

TURCAS PETROL A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)

TURCAS PETROL A.Ş.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 SEPTEMBER 2017

CONTENTS	PAGE
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION	1-2
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	3-4
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY	5
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW	6
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	7-42
NOTE 1 GROUP'S ORGANISATION AND NATURE OF OPERATIONS.....	7-8
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	9-12
NOTE 3 SEGMENT REPORTING.....	13-14
NOTE 4 CASH AND CASH EQUIVALENTS.....	15
NOTE 5 FINANCIAL ASSETS.....	16
NOTE 6 FINANCIAL LIABILITIES.....	17-20
NOTE 7 INVESTMENTS ACCOUNTED BY EQUITY METHOD.....	21-23
NOTE 8 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS.....	23
NOTE 9 TRADE PAYABLES	23
NOTE 10 PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES	24-26
NOTE 11 EQUITY	27-28
NOTE 12 EXPENSES BY NATURE.....	29
NOTE 13 OTHER OPERATING INCOME	29
NOTE 14 INCOME FROM INVESTMENT ACTIVITIES	29
NOTE 15 FINANCIAL INCOME.....	29
NOTE 16 FINANCIAL EXPENSE.....	30
NOTE 17 TAX ASSETS AND LIABILITIES	30-32
NOTE 18 EARNINGS/(LOSS) PER SHARE	33
NOTE 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	34-38
NOTE 20 FOREIGN CURRENCY POSITION.....	38-41
NOTE 21 BUSINESS COMBINATIONS.....	42
NOTE 22 SUBSEQUENT EVENTS.....	42

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

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

		(Not Audited)	(Audited)
		Current Period	Prior Period
		30 September	31 December
	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	4	117,287,514	143,318,772
Trade receivables		455,339	493,761
- <i>Trade receivables from third parties</i>		455,339	493,761
Other receivables		20,803,678	17,572,797
- <i>Other receivables from related parties</i>	19	20,504,834	17,445,262
- <i>Other receivables from third parties</i>		298,844	127,535
Prepaid expenses		1,558,636	172,767
Assets related to current period tax	17	397,903	-
Other current assets		304,817	182,904
Total currents assets		140,807,887	161,741,001
Non-current assets			
Other receivables		55,935,967	73,561,290
- <i>Other receivables from related parties</i>	19	55,910,744	73,536,066
- <i>Other receivables from third parties</i>		25,223	25,224
Prepaid expenses		26,008	3,963,862
Financial assets	5	63,240	63,240
Investments accounted by equity method	7	867,838,015	782,692,423
Property, plant and equipment	8	163,800,748	46,507,903
Intangible assets	8	57,151,623	56,790,416
Deferred tax assets	17	18,143,717	16,567,899
Other non-current assets		19,387,212	12,777,854
Total non-current assets		1,182,346,530	992,924,887
TOTAL ASSETS		1,323,154,417	1,154,665,888

These condensed interim consolidated financial statements as at and for the period ended 30 September 2017 have been approved for issue by the Board of Directors (“BoD”) on 8 November 2017 and signed on behalf of the BoD by Erkan İlhan Tekin, Finance Director (CFO) and Nurettin Demircan, Accounting Manager.

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

TURCAS PETROL A.Ş.

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

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

		(Not Audited)	(Audited)
		Current Period	Prior Period
	Notes	30 September 2017	31 December 2016
LIABILITIES			
Current liabilities			
Financial liabilities	6	38,593,825	33,415,809
Short term portions of long term financial liabilities	6	82,016,256	66,091,282
Trade payables		42,074,619	3,522,888
- Trade payables to third parties	9	42,074,619	3,522,888
Short term liabilities for employee benefits		222,749	-
Other payables		19,330,624	4,425,934
- Other payables to related parties	19	18,515,260	1,825,329
- Other payables to third parties		815,364	2,600,605
Current income tax liabilities	17	-	324,399
Short term provisions		247,757	821,254
- Short term provisions for employee benefits		247,757	821,254
Total current liabilities		182,485,830	108,601,566
Non-current liabilities			
Long term financial liabilities	6	490,111,311	403,988,437
Long term provisions for employee benefits		349,572	589,207
Other non-current liabilities		838,314	919,376
Total non-current liabilities		491,299,197	405,497,020
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		(3,409,764)	(3,732,123)
Actuarial gains/ (losses) on defined benefit plans		(3,409,764)	(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		24,185,451	18,006,308
Equity attributable to equity holders of the parent		645,033,953	637,561,379
Non-controlling interest		4,335,437	3,005,923
Total equity		649,369,390	640,567,302
TOTAL LIABILITIES AND EQUITY		1,323,154,417	1,154,665,888

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE - MONTH PERIODS ENDED 30 SEPTEMBER

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

		(Not audited)		(Not audited)	
		(Restated, Note 2.3)		(Restated, Note 2.3)	
	Notes	1 January- 30 September 2017	1 January- 30 September 2016	1 July- 30 September 2017	1 July - 30 September 2016
CONTINUING OPERATIONS					
Revenue		-	-	-	-
Cost of sales (-)		-	-	-	-
GROSS PROFIT/ (LOSS) FROM TRADING ACTIVITIES					
-					
General administrative expenses (-)	12	(19,055,074)	(16,442,527)	(7,379,112)	(5,741,380)
Marketing selling and distribution expenses (-)	12	-	(602)	-	-
Other operating income	13	2,379,465	26,341,028	1,540,379	1,729,050
Other operating expenses (-)		(7,472)	(1,760,519)	(2,340)	(1,453,383)
OPERATING PROFIT/ (LOSS)					
(16,683,081)					
Income from investment activities	14	273,369	12,438,887	184	-
Income/(Loss) from investments accounted by equity method	7	84,588,207	19,098,465	59,817,714	14,743,017
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL INCOME AND EXPENSE					
68,178,495					
Financial income	15	72,501,311	63,057,862	7,581,405	14,003,908
Financial expense (-)	16	(118,269,083)	(66,371,613)	(24,823,155)	(22,544,089)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS					
22,410,723					
Tax (Expense)/Income From Continued Operations					
- Current income tax expense	17	-	(4,084,127)	-	(263,730)
- Deferred tax (expense) / income	17	1,660,989	(2,291,035)	7,479,664	2,172,161
CONTINUED OPERATIONS PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS					
24,071,712					
Attributable to:					
Equity holders of the parent		24,185,451	30,133,628	44,355,338	2,793,330
Non-controlling interest		(113,739)	(147,809)	(140,599)	(147,776)
Earnings/(loss) per share	18	0,089	0,112	0,16	0,010

