Increase / (decrease) in other liabilities related to operations		(9,699,521)	(3,593,571)
Cash used in operations		(9,505,995)	(4,128,623)
Employment termination benefits paid		(82,711)	-
Tax refunds / (payments)		(9,423,284)	(4,128,623)
B. Net cash (resulted from) / generated by investing activities		(1,767,666)	28,944,264
Cash outflow resulted from acquisition of tangible and intangible assets		(6,336,377)	(671,618)
Cash inflow generated by sales of tangible and intangible assets		4,199	160,368
Cash outflow resulted from purchases of long-term assets held for sale		-	(186,887)
Cash outflows resulting from the share acquisition of the associates and / or joint ventures or from the capital increase	7	-	(5,428,000)
Interest received		4,564,512	35,070,401
C. Net cash used in financing activities		(80,660,102)	(36,134,850)
Proceeds from bank borrowings		(2,085,474)	14,888,500
Repayment of bank borrowings		(41,294,432)	(30,795,014)
Interest paid		(11,180,824)	(7,919,696)
Cash outflows related to acquisitions made to gain the control of the associates		(12,565,824)	-
Other cash inflows / (outflows)		-	(5,411)
Dividend paid		(13,533,548)	(12,303,229)
Net increase / (decrease) in cash and cash equivalents		(7,628,409)	(4,377,218)
Cash and cash equivalents balance at the beginning of the period	4	168,448,589	193,559,426
Cash and cash equivalents balance at the end of the period	4	160,820,180	189,182,208

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 SEPTEMBER 2016

(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” or “Turcas”), 5 subsidiaries and 2 associates.

Turcas Petrolcülük A.Ş. was established in 1988 by Türköpetrol 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. Maslak/Sarıyer/İstanbul

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

The Company’s main shareholder is Aksoy Holding A.Ş.. The capital structure of the Company as of the related balance sheet dates has been provided in Note 9.

The number of employees of the Group as of 30 September 2016 is 51 (31 December 2015: 49).

Subsidiaries	Country	Nature of business
Turcas Enerji Holding A.Ş. (former Marmara Petrol ve Rafineri İşleri A.Ş.)	Turkey	Holding
Turcas Elektrik Üretim A.Ş.	Turkey	Electricity
Turcas Elektrik Toptan Satış A.Ş.	Turkey	Electricity
Turcas Yenilenebilir Enerji Üretim A.Ş.	Turkey	Electricity
Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.	Turkey	Energy, electricity

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

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.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

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

Turcas Elektrik Üretim A.Ş. has been established on 23 December 2003 and obtained Electric Production License with the EMRA’s decision numbered 658-2 dated 16 February 2006, for 20 years starting from 16 February 2006. The 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 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 Kuyucak Jeotermal Elektrik Üretim A.Ş., has been 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%). The Company purchased 46% shares owned by BM Mühendislik ve İnşaat A.Ş. on 30 May 2016. Turcas Kuyucak has been included in the Turcas Petrol A.Ş. consolidated financial statements as of the aforementioned date with full consolidation method.

Associates	Company	Nature of business
Shell & Turcas Petrol A.Ş. (“STAŞ”)	Turkey	Petroleum products
RWE&Turcas Güney Elektrik Üretim A.Ş. (“RWE&Turcas Güney”)	Turkey	Energy, electricity

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.

The detailed information about the investments accounted by equity method is given in Note 7.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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 of the Group have been prepared in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS/TFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) that are set out in the 5th article of the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 and published in Official Gazette numbered 28676.

The Group has prepared its condensed interim financial statements as of 30 September 2016 in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” and TAS 34. Condensed interim consolidated financial statements and notes have been prepared in accordance with the minimum requirements published by CMB.

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 Group’s interim condensed consolidated financial statements have been prepared in this respect.

The Group maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the Capital Market Board (“CMB”). The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion, these consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

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 form.

The Group’s interim condensed consolidated financial statements does not contain the entire explanations and notes of the year-end financial statements. Therefore, the interim condensed consolidated financial statements should be examined together with the year-end consolidated financial statements as of 31 December 2015.

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

2.2 Summary of the Significant Accounting Policies

The accounting policies applied during the preparation of these interim condensed consolidated financial statements are consistent with the accounting policies applied for the financial year between 1 January - 31 December 2015. 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 2015.

There is no difference in the accounting policy applied to the condensed consolidated interim 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 CMB Financial Reporting Standards which is based on TAS/IFRS.

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

- IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)
- TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
- TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants
- TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)
- IFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- IFRS 10, IFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)
- TAS 1: Disclosure Initiative (Amendments to TAS 1)
- IFRS 14: Regulatory Deferral Accounts
- Annual Improvements to IFRSs - 2012-2014 Cycle

The amendments will not have any impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- IFRS 9 Financial Instruments – Classification and measurement

**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRS 15 Revenue from Contracts with Customers
- Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)
- IFRS 9 Financial Instruments - Final standard (2014)
- IFRS 16 Leases
- IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)
- IAS 7 Statement of Cash Flows (Amendments)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The Group is assessing the impact of the amendments on financial position or performance of the Group.

Functional and Presentation Currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The condensed interim consolidated financial statements are presented in TL, 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.

**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

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.

Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. If changes in accounting estimates are only for a period, changes are applied to the current year but if the changes in the estimates are for the following period changes are applied both to the current and future years prospectively.

2.4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim 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 realized in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal to 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:

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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 TRY 105,885,704 from which can be utilized with future profits, as of 30 September 2016, (31 December 2015: TRY 88,928,163). 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 16,769,902 (31 December 2015: TRY 16,697,676) has been recognized for total TRY 83,849,512 carryforward tax losses (31 December 2015:TRY 83,488,382) (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 and wholesale 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 present various products and services. Each of these segments is administrated separately by the necessity of requiring different technologies and marketing strategies.

