

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY – 30 JUNE 2017**

(ORIGINALLY ISSUED IN TURKISH)

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Review Report on the interim condensed consolidated financial information

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

Introduction

We have reviewed the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the six-months-period then ended and other explanatory notes ("interim condensed consolidated financial information") of Turcas Petrol A.Ş. ("Turcas Petrol" or "the Company") and its subsidiaries (together will be referred to as "the Group") as of June 30, 2017. The Company management is responsible for the preparation and fair presentation of these interim condensed consolidated financial information in accordance with the Turkish Accounting Standard - 34 Interim Financial Reporting Standard ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with TAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Seda Akkuş Tezer, SMMM
Partner

18 August 2017
Istanbul, Turkey

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2017 AND 31 DECEMBER 2016**

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

		(Reviewed)	(Audited)
		Current period	Prior period
	Notes	30 June 2017	31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents	4	94,956,672	143,318,772
Trade receivables		436,293	493,761
- <i>Trade receivables from third parties</i>		436,293	493,761
Other receivables		23,412,638	17,572,797
- <i>Other receivables from related parties</i>	19	23,162,800	17,445,262
- <i>Other receivables from third parties</i>		249,838	127,535
Prepaid expenses		1,897,454	172,767
Assets related to current period tax	17	330,298	-
Other current assets		126,676	182,904
Total currents assets		121,160,031	161,741,001
Non-current assets			
Other receivables		58,397,360	73,561,290
- <i>Other receivables from related parties</i>	19	58,372,136	73,536,066
- <i>Other receivables from third parties</i>		25,224	25,224
Prepaid expenses		103,194	3,963,862
Financial assets	5	63,240	63,240
Investments accounted by equity method	7	807,867,912	782,692,423
Property, plant and equipment	8	133,081,176	46,507,903
Intangible assets	8	57,185,218	56,790,416
Deferred tax assets	17	10,661,611	16,567,899
Other non-current assets		17,231,429	12,777,854
Total non-current assets		1,084,591,140	992,924,887
TOTAL ASSETS		1,205,751,171	1,154,665,888

These condensed consolidated interim financial statements as at and for the period ended 1 January - 30 June 2017 have been approved for issue by the Board of Directors (“BOD”) on 18 August 2017 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 consolidated interim financial statements.

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AT 30 JUNE 2017 AND 31 DECEMBER 2016**

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

		(Reviewed)	(Audited)
		Current period	Prior period
	Notes	30 June 2017	31 December 2016
LIABILITIES			
Current liabilities			
Short term financial liabilities	6	36,580,608	33,415,809
Short term portions of long term financial liabilities	6	70,448,260	66,091,282
Trade payables		51,960,966	3,522,888
- Trade payables to third parties	9	51,960,966	3,522,888
Short term liabilities for employee benefits		234,364	-
Other payables		18,257,081	4,425,934
- Other payables to related parties	19	17,494,473	1,825,329
- Other payables to third parties		762,608	2,600,605
Current income tax liabilities	17	-	324,399
Short term provisions		355,221	821,254
- Short term provisions for employee benefits		355,221	821,254
Total current liabilities		177,836,500	108,601,566
Non-current liabilities			
Long term financial liabilities	6	421,536,112	403,988,437
Long term provisions		337,361	589,207
- Long term provisions for employee benefits		337,361	589,207
Other non-current liabilities		837,687	919,376
Total non-current liabilities		422,711,160	405,497,020
Total liabilities		600,547,660	514,098,586
EQUITY			
Paid-in capital	11	270,000,000	270,000,000
Adjustment to share capital	11	41,247,788	41,247,788
Treasury shares (-)	11	(22,850,916)	(22,850,916)
Other comprehensive income / (expense)			
not to be reclassified to profit or loss		(3,360,947)	(3,732,123)
Actuarial gains / (losses) on defined benefit plans		(3,360,947)	(3,732,123)
Restricted reserves	11	39,311,954	37,333,125
Retained earnings		296,549,440	297,557,197
Net profit / (loss) for year		(20,169,887)	18,006,308
Equity attributable to equity holders of the parent		600,727,432	637,561,379
Non-controlling interest		4,476,079	3,005,923
Total equity		605,203,511	640,567,302
TOTAL LIABILITIES AND EQUITY		1,205,751,171	1,154,665,888

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

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME AT 30 JUNE 2017 AND 30 JUNE 2016**

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

		(Reviewed)		(Not reviewed)	
		(Restated, Note 2.3)		(Restated, Note 2.3)	
	Notes	1 January – 30 June 2017	1 January – 30 June 2016	1 April – 30 June 2017	1 April – 30 June 2016
CONTINUING OPERATIONS					
Revenue		-	-	-	-
Cost of sales (-)		-	-	-	-
GROSS PROFIT / (LOSS) FROM TRADING ACTIVITIES					
		-	-	-	-
General and administrative expenses (-)	12	(11,675,962)	(10,701,147)	(4,923,467)	(5,749,479)
Marketing, selling and distribution expenses (-)	12	-	(602)	-	-
Other operating income	13	839,086	24,611,978	365,877	355,931
Other operating expenses (-)		(5,132)	(307,136)	17,699	(153,491)
OPERATING (LOSS) / PROFIT		(10,842,008)	13,603,093	(4,539,891)	(5,547,039)
Income from investment activities	14	273,185	12,438,887	273,185	12,438,887
Income / (loss) from investments accounted by equity method, net	7	24,770,493	4,355,448	2,041,838	3,597,599
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSES)		14,201,670	30,397,428	(2,224,868)	10,489,447
Financial income	15	64,919,906	49,053,954	12,148,276	29,341,096
Financial expenses (-)	16	(93,445,928)	(43,827,524)	(22,464,904)	(25,293,229)
(LOSS) / PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		(14,324,352)	35,623,858	(12,541,496)	14,537,314
Tax expense from continuing operations					
- Current income tax expense (-)	17	-	(3,820,397)	-	(104,812)
- Deferred tax expense (-)	17	(5,818,675)	(4,463,196)	(5,458,009)	(2,443,277)
(LOSS) / PROFIT FROM CONTINUING OPERATIONS		(20,143,027)	27,340,265	(17,999,505)	11,989,225
Attributable to:					
Equity holders of the parent		(20,169,887)	27,340,298	(18,090,776)	11,989,257
Non-controlling interests		26,860	(33)	91,271	(32)
(Loss) / earnings per share	18	(0.075)	0.101	(0.067)	0.044

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

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME AT 30 JUNE 2017 AND 30 JUNE 2016**

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

	(Reviewed)		(Not reviewed)	
	(Restated, Note 2.3)		(Restated, Note 2.3)	
	1 January - 30 June	1 January - 30 June	1 April - 30 June	1 April - 30 June
Notes	2017	2016	2017	2016
(LOSS) / PROFIT FOR THE PERIOD	(20,143,027)	27,340,265	(17,999,505)	11,989,225
Other comprehensive income not to be reclassified to profit or loss				
Actuarial gains / (losses) on defined benefit plans	438,065	477,415	308,381	477,415
Taxes related to other comprehensive income not to be reclassified to profit or loss				
- Deferred tax (expense) / income	17 (87,613)	(95,483)	(61,676)	(95,483)
Other comprehensive income of shares from investments accounted by the equity method not to be reclassified to profit or (loss)				
Revaluation gains / (losses) of defined benefit plans of investments accounted by equity method	22,039	-	22,039	-
OTHER COMPREHENSIVE INCOME / (LOSS)	372,491	381,932	268,744	381,932
TOTAL COMPREHENSIVE (LOSS) / INCOME	(19,770,536)	27,722,197	(17,730,761)	12,371,157
Attributable to:				
Equity holders of the parent	(19,798,711)	27,722,230	(17,823,347)	12,371,189
Non-controlling interests	28,175	(33)	92,586	(32)
(Loss) / earnings per share	(0.073)	0.103	(0.066)	0.046

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY AT 30 JUNE 2017 AND 30 JUNE 2016