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE - MONTH PERIODS ENDED 30 SEPTEMBER

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

	(Not audited)		(Not audited)	
	(Restated, Note 2.3)		(Restated, Note 2.3)	
	1 January – 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July– 30 September 2016
PROFIT / (LOSS) FOR THE PERIOD	24,071,712	29,985,819	44,214,739	2,645,554
Other comprehensive income				
Not to be reclassified to profit or loss				
Actuarial gains / (losses) on defined benefit plans	425,855	274,594	(12,210)	(202,821)
Taxes related to other comprehensive income not to be reclassified to profit or loss				
- Deferred tax (expense) /income	(85,171)	(54,919)	2,442	40,564
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	(21,315)	-	(43,354)	-
- Deferred tax income / (expenses)	4,263	-	4,263	-
OTHER COMPREHENSIVE INCOME / (LOSS)	323,632	219,675	(48,859)	(162,257)
Total comprehensive income/(loss)	24,395,344	30,205,494	44,165,880	2,483,297
Attributable to:				
Equity holders of the parent	24,507,810	30,353,303	44,306,521	2,631,073
Non-controlling interests	(112,466)	(147,809)	(140,641)	(147,776)
Earnings/(Loss) per share	0,09	0,112	0,16	0,010

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

TURCAS PETROL A.Ş.

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

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

	Paid in Capital	Adjustment to share capital	Treasury shares	Restricted reserves	Other comprehensive income/expense not to be reclassified to profit or loss Actuarial gains / (losses) on defined benefit plans	Retained earnings	Net (loss)/income for period	Equity holders of the parent	Non-controlling interest	Total Equity
1 January 2016	270,000,000	41,247,788	(22,850,916)	36,674,580	(3,393,300)	348,170,904	(36,421,614)	633,427,442	(5,078)	633,422,364
Dividends paid	-	-	-	658,545	-	(14,192,093)	-	(13,533,548)	-	(13,533,548)
Transfers	-	-	-	-	-	(36,421,614)	36,421,614	-	-	-
Transactions made with non-controlling interests (Note 20)	-	-	-	-	-	-	-	-	3,417,090 (*)	3,417,090
Other comprehensive income / (expense)	-	-	-	-	219,675	-	-	219,675	-	219,675
Net income for the period	-	-	-	-	-	-	30,133,628	30,133,628	(147,809)	29,985,819
Total comprehensive income	-	-	-	-	219,675	-	30,133,628	30,353,303	(147,809)	30,205,494
30 September 2016 (restated, Note 2.3)	270,000,000	41,247,788	(22,850,916)	37,333,125	(3,173,625)	297,557,197	30,133,628	650,247,197	3,264,203	653,511,400
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
Capital increases	-	-	-	-	-	-	-	-	1,437,411	1,437,411
Dividends 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)	-	-	-	-	322,359	-	-	322,359	1,273	323,632
Net income for the period	-	-	-	-	-	-	24,185,451	24,185,451	(113,739)	24,071,712
Total comprehensive income	-	-	-	-	322,359	-	24,185,451	24,507,810	(112,466)	24,395,344
30 September 2017	270,000,000	41,247,788	(22,850,916)	39,311,954	(3,409,764)	296,549,440	24,185,451	645,033,953	4,335,437	649,369,390

(*) For the nine month interim period ending 30 September 2016, TL 3,416,640 portion of the transactions made with non-controlling interests amounting to TL 3,417,090 result from the acquisition of 46% shares of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş..

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE NINE MONTH PERIODS ENDED 30 SEPTEMBER