Earnings before financial income and expense, tax, depreciation and amortization, income from investment activities, and income generated by investments consolidated using the equity method (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.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - SEGMENT REPORTING (Continued)

- a) Operating segments which have been prepared in accordance with the reportable segments as of 1 January -30 September 2016 are as follows:

	Oil	Natural gas	Electricity	Other *	Total
EBITDA	-	-	(2,690,105)	12,453,935	9,763,830
Financial income	-	-	50,056,795	13,001,067	63,057,862
Financial expense	-	-	(61,409,895)	(4,961,718)	(66,371,613)
Depreciation and amortisation Expense	-	-	(25,294)	(1,601,156)	(1,626,450)
Income/(loss) from associates	53,120,100	-	(34,021,635)	-	19,098,465
Purchase of tangible and intangible assets	-	-	-	733,072	733,072

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

	Oil	Natural gas	Electricity	Other *	Total
Revenue from external customers	-	-	755,886	-	755,886
EBITDA	(49,787)	(68,775)	(2,341,689)	31,160,592	28,700,341
Financial income	23,430,428	1,018,320	41,270,987	27,286,687	93,006,422
Financial expense	(1,268,023)	(96,055)	(119,158,706)	(2,996,869)	(123,519,653)
Depreciation and amortisation Expense	-	-	(5,915)	(1,061,134)	(1,067,049)
Income/(loss) from associates	13,174,500	-	(41,045,639)	-	(27,871,139)
Purchase of tangible and intangible assets	-	-	671,618	-	671,618

- c) Operating segments which have been prepared in accordance with the reportable segments for the period between 1 July - 30 September 2016 are as follows:

	Oil	Natural gas	Electricity	Other *	Total
EBITDA	-	-	(2,305,858)	(2,590,820)	(4,896,678)
Financial income	-	-	15,797,513	(1,793,605)	14,003,908
Financial expense	-	-	(28,841,578)	6,297,489	(22,544,089)
Depreciation and amortisation Expense	-	-	(24,217)	(544,818)	(569,035)
Income / (loss) from associates	23,457,900	-	(8,714,883)	-	14,743,017
Purchase of tangible and intangible assets	-	-	-	422,536	422,536

- d) Operating segments which have been prepared in accordance with the reportable segments for the period between 1 July - 30 September 2015 are as follows:

	Oil	Natural gas	Electricity	Other *	Total
Revenue from external customers	-	-	66,195	-	66,195
EBITDA	(3,543)	(54,014)	(840,737)	8,053,256	7,154,962
Financial income	4,732,939	450,117	8,537,660	16,363,419	30,084,135
Financial expense	(612)	(87,812)	(65,378,742)	(2,464,368)	(67,931,534)
Depreciation and amortisation expense	-	-	(885)	(351,067)	(351,952)
Income / (loss) from associates	7,537,200	-	(12,987,122)	-	(5,449,922)
Purchase of tangible and intangible assets	-	-	293,657	-	293,657

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 3 - SEGMENT REPORTING (Continued)

- e) Operating segments which have been prepared in accordance with the reportable segments as of 30 September 2016 are as follows:

	Oil	Natural gas	Electricity	Other *	Eliminations	Total
Segment Assets	-	-	726,321,632	638,817,962	(869,395,513)	495,744,081
Associates	442,203,300	-	186,008,848	-	-	628,212,148
Segment Liabilities	-	-	443,414,473	41,348,385	(5,903,390)	478,859,468

- f) Operating segments which have been prepared in accordance with the reportable segments as of 31 December 2015 are as follows:

	Oil	Natural gas	Electricity	Other *	Eliminations	Total
Segment Assets	-	-	467,698,501	497,651,771	(511,558,289)	453,791,983
Associates	389,083,200	-	228,861,270	-	-	617,944,470
Segment Liabilities	-	-	583,021,331	23,259,605	(167,966,847)	438,314,089

(*) Operating activities consist of Turcas Petrol.

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

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Income				
Segment revenue	-	755,886	-	66,195
Consolidated Income	-	755,886	-	66,195
EBITDA				
Segment EBITDA	(2,690,105)	(2,460,251)	(2,305,858)	(898,294)
Other EBITDA	12,453,935	31,160,592	(2,590,820)	8,053,256
Consolidated EBITDA	9,763,830	28,700,341	(4,896,678)	7,154,962
Financial income	63,057,862	93,006,422	14,003,908	30,084,135
Financial expense	(66,371,613)	(123,519,653)	(22,544,089)	(67,931,534)
Income/ (expenses) from investing activities	4,278,885	433,840	-	-
Income/(loss) from investments accounted by equity method	19,098,465	(27,871,139)	14,743,017	(5,449,922)
Amortisation and depreciation	(1,626,450)	(1,067,049)	(569,035)	(351,952)
Consolidated income/(loss) before tax	28,200,979	(30,317,238)	737,123	(36,494,311)

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2016	31 December 2015
Cash	14,331	91
Banks		
- demand deposit	182,132	316,109
- time deposit	160,678,712	168,246,350
	160,875,175	168,562,550

The maturities of cash and cash equivalents are as follows:

Up to 30 days	67,731,519	168,562,550
Up to 60 days	93,143,656	-
	160,875,175	168,562,550

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

	30 September 2016	31 December 2015
TRY	9.69	9.96
USD	1.97	2.78
EUR	1.18	1.45

Cash and cash equivalents as of 30 September 2016, 31 December 2015 and 30 September 2015, as seen in condensed consolidated interim cash flow statements, are as follows:

	30 September 2016	31 December 2015	30 September 2015
Cash and cash equivalents	160,875,175	168,562,550	189,482,555
Less: Interest accrual	(54,995)	(113,961)	(300,347)
	160,820,180	168,448,589	189,182,208

The company has no blocked deposits as of 30 September 2016 (31 December 2015: None).