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

					Other comprehensive income/expense not to be reclassified to profit or loss					
	Paid-in capital	Adjustment to share capital	Treasury shares (-)	Restricted reserves	Actuarial gains / (losses) on defined benefit plans	Retained earnings	Net profit / (loss) for period	Equity holders of the parent	Non-controlling interests	Total equity
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	-	-	-	-	-	-	-	-	3,417,090 (*)	3,417,090
Other comprehensive income / (expense)	-	-	-	-	381,932	-	-	381,932	-	381,932
Net profit / (loss) for the period	-	-	-	-	-	-	27,340,298	27,340,298	(33)	27,340,265
Total comprehensive income / (loss)	-	-	-	-	381,932	-	27,340,298	27,722,230	(33)	27,722,197
30 June 2016 (restated Note 2.3)	270,000,000	41,247,788	(22,850,916)	37,333,125	(3,011,368)	297,557,197	27,340,298	647,616,124	3,411,979	651,028,103
1 January 2017	270,000,000	41,247,788	(22,850,916)	37,333,125	(3,732,123)	297,557,197	18,006,308	637,561,379	3,005,923	640,567,302
Share capital increase	-	-	-	-	-	-	-	-	1,437,412	1,437,412
Dividends to be paid	-	-	-	1,978,829	-	(19,014,065)	-	(17,035,236)	-	(17,035,236)
Transfers	-	-	-	-	-	18,006,308	(18,006,308)	-	-	-
Changes in ownership rate of subsidiaries that do not result in control losses	-	-	-	-	-	-	-	-	4,569	4,569
Other comprehensive income / (expense)	-	-	-	-	371,176	-	-	371,176	1,315	372,491
Net profit / (loss) for the period	-	-	-	-	-	-	(20,169,887)	(20,169,887)	26,860	(20,143,027)
Total comprehensive income / (loss)	-	-	-	-	371,176	-	(20,169,887)	(19,798,711)	28,175	(19,770,536)
30 June 2017	270,000,000	41,247,788	(22,850,916)	39,311,954	(3,360,947)	296,549,440	(20,169,887)	600,727,432	4,476,079	605,203,511

(*) For the six month interim period ending 30 June 2016, TL 3,416,640 of the “transactions made with non-controlling interests” amounting to TL 3,417,090 results from the purchase of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş..

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE SIX MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016

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

	Notes	1 January- 30 June 2017	1 January- 30 June 2016
A. Cash flows from operating activities		43,904,075	31,915,293
(Loss) / profit for the period		(20,143,027)	27,340,265
Adjustments to reconcile net (loss) / income		11,402,062	1,055,380
Adjustments related to tax (income) / expense	17	5,818,675	8,283,593
Adjustment related to unrealized foreign currency translation differences		30,071,105	14,303,218
Adjustments related to depreciation and amortization expenses	12	905,245	1,057,415
Adjustments related to losses / (gains) resulting from the disposal of the non-current assets held for sale or distribution to the shareholders		-	380,733
Adjustment related to losses / (gains) arising from the disposal of tangible assets	14	(268,927)	-
Adjustments related to provisions / (reversals) for employee termination benefits		365,028	301,767
Adjustments related to provision for litigations		-	(4,500)
Adjustments related to undistributed profit / losses of investments accounted using the equity method	7	(24,770,493)	(4,355,448)
Adjustments related to undistributed profits of associates	7	(382,957)	-
Adjustments related to losses / (gains) resulting from the disposal of associates, joint ventures and financial investments or from the change in their shareholdings	14	-	(12,295,458)
Adjustments related to interest income	15	(7,499,840)	(16,402,165)
Adjustments related to interest expense	16	7,164,226	9,786,225
Changes in working capital		53,944,579	12,965,191
Adjustments related to decrease / (increase) in trade receivables		57,468	(137,793)
Decrease / (increase) in prepaid expenses		(2,261,366)	101,088
Adjustments related to increase / (decrease) in trade payables		48,438,080	(276,722)
Decrease / (increase) in other assets related to operations		9,319,831	22,040,683
Increase / (decrease) in other liabilities related to operations		(1,609,433)	(8,762,065)
Cash used in operations		45,203,614	41,360,836
Employment termination benefits paid		(644,842)	(82,711)
Tax refunds / (payments)		(654,697)	(9,362,832)
B. Net cash (resulted from) / generated by investing activities		(80,177,291)	(378,204)
Cash outflow resulted from acquisition of tangible and intangible assets	8	(87,873,320)	(310,536)
Cash inflow generated by sales of tangible and intangible assets		268,927	55,237
Cash outflows related to acquisitions made to gain the control of the associates		-	(13,613,634)
Cash inflow obtained from the transfer of shares of other enterprises or funds or debt instruments		-	9,987,306
Dividend received	19	4,258	-
Interest received		7,422,844	3,503,423
C. Cash used in financing activities		(12,165,880)	(57,307,867)
Proceeds from bank borrowings		25,413,985	(373,531)
Repayment of bank borrowings		(30,932,413)	(37,563,160)
Interest paid		(6,647,452)	(5,837,628)
Dividend paid		-	(13,533,548)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(48,439,096)	(25,770,778)
CASH AND CASH EQUIVALENTS BALANCE AT THE BEGINNING OF THE PERIOD	4	143,260,461	168,448,589
CASH AND CASH EQUIVALENTS BALANCE AT THE END OF THE PERIOD	4	94,821,365	142,677,811

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (“TL”) 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 Türkp petrol Holding and Burmah-Castrol. In 1996, Tabaş Petrolcülük A.Ş. (“Tabaş”) purchased shares of Turcas Petrolcülük A.Ş., resulting in an ownership of 82.16%.

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

As of 1 July 2006, Turcas Petrol A.Ş. transferred its part of shares to Shell & Turcas Petrol A.Ş. (“STAŞ”) by partial spin-off. 30% shares of STAŞ were owned by Turcas Petrol A.Ş. and 70% of shares were owned by The Shell Company of Turkey Ltd (“Shell Türkiye”). Since this date, main operations of Turcas Petrol A.Ş.; which were purchasing, selling, importing, exporting of fuel products and lubricants, are carried by STAŞ. Accordingly, based on the decision of the Company’s Board of Directors, the main operations of the Company changed into exploration, 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 have been provided at Note 11.

The number of employees of the Group as of 30 June 2017 is 84 (31 December 2016: 73).

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 an “Oil Terminal License” for ATAŞ from the Energy Market Regulatory Authority (“EMRA”). The entity continues its fuel 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 JUNE 2017

(Amounts expressed in Turkish Lira (“TL”) 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. was established on 23 December 2003. Turcas Elektrik Üretim A.Ş. 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. It has been resolved to merge with the 100% subsidiary Turcas Elektrik Üretim A.Ş. whereby all of its assets and liabilities shall be transferred to the Company. The merger transaction was completed and registered by the Istanbul Trade Registration Office on August 14, 2017.

Turcas Elektrik Toptan Satış A.Ş. was established on 30 October 2000. Turcas Elektrik Toptan Satış A.Ş. 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. 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. Turcas Elektrik Toptan Satış A.Ş. will continue to fulfil its contractual obligations against existing retail customer portfolio and it has been decided that new customers will not be added to the retail customer portfolio starting from the aforementioned date. Wholesale activities carried out under the Procurement License owned by Turcas Elektrik Toptan Satış A.Ş will be continued in case a deep market structure is formed with a continuous liquidity.

Turcas Rüzgar Enerji Üretim A.Ş. was established on 25 October 2007 with an aim to operate in the establishment and operation of electricity production facilities, electricity generation, and sale of electricity or electricity capacity. Turcas Enerji Holding A.Ş. owns 100% of Turcas Yenilenebilir 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%) on September 2013. 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 lubricants.

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.

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(Amounts expressed in Turkish Lira (“TL”) 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 June 2017 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 2016.

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
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(Amounts expressed in Turkish Lira (“TL”) 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 2016. 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 2016.

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 30 June 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

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

- TFRS 15 Revenue from Contracts with Customers
- TFRS 9 Financial Instruments

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

ii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (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.

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

- IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- Annual Improvements – 2010–2012 Cycle
- 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)
- IFRS 4 Insurance Contracts (Amendments)
- IAS 40 Investment Property: Transfers of Investment Property (Amendments)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs - 2014-2016 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments
- IFRS 17 - The new Standard for insurance contracts

The Group is in the process of assessing the impact of the standard 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.