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

	Notes	1 January-30 September 2017	1 January-30 September 2016 Restated (Note 2.3)
A. Cash flows from operating activities		40,698,563	75,847,169
Profit/(loss) for the period		24,071,712	29,985,819
Adjustments to reconcile net income/(loss)		(34,932,541)	29,863,882
Adjustments related to tax (income) / expense	17	(1,660,989)	6,375,162
Adjustment related to unrealized foreign currency translation differences		50,580,313	55,908,294
Adjustments related to depreciation and amortization expenses	12	1,595,186	1,626,450
Adjustments related to losses / (gains) resulting from the disposal of the non-current assets held for sale or distribution to the shareholders		-	10,368,039
Adjustment related to losses / (gains) arising from the disposal of tangible assets	14	(268,297)	-
Adjustments related to provisions / (reversals) for employee termination benefits		257,565	24,653
Adjustments related to provision for litigations		-	(230,449)
Adjustments related to undistributed profit/losses of investments accounted using the equity method	7	(84,588,207)	(19,098,465)
Adjustments related to undistributed profits of associates	7	(574,437)	-
Adjustments related to losses / (gains) resulting from the disposal of associates, joint ventures and financial investments or from the change in their shareholdings	14	-	(12,295,458)
Adjustments related to interest income	16	(11,183,713)	(26,845,770)
Adjustments related to interest expense	15	10,910,668	14,031,426
Changes in working capital		52,926,536	25,503,463
Adjustments related to decrease / (increase) in trade receivables		38,422	(99,549)
Decrease / (Increase) in prepaid expenses		(4,179,286)	1,608,977
Adjustments related to increase / (decrease) in trade payables		38,551,733	1,224,087
Decrease / (increase) in other assets related to operations		19,062,545	31,421,659
Increase / (decrease) in other liabilities related to operations		(546,879)	(8,651,711)
Cash used in operations		42,065,706	(9,505,995)
Employment termination benefits paid		(644,842)	(82,711)
Tax refunds / (payments)		(722,302)	(9,423,284)
B. Net cash (resulted from) / generated by investing activities		(112,521,082)	(1,767,666)
Cash outflow resulted from acquisition of tangible and intangible assets	8	(123,921,602)	(6,336,377)
Cash inflow generated by sales of tangible and intangible assets		268,927	4,199
Dividend received	19	4,259	-
Interest received		11,127,334	4,564,512
C. Net cash used in financing activities		45,734,883	(81,707,912)
Proceeds from bank borrowings		86,072,880	(2,085,474)
Repayment of bank borrowings		(31,555,752)	(41,294,432)
Interest paid		(8,782,245)	(11,180,824)
Cash outflows related to business combination		-	(13,613,634)
Dividend paid		-	(13,533,548)
Net increase / (decrease) in cash and cash equivalents		(26,087,637)	(7,628,409)
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	117,172,824	160,820,180

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

TURCAS PETROL A.Ş.

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

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

NOTE 1 - GROUP’S ORGANISATION AND NATURE OF OPERATIONS

Turcas Petrol A.Ş. and its subsidiaries (“The Group”) consist of Turcas Petrol A.Ş. (“The Company” or “Turcas”), 4 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 9.

The number of employees of the Group as of 30 September 2017 is 59 (31 December 2016: 53).

Subsidiaries	Country	Nature of business
Turcas Enerji Holding A.Ş. (former Marmara Petrol ve Rafineri İşleri A.Ş.)	Turkey	Holding
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

TURCAS PETROL A.Ş.

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

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

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 SEPTEMBER 2017

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

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

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

Turcas Elektrik Üretim A.Ş. 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 Enerji Holding A.Ş. (TEHAŞ) had decided to merge with Turcas Yenilenebilir Enerji Üretim A.Ş. (TYEÜAŞ), which is TEHAŞ’s 100% subsidiary, via takeover method whereby all assets and liabilities of TYEÜAŞ shall be transferred to TEHAŞ as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Corporate Tax Law and related legislation. At this time, the Company has been informed that the above mentioned merger transaction has been registered by İstanbul Trade Registration Office on 26.10.2017.

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.

TURCAS PETROL A.Ş.

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Principles Governing the Preparation of Condensed Consolidated Interim Financial Statements

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

The Group has prepared its condensed interim financial statements as of 30 September 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 STATEMENTS FOR THE
INTERIM PERIOD ENDED 30 SEPTEMBER 2017**

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

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

2.2 Summary of the Significant Accounting Policies

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

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at September 30, 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

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

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

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

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

TURCAS PETROL A.Ş.

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

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

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

2.3 Summary of the Significant Accounting Policies (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
- Annual Improvements – 2011–2013 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
- IAS 28
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)

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

Functional and Presentation Currency

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

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.

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 September 30, 2016, this transaction was accounted using the provisional amounts in the context of TFRS 3.

TURCAS PETROL A.Ş.

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

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

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

2.3 Comparatives and restatement of prior year financial statements (Continued)

In this context, the condensed consolidated interim financial statements for the period ending 1 January – 30 September 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 September 2016 (restated)	30 September 2016 (previously reported)	Difference
Income from investment activities	14	12,438,887	4,278,885	8,160,002
Deferred tax expenses (-)	17	(2,291,035)	(819,365)	(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 396,554,790 from which can be utilized with future profits as of 30 September 2017 (31 December 2016: TL 121,128,572). As the Group forecasts to generate a taxable profit amounting to TL 126,978,425 (31 December 2016: TL 116,513,000) within the next five years, deferred tax asset amounting to TL 25,395,685 (31 December 2016: TL 23,302,600) has been generated (Note 17).

TURCAS PETROL A.Ş.

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

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

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 September 2017 are as follows:

	Oil	Electricity	Other	Total
EBITDA	-	(3,392,114)	(11,695,781)	(15,087,895)
Financial income	-	2,295,693	70,205,618	72,501,311
Financial expense	-	(2,047,452)	(116,221,631)	(118,269,083)
Depreciation and amortisation expense	-	(129,564)	(1,465,622)	(1,595,186)
Income/(loss) from associates	84,684,000	(95,793)	-	84,588,207
Purchase of tangible and intangible assets	-	121,247,197	2,674,405	123,921,602

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

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

(*) Operating activities consist of Turcas Petrol.

- c) Operating segments which have been prepared in accordance with the reportable segments for the period between 1 July - 30 September 2017 are as follows:

	Oil	Electricity	Other	Total
EBITDA	-	(1,517,416)	(3,633,716)	(5,151,132)
Financial income	-	(47,691,785)	55,273,190	7,581,405
Financial expense	-	75,725,553	(100,548,708)	(24,823,155)
Depreciation and amortisation expense	-	(85,281)	(604,660)	(689,941)
Income/(loss) from associates	55,148,462	4,669,252	-	59,817,714
Purchase of tangible and intangible assets	-	35,421,411	626,871	36,048,282

TURCAS PETROL A.Ş.