NOTE 5 - FINANCIAL ASSETS

	30 September 2016			31 December 2015		
	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	-	-	-	10,368,039	-	10,368,039
	-	63,240	63,240	10,368,039	63,240	10,431,279

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 5 - FINANCIAL ASSETS (Continued)

a) Financial assets held for sale

	30 September 2016		31 December 2015	
	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.

b) Held to maturity financial assets:

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

	30 September 2016	31 December 2015
Bonds:		
Public sector bonds	-	5,372,809
Private sector bonds	-	4,995,230
	-	10,368,039

Remaining time to maturity dates of held-to-maturity financial assets in agreements as of 31 December 2015 is as follows:

Less than 3 months	10,162,262
Until the one year	205,777
Total	10,368,039

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

	2016	2015
1 January	10,368,039	7,774,969
Purchases	-	35,615
Disposals through sales and redemptions	(10,368,039)	(129,263)
Additions due to amortized cost	-	40,395
30 September	-	7,721,716

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

NOTE 6 - FINANCIAL LIABILITIES

	30 September 2016	31 December 2015
Short term bank borrowings	57,851,733	78,299,317
Long term bank borrowings	414,351,881	346,508,276
Total financial liabilities	472,203,614	424,807,593

	30 September 2016		
	Yearly average effective interest rate(%)	Original amount	TRY
EUR borrowings			
- Floating interest rate (*)	Euribor+1,65%	11,437,341	38,438,616
- Fixed interest rate (***)	4,35%	76,630	257,539
USD borrowings			
- Floating interest rate (**)	Libor + 3,4%	6,393,931	19,155,578
Total short term financial liabilities			57,851,733

EUR borrowings			
- Floating interest rate (*)	Euribor+1,65%	79,831,982	268,299,326
- Interest accrual of floating rate loan		355,014	1,193,130
- Fixed interest rate (***)	2,95% - 4,35%	9,085,002	30,532,875
USD borrowings			
- Floating interest rate (**)	4,52%	37,562,816	112,534,442
- Interest accrual of floating rate loan		598,188	1,792,108
Total long term financial liabilities			414,351,881

Total financial liabilities			472,203,614
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TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

(*) The balance of the credit used from Bayern LB and Portigon AG banks consortium is TL 322,210,775 (EUR 95,873,237) and it is recognized through the deduction of ECA premium and credit allocation commission amounting to TL 15,393,418 (EUR 4,580,284) and TL 1,399,220 respectively from the total amount of the credit. The aforementioned commission amounts are amortized during the maturity of the credit.

(**) The balance of the credit used from Türkiye Sınai Kalkınma Bankası A.Ş. is TL 102,003,262 (USD 34,047,619) and it is recognized through the deduction of credit allocation commission amounting to TL 602,280 (USD 201,035) from the total amount of the credit. The aforementioned commission amount is amortized during the maturity of the credit.

A loan contract having a 14 years of maturity without principal repayment for 30 months amounting to EUR 15 million and USD 40,5 million was concluded with Türkiye Sınai Kalkınma Bankası A.Ş. on 25.02.2016 for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., which is a subsidiary of the Group at a ratio of 92%. As of 30 September 2016, the loan balance is around USD 10,300,000 and EUR 480,000.

(***) As of 30 September 2016, the Group has borrowed from Vakıfbank amounting to TL 30,052,274 (EUR 8,942,000) with an interest rate of 2.95%. The loan balance of the short term financial liabilities is obtained from Garanti Malta for vehicle loan purposes at the interest rate of 4.35%.

	31 December 2015		
	Yearly average effective interest rate(%)	Original amount	TL
EUR borrowings			
- Fixed interest rate (***)	3.18	5,127,483	16,293,090
- Floating interest rate (*)	1.78	12,814,195	40,718,386
USD borrowings			
- Floating interest rate (**)	3.74	7,321,448	21,287,841
Total short term financial liabilities			78,299,317
EUR borrowings			
- Floating interest rate (*)	1.78	82,025,570	260,644,451
- Fixed interest rate	4.35	202,777	644,343
- Interest accrual of floating rate loan		38,431	122,117
USD borrowings			
- Floating interest rate (**)	3.74	29,262,913	85,084,846
- Interest accrual of floating rate loan		4,306	12,519
Total long term financial liabilities			346,508,276
Total financial liabilities			424,807,593

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TL 321,571,616 (EUR 101,199,528). ECA premium of TL 18,809,559 (EUR 5,919,423) and management fee of TL 1,399,220 have been deducted from the original amount. These amounts are amortised until the end of loan agreement.

(**) Original amount of loan obtained TSKB is TL 106,612,000 (USD 36,666,667) and management fee of TL 239,313 (USD 82,306) have been deducted from the original amount. These amounts are amortised until the end of loan agreement.

(***) Original amount of loan related to geothermal power plant investment of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. obtained from TSKB on 26 June 2015 is EUR 5,000,000 with a maturity dates 4 July 2016 and interest rate of 2.3%. Remaining balance of the short term financial liabilities is obtained from Garanti Malta at interest rate of 4.35%.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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

The redemption schedule of financial liabilities is as follows:

	2016	2015
0 - 1 year	57,851,733	78,299,317
1 - 2 years	86,995,596	61,616,823
2 - 3 years	56,398,124	61,627,391
3 - 4 years	53,683,704	61,576,952
4 - 5 years	51,317,068	61,392,275
After 5 years	165,957,389	100,294,835
	472,203,614	424,807,593

The following is the information compiled regarding the loans utilized 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 signed with Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) with respect to the amount USD 55,000,000, with a maturity of 10 years and no-payback (grace) period of three years at the interest rate Libor + 3.40%.

The outstanding amount of the loan received from the bank consortium formed by Bayern LB and Portigon AG is EUR 95,873,237 and the outstanding amount of the loan received from TSKB is USD 34,047,619 as of 30 September 2016.