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.

In the event of changes in accounting policies and accounting estimates, significant changes and significant accounting errors are applied retrospectively and the prior period financial statements are restated. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

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

As stated in Note 21, the Company purchased shares of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. at a ratio of 46% owned by BM Mühendislik ve İnşaat A.Ş. on 30 May 2016. In the condensed consolidated interim financial statements dated June 30, 2016, this transaction was accounted using the provisional amounts in the context of TFRS 3.

In this context, the condensed consolidated interim financial statements for the period ending 1 January – 30 June 2016 are restated in accordance with TFRS 3. As a result of this restatement, income from investment activities and deferred tax expense of the Group increased by TL 8,160,002 and TL 1,471,670, respectively.

	Notes	30 June 2016 (restated)	30 June 2016 (previously reported)	Difference
Income from investment activities	14	12,438,887	4,278,885	8,160,002
Deferred tax expenses (-)	17	(4,463,196)	(2,991,526)	(1,471,670)

2.4 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of estimates and assumptions that may affect the amounts of assets and liabilities reported as of balance sheet date, the explanation of contingent assets and liabilities and the amounts of income and expenses reported during the period. Accounting assessments, estimates and assumptions are continuously assessed based on past experience, other factors and reasonable expectations about future events with respect to those circumstances. Although these estimates and assumptions are based on the management's best knowledge of current events and transactions, accounting estimates may not result in the same amounts as the actual results of the circumstances. The estimates and assumptions that could cause material adjustments in the carrying value of assets and liabilities in the next financial reporting period are as follows:

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 TL 311,463,386 from which can be utilized with future profits as of 30 June 2017 (31 December 2016: TL 121,128,572). As the Group forecasts to generate a taxable profit amounting to TL 91,111,941 (31 December 2016: TL 116,513,000) within the next five years, deferred tax asset amounting to TL 18,222,388 (31 December 2016: TL 23,302,600) has been generated (Note 17).

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NOTE 3 - SEGMENT REPORTING

The reportable segments of Turcas have been organized by management as oil and electricity. The products which are included in oil are fuel products, lubricants and engine oil. . Electricity group consists of power generation.

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

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

Information regarding to each segment has been presented below. Earnings before interest, tax, depreciation and amortisation (“EBITDA”) have been taken into consideration for evaluation of the performance of the operational segments. Management considers EBITDA as the most adequate indicator for making comparison with competitors in the sector.

- a) Operating segments which have been prepared in accordance with the reportable segments as of 1 January - 30 June 2017 are as follows:

	Oil	Electricity	Other	Total
Revenue from external customers	-	-	-	-
EBITDA	-	(1,874,698)	(8,062,065)	(9,936,763)
Financial income	-	49,987,478	14,932,428	64,919,906
Financial expense	-	(77,773,005)	(15,672,923)	(93,445,928)
Depreciation and amortisation expense	-	(44,283)	(860,962)	(905,245)
Income / (expense) from associates	29,535,538	(4,765,045)	-	24,770,493
Purchase of tangible and intangible assets	-	85,825,786	2,047,534	87,873,320

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

	Oil	Electricity	Other	Total
Revenue from external customers	-	-	-	-
EBITDA	-	(384,247)	15,044,755	14,660,508
Financial income	-	34,259,282	14,794,672	49,053,954
Financial expense	-	(32,568,317)	(11,259,207)	(43,827,524)
Depreciation and amortisation expense	-	(1,077)	(1,056,338)	(1,057,415)
Income / (expense) from associates	29,662,200	(25,306,752)	-	4,355,448
Purchase of tangible and intangible assets	-	-	310,536	310,536

- c) Operating segments which have been prepared in accordance with the reportable segments as of 1 April - 30 June 2017 are as follows:

	Oil	Electricity	Other	Total
Revenue from external customers	-	-	-	-
EBITDA	-	(872,640)	(3,237,372)	(4,110,012)
Financial income	-	11,201,399	946,877	12,148,276
Financial expense	-	(17,714,222)	(4,750,682)	(22,464,904)
Depreciation and amortisation expense	-	(32,237)	(397,642)	(429,879)
Income / (expense) from associates	7,516,138	(5,474,300)	-	2,041,838
Purchase of tangible and intangible assets	-	64,911,706	919,228	65,830,934

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NOTE 3 - SEGMENT REPORTING (Continued)

d) Operating segments which have been prepared in accordance with the reportable segments as of 1 April - 30 June 2016 are as follows:

	Oil	Electricity	Other	Total
Revenue from external customers	-	-	-	-
EBITDA	-	(287,843)	(4,729,543)	(5,017,386)
Financial income	-	19,337,347	10,003,749	29,341,096
Financial expense	-	(20,252,774)	(5,040,455)	(25,293,229)
Depreciation and amortisation expense	-	(856)	(528,797)	(529,653)
Income / (expense) from associates	26,089,200	(22,491,601)	-	3,597,599
Purchase of tangible and intangible assets	-	-	244,323	244,323

e) Operating segment information as of 30 June 2017 are shown below:

	Oil	Electricity	Other	Eliminations	Total
Segment assets (*)	-	625,609,611	495,215,675	(722,942,027)	397,883,259
Investments accounted for under equity accounting	490,848,930	317,018,982	-	-	807,867,912
Segment liabilities	-	690,797,083	59,118,844	(149,368,267)	600,547,660

f) Operating segment information as of 31 December 2016 are shown below:

	Oil	Electricity	Other	Eliminations	Total
Segment assets (*)	-	507,925,250	496,336,840	(632,288,625)	371,973,465
Investments accounted for under equity accounting	461,291,353	321,401,070	-	-	782,692,423
Segment liabilities	-	615,369,301	38,202,771	(139,473,486)	514,098,586

(*) Through deducting investment amounts of associates which are accounted by equity method.

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

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Income				
Segment revenues	-	-	-	-
Consolidated income	-	-	-	-
EBITDA				
EBITDA of segment	(1,874,698)	(384,247)	(872,640)	(287,843)
Other EBITDA	(8,062,065)	15,044,755	(3,237,372)	(4,729,543)
Consolidated EBITDA	(9,936,763)	14,660,508	(4,110,012)	(5,017,386)
Financial income	64,919,906	49,053,954	12,148,276	29,341,096
Financial expense	(93,445,928)	(43,827,524)	(22,464,904)	(25,293,229)
Income from investment activities	273,185	12,438,887	273,185	12,438,887
Income / (loss) from investments accounted by equity method, net	24,770,493	4,355,448	2,041,838	3,597,599
Depreciation and amortisation expense	(905,245)	(1,057,415)	(429,879)	(529,653)
Consolidated (loss) / profit before tax	(14,324,352)	35,623,858	(12,541,496)	14,537,314

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NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash on hand	7,128	146
Banks	94,949,544	143,318,626
- <i>time deposits</i>	89,874,321	143,145,290
- <i>demand deposits</i>	5,075,223	173,336
	94,956,672	143,318,772

The maturities of cash and cash equivalents are as follows:

	30 June 2017	31 December 2016
Up to 30 days	73,250,796	54,833,652
Up to 60 days	21,705,876	88,485,120
	94,956,672	143,318,772

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

	30 June 2017	31 December 2016
TL	9.62	9.09
US Dollars	2.03	2.24
EUR	-	1.15

Cash and cash equivalents as of 30 June 2017, 31 December 2016 and 30 June 2016, as seen in condensed interim consolidated cash flow statement, are as follows:

	30 June 2017	31 December 2016	30 June 2016
Cash and cash equivalents	94,956,672	143,318,772	142,727,755
Less: Interest accrual	(135,307)	(58,311)	(49,944)
	94,821,365	143,260,461	142,677,811

The Group has no blocked deposits as of 30 June 2017 (31 December 2016: None).