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

(*) Operating activities consist of Turcas Petrol.

- e) Operating segments which have been prepared in accordance with the reportable segments as of 30 September 2017 are as follows:

	Oil	Electricity	Other *	Eliminations	Total
Segment Assets (**)	-	555,335,592	317,869,188	(417,888,378)	455,316,402
Associates	545,958,301	321,879,714	-	-	867,838,015
Segment Liabilities	-	213,047,648	506,586,783	(45,849,404)	673,785,027

- f) Operating segments which have been prepared in accordance with the reportable segments as of 31 December 2016 are as follows:

	Oil	Electricity	Other	Eliminations	Total
Segment assets (**)	-	507,925,250	496,336,840	(632,288,625)	371,973,465
Associates	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 are as follows:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Income				
Segment revenues	-	-	-	-
Consolidated income	-	-	-	-
EBITDA				
EBITDA of segment	(3,392,114)	(2,690,105)	(1,517,416)	(2,305,858)
Other EBITDA	(11,695,781)	12,453,935	(3,633,716)	(2,590,820)
Consolidated EBITDA	(15,087,895)	9,763,830	(5,151,132)	(4,896,678)
Financial income	72,501,311	63,057,862	7,581,405	14,003,908
Financial expense	(118,269,083)	(66,371,613)	(24,823,155)	(22,544,089)
Income from investment activities	273,369	12,438,887	184	-
Income / (loss) from investments accounted by equity method, net	84,588,207	19,098,465	59,817,714	14,743,017
Depreciation and amortisation expense	(1,595,186)	(1,626,450)	(689,941)	(569,035)
Consolidated (loss) / profit before tax	22,410,723	36,360,981	36,735,075	737,123

TURCAS PETROL A.Ş.

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016
Cash	11,554	146
Banks	117,275,960	143,318,626
- <i>time deposits</i>	117,149,544	143,145,290
- <i>demand deposits</i>	126,416	173,336
	117,287,514	143,318,772

The maturities of cash and cash equivalents are as follows:

	30 September 2017	31 December 2016
Up to 30 days	97,566,735	54,833,652
Up to 60 days	19,720,779	88,485,120
	117,287,514	143,318,772

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

	30 September 2017	31 December 2016
TRY	11.27	9.09
USD	1.81	2.24
EUR	0.25	1.15

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

	30 September 2017	31 December 2016	30 September 2016
Cash and cash equivalents	117,287,514	143,318,772	160,875,175
Less: Interest accrual	(114,690)	(58,311)	(54,995)
	117,172,824	143,260,461	160,820,180

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

TURCAS PETROL A.Ş.

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

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

NOTE 5 - FINANCIAL ASSETS

	30 September 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 September 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 (EPIAŞ) 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.

TURCAS PETROL A.Ş.

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

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

NOTE 6 - FINANCIAL LIABILITIES

	30 September 2017	31 December 2016	
Short term bank borrowings	120,610,081	99,507,091	
Long term bank borrowings	490,111,311	403,988,437	
Total financial liabilities	610,721,392	503,495,528	

	30 September 2017		
	Yearly average effective interest rate (%)	Original amount	TL
EUR borrowings			
- Floating interest rate (*)	Euribor + %1.65	11,384,587	47,728,743
- Fixed interest rate (***)	%2.95- %4.35-%4.75	10,543,878	44,204,153
USD borrowings			
- Floating interest rate (**)	Libor + %3.40- Libor + 4.75%	8,025,082	28,505,892
TL borrowings			
- Fixed interest rate (****)	16.36%	171,293	171,293
Total short term financial liabilities			120,610,081
EUR borrowings			
- Floating interest rate (*)	Eurolibor+1.65%	69,649,607	291,999,013
- Interest accrual of EUR floating rate loan		389,857	1,634,438
- Fixed interest rate (***)	4.35% - 4.75%	10,765,036	45,131,337
- Interest accrual of EUR fixed rate loan		186,949	783,765
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% -Libor + 4.75	42,175,086	149,810,121
- Interest accrual of USD floating rate loan		116,430	413,571
TL borrowings			
- Fixed interest rate (****)	16.36%	335,688	335,688
- Interest accrual of TL fixed rate loan		3,378	3,378
Total long term financial liabilities			490,111,311
Total financial liabilities			610,721,392

TURCAS PETROL A.Ş.

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

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

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 September 2017, TL 358,913,511 (EUR 85,610,512) including its accrued interest, which is recognized through the deduction of ECA premium and arrangement fee amounting to TL 16,152,098 (EUR 3,852,709) 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 September 2017, TL 103,219,707 (USD 29,058,784) including its accrued interest, which is recognized through deducting the arrangement fee amounting to TL 219,184 (USD 61,705) 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 September 2017, the balance of the loan, which is utilized from the limit allocated in USD, is around TL 76,783,721 (USD 21,616,430) including accrued interest, It is recognized through deducting the arrangement fee and commitment fee amounting to TL 401,354 (USD 112,991) and TL 653,307 (USD 183,921) respectively from total loan amount. The aforementioned commission amounts will be amortized throughout the term of the loan.
- (***) As of September 30, 2017, a loan amounting to TL 38,593,825 (EUR 9,205,664) including interest accrued with 2.95% interest rate was used from Vakifbank, In addition, there is an auto loan with a maturity of TL 628,035 (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 September 2017, the amount of the loan used in the EUR limit is TL 51,423,402 (EUR 12,265,862) including the accrued interest. The arrangement fee amounting to TL 169,437 (EUR 40,416) and the commitment fee amounting to TL 356,570 (EUR 85,052) 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 510,361 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 (**)	4.35%	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

TURCAS PETROL A.Ş.