Turcas Petrol A.Ş. has provided a Corporate Guarantee as collateral amounting to USD 77,000,000 in favor of TSKB and EUR 149,351,984 in favor of Bayern LB and Portigon AG consortium within the scope of the respective loan agreements.

As a requirement of the loan agreement signed with Portigon AG and Bayern LB, a DSRA Standby Letter of Credit has been arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Elektrik Üretim A.Ş. with Bayern LB as the drawee bank in the amount of EUR 6.052.940 with maturity ending 3 February 2017. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR 6.052.940 in favor of Türkiye Garanti Bankası 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 SEPTEMBER 2016

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

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. In accordance with the amendment agreement signed between our Company's 100% subsidiary (via direct and indirect shares) Turcas Elektrik Üretim A.Ş. ("TEÜAŞ") and TSKB, Bayern LB and Portigon A.G. (Consortium Banks), maturities of loans obtained from Consortium Banks for the financing of Denizli Combined Cycle Gas Power Plant with an installed capacity of 775 MW (TEÜAŞ's stake: 30%) have been extended by 2 years. Therefore, maturity of the loan obtained from TSKB is extended to 2022 from 2020 previously. Meanwhile, maturity of the loan obtained from Bayern LB and Portigon A.G. is extended to 2025 from 2023 previously.

A loan contract having a 14 years of maturity without principal repayment for 30 months amounting to EUR 15 million and USD 40,5 million was concluded with Türkiye Sınai Kalkınma Bankası A.Ş. on 25.02.2016 for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., which is a subsidiary of the Group at a ratio of 92%. As of 30 September 2016, the credit balance is around USD 10,300,000 and EUR 480,000.

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	(%)	30 September 2016	(%)	31 December 2015
STAŞ	30.00	442,203,300	30.00	389,083,200
RWE & Turcas Güney Elektrik Üretim A.Ş.	30.00	186,008,848	30.00	219,614,001
Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. (Note 1)	-	-	46.00	9,247,269
		628,212,148		617,944,470

	30 September 2016	30 September 2015
Balance at the beginning of the period	617,944,470	498,513,898
Income and expenses from associates (net) (*)	19,098,465	(27,871,139)
Transactions with associates (**)	-	574,437
Business combinations (Note 20)	(9,719,414)	-
Increase in capital of associates (***)	-	5,428,000
Other	(35,973)	-
Balance at the end of the period	628,212,148	476,645,196

(*) The Group's income and expense balances from associates amounting to TL 19,098,465 consist of expense balance from Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. amounting to TL 416,482, expense balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TL 33,605,153, income balance from Shell & Turcas Petrol A.Ş. amounting to TL 53,120,100.

(**) 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 as of 30 September 2015 is related to Turcas Kuyucak Jeotermal Elektrik 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 SEPTEMBER 2016

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

STAŞ

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

Shell & Turcas Petrol A.Ş. has become operational on 1 July 2006. As of 30 September 2016, STAŞ is one of the leading companies in Turkish fuel distribution sector with 1,014 fuel stations, lubricant production facilities, retail and commercial sale.

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

STAŞ

	30 September 2016	31 December 2015
Total assets	4,231,437,000	3,958,599,000
Total liabilities	(2,757,426,000)	(2,661,655,000)
Net assets	1,474,011,000	1,296,944,000
Group’s share of associate’s net assets	442,203,300	389,083,200

	1 January - 30 September 2016	1 January - 30 September 2015
Net sales revenue	11,932,202,000	11,485,886,000
Net income for the period	177,067,000	43,915,000
Group’s share of associate’s profit for the period	53,120,100	13,174,500

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.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

RWE&Turcas Güney Elektrik Üretim A.S.

	30 September 2016	31 December 2015
Total assets	1,541,412,990	1,542,168,937
Total liabilities	(921,383,496)	(774,461,923)
Net assets	620,029,494	767,707,014
Group’s share of associate’s net assets	186,008,848	230,312,104
	1 January - 30 September 2016	1 January - 30 September 2015
Net sales revenue	568,284,329	519,370,447
Loss for the period	(112,017,177)	(136,578,532)
Group’s share of loss for the period	(33,605,153)	(40,973,560)

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 September 2016 and 31 December 2015 are as follows:

	Original Currency	30 September 2016		31 December 2015	
		TRY Amount	Original Amount	TRY Amount	Amount
A. CPM’s given for companies’ own legal entity	TRY	28,206,819	28,206,819	25,417,500	25,417,500
B. CPM’s given on behalf of fully Consolidated companies (**)	TRY EUR	-	-	2,642,642	2,642,642
C. CPM’s given for continuation of its economic activities on behalf of third parties(*)	USD EUR	168,000,000	503,311,200	77,000,000	223,885,200
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		-	-	-	-
			1,053,802,888	753,535,806	

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

(*) Turcas Elektrik Üretim A.Ş. has entered into a loan agreement for USD 55,000,000 with TSKB, with a maturity of 10 years with a grace period of three years, regarding the loans utilized 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 USD 77,000,000. As stated in Note 6, as a requirement of the loan agreement signed with Portigon AG and Bayern LB amounting to EUR 149,351,984 with a thirteen years of maturity and a grace period of three years, Turcas Petrol A.Ş. has provided a corporate guarantee amounting to EUR 149,351,984 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 EUR 6,052,940, with a maturity of 3 February 2017. Therefore, Turcas Petrol A.Ş. has provided a collateral amounting to EUR 6,052,940 to Garanti Bank in order to prepare the mentioned guarantee.

A loan contract having a 14 years of maturity without principal repayment for 30 months amounting to EUR 15 million and USD 40,5 million was concluded with Türkiye Sınai Kalkınma Bankası A.Ş. on 25.02.2016 for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. A surety of Turcas Petrol A.Ş., which will be expired at a later date, amounting to USD 91 million has been given for the aforementioned loan.