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NOTE 5 - FINANCIAL ASSETS

	30 June 2017			31 December 2016		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Financial assets held for sale	-	63,240	63,240	-	63,240	63,240
		63,240	63,240	-	63,240	63,240

- Financial assets held for sale

	30 June 2017		31 December 2016	
	Participation amount	Participation rate (%)	Participation amount	Participation rate (%)
ATAŞ	13,240	5.00	13,240	5.00
Enerji Piyasaları İşletmeleri Anonim Şirketi (*)	50,000	0.08	50,000	0.08
	63,240		63,240	

(*) 100% subsidiary of the Group, Turcas Elektrik Toptan Satış A.Ş., has participated to Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ) with 50,000 C Type shares, which has been established with TL 61,572,770 capital.

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

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NOTE 6 - FINANCIAL LIABILITIES

	30 June 2017	31 December 2016
Short-term bank borrowings, total	107,028,868	99,507,091
Long-term bank borrowings	421,536,112	403,988,437
	528,564,980	503,495,528

	30 June 2017		
	Yearly average effective interest rate (%)	Original amount	TL
EUR borrowings			
- Floating interest rate (*)	Euribor + 1.65%	11,310,763	45,276,986
- Fixed interest rate (***)	2.95% - 4.75%	9,690,057	38,789,300
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% – Libor + 4.75%	6,498,625	22,791,326
TL borrowings			
- Fixed interest rate (****)	16.36%	171,256	171,256
Total short term financial liabilities			107,028,868
EUR borrowings			
- Floating interest rate (*)	Eurolibor+1.65%	69,543,723	278,383,523
- Interest accrual of EUR floating rate loan		31,123	124,583
- Fixed interest rate (***)	4.35% - 4.75%	5,117,863	20,486,804
- Interest accrual of EUR fixed rate loan		102,088	408,657
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% - Libor + 4.75%	34,524,370	121,080,419
- Interest accrual of USD floating rate loan		195,806	686,713
TL borrowings			
- Fixed interest rate (****)	16.36%	361,863	361,863
- Interest accrual of TL fixed rate loan		3,550	3,550
Total long term financial liabilities			421,536,112
Total financial liabilities			528,564,980

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

- (*) The outstanding loan balance used for the long term financing of Turcas share at Denizli natural gas power plant from Bayern LB and Portigon AG banks consortium is, as of 30 June 2017, TL 341,262,865 (EUR 85,251,777) including its accrued interest, which is recognized through the deduction of ECA premium and arrangement fee amounting to TL 16,078,552 (EUR 4,016,626) and TL 1,399,220 respectively from the total amount of the loan. The aforementioned commission amounts are amortized throughout the maturity of the loan.
- (**) The outstanding loan balance used for the financing of Denizli natural gas power plant from TSKB, is, as of 30 June 2017, TL 101,037,880 (USD 28,809,524) including its accrued interest, which is recognized through deducting the arrangement fee amounting to TL 217,304 (USD 61,961) from total credit amount. The aforementioned commission amount is amortized throughout the maturity of the loan. The loan agreement was signed on February 25, 2016 within TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 92% subsidiary of the Group, for the financing of geothermal power plant investment. According to the loan agreement, total maturity is 14 years and grace period is 30 months with a total loan limit of USD 40,5 million and EUR 15 million. As of 30 June 2017, the balance of the loan, which is utilized from the limit allocated in USD, is around TL 44,525,463 (USD 12,695,806) including accrued interest. It is recognized through deducting the arrangement fee and commitment fee amounting to TL 433,203 (USD 123,522) and TL 354,378 (USD 101,046) respectively from total loan amount. The aforementioned commission amounts will be amortized throughout the term of the loan.
- (***) As of September 30, 2016, a loan amounting to TL 36,580,608 (EUR 9,138,298) including interest accrued with 2.95% interest rate was used from Vakifbank. In addition, there is an auto loan with a maturity of TL 670,733 (EUR 167,558) including the accrued interest from Garanti Malta with 4.35% interest rate. The loan agreement was signed on February 25, 2016 within TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 92% subsidiary of the Group for the financing of geothermal power plant investment. According to the loan agreement, total maturity is 14 years and grace period is 30 months with a total loan limit of USD 40,5 million and EUR 15 million. As of 30 June 2017, the amount of the loan used in the EUR limit is TL 22,745,397 (EUR 5,682,088) including the accrued interest. The arrangement fee amounting to TL 167,080 (EUR 41,739) and the commitment fee amounting to TL 144,896 (EUR 36,197) have been shown for this loan by deducting from the total loan amount. Such commission amounts are amortized over the term of the loan.
- (****) The Company has used an auto loan from İş Bankası on 14 April 2017 amounting to TL 536,669 including its accrued interest whose maturity is on 14 April 2021.

	31 December 2016		
	Yearly average effective interest rate (%)	Original amount	TL
EUR borrowings			
- Floating interest rate (*)	Euribor + 1.65%	11,353,623	42,120,807
- Fixed interest rate (***)	2.95% - 4.75%	9,220,958	34,208,831
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% – Libor + 4.75%	6,586,001	23,177,453
Total short term financial liabilities			99,507,091
EUR borrowings			
- Floating interest rate (*)	Euribor + 1.65%	74,207,733	275,303,269
- Interest accrual of EUR floating rate loan		37,204	138,022
- Fixed interest rate (***)	2.95 % - 4.75%	1,416,169	5,253,844
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% – Libor + 4.75%	34,872,867	122,724,595
- Interest accrual of USD floating rate loan		161,601	568,707
Total long term financial liabilities			403,988,437
Total financial liabilities			503,495,528

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NOTE 6 - FINANCIAL LIABILITIES (Continued)

- (*) The outstanding loan balance used for the long term financing of Turcas share at Denizli natural gas power plant from Bayern LB and Portigon AG banks consortium is TL 336,058,136 (EUR 90,584,150) including its accrued interest, which is recognized through the deduction of ECA premium and arrangement fee amounting to TL 17,096,818 (EUR 4,608,431) and TL 1,399,220 respectively from the total amount of the loan. The aforementioned commission amounts are amortized throughout the maturity of the loan.
- (**) The outstanding loan balance used for the financing of Denizli natural gas power plant from TSKB, is TL 110,613,785 (USD 31,431,514) including its accrued interest, which is recognized through deducting the arrangement fee amounting to TL 235,142 (USD 66,817) from total credit amount. The aforementioned commission amount is amortized throughout the maturity of the loan. According to the loan agreement, total maturity is 14 years and grace period is 30 months with a total loan limit of USD 40,5 million and EUR 15 million. The loan agreement was signed on February 25, 2016 within TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 92% subsidiary of the Group, for the financing of geothermal power plant investment. As of 31 December 2016, the balance of the loan, which is utilized from the limit allocated in USD, is around TL 36,806,110 (USD 10,458,658) including accrued interest. It is recognized through deducting the arrangement fee and commitment fee amounting to TL 591,604 (USD 168,107) and TL 122,394 (USD 34,779) respectively from total loan amount. The aforementioned commission amounts will be amortized throughout the term of the loan.
- (***) As of September 30, 2016, a loan amounting to TL 33,415,809 (EUR 9,007,199) including interest accrued with 2.95% interest rate was used from Vakıfbank. In addition, there is an auto loan with a maturity of TL 751,333 (EUR 202,521) including the accrued interest from Garanti Malta with 4.35% interest rate. The loan agreement was signed on February 25, 2016 within TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 92% subsidiary of the Group for the financing of geothermal power plant investment. As of 31 December 2016, the amount of the loan used in the EUR limit is TL 5,595,299 (EUR 1,508,207) including the accrued interest. The arrangement fee amounting to TL 239,708 (EUR 64,613) and the commitment fee amounting to TL 60,058 (EUR 16,187) have been shown for this loan by deducting from the total loan amount. Such commission amounts are amortized over the term of the loan.

Foreign currency denominated floating rate borrowings are converted to TL by using the exchange rates prevailing at the end of the period. The interest rates of floating rate borrowings are being re-determined in 6-month periods and it is envisaged that the values carried forward will converge to reasonable values.