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

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

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 Vakifbank. This loan has been paid off as of 09/10/2017. 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 September 2017	31 December 2016
Within 1 year	120,610,081	99,507,091
1 - 2 years	82,734,230	63,786,227
2 - 3 years	78,461,900	63,334,767
3 - 4 years	74,190,102	60,317,038
4 - 5 years	70,420,521	57,584,501
After 5 years	184,304,558	158,965,904
	610,721,392	503,495,528

The following is the information compiled regarding the loans made available for the 800 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 3 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,

TURCAS PETROL A.Ş.

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

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

- 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%.

TURCAS PETROL A.Ş.

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

(Amounts expressed in Turkish Lira (“TRY”) 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 85,610,512 and the outstanding amount of the loan received from TSKB is USD 29,058,784 as of 30 September 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 800 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.

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 September 2017, the outstanding loan balance is around USD 21,500,000 and EUR 12,452,812.

TURCAS PETROL A.Ş.

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

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	%	30 September 2017	%	31 December 2016
STAŞ	30.00	545,958,301	30.00	461,291,353
RWE & Turcas Güney Elektrik Üretim A.Ş.	30.00	321,879,714	30.00	321,401,070
		867,838,015		782,692,423

	2017	2016
Beginning of the period, 1 January	782,692,423	617,944,470
Income and expenses from associates (net) (*)	84,588,207	19,098,465
Actuarial Gain	(17,052)	-
Transactions with associates (**)	574,437	924,600
Business combinations (Note 21)	-	(9,719,414)
Other	-	(35,973)
End of period, 30 September	867,838,015	628,212,148

(*) The Group’s income and expense balances from associates amounting to TL 84,588,207 consist of income balance from Shell & Turcas Petrol A.Ş. amounting to TL 84,684,000 and expense balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TL (95,793).

(**) 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.

STAŞ

As explained in Note 1, STAŞ 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 September 2017, STAŞ is one of the leading companies in Turkish fuel distribution sector with 1.010 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 STAŞ by Shell Türkiye exceed a certain amount. It is expected that the aforementioned management fee income for 2017 will be collected in the last quarter of the year.

TURCAS PETROL A.Ş.

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

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

In accordance with the agreements signed on 25.08.2017 between Turcas and Shell Company of Turkey;

- (i) Shell has been granted the right, but not the obligation, exercisable at any time and only by Shell, after a 2 year lock-up period, to trigger a calculation of the Fair Market Value (FMV) of STAS for the purpose of purchasing Turcas' 30% shares. If upon calculation of FMV Shell makes an offer to purchase Turcas' shares in STAS, Turcas has the right to counter offer to purchase Shell's 70% shares in STAS, which could then effectively trigger an auction between the parties where each party has the right either to agree to sell its shares at the last offer or make an increased counter-offer to purchase the other party's shares. Shell has the ability to cancel the auction process at any time before acceptance of any offer. If Shell stops the process, all the offers made up to that time will be null and void and each party's shareholding in STAS will not change. But if it elects to do so, a 2 year lock up period will again be imposed.
- (ii) In return for Turcas providing Shell with the option to trigger an exit, Shell shall cause STAS to issue 125 Usufruct Certificates to Turcas, which shall each entitle Turcas to USD 64,000 of preferred dividends per annum to be valid from financial year 2016 and with first payment to be realized in 2017.

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

STAS	30 September 2017	31 December 2016
Total assets	4,895,557,700	4,855,350,924
Total liabilities	(3,075,696,697)	(3,317,713,081)
Net assets	1,819,861,003	1,537,637,843
Group's share of associate's net assets	545,958,301	461,291,353
	1 January - 30 September 2017	1 January - 30 September 2016
Net sales revenue	14,414,898,000	11,932,202,000
Net income for the period	282,223,160	177,067,000
The Group's share in profit for the period	84,666,948	53,120,100

RWE&Turcas Güney Elektrik Üretim A.Ş.

Turcas has established a joint venture company named RWE & Turcas Güney Elektrik Üretim A.Ş. with RWE Holding A.Ş. that is a subsidiary of RWE AG which is one of the leading energy companies in the world. Shareholding ratio of Turcas Petrol A.Ş is 30% in this joint venture established in 2007. Natural gas combined cycle power plant with a 800 MW installed capacity, which is established in Denizli by RWE & Turcas Güney Elektrik Üretim A.Ş., has become operational with completion of temporary admission process conducted by the Ministry as of 24 June 2013.

TURCAS PETROL A.Ş.

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

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

RWE&Turcas Güney Elektrik Üretim A.Ş.

	30 September 2017	31 December 2016
Total assets	1,477,571,715	1,555,687,175
Total liabilities	(373,446,840)	(451,242,989)
Net assets	1,104,124,875	1,104,444,186
Group’s share of associate’s net assets (*)	331,237,463	331,333,256
Inter-group finance expense elimination (-)	(9,357,749)	(9,932,186)
Group’s share, net	321,879,714	321,401,070

	1 January - 30 September 2017	1 January - 30 September 2016
Net sales revenue	725,191,421	568,284,329
Loss for the period	(319,309)	(112,017,177)
The Group’s share in total comprehensive loss	(95,793)	(33,605,153)

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The amount of tangible and intangible assets purchased for the period ending as of 30 September 2017 is TL 123,921,602 (September 30, 2016 - TL 6,336,377). As of 30 September 2017, the majority of the purchases of tangible and intangible fixed assets include the expenditures incurred by Turcas Kuyucak Jeotermal Elektrik Üretim 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 September 2017 (30 September 2016: None).