(**) It consists of the guarantees that Turcas Yenilenebilir Enerji Üretim A.Ş. has given to electricity distributor firms.

As of 30 September 2016, the ratio of the total CPM's provided by the Group to the equity is 163% (31 December 2015: 119%).

	30 September 2016	31 December 2015
Letter of other guarantees received	-	27,000
	-	27,000

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 September 2016	31 December 2015
Letters of guarantee given to the customs office	713,535,600	866,476,500
Letters of guarantee given to the tax office	80,251,500	55,696,500
Letters of guarantee given to the EMRA	15,000,000	15,001,500
Other	3,572,100	1,991,100
	812,359,200	939,165,600
	30 September 2016	31 December 2015
Mortgages taken	355,036,800	246,508,500
Letters of guarantees received	174,540,900	167,716,200
Other guarantees received	118,362,300	106,716,900
	647,940,000	520,941,600

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

Shell&Turcas Petrol A.Ş. has committed to pay TL 1,077,363,000 to the dealers for the station improvement in the periods mentioned below (31 December 2015: TL 838,212,000). The payment terms of group’s share of warranty are as follows:

	30 September 2016	31 December 2015
Within 1 year	41,806,500	34,540,800
1-5 years	168,629,400	129,255,000
5-22 years	112,773,000	87,667,800
	323,208,900	251,463,600

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.

On 30 December 2014, 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 TL 45,214,582 as tax base and TL 67,821,873 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 TL 10,765,666 as tax base and TL 11,572,683 as tax penalty. According to STAŞ management, such practices subject to criticism were performed in compliance and consistent with the related regulations. STAŞ has been utilizing all its legal rights, including settlement and all applicable legal processes with respect to notifications issued and have not recognised any provision in relation to the inspection. According to the Material Event Disclosure made on May 9, 2016 by the Company, written court decision, stating that the decision is made in favour of STAŞ, was submitted to the Company.

Contingent assets and liabilities of Turcas 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 September 2016	31 December 2015
Letter of guarantees given to EMRA	4,359,480	1,307,844
Letter of guarantees given to Turkish Electricity Transmission Company	3,862,857	1,158,857
Other	35,000	6,000
	8,257,337	2,472,701

	30 September 2016	31 December 2015
Letter of guarantees received	12,819,229	11,899,665
	12,819,229	11,899,665

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 9 - EQUITY

a) Share capital

Shareholders	Group	Allocation (%)	30 September 2016	Allocation (%)	31 December 2015
Aksoy Holding A.Ş.	A/C Grubu	51.50	139,175,892	51.50	139,175,892
Publicly Traded	A Grubu	25	67,826,501	25	67,621,972
Turcas Petrol AŞ. (*)	A Grubu	5.4	14,471,336	5.4	14,471,336
YTC Turizm ve Enerji Ltd. Şti.	A Grubu	4	10,865,362	4	10,865,362
Suna Baban	A/B Grubu	3.5	9,347,663	3.5	9,347,663
Müeddet Hanzat Öz	A/B Grubu	3.5	9,353,058	3.5	9,353,058
Yılmaz Tecmen	A/B Grubu	2.2	5,962,540	2.2	5,962,540
Other	A/B Grubu	4.9	12,997,648	4.9	13,202,177
Total		100.00	270,000,000	100.00	270,000,000
Treasury shares adjustment (-) (*)			(22,850,916)		(22,850,916)
Inflation adjustment			41,247,788		41,247,788
Adjusted capital			288,396,872		288,396,872

(*) 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 Buy Back Programme prepared in accordance with the communiqué no 26/767 "Buy Back Principles for the listed Companies" by CMB on 10 August 2011.

The issued capital of the Company as of 30 September 2016 is composed of 270,000,000 shares (31 December 2015: 270,000,000 shares). The nominal value of shares is TL 1 per share.

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

At least one of the 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 September 2016	31 December 2015
Legal Reserves	37,333,125	36,674,580
	37,333,125	36,674,580

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 9 - EQUITY (Continued)

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.

It is allowed to pay dividends to shareholders as bonus share which shall be issued through the addition of dividends to equity or in cash or distributing to shareholders at a certain ratio in cash and at a certain rate as bonus share depending upon the resolutions taken in the general assemblies of companies provided that it is decided to realize dividend payment and also to remain the amount in question in partnership body without distribution if the amount of determined first dividend is less than 5% of paid/issued capital but it has become obligatory for the joint stock companies, which shall pay dividends from net income for the period as a result of their activities and having their shares separated as “old” and “new” since they have made a capital increase without realizing dividend payment related to previous period, to pay the first dividend, which shall be calculated, in cash.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 10 - SALES AND COST OF SALES

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Electricity sales (*)	-	637,535	-	54,463
Sales returns	-	-	-	-
Other sales	-	118,351	-	11,732
	-	755,886	-	66,195

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Electricity costs	-	611,718	-	58,134
Transmission capacity and service fee	-	4,453	-	1,635
Other costs	-	5,265	-	-
	-	621,436	-	59,769

(*) As per the Board of Directors decision dated 6 May 2015 of Turcas Elektrik Toptan Satış A.Ş., one of the subsidiaries of the Group, in order to use the resources of the Company for more efficient investments, it has been decided to gradually decrease the retail electricity sales activities of the Company.