The redemption schedule of financial liabilities is as follows:

	30 June 2017	31 December 2016
Within 1 year	107,028,868	99,507,091
1 - 2 years	72,025,821	63,786,227
2 - 3 years	68,554,180	63,334,767
3 - 4 years	65,277,534	60,317,038
4 - 5 years	62,192,477	57,584,501
After 5 years	153,486,100	158,965,904
	528,564,980	503,495,528

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

- The loan agreement was entered into with the bank consortium composing of Bayerische Landesbank (“Bayern LB”) and Portigon AG with respect to the amount EUR 149,351,984, with a maturity of 13 years and no-payback (grace) period of three years at the interest rate Euribor + 1.65%, under the guarantee of Euler Hermes German Export Loan Agency,
- The loan agreement was entered into with Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”) with respect to the amount USD 55,000,000, with a maturity of 10 years and no-payback (grace) period of three years at the interest rate Libor + 3.40%.

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The outstanding amount of the loan received from the bank consortium formed by Bayern LB and Portigon AG is EUR 85,251,777 and the outstanding amount of the loan received from TSKB is USD 28,809,524 as of 30 June 2017.

In accordance with the amendment agreement signed on 20 June 2016 between 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 from 2020 to 2022. Meanwhile, maturity of the loan obtained from Bayern LB and Portigon A.G. is extended from 2023 to 2025.

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 5,981,811, with maturity ending 28 July 2017. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR 5,981,811 in favor of Türkiye Garanti Bankası A.Ş..

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

A loan agreement having 14 years of maturity with a grace period of 30 months amounting to USD 40.5 million and EUR 15 million was signed on February 25, 2016 with TSKB for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., which is the 92% subsidiary of the Group. As of 30 June 2017, the outstanding loan balance is around USD 12,500,000 and EUR 5,580,000.

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	(%)	30 June 2017	(%)	31 December 2016
STAŞ	30.00	490,848,930	30.00	461,291,353
RWE & Turcas Güney Elektrik Üretim A.Ş.	30.00	317,018,982	30.00	321,401,070
		807,867,912		782,692,423

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

	2017	2016
Beginning of the period, 1 January	782,692,423	617,944,470
Income and expenses from associates, net (*)	24,770,493	4,355,448
Transactions with associates (**)	382,957	-
Actuarial gain	22,039	-
Business combinations (Note 21)	-	(8,830,787)
End of the period, 30 June	807,867,912	613,469,131

(*) The Group’s income and expense balances from associates amounting to TL 24,770,493 consist of income balance from Shell & Turcas Petrol A.Ş. amounting to TL 29,535,538 and expense balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TL (4,765,045).

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

STAS

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

Shell & Turcas Petrol A.Ş. has become operational on 1 July 2006. As of 30 June 2017, STAS is one of the leading companies in Turkish fuel distribution sector with 1,021 fuel stations, lubricant production facilities, retail and commercial sale.

Joint Venture Agreement gives Turcas the right to redeem a predetermined expense amount in case the management fee expenses reflected to STAS by Shell Türkiye exceed a certain amount. It is expected that the aforementioned management fee income for 2017 will be determined in the second half of the year.

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

STAS	30 June 2017	31 December 2016
Total assets	4,665,492,000	4,855,350,924
Total liabilities	(3,029,328,900)	(3,317,713,081)
Net assets	1,636,163,100	1,537,637,843
Group’s share of associate’s net assets	490,848,930	461,291,353
	1 January - 30 June 2017	1 January - 30 June 2016
Net sales revenue	8,961,791,378	7,343,577,000
Net profit for the period	98,451,792	98,874,000
The Group’s share in total comprehensive income	29,535,538	29,662,200

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NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

RWE& Turcas Güney Elektrik Üretim A.Ş.

Turcas Elektrik Üretim A.Ş. which is 100% direct 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.

<u>RWE&Turcas Güney Elektrik Üretim A.Ş.</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
Total assets	1,444,093,524	1,555,687,175
Total liabilities	(355,532,821)	(451,242,989)
Net assets	1,088,560,703	1,104,444,186
Group's share of associate's net assets (*)	326,568,211	331,333,256
Inter-group finance expense elimination (-)	(9,549,229)	(9,932,186)
Group's share, net	317, 018,982	321,401,070

(*) Group has made a contribution amounting to TL 136,500,000 to the capital increase made in RWE&Turcas Güney Elektrik Üretim A.Ş. on 15 December 2016. The capital increase was made via including the payables of RWE&Turcas Güney A.Ş due to its shareholders to the share capital.

	<u>1 January - 30 June 2017</u>	<u>1 January - 30 June 2016</u>
Net sales revenue	439,515,806	382,953,511
Comprehensive loss	(15,883,483)	(82,967,567)
The Group's share in total comprehensive loss	(4,765,045)	(24,890,270)

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NOTE 8 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased for the period ending as of 30 June 2017 is TL 87,873,320 (June 30, 2016 - TL 310,536). As of 30 June 2017, the majority of the purchases of tangible and intangible fixed assets include the expenditures incurred by Turcas Kuyucak Jeotermal Elektrik Uretim A.Ş., a subsidiary of the Group, within the scope of the construction of the 18.16 MW Geothermal Power Plant (“GPP”) in Kuyucak district of Aydın province.

There is no net book value of tangible and intangible assets sold for the period ending as of 30 June 2017 (30 June 2016: None).

For the six month interim periods ending as of 30 June 2017 and 30 June 2016, all of the depreciation and amortisation expenses are included in the general and administrative expenses.

As of 30 June 2017, there is no pledge and mortgage on the tangible and intangible assets of the Group (31 December 2016: None).

As of 30 June 2017, the Group capitalized financing expenses and income amounting TL 7,018,494 and TL 5,089,252 on construction in progress, respectively. Accordingly, net capitalized financing expenses on construction in progress are TL 1,929,242 (31 December 2016: TL 3,786,099).

NOTE 9 – TRADE PAYABLES

- Trade payables to third parties

	30 June 2017	31 December 2016
Trade payables	51,960,966	3,522,888
	51,960,966	3,522,888

The trade payables include the payables due to suppliers within the scope of the construction of the 18.16 MW Geothermal Power Plant (“GPP”) by Turcas Kuyucak Jeotermal Elektrik Uretim A.Ş..

TURCAS PETROL A.Ş.

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

NOTE 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a. Contingent assets and liabilities

Contingent assets and liabilities of Turcas

Collaterals, pledges, mortgages (“CPM”) given by the Group, as of 30 June 2017 and 31 December 2016 are as follows:

	Currency	30 June 2017		31 December 2016	
		Original Amount	TL Amount	Original Amount	TL Amount
GPM’s given by the Company (Guarantee-Pledge-Mortgage)					
A. GPM’s given for companies					
Own legal personality	TL	1,293,000	1,293,000	1,261,500	1,261,500
B. GPM’s given on behalf of fully Consolidated companies (**)	TL	5,504,083	5,504,083	4,524,569	4,524,569
C. GPM’s given for continuation of its Economic activities on behalf of third parties (*)	USD	168,000,000	589,192,800	168,000,000	591,225,600
	EUR	164,722,775	659,385,267	158,829,724	589,242,393
D. Total amount of other GPM’s					
i) Total amount GPM’s given on behalf of the majority shareholders		-	-	-	-
ii) Total amount of GPM’s given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of GPM’s given on behalf of third parties which are not in scope of C		-	-	-	-
			1,255,375,150		1,186,254,062

(*) Turcas Elektrik Üretim A.Ş. has entered into a loan agreement for USD 55,000,000 with TSKB, 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 5,981,811, with a maturity of 28 July 2017. Therefore, Turcas Petrol A.Ş. has provided a collateral amounting to EUR 5,981,811 to Garanti Bank in order to prepare the mentioned guarantee.

A loan agreement having 14 years of maturity with a grace period of 30 months amounting to USD 40.5 million and EUR 15 million was signed on February 25, 2016 with TSKB 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. The aforementioned surety will expire when the following conditions are satisfied: the revenues from the project operations will be recognized, the minimum subsequent four principal and interest payments will be made and the other conditions stated in the Loan Contract are performed by the loan borrower.

Additionally, Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. has given a standby letter of credit amounting to EUR 9,388,980 to Exergy S.P.A. within the scope of the construction of the 18.16 MW Geothermal Power Plant (“GPP”) in Kuyucak district of Aydın province.