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

NOTE 9 – TRADE PAYABLES

- Trade payables to third parties

	30 September 2017	31 December 2016
Trade payables	42.074.619	3,522,888
	42.074.619	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 Üretim A.Ş..

TURCAS PETROL A.Ş.

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

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

NOTE 10 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a. Contingent assets and liabilities

Contingent assets and liabilities of Turcas Petrol

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

	Currency	30 September 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	4,509,686	4,509,686	4,524,569	4,524,569
C. GPM's given for continuation of its Economic activities on behalf of third parties (*)	USD EUR	168,000,000 152,105,344	596,752,800 637,686,444	168,000,000 158,829,724	591,225,600 589,242,393
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		-	-	-	-
			1,240,241,930		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 800 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.

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 2,753,360 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.

TURCAS PETROL A.Ş.

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

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

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

As of 30 September 2017, the ratio of the total CPM’s provided by the Group to the equity is 195% (31 December 2016: 185%).

	30 September 2017	31 December 2016
Letter of guarantees received	30,964,515	16,979,804
Letter of other guarantees received	94,750	74,750
	31,059,265	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 September 2017	31 December 2016
Letters of guarantee given to the customs office	623,333,400	670,301,400
Letters of guarantee given to the tax office	126,276,300	93,259,200
Letters of guarantee given to the EMRA	15,000,000	15,000,000
Other	8,852,700	6,190,500
	773,462,400	784,751,100

	30 September 2017	31 December 2016
Mortgages taken	354,989,400	567,978,900
Letters of guarantees received	214,773,000	178,259,100
Other guarantees received	98,614,200	111,608,100
	668,376,600	857,846,100

STAŞ has committed to pay TL 1,209,725,000 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 September 2017	31 December 2016
Within 1 year	52,285,500	50,009,400
1-5 years	187,433,700	167,562,600
5-22 years	123,198,300	92,654,700
	362,917,500	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 STATEMENTS FOR THE INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

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 September 2017	31 December 2016
Letters of guarantees given for EMRA	4,359,480	4,359,480
Letters of guarantees given for Türkiye Elektrik İletim A,Ş	4,313,481	3,862,857
Other	3,535,000	35,000
	12,207,961	8,257,337
	30 September 2017	31 December 2016
Letters of guarantees received	372,871	11,449,592
	372,871	11,449,592

TURCAS PETROL A.Ş.

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

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

NOTE 11 – EQUITY

a) Share capital

Shareholders	Group	Allocation (%)	30 September 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 September 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.

TURCAS PETROL A.Ş.

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

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

NOTE 11 – EQUITY (Continued)

b) Restricted reserves excepted from profit

	30 September 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.

TURCAS PETROL A.Ş.

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

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

NOTE 12 - OPERATING EXPENSES

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Personnel expenses	8,602,454	8,686,058	2,229,484	2,004,892
Outsourced services	2,546,592	1,576,664	60,437	317,660
Rent expenses	1,365,041	1,126,561	1,305,161	1,097,549
Depreciation and amortization expenses	1,595,186	1,626,450	689,941	569,035
Repair and maintenance expenses	667,234	705,881	138,766	231,126
Taxes and other liabilities	674,095	87,926	284,784	26,985
Travel expenses	493,434	459,928	154,725	127,051
Donations	114,667	557,682	61,467	119,500
Other	2,996,371	1,615,979	2,454,347	1,247,582
	19,055,074	16,443,129	7,379,112	5,741,380

NOTE 13 - OTHER OPERATING INCOME

Other operating income amounting to TL 2,379,465 for the nine months period ended 30 September 2017 consists of rent and service revenue.

For the nine-month period ending 30 September 2016, TL 26,341,028 portion of other operating income amounting to TL 24,010,230 is driven by Associate Initiative Agreement.

Associate Initiative Agreement gives Turcas the right to redeem a predetermined amount from Shell Turkey, if administration expenses reflected to STAŞ by Shell Turkey’s main shareholder exceed a certain amount. It is expected that the aforementioned management fee income for 2017 will be collected in the last quarter of the year.

NOTE 14 – INCOME FROM INVESTMENT ACTIVITIES

For the nine-month period ending 30 September 2017, TL 273,369 of the income from investment activities amounting to TL 268,927 consists of gains from the sales of tangible assets.

For the nine-month period ending 30 September 2016, TL 12,438,887 portion of income from investing activities amounting to TL 7,358,351 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 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Foreign exchange gains	61,317,583	36,212,092	3,897,517	3,560,303
Interest income	11,183,713	26,845,770	3,683,873	10,443,605
Other	15	-	15	-
	72,501,311	63,057,862	7,581,405	14,003,908

TURCAS PETROL A.Ş.

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

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

NOTE 16 - FINANCIAL EXPENSE

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Foreign exchange losses	107,358,415	52,340,187	21,076,713	18,298,888
Interest expenses	10,910,668	14,031,426	3,746,442	4,245,201
	118,269,083	66,371,613	24,823,155	22,544,089

NOTE 17 - TAX ASSETS AND LIABILITIES

Current tax liability	30 September 2017	31 December 2016
Corporate tax provision	-	(4,630,448)
Prepaid tax and funds	397,903	4,306,049
Prepaid tax and funds / (Current tax liability), net	397,903	(324,399)

Tax expense is comprised of the following:

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Current period corporate tax provision	-	(4,084,127)	-	(263,730)
Deferred tax income/(expense)	1,660,989	(2,291,035)	7,479,664	2,172,161
	1,660,989	(6,375,162)	7,479,664	1,908,431

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.

TURCAS PETROL A.Ş.