NOTE 11 - EXPENSES BY NATURE

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Personnel expenses	8,686,058	8,890,094	2,004,892	2,749,035
Outsourced services	1,576,664	2,067,364	317,660	318,263
Rent expenses	1,126,561	1,851,936	1,097,549	1,045,043
Depreciation and amortization expenses	1,626,450	1,067,049	569,035	351,952
Product cost	-	621,436	-	59,769
Repair and maintenance expenses	705,881	585,138	231,126	74,460
Taxes and other liabilities	87,926	580,155	26,985	98,015
Travel expenses	459,928	427,582	127,051	74,152
Donations	557,682	124,780	119,500	104,454
Other	1,615,979	1,179,946	1,247,582	225,549
	16,443,129	17,395,480	5,741,380	5,100,692

NOTE 12 - OTHER OPERATING INCOME

TL 26,341,028 portion of other operating income amounting to TL 24,010,230 is driven by Associate Initiative Agreement. Associate Initiative Agreement gives Turcas the right to redeem a predetermined amount from Shell Turkey, if administration expenses reflected to STAŞ by Shell Turkey’s main shareholder exceed a certain amount.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 13 – INCOME FROM INVESTMENT ACTIVITIES

TL 4,135,456 portion of income from investing activities amounting to TL 4,278,885 sources from the increase in fair value generated during the 46% share purchase of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. from BM Mühendislik ve İnşaat A.Ş. (Note 20).

NOTE 14 - FINANCIAL INCOME

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Foreign exchange gains	36,212,093	57,775,998	3,560,303	19,738,765
Interest income	26,845,770	35,210,189	10,443,605	10,345,370
Credit finance income	-	20,235	-	-
	63,057,862	93,006,422	14,003,908	30,084,135

NOTE 15 - FINANCIAL EXPENSE

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Foreign exchange losses	52,340,187	112,787,559	18,298,888	64,218,806
Interest expenses	14,031,426	10,702,649	4,245,201	3,712,728
Credit finance charges	-	29,445	-	-
	66,371,613	123,519,653	22,544,089	67,931,534

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - TAX ASSETS AND LIABILITIES

Current tax liability	30 September 2016	31 December 2015
Corporate tax provision	(4,084,127)	(12,245,134)
Less: Prepaid tax and funds	3,792,393	6,614,243
Prepaid tax and funds / (Current tax liability), net	(291,734)	(5,630,891)

Tax expense is comprised of the following:

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Current period corporate tax provision	(4,084,127)	(6,926,524)	(263,730)	(3,222,822)
Deferred tax income/ (expense)	(819,365)	7,866,411	2,172,161	9,484,526
	(4,903,492)	939,887	1,908,431	6,261,704

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 2015: 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.

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.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

The Group, recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with 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 2015: 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 September 2016	31 December 2015	30 September 2016	31 December 2015
Carryforward tax loss	(83,849,512)	(83,488,382)	16,769,902	16,697,676
Interest accrual, net	(9,035,899)	(10,515,308)	1,807,180	2,103,062
RWE&Turcas Güney interest accrual	6,163,838	1,141,528	(1,232,768)	(228,306)
Litigation provision	-	(225,949)	-	45,190
Tangible and intangible assets	(2,876,896)	(834,512)	575,379	166,902
Provision for employee termination benefit	(411,902)	(626,573)	82,380	125,315
Unused vacation provisions	(181,964)	(267,086)	36,393	53,417
Other	(610,144)	-	122,030	-
Deferred tax assets, (net)			18,160,496	18,963,256

As of the balance sheet date, the Group has unused prior year losses amounting to TL 105,885,704 (31 December 2015: 88,928,163 TL), which can be deducted from the future profits.

The breakdown of the unused prior year losses of the Group amounting to TL 105,885,704 is as follows: TL 100,951,593 belongs to Turcas Elektrik Üretim A.Ş., TL, 4,161,796 belongs to Turcas Yenilenebilir Enerji A.Ş, TL 360,799 belongs to Turcas Elektrik Toptan Satış A.Ş. and TL 411,516 belongs to Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. As a result of the assessments made by the Group, TL 22,036,192 portion of the unused prior year losses is not assumed to be deductible from the tax base for the next five years. Therefore, no deferred tax asset has been calculated over this amount.

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

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

	30 September 2016	31 December 2015
2018	48,704,094	48,342,964
2020	35,145,418	35,145,418
	83,849,512	83,488,382

The movement of deferred tax assets and liabilities as of 30 September 2016 and 2015 are as follows:

	1 January - 30 September 2016	1 January - 30 September 2015
Opening balance	18,963,256	11,363,365
Amount in profit or loss statement	(819,365)	7,866,411
Amount in other comprehensive income statement	(54,919)	-
Business combinations (Note 20)	71,524	-
Closing balance	18,160,496	19,229,776

The reconciliation of the tax expense stated in the condensed consolidated statement of profit or loss for the periods ending 30 September 2016 and 2015 is as the following:

	30 September 2016	30 September 2015
Profit/(Loss) before tax	28,200,979	(30,317,238)
Tax rate (%)	20%	20%
Tax (expense) / income calculated on profit before tax	(5,640,196)	6,063,448
Income not subject to tax	164,782	834,899
Prior year losses deducted	107,780	61,199
Transactions with associates	3,819,693	(5,574,228)
Carry-forward tax losses		
on which no deferred tax was recognized	(3,502,720)	(249,947)
Expenses not deductible for tax purposes	(262,155)	(30,986)
Other	409,323	(164,498)
Current tax (expense) / income	(4,903,492)	939,887

NOTE 17 –EARNINGS/(LOSS) PER SHARE

At 30 September 2016 and 2015, the weighted average number of shares and earnings/(loss) per share are as follows:

	1 January - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Weighted average number of outstanding shares	270,000,000	270,000,000	270,000,000	270,000,000
Income/(Loss) attributable to the equity holders of the parent	23,445,296	(29,377,917)	2,793,330	(30,232,975)
Earnings/(Loss) per share	0.087	(0.1088)	0.010	(0.1344)