(**) It consists of the guarantees that Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. and Turcas Yenilenebilir Enerji Üretim A.Ş. has given to EMRA and public institutions.

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

NOTE 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

As of 30 June 2017, the ratio of the total other CPM’s provided by the Group to the equity is 0% (31 December 2016: 0%).

	30 June 2017	31 December 2016
Letter of guarantees received	30,389,123	16,979,804
Letter of other guarantees received	94,750	74,750
	30,483,873	17,054,554

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

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

	30 June 2017	31 December 2016
Letters of guarantee given to the customs office	661,799,400	670,301,400
Letters of guarantee given to the tax office	116,469,600	93,259,200
Letters of guarantee given to the EMRA	15,000,000	15,000,000
Other	8,444,400	6,190,500
	801,713,400	784,751,100

	30 June 2017	31 December 2016
Mortgages taken	342,743,400	567,978,900
Letters of guarantees received	197,839,200	178,259,100
Other guarantees received	107,489,400	111,608,100
	648,072,000	857,846,100

STAŞ has committed to pay TL 1,123,929,000 to the dealers for the station improvement in the periods mentioned below (31 December 2016: TL 1,034,089,000). The payment terms of Group’s share of warranty are as follows:

	30 June 2017	31 December 2016
Within 1 year	52,377,900	50,009,400
1-5 years	180,065,100	167,562,600
5-22 years	104,735,700	92,654,700
	337,178,700	310,226,700

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.

TURCAS PETROL A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
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**NOTE 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES
(Continued)**

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 are follows:

	30 June 2017	31 December 2016
Letters of guarantees given for EMRA	1,307,844	1,307,844
Letters of guarantees given for Türkiye Elektrik İletim A.Ş.	1,158,857	1,158,857
Other	1,060,500	10,500
	3,527,201	2,477,201
	30 June 2017	31 December 2016
Letters of guarantees received	28,221	3,434,878
	28,221	3,434,878

TURCAS PETROL A.Ş.

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NOTE 11- EQUITY

a) Share capital / Treasury shares (-)

Shareholders	Group	Allocation (%)	30 June 2017	Allocation (%)	31 December 2016
Aksoy Holding A.Ş.	A/C Group	51.55	139,175,892	51.55	139,175,892
Free Float	A Group	25.94	70,047,751	25.12	67,826,501
Turcas Enerji Holding A.Ş. (*) (Traded in BIST)	A Group	5.36	14,471,336	5.36	14,471,336
YTC Turizm ve Enerji Ltd. Şti.	A Group	4.05	10,941,219	4.02	10,865,362
Suna Baban	A/B Group	3.46	9,347,663	3.46	9,347,663
Müeddet Hanzat Öz	A/B Group	3.46	9,353,058	3.46	9,353,058
Yılmaz Tecmen	A/B Group	2.21	5,962,540	2.21	5,962,540
Other	A/B Group	3.97	10,700,541	4.82	12,997,648
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

(*) According to Article 19, 6th clause of II-22.1 of the Capital Markets Board's "Share Buy Back Communique", Turcas Petrol A.Ş.'s 14,471,336 lot shares, corresponding to 5.36% of the Company's paid-in capital, were sold to the Company's subsidiary Turcas Enerji Holding A.Ş. on 22 December 2016 in accordance with the "Procedures and Principles for the Istanbul Stock Exchange Wholesale Trading Operations" via Finans Yatırım Menkul Değerler A.Ş.

(**) 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, had been purchased by Turcas Petrol A.Ş. on 29 November 2012 as a consequence of Share Buy Back Programme prepared in accordance with the communiqué no 26/767 "Principles for the Share Buy Back of Listed Companies in ISE (Istanbul Stock Exchange)" by CMB on 10 August 2011. Treasury shares consist of this transaction.

The issued capital of the Company in 30 June 2017 is composed of 270,000,000 shares (2016: 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 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.

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

NOTE 11 - EQUITY (Continued)

b) Restricted reserves excepted from profit

	30 June 2017	31 December 2016
Legal reserves	39,311,954	37,333,125
	39,311,954	37,333,125

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 cannot be used in anyhow. These amounts should be classified under “Restricted Reserves” as per CMB Financial Reporting standards.

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.

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NOTE 12 – OPERATING EXPENSES

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Personnel expenses	6,372,970	6,681,166	2,437,322	3,881,889
Outsourced services	2,486,155	1,259,004	1,614,945	742,942
Depreciation and amortization expenses	905,245	1,057,415	429,879	529,653
Repair and maintenance expenses	528,468	474,755	239,610	242,700
Taxes and other liabilities	389,311	60,941	(322,599)	19,399
Travel expenses	338,709	332,877	173,557	211,296
Rent expenses	59,880	29,012	27,695	2,202
Donations	53,200	438,182	50,038	103,210
Other	542,024	368,397	273,020	16,188
	11,675,962	10,701,749	4,923,467	5,749,479

NOTE 13 – OTHER OPERATING INCOME

Other operating income amounting to TL 839,086 for the six months period ended 30 June 2017 consists of rent and service revenue.

For the six-month period ending 30 June 2016, TL 24,010,230 portion of other operating income amounting to TL 24,611,978 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. It is expected that the aforementioned management fee income for 2017 will be determined and collected in the second half of the year.

NOTE 14 – INCOME FROM INVESTMENT ACTIVITIES

For the six-month period ending 30 June 2017, TL 268,927 of the income from investment activities amounting to TL 273,185 consists of gains from the sales of tangible assets.

For the six-month period ending 30 June 2016, TL 7,358,351 portion of income from investing activities amounting to TL 12,438,887 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. Additionally, the amount of TL 4,937,107 results from negative goodwill, which was recognized as income, resulted from the acquisition.

NOTE 15– FINANCIAL INCOME

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Foreign exchange gains	57,420,066	32,651,789	8,421,578	22,365,359
Interest income	7,499,840	16,402,165	3,726,698	6,975,737
	64,919,906	49,053,954	12,148,276	29,341,096

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NOTE 16 – FINANCIAL EXPENSES

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Foreign exchange losses	86,020,826	34,041,299	18,057,550	20,727,321
Interest expenses	7,164,226	9,786,225	4,261,282	4,565,908
Other	260,876	-	146,072	-
	93,445,928	43,827,524	22,464,904	25,293,229

NOTE 17 - TAX ASSETS AND LIABILITIES

Current tax liability

Current tax liability	30 June 2017	31 December 2016
Corporate tax provision	-	(4,630,448)
Prepaid tax and funds	330,298	4,306,049
Prepaid tax and funds / (current tax liability) , net	330,298	(324,399)

Tax expense is comprised of the followings:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Current period corporate tax provision	-	(3,820,397)	-	(104,812)
Deferred tax expense	(5,818,675)	(4,463,196)	(5,458,009)	(2,443,277)
	(5,818,675)	(8,283,593)	(5,458,009)	(2,548,089)

Corporate tax

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

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

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2017 (2016: 20%). Corporate Tax rate is applied to net corporate income which is calculated by adding corporate trade profits, non-discountable expenses according to tax laws and subtracting expenses and discounts identified in tax laws. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retrospectively.

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

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

Income withholding tax

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

Deferred tax assets and liabilities

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

The rate applied in the calculation of deferred tax assets and liabilities is 20% (31 December 2016: 20%).

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

	Total temporary differences		Deferred tax asset / (liability)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Carryforward tax loss (*)	(91,111,941)	(116,513,000)	18,222,388	23,302,600
Interest accrual, net and unpaid loan commissions	(8,424,320)	(8,518,385)	1,684,864	1,703,677
Tangible and intangible assets	(7,853,305)	(6,742,025)	1,570,661	1,348,405
Unused vacation pay liability	(355,220)	(238,713)	71,044	47,743
Provision for employment termination benefits	(337,360)	(589,207)	67,472	117,841
Bonus and premium provisions RWE&Turcas Güney	-	(582,541)	-	116,508
interest income accrual	4,734,540	-	(946,908)	-
Effect of inter-group transactions	22,070,875	22,070,876	(4,414,175)	(4,414,175)
Effect of business combination	27,635,050	27,635,050	(5,527,010)	(5,527,010)
Other	333,625	638,450	(66,725)	(127,690)
Deferred tax asset, net			10,661,611	16,567,899

(*) As of the balance sheet date, the Group has unused prior year losses amounting to TL 311,463,386 (31 December 2016: 121,128,572 TL), which can be deducted from the future profits.