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

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

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 September 2017	31 December 2016	30 September 2017	31 December 2016
Carryforward tax loss (*)	(126,978,425)	(116,513,000)	25,395,685	23,302,600
Interest accrual, net and unpaid loan commissions	(7,315,860)	(8,518,385)	1,463,172	1,703,677
Tangible and intangible assets	(8,208,015)	(6,742,025)	1,641,603	1,348,405
Provision for employment termination benefits	(349,570)	(589,207)	69,914	117,841
Bonus and premium provisions	-	(582,541)	-	116,508
Unused vacation pay liability	(247,760)	(238,713)	49,552	47,743
RWE&Turcas Güney interest income accrual	2,341,485	-	(468,297)	-
Effect of business combination	28,462,700	27,635,050	(5,692,540)	(5,527,010)
Effect of inter-group transactions	22,070,875	22,070,876	(4,414,175)	(4,414,175)
Other	(494,015)	638,450	98,803	(127,690)
Deferred tax asset, net			18,143,717	16,567,899

(*) As of the balance sheet date, the Group has unused prior year losses amounting to TL 396,554,790 (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 396,554,790 is as follows: TL 254,254,400 belongs to Turcas Enerji Holding A.Ş., TL 136,714,137 belongs to Turcas Petrol A.Ş., TL 4,868,002 belongs to Turcas Yenilenebilir Enerji A.Ş., TL 132,830 belongs to Turcas Elektrik Toptan Satış A.Ş. and TL 585,421 belongs to Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. As a result of the assessments made by the Group, TL 126,978,425 portion of the unused prior year losses is not assumed to be deductible from the tax base for the next five years. Therefore, deferred tax asset has been calculated over this amount.

TURCAS PETROL A.Ş.

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

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

NOTE 17 - TAX ASSETS AND LIABILITIES (Continued)

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

	30 September 2017	31 December 2016
2018	48,704,091	48,704,093
2020	35,145,418	35,145,418
2021	30,633,923	32,663,489
2022	12,494,993	-
	126,978,425	116,513,000

The movement of deferred tax assets and liabilities as of 30 September 2017 and 30 September 2016 are as follows:

	1 January - 30 September 2017	1 January - 30 September 2016
Opening balance	16,567,899	18,963,256
Amount in profit or loss statement	1,660,989	(2,291,035)
Amount in other comprehensive income statement	(85,171)	(54,919)
Business combinations	-	(5,527,010)
Closing balance	18,143,717	11,090,292

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

	30 September 2017	30 September 2016
Profit/(Loss) before tax	22,410,723	36,360,981
Tax rate (%)	20%	20%
Tax (expense) / income calculated on profit before tax	(4,482,145)	(7,124,772)
Income not subject to tax	114,754	164,782
Prior year losses deducted	26,566	107,780
Transactions with associates	16,917,641	3,819,693
Carry-forward tax losses		
on which no deferred tax was recognized	(10,158,187)	(3,502,720)
Expenses not deductible for tax purposes	(94,462)	(262,155)
Reversal of the unused portion of the tax losses on which deferred tax was recognized in prior years	(405,913)	-
Other	(257,265)	422,230
Current tax (expense) / income	1,660,989	(6,375,162)

TURCAS PETROL A.Ş.

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

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

NOTE 18 –EARNINGS/(LOSS) PER SHARE

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

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Weighted average number of outstanding shares	270,000,000	270,000,000	270,000,000	270,000,000
Income/(Loss) attributable to the equity holders of the parent	24,185,451	30,133,628	44,355,338	2,793,330
Earnings/(Loss) per share	0.089	0.112	0.16	0.010

TURCAS PETROL A.Ş.

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

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

NOTE 19 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	30 September 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									
Shell Turcas Petrol A.Ş.	-	-	-	-	-	-	-	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	20,335,170	-	55,910,745	-	45,274	-	-	-
Other related entities									
Dividend Payable to shareholders (**)	-	-	-	-	-	18,248,271	-	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	87,151	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	96,738	-	-	-
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	37,826	-	-	-
Aksoy Holding A.Ş.	-	76,316	-	-	-	-	-	-	-
Aksoy Enternasyonal Tic. A.Ş.	-	21,090	-	-	-	-	-	-	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	7,723	-	-	-	-	-	-	-
Erdal Aksoy	-	12,513	-	-	-	-	-	-	-
Banu Aksoy Tarakçıoğlu	-	1,210	-	-	-	-	-	-	-
Transbalkan Denizyolları Taş. A.Ş.	-	4,720	-	-	-	-	-	-	-
Pronegy Gayrimenkul Ve Enerji Yatırımları A.Ş.	-	7,723	-	-	-	-	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	3,939	-	-	-	-	-	-	-
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	12,390	-	-	-	-	-	-	-
Saffet Batu Aksoy	-	8,662	-	-	-	-	-	-	-
Yılmaz Tecmen	-	1,204	-	-	-	-	-	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	12,174	-	-	-	-	-	-	-
	-	20,504,834	-	55,910,745	-	18,515,260	-	-	-

(*) 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 7,344,463 using (TL Libor+2%). There is no guarantee, mortgage or pledge received for the mentioned receivable.

(**) Turcas Petrol A.Ş.’s final ex-dividend date relating to 2016 has designated as 8 November 2017.