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	30 September 2016								
	Receivables				Payables				
	Short term		Long term		Short term		Long term		
Balances with related parties	Trade	Other	Trade	Other	Trade	Other	Trade	Other	
Associates									
Shell&Turcas Petrol A.Ş.	-	-	-	-	-	6,358	-	-	
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	-	-	-	-	23,588	-	-	
RWE ENERJİ TOPTAN SATIŞ A.Ş.	-	35,556,114	-	184,746,316	-	10,046	-	-	
Turcas Kuyucak Elektrik Üretim A.Ş.	-	-	-	-	-	-	-	-	
Other entities									
Dividend payable to real person shareholders	-	-	-	-	-	243,515	-	-	
Ataş Anadolu Tasfiyehanesi A.Ş.	61,841	-	-	-	-	319,803	-	-	
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	8,313	-	-	-	-	-	-	-	
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	7,663	1,978	-	-	-	63,785	-	-	
Aksoy Holding A.Ş.	36,347	-	-	-	-	-	-	-	
Alte Enerji A.Ş.	-	-	-	-	-	712,960	-	-	
YTC Turizm ve Enerji Ltd. Şti	-	-	-	-	-	42,643	-	-	
PRONEGY GAYR. VE ENERJİ YAT. A.Ş.	8,312	-	-	-	-	-	-	-	
Aksoy Enternasyonal Tic.A.Ş.	24,168	-	-	-	-	-	-	-	
Total	154,957	35,556,114	-	184,746,316	-	1,422,698	-	-	

(*) The Group has received loans from Portigon AG, Bayern LB and TSKB banks in order to provide the funds which shall be required for the power plant engaged in Denizli province by RWE & Turcas Güney Elektrik Üretim A.Ş. The aforementioned received loans have been used as shareholder loan to RWE & Turcas Güney Elektrik Üretim A.Ş in accordance with shareholders loan agreement concluded on 3 December 2010. The mentioned receivables have been arranged in order to be collected in 20 equal installments once in 6 months starting after 6 months following the engagement of Denizli power plant. Interest rate related to aforementioned receivables mentioned in the contract has been recognized as interest income at an amount of TL 21,832,779 using (TL Libor+2). There is no guarantee, mortgage or pledge received for the mentioned receivable.

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

	1 January - 30 September 2016							
İlişkili taraflarla olan işlemler	Purchases	Sales	Interest Received	Interest Paid	Rent Income	Dividend Income	Other income	Other expenses
Associates								
Shell&Turcas Petrol A.Ş.	-	-	-	-	-	-	25,050,630	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	21,832,779	-	-	-	-	-
Turcas Kuyucak Elektrik Üretim A.Ş.	-	-	-	-	-	-	-	-
Other related parties								
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic. A.Ş.	-	-	-	-	-	-	-	-
Etiler Dış Ticaret Ltd. Şti.	-	-	-	-	-	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	4,500	-	-	-
Aksoy Holding A.Ş.	-	-	-	-	4,500	-	-	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	4,500	-	28,442	-
Aksoy Enternasyonal Ticaret.A.Ş.	-	-	-	-	4,500	-	118,606	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	4,500	-	28,442	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	131,294	-	-	-
YTC Turizm ve Enerji Ltd. Şti.	-	-	-	-	-	-	2,099	-
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	-	-	-	4,500	-	-	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	-	-	-	4,500	-	28,442	-
Tas. Hal. Transbalkan Denizyolları Deniz Taş.A.Ş.	-	-	-	-	4,500	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	-	-	-	-	-	10,031	-
Aydın İmar San. ve Tic. A.Ş.	-	-	-	-	-	-	281,780	-
	-	-	21,832,779	-	167,294	-	25,548,472	-

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

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

	31 December 2015							
	Receivables				Payables			
	Short Term		Long Term		Short Term		Long Term	
Balances with related parties	Trade	Other	Trade	Other	Trade	Other	Trade	Other
Associates								
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	28,285,223	-	183,304,585	-	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A.Ş.	-	18,264,922	-	-	-	-	-	-
Other related parties								
Dividend payable to real person shareholders	-	-	-	-	-	209,990	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	302,947	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	39,707	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	5,269	-	-	-	-	-	-
	-	46,555,414	-	183,304,585	-	552,644	-	-

(*) The Group has received loans from Portigon AG, Bayern LB and TSKB banks in order to provide the funds which shall be required for the power plant engaged in Denizli province by RWE & Turcas Güney Elektrik Üretim A.Ş. The aforementioned received loans have been used as shareholder loan to RWE & Turcas Güney Elektrik Üretim A.Ş in accordance with shareholders loan agreement concluded on 3 December 2010. The mentioned receivables have been arranged in order to be collected in 20 equal installments once in 6 months starting after 6 months following the engagement of Denizli power plant. Interest rate related to aforementioned receivables mentioned in the contract has been recognized as interest income at an amount of TL 44,966,097 using (TL Libor+2). There is no guarantee, mortgage or pledge received for the mentioned receivable.

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016**

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

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

	1 January - 30 September 2015							
Transactions with related parties	Purchases	Sales	Interest received	Interest paid	Rent income	Dividend income	Other income	Other expenses
Associates								
Shell & Turcas Petrol A.Ş.	-	-	-	-	964,836	-	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	30,142,775	-	-	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A.Ş.	-	-	293	-	4,500	-	238,560	-
Other related parties								
The Shell Company of Turkey LTD.	-	-	-	-	-	-	42,805,533	-
Conrad Yeditepe Beyn. Otelcilik Turz. ve Tic. A.Ş.	-	230,200	-	-	-	-	-	-
Etiler Dış Ticaret Ltd. Şti.	-	-	-	-	3,500	-	8,833	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	4,500	-	15,089	-
Aksoy Holding A.Ş.	-	-	-	-	4,500	-	208,182	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	4,500	-	15,089	-
Aksoy Enternasyonal Ticaret Anonim Şirketi	-	-	-	-	4,500	-	452,678	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	4,500	-	15,089	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	118,833	-	10,499	-
YTC Turizm ve Enerji Ltd. Şti.	-	-	-	-	-	-	3,328	-
	-	230,200	30,143,068	-	1,114,169	-	43,772,880	-