The breakdown of the unused prior year losses of the Group amounting to TL 311,463,386 is as follows: TL 155,795,354 belongs to Turcas Enerji Holding A.Ş., TL 143,883,413 belongs to Turcas Elektrik Üretim A.Ş., TL 6,758,208 belongs to Turcas Petrol A.Ş., TL 4,581,381 belongs to Turcas Yenilenebilir Enerji A.Ş, TL 165,583 belongs to Turcas Elektrik Toptan Satış A.Ş. and TL 279,447 belongs to Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. As a result of the assessments made by the Group, TL 220,351,445 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.

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NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

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

	30 June 2017	31 December 2016
2018	48,704,093	48,704,093
2020	35,145,418	35,145,418
2021	504,222	32,663,489
2022	6,758,208	-
	91,111,941	116,513,000

The movements of deferred tax assets and liabilities as of 30 June 2017 and 30 June 2016 are as follows:

	1 January - 30 June 2017	1 January - 30 June 2016
Opening balance	16,567,899	18,963,256
Amount in statement of profit or loss	(5,818,675)	(4,463,196)
Amount in statement of other comprehensive income	(87,613)	(95,483)
Effect of business combinations	-	(5,527,010)
Closing balance	10,661,611	8,877,567

The reconciliation of the tax expense stated in the condensed consolidated interim statement of profit or loss for the periods ending 30 June 2017 and 30 June 2016 is as the following:

	30 June 2017	30 June 2016
(Loss) / profit before tax	(14,324,352)	35,623,858
Tax rate (%)	20	20
Tax income / (expense)	2,864,870	(7,124,772)
Income not subject to tax	76,457	9,264
Transactions with associates	4,954,099	871,090
Expenses not deductible for tax purposes	(62,215)	(242,452)
Prior year losses deducted	14,431	120,295
Reversal of the unused portion of the tax losses on which deferred tax was recognized in prior years	(6,431,853)	-
Carry-forward tax losses on which no deferred tax was recognized	(7,531,156)	(2,412,827)
Other	296,692	495,809
Current tax expense	(5,818,675)	(8,283,593)

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NOTE 18 - EARNINGS / (LOSS) PER SHARE

As of 30 June 2017 and 30 June 2016, the weighted average number of shares and earnings / (loss) per share are as follows:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Weighted average number of outstanding shares	270,000,000	270,000,000	270,000,000	270,000,000
(Loss) / earnings attributable to the equity holders of the parent	(20,169,887)	27,340,298	(18,090,776)	11,989,257
(Loss) / earnings per share	(0.075)	0.101	(0.067)	0.044

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	30 June 2017							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading
Associates								
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	23,028,289	-	58,372,136	-	13,740	-	-
Shell Turcas Petrol A.Ş.	-	-	-	-	-	5,614	-	-
Other related entities								
Dividend payable to shareholders	-	-	-	-	-	17,275,503	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	92,967	-	-
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	57,505	-	-
Aksoy Holding A.Ş.	-	52,599	-	-	-	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	49,144	-	-
Aksoy Enternasyonal Tic. A.Ş.	-	23,217	-	-	-	-	-	-
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	10,620	-	-	-	-	-	-
Saffet Batu Aksoy	-	8,158	-	-	-	-	-	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	7,723	-	-	-	-	-	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	7,723	-	-	-	-	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	7,723	-	-	-	-	-	-
Erdal Aksoy	-	7,352	-	-	-	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	3,939	-	-	-	-	-	-
Transbalkan Denizyolları Taş. A.Ş.	-	2,950	-	-	-	-	-	-
Banu Aksoy Tarakçıoğlu	-	1,304	-	-	-	-	-	-
Yılmaz Tecmen	-	1,203	-	-	-	-	-	-
	-	23,162,800	-	58,372,136	-	17,494,473	-	-

(*) 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 signed 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 5,105,173 using (TL Libor+2%). There is no guarantee, mortgage or pledge received for the mentioned receivable.

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Transactions with related parties	1 January – 30 June 2017							
	Purchases	Sales	Interest received	Interest paid	Rent income	Dividend income	Other income	Other expenses
Associates								
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	5,105,173	-	-	-	62,836	37,019
Shell & Turcas Petrol A.Ş.	-	-	-	-	-	-	-	39,428
Other related entities								
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	3,000	-	19,634	412,501
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	108,920	-	-	161,477
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	-	387	207,626
Aksoy Holding A.Ş.	-	-	-	-	3,000	-	102,195	-
Aksoy Enternasyonal Tic. A.Ş.	-	-	-	-	3,000	-	77,808	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	3,000	-	19,634	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	-	-	-	3,000	-	19,634	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	3,000	-	19,634	-
Yeditepe Beynelmillel Otelcilik Turizm ve Ticaret A.Ş.	-	-	-	-	-	-	-	17,081
PD Turizm ve Gayrimenkul A.Ş.	-	-	-	-	-	-	6,677	-
Elektrik Piyasaları İşletmeleri Anonim Şirketi	-	-	-	-	-	4,258	-	500
Saffet Batu Aksoy	-	-	-	-	-	-	-	4,297
Erdal Aksoy	-	-	-	-	-	-	-	3,244
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	-	-	-	3,000	-	-	-
Transbalkan Denizyolları Taş. A.Ş.	-	-	-	-	3,000	-	-	-
Alte Enerji A.Ş.	-	-	-	1,298	-	-	-	-
	-	-	5,105,173	1,298	132,920	4,258	328,439	883,173

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2016								
	Receivables				Payables				
	Short Term		Long Term		Short Term		Long Term		
Balances with related parties	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	Trading	Non-trading	
Associates									
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	17,383,577	-	73,536,066	-	-	-	-	
Other related entities									
Alte Enerji A.Ş.	-	-	-	-	-	1,128,000	-	-	
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	292,823	-	-	
Dividend payable to real person shareholders	-	-	-	-	-	241,159	-	-	
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	67,226	-	-	
Shell Turcas Petrol A.Ş.	-	-	-	-	-	56,538	-	-	
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	25,815	-	-	
Aksoy Holding A.Ş.	-	23,197	-	-	-	13,768	-	-	
Aksoy Enternasyonal Tic. A.Ş.	-	17,857	-	-	-	-	-	-	
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	8,523	-	-	-	-	-	-	
Pronegy Gayrimenkul Ve Enerji Yatırımları A.Ş.	-	4,061	-	-	-	-	-	-	
PD Turizm ve Gayrimenkul A.Ş.	-	4,186	-	-	-	-	-	-	
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	3,861	-	-	-	-	-	-	
	-	17,445,262	-	73,536,066	-	1,825,329	-	-	

(*) 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 signed 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 28,071,214 using (TL Libor+2%). There is no guarantee, mortgage or pledge received for the mentioned receivable. On December 22, 2016, TL 360,448,037 of RWE & Turcas Güney Elektrik Üretim A.Ş.’s outstanding shareholder loan was added to the capital as non-cash. In addition, TL 94,551,964 has been added to the capital in cash. For the non-cash portion of the mentioned capital increase, the 30% share of the Group is amounting to TL 108,134,411. For the cash portion, the 30% share of the Group is amounting to TL 28,365,589.

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Transactions with related parties	1 January – 30 June 2016							
	Purchases	Sales	Interest received	Interest paid	Rent income	Dividend income	Other income	Other expenses
Associates								
Shell & Turcas Petrol A.Ş. (*)	-	-	-	-	-	-	24,010,230	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	14,104,287	-	-	-	-	-
Other related entities								
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	86,892	-	625,156	-
Aydin İmar San.ve Tic.A.Ş.	-	-	-	-	-	-	281,780	-
Aksoy Holding A.Ş.	-	-	-	-	-	-	101,266	-
Aksoy Enternasyonal Ticaret Anonim Şirketi	-	-	-	-	3,000	-	84,636	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	3,000	-	18,624	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	-	-	-	3,000	-	18,624	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	3,000	-	18,624	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	-	18,624	-
YTC Turizm ve Enerji Ltd. Şti.	-	-	-	-	-	-	2,099	-
	-	-	14,104,287	-	98,892	-	25,179,663	-

(*) Note 13

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NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Total compensation provided to key management personnel and members of the board of directors during the current period are as follows:

	1 January - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017	1 April - 30 June 2016
Salaries and other short-term benefits	3,305,974	2,897,890	1,022,450	2,380,537

For the years of 2017 and 2016, the senior management bonuses, daily allowance, retirement benefits, dismissal, post employment benefits, equity settled share-based payments, and other long-term benefits are not provided to key management personnel and members of the board of directors.