TURCAS PETROL A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED
30 SEPTEMBER 2017**

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

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

Transactions with related parties	1 January - 30 September 2017							
	Purchases	Sales	Interest received	Interest paid	Rent income	Dividend income	Other income	Other expenses
Associates								
Shell & Turcas Petrol A.Ş.	-	-	-	-	-	-	62,836	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	7,344,463	-	-	-	-	154,178
Other related entities								
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	3,000	-	19,634	585,447
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	108,920	-	-	260,674
YTC Turizm ve Enerji Ltd. Şti.	-	-	-	-	-	-	-	296,318
Aksoy Holding A.Ş.	-	-	-	-	3,000	-	102,195	-
Aksoy Enternasyonal Ticaret 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.	-	-	-	-	-	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	-	-	-	-	-	6,677	-
Elektrik Piyasaları İşletmeleri Anonim Şirketi	-	-	-	-	-	4,259	-	-
Saffet Batu Aksoy	-	-	-	-	-	-	-	19,187
Erdal Aksoy	-	-	-	-	-	-	-	9,620
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	-	-	-	3,000	-	-	-
Transbalkan Denizyolları Taş, A.Ş.	-	-	-	-	3,000	-	-	-
Alte Enerji A.Ş.	-	-	-	1,298	-	-	-	-
	-	-	7,344,463	1,298	132,920	4,259	328,052	1,325,424

TURCAS PETROL A.Ş.

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

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

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.

TURCAS PETROL A.Ş.

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

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

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

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

TURCAS PETROL A.Ş.

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

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

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

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

	1 January - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2017	1 July - 30 September 2016
Salaries and other short term benefits	3,557,624	3,636,634	251,650	738,744
	3,557,624	3,636,634	251,650	738,744

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 (Continued)

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.

TURCAS PETROL A.Ş.

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

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

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,

		30 September 2017			
		TRY Equivalent (Functional currency)	USD	Euro	Other
1-	Trade receivables	-	-	-	-
2a-	Monetary financial assets	108,664,923	30,579,006	10,790	915
2b-	Non-monetary financial assets	-	-	-	-
3-	Other	-	-	-	-
4-	Current assets (1+2+3)	108,664,923	30,579,006	10,790	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)	108,664,923	30,579,006	10,790	915
10-	Trade payables	-	-	-	-
11-	Financial liabilities	120,143,725	8,025,082	21,858,084	-
12a-	Other monetary financial liabilities	-	-	-	-
12b-	Other non-monetary financial liabilities	-	-	-	-
13-	Current Liabilities (10+11+12)	120,143,725	8,025,082	21,858,084	-
14-	Trade payables	-	-	-	-
15-	Financial liabilities	489,734,345	42,291,516	80,982,409	-
16a-	Other monetary financial liabilities	-	-	-	-
16b-	Other non-monetary financial liabilities	-	-	-	-
17-	Non-current liabilities (14+15+16)	489,734,345	42,291,516	80,982,409	-
18-	Total liabilities (13+17)	609,878,070	50,316,598	102,840,493	-
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)	(501,213,147)	(19,737,592)	(102,829,703)	915
21-	et foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(501,213,147)	(19,737,592)	(102,829,703)	915
22-	Fair value of foreign currency hedged financial assets	-	-	-	-
23-	Hedged foreign currency assets	-	-	-	-
24-	Hedged foreign currency liabilities	-	-	-	-
25-	Exports	-	-	-	-
26-	Imports	-	-	-	-

TURCAS PETROL A.Ş.

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

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

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)	(171,927,186)	7,228,372	(53,201,392)	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	-	-	-	-

TURCAS PETROL A.Ş.

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

(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 September 2017			
	Gain/(Loss)		Equity	
	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	(7,010,990)	7,010,990	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(7,010,990)	7,010,990	-	-
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(43,110,325)	43,110,325	-	-
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	(43,110,325)	43,110,325	-	-
TOTAL (3+6)	(50,121,315)	50,121,315	-	-
	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	2,543,809	(2,543,809)	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	2,543,809	(2,543,809)	-	-
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	(19,737,184)	19,737,184	-	-
5- Hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(19,737,184)	19,737,184	-	-
TOTAL (3+6)	(17,193,375)	17,193,375	-	-

TURCAS PETROL A.Ş.

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

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

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 18 September 2017, with an aim to enable effective management of subsidiaries portfolio, resource optimization leading to lower operational expenses and effective foreign currency risk management, Turcas Enerji Holding A.Ş. (TEHAŞ) had decided to merge with Turcas Yenilenebilir Enerji Üretim A.Ş. (TYEÜAŞ), which is TEHAŞ's 100% subsidiary, via takeover method whereby all assets and liabilities of TYEÜAŞ shall be transferred to TEHAŞ as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Corporate Tax Law and related legislation. At this time, the Company has been informed that the above mentioned merger transaction has been registered by İstanbul Trade Registration Office on 26.10.2017

According to The Company's public disclosure dated 18 September 2017, with an aim to improve effective management of subsidiaries and enhance resource optimization, it has been resolved to merge with our 100% subsidiary TEHAŞ via takeover method whereby all assets and liabilities of TEHAŞ shall be transferred to Turcas Petrol A.Ş. as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Capital Markets Law, Corporate Tax Law and related legislation. The merging process is still continuing.

Provisional Acceptance process performed by the Ministry of Energy regarding the Company's 92% subsidiary TKJ's geothermal power plant with a planned installed capacity of 18 MW in Aydın province, Kuyucak town has been completed for the 10 MW part on 27 October 2017. Related application regarding participation in Renewable Energy Sources Support Mechanism ("RESSM") as of 2018 has been submitted as well. TKJ geothermal power plant is expected to participate in RESSM until 2017 year end with 18 MW installed capacity driven by the start of operations in all generation wells.

Turcas Kuyucak Jeotermal Elektrik Üretimi A.Ş. is expected to be eligible for selling electricity at a price of 11.8 USDc/kWh for the first 5 years of its operations thanks to local equipment utilization incentives, and 10.5 USDc/kWh for the second 5 year period via RESSM following expected commercial operation date by 2017 year end.

Turcas Petrol A.Ş.'s final ex-dividend date relating to 2016 has designated as 8 November 2017.