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

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 September 2016	1 January - 30 September 2015	1 July - 30 September 2016	1 July - 30 September 2015
Salaries and other short term benefits	3,636,634	3,745,301	738,744	1,805,021
	3,636,634	3,745,301	738,744	1,805,021

Between 2016 and 2015, 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 is exposed to foreign exchange risk because of changes occurring in exchange rates used in translation of foreign currency assets and liabilities into Turkish lira. Exchange rate risk emerges because of the difference between assets and liabilities recorded in financing transactions which shall occur in the following periods. In this framework, the Group controls the risk in question with a natural method through offsetting the foreign currency assets and liabilities. The management analyses the foreign currency position of the Group and ensuring the Group to take required measurement, if required.

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016**

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

NOTE 19 - FOREIGN CURRENCY POSITION (Continued)

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

		30 September 2016			
		TRY Equivalent (Functional currency)	USD	Euro	Other
1-	Trade receivables	-	-	-	-
2a-	Monetary financial assets	150,604,828	48,783,131	1,325,710	-
2b-	Non-monetary financial assets	-	-	-	-
3-	Other	-	-	-	-
4-	Current assets (1+2+3)	150,604,828	48,783,131	1,325,710	-
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)	150,604,828	48,783,131	1,325,710	-
10-	Trade payables	-	-	-	-
11-	Financial liabilities	90,322,687	16,693,931	11,993,971	-
12a-	Other monetary financial liabilities	-	-	-	-
12b-	Other non-monetary financial liabilities	-	-	-	-
13-	Current Liabilities (10+11+12)	90,322,687	16,693,931	11,993,971	-
14-	Trade payables	-	-	-	-
15-	Financial liabilities	414,351,881	38,161,004	89,271,998	-
16a-	Other monetary financial liabilities	-	-	-	-
16b-	Other non-monetary financial liabilities	-	-	-	-
17-	Non-current liabilities (14+15+16)	414,351,881	38,161,004	89,271,998	-
18-	Total liabilities (13+17)	504,674,568	54,854,935	101,265,969	-
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)	(354,069,740)	(6,071,804)	(99,940,259)	-
21-	et foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(354,069,740)	(6,071,804)	(99,940,259)	-
22-	Fair value of foreign currency hedged financial assets	-	-	-	-
23-	Hedged foreign currency assets	-	-	-	-
24-	Hedged foreign currency liabilities	-	-	-	-
25-	Exports	-	-	-	-
26-	Imports	-	-	-	-

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016**

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

NOTE 19 - FOREIGN CURRENCY POSITION (Continued)

	31 December 2015			
	TRY equivalent (Functional currency)	USD	Euro	Other
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	148,276,776	44,701,198	5,760,187	-
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	148,276,776	44,701,198	5,760,187	-
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)	148,276,776	44,701,198	5,760,187	-
10- Trade payables	-	-	-	-
11- Financial liabilities	78,299,317	7,321,448	17,941,678	-
12a-Other monetary financial liabilities	-	-	-	-
12b-Other non-monetary financial liabilities	-	-	-	-
13- Current Liabilities (10+11+12)	78,299,317	7,321,448	17,941,678	-
14- Trade payables	-	-	-	-
15- Financial liabilities	346,508,276	29,267,219	82,266,778	-
16a-Other monetary financial liabilities	-	-	-	-
16b-Other non-monetary financial liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	346,508,276	29,267,219	82,266,778	-
18- Total liabilities (13+17)	424,807,593	36,588,667	100,208,456	-
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)	(276,530,817)	8,112,531	(94,448,269)	-
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14+15-16a)	(276,530,817)	8,112,531	(94,448,269)	-
22- Fair value of foreign currency hedged financial assets	-	-	-	-
23- Hedged foreign currency assets	-	-	-	-
24- Hedged foreign currency liabilities	-	-	-	-
25- Exports	-	-	-	-
26- Imports	-	-	-	-

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2016**

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

NOTE 19 - FOREIGN CURRENCY POSITION (Continued)

Foreign currency sensitivity

	30 September 2016			
	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	(1,819,052)	1,819,052	-	-
2- Part of hedged from USD risk (-)			-	-
3- USD net effect (1+2)	(1,819,052)	1,819,052	-	-
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(33,587,922)	33,587,922	-	-
5- Part of hedged from Euro risk (-)			-	-
6- Euro net effect (4+5)	(33,587,922)	33,587,922	-	-
TOTAL (3+6)	(35,406,974)	35,406,974	-	-

	31 December 2015			
	Gain/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	2,358,800	(2,358,800)	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	2,358,800	(2,358,800)	-	-
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	(30,011,882)	30,011,882	-	-
5- Hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(30,011,882)	30,011,882	-	-
TOTAL (3+6)	(27,653,082)	27,653,082	-	-

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2016

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

NOTE 20 – BUSINESS COMBINATIONS

The Company purchased 46% shares of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. owned by BM Mühendislik ve İnşaat A.Ş. on 30 May 2016. Fair value of identifiable assets as of acquisition date is calculated as follows through taking into consideration in scope of TFRS 3.

Cash and cash equivalents	4,752,763
Tangible assets	42,324,153
Other assets	12,514,719
Liabilities	(38,462,475)
Net assets purchased	21,129,160
Rate of purchase of share	46%
Net asset share purchased	9,719,414
Fair value difference occurred during purchase	(4,135,456)
Intangible assets occurred during purchase	12,838,629
Contingent liabilities occurred during purchase	(1,104,000)
Consideration transferred	17,318,587
Non-controlling interests after the purchase	1,690,333

NOTE 21 - SUBSEQUENT EVENTS

None.

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