NOTE 20 - FOREIGN CURRENCY POSITION

(i) Foreign currency risk management

Foreign currency transactions cause foreign currency risk.

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

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NOTE 20 - FOREIGN CURRENCY POSITION (Continued)

(i) Foreign currency risk management (Continued)

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

	TL Equivalent (Functional currency)	30 June 2017		
		USD	EUR	Other
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	91,502,132	26,072,770	13,800	915
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	91,502,132	26,072,770	13,800	915
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)	91,502,132	26,072,770	13,800	915
10- Trade payables	-	-	-	-
11- Financial liabilities	106,575,898	6,498,625	20,930,445	-
12a-Other monetary liabilities	-	-	-	-
12b-Other non-monetary liabilities	-	-	-	-
13- Current liabilities (10+11+12)	106,575,898	6,498,625	20,930,445	-
14- Trade payables	-	-	-	-
15- Financial liabilities	421,063,396	34,720,177	74,767,989	-
16a-Other monetary liabilities	-	-	-	-
16b-Other non-monetary liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	421,063,396	34,720,177	74,767,989	-
18- Total liabilities (13+17)	527,639,294	41,218,802	95,698,434	-
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)	(436,137,162)	(15,146,032)	(95,684,634)	915
21- Net foreign currency asset / liability position of (1+2a+5+6a-10-11-12a-14+15-16a)	(436,137,162)	(15,146,032)	(95,684,634)	915
22- Fair value of foreign currency hedged financial assets	-	-	-	-
23- Hedged foreign currency assets	-	-	-	-
24- Hedged foreign currency liabilities	-	-	-	-
25- Exports	-	-	-	-
26- Imports	-	-	-	-

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NOTE 20 - FOREIGN CURRENCY POSITION (Continued)

(i) Foreign currency risk management (Continued)

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

	31 December 2016			
	TL Equivalent (Functional currency)	USD	EUR	Other
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	130,247,501	35,021,389	1,885,133	1,665
2b- Non-monetary financial assets	-	-	-	-
3- Other	3,869,421	196,921	856,200	-
4- Current assets (1+2+3)	134,116,922	35,218,310	2,741,333	1,665
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)	134,116,922	35,218,310	2,741,333	1,665
10- Trade payables	2,306,659	655,450	-	-
11- Financial liabilities	99,507,091	6,586,001	20,574,581	-
12a-Other monetary liabilities	-	-	-	-
12b-Other non-monetary liabilities	-	-	-	-
13- Current liabilities (10+11+12)	101,813,750	7,241,451	20,574,581	-
14- Trade payables	-	-	-	-
15- Financial liabilities	403,988,437	35,034,468	75,661,106	-
16a-Other monetary liabilities	-	-	-	-
16b-Other non-monetary liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	403,988,437	35,034,468	75,661,106	-
18- Total liabilities (13+17)	505,802,187	42,275,919	96,235,687	-
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)	(371,685,265)	(7,057,609)	(93,494,354)	1,665
21- Net foreign currency asset / liability position of (1+2a+5+6a-10-11-12a-14+15-16a)	(371,685,265)	(7,057,609)	(93,494,354)	1,665
22- Fair value of foreign currency hedged financial assets	-	-	-	-
23- Hedged foreign currency assets	-	-	-	-
24- Hedged foreign currency liabilities	-	-	-	-
25- Exports	-	-	-	-
26- Imports	-	-	-	-

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**CONVENIENCE TRANSLATION INTO ENGLISH OF
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(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 20 - FOREIGN CURRENCY POSITION (Continued)

(i) Foreign currency risk management (Continued)

Foreign currency sensitivity

	30 June 2017			
	Gain/loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	(5,311,157)	5,311,157	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(5,311,157)	5,311,157	-	-
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	(38,302,559)	38,302,559	-	-
5- Hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(38,302,559)	38,302,559	-	-
TOTAL (3+6)	(43,613,716)	43,613,716	-	-
	31 December 2016			
	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	(2,483,057)	2,483,057	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(2,483,057)	2,483,057	-	-
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	(34,685,470)	34,685,470	-	-
5- Hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(34,685,470)	34,685,470	-	-
TOTAL (3+6)	(37,168,527)	37,168,527	-	-

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NOTE 21 – BUSINESS COMBINATIONS

The Company purchased shares of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. at a ratio of 46% 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	11,787,712
Intangible assets	56,808,562
Other assets	12,280,256
Liabilities	(42,921,282)
Net assets acquired	42,708,011
Amount of equity purchase	37,770,904
Negative goodwill arising from purchase (Note 14)	4,937,107

NOTE 22 - SUBSEQUENT EVENTS

As previously announced in the Company's Public Disclosure dated 29 March 2017, with an aim to expand its expertise in geothermal drillings for exploration and generation to oil exploration operations in territories, Turcas Petrol A.Ş. had submitted an oil exploration license application for M-22A plot, which is located in Denizli, to Turkey's Ministry of Energy and Natural Resources Petroleum Directorate.

According to the invitation from Turkey's Ministry of Energy and Natural Resources Petroleum Directorate, "Investment Program" was presented by Turcas Petrol A.Ş. on 4 July 2017 for the inspection of Petroleum Directorate, in line with the legislation. According to "Investment Program" presented by Turcas Petrol A.Ş. to Petroleum Directorate, primary investment amount, which is to be utilized in drilling studies during the first 5 year period, is expected to be USD 2,682,850 at minimum.

As disclosed in the Company's public disclosures dated 19 December 2016 and 20 January 2017, with an aim to effectively manage subsidiaries portfolio and enable active hedging mechanism via reclassification of foreign currency denominated long term investment loans within the group under the same balance sheet of the Company, which has foreign currency denominated assets and revenues, it has been resolved to merge with the 100% subsidiary TEÜAŞ whereby all of its assets and liabilities shall be transferred to the Company.

Regarding the first step of the merger process, 254,509,921.52 TEÜAŞ shares (each share having TL 1 nominal value) were acquired by Turcas Petrol A.Ş. for a consideration of TL 103,369,960 (equity value according to statutory financials) on 27 April 2017. As a result of this transaction, Turcas Petrol A.Ş. has become the only direct shareholder of TEÜAŞ with 100% stake. Afterwards, as also disclosed in the Company's public disclosures dated 11 May 2017, Capital Markets Board application was submitted for obtaining the necessary approval.

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

NOTE 22 - SUBSEQUENT EVENTS (Continued)

Within the application period regarding the merger, it has been evaluated that it would be more suitable for its publicly listed company Turcas Petrol A.Ş. to identify the share acquisition value based on TEÜAŞ's 31 December 2016 IFRS (International Financial Reporting Standards) financials, which are the base financials for merger process, and valuation report prepared by KPMG, dated 04 July 2017. Accordingly, it has been resolved by Turcas Petrol A.Ş.'s Board of Directors dated 31 July 2017 that the above mentioned share acquisition value shall be identified as TL 7,311,353. Therefore, it has also been resolved to refund TL 96,058,607 in total to Turcas Petrol A.Ş. by its 100% subsidiary Turcas Enerji Holding A.Ş. and real person minority shareholders as share acquisition refund amount. Mentioned refund transaction was realized. The transaction has no impact on the cash position of Turcas Petrol A.Ş. on a consolidated basis.

Accordingly, Text of Announcement has been approved by the meeting of Capital Markets Board dated 04.08.2017 and numbered 30/1007.

The merger transaction was completed and registered by the Istanbul Trade Registration Office on 14.08.2017.