TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014 TOGETHER WITH AUDITOR'S REVIEW REPORT

(ORIGINALLY ISSUED IN TURKISH)

pwc

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

INDEPENDENT AUDITOR'S REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Turcas Petrol A.Ş. (the "Company") as at 30 June 2014 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

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

ORIGINAL TURKISH VERSION WAS SIGNED OFF

Ediz Günsel, SMMM
Partner

Istanbul, 19 August 2014

TURCAS PETROL A.Ş.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2014

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TURCAS PETROL A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2014 AND 31 DECEMBER 2013

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

	Notes	30 June 2014	31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	4	190,176,224	81,692,069
Financial assets	5	5,093,376	7,011,076
Trade receivables		6,469,120	12,035,362
-Trade receivables from related parties	18	242,294	*4,052*
-Trade receivables from third parties		6,226,826	*12,031,310*
Other receivables		39,743,264	35,743,335
-Other receivables from related parties	18	39,301,624	*35,464,589*
-Other receivables from third parties		441,640	*278,746*
Prepaid expenses		1,649,614	1,490,267
Current income tax assests		-	314,692
Other current assets		2,587,516	2,286,500
		245,719,114	**140,573,301**
Assets held for sale		246,953	246,953
Total Currents Assets		**245,966,067**	**140,820,254**
Non-current assets			
Other receivables		306,673,210	299,021,841
-Trade receivables from related parties	18	306,599,607	*298,933,788*
-Other receivables from third parties		73,603	*88,053*
Financial assets	5	13,240	13,240
Associates	7	549,947,946	696,777,036
Property, plant and equipment		19,452,618	18,851,023
Intangible assets		5,745	1,880
- *Other intangible assets*		5,745	*1,880*
Prepaid expenses		-	6,708
Deferred tax assets	16	14,838,299	18,080,411
Other non-current assets		3,979,193	3,926,610
Total Non-Current Assets		**894,910,251**	**1,036,678,748**
Total Assets		**1,140,876,318**	**1,177,499,002**

These condensed interim consolidated financial statements as at and for the period ended 30 June 2014 have been approved for issue by the Board of Directors ("BOD") on 18 August 2014 and signed on behalf of the BOD by Erkan İlhantekin, Finance Director (CFO) and Nurettin Demircan, Accounting Manager.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TURCAS PETROL A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2014 AND 31 DECEMBER 2013
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	30 June 2014		31 December 2013	
LIABILITIES					
Current liabilities					
Financial liabilities	6		52,231,436		52,122,787
-Short-term portion of long term financial liabilities		52,231,436		*52,122,787*	
Trade payables			6,175,725		9,849,514
-Trade payables from related parties	18	3,485,696		*368,340*	
-Trade payables from third parties		2,690,029		*9,481,174*	
Other payables			7,511,807		3,497,124
-Trade payables from related parties	18	318,722		*222,992*	
-Trade payables from third parties		7,193,085		*3,274,132*	
Current income tax liabilities	16		4,076,696		-
Short term provisions			667,642		575,732
- Short-term provisions related to employee benefits		417,642		*325,732*	
- Other short term provisions	8	250,000		*250,000*	
Other current liabilities			46		42
Total Current Liabilities			**70,663,352**		**66,045,199**
Non-current liabilities					
Long-term financial liabilities	6		374,707,864		403,167,922
Long term provisions for employee benefits			409,206		443,522
Other non-current liabilities			31,983		51,786
Deferred tax liabilities	16		1,092,425		1,092,439
Total Non-Current Liabilities			**376,241,478**		**404,755,669**
Shareholders' Equity					
Share capital	9		225,000,000		225,000,000
Adjustment to share capital	9		41,247,788		41,247,788
Treasury shares	9		(22,850,916)		(22,850,916)
Restricted reserves	9		36,674,580		34,823,299
Actuarial gain for employee benefits			(4,280,400)		(4,280,400)
Retained earnings			423,236,269		407,493,623
Net (loss)/ income for the period			(5,067,324)		25,256,777
Equity attributable to equity holders of the parent			693,959,997		706,690,171
Non-controlling interest			11,491		7,963
Total equity			**693,971,488**		**706,698,134**
Total Liabilities and Equity			**1,140,876,318**		**1,177,499,002**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TURCAS PETROL A.Ş.

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

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

	Notes	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
CONTINUING OPERATIONS					
Revenue	10	33,460,808	20,222,291	13,552,075	9,869,070
Cost of sales	10	(32,842,763)	(18,398,399)	(13,083,315)	(8,766,357)
GROSS PROFIT		**618,045**	**1,823,892**	**468,760**	**1,102,713**
General administrative expenses (-)	11	(7,935,415)	(7,187,426)	(4,519,072)	(3,155,898)
Marketing, selling and distribution expenses (-)	11	(838,236)	(910,748)	(341,798)	(640,989)
Other operating income	14	23,976,674	15,743,822	23,287,677	14,954,792
Other operating expenses (-)		(582,648)	(4,565,000)	(243,277)	(4,502,191)
OPERATING PROFIT		**15,238,420**	**4,904,540**	**18,652,290**	**7,758,427**
Expense from investing activities	15	(62,583,151)	-	(62,583,151)	-
Income/ (expense) from associates	7	18,538,869	41,646,323	(7,505,140)	25,130,619
OPERATING PROFIT BEFORE FINANCIAL INCOME/ EXPENSES		**(28,805,862)**	**46,550,863**	**(51,436,001)**	**32,889,046**
Financial income	12	78,918,420	29,516,496	47,261,030	16,781,208
Financial expenses (-)	13	(47,850,144)	(41,698,574)	(13,815,412)	(32,881,716)
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**2,262,414**	**34,368,785**	**(17,990,383)**	**16,788,538**
Tax From Continued Operations Income / (Expense)					
- Current income tax expense	16	(4,108,208)	(2,955,369)	(4,015,366)	(2,503,762)
- Deferred tax (expense)/ income	16	(3,222,309)	1,004,251	(4,096,559)	992,731
CONTINUED OPERATIONS (LOSS)/ PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(5,068,103)**	**32,417,667**	**(26,102,308)**	**15,277,507**
Equity holders of the parent		(5,067,324)	32,416,284	(26,101,449)	15,276,881
Non-controlling interest		(779)	1,383	(859)	626
Earnings per share	17	(0,02)	0,14	(0,12)	0,07

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

TURCAS PETROL A.Ş.

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

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

	Paid in capital	Adjustment to share capital	Treasury shares	Restricted reserves	Actuarial gain / loss	Retained earnings	Net (loss)/ income for period	Equity holders of the parent	Non-controling interest	Total Equity
1 January 2013	**225,000,000**	**41,247,788**	**(22,850,916)**	**32,356,963**	**-**	**346,419,109**	**70,638,974**	**692,811,918**	**7,754**	**692,819,672**
Transfers	-	-	-	2,466,336	-	68,172,638	(70,638,974)	-	-	-
Changes in minarity shares	-	-	-	-	-	-	-	-	486	486
Dividends paid	-	-	-	-	-	(7,098,123)	-	(7,098,123)	-	(7,098,123)
Total comprehensive income	-	-	-	-	-	-	32,416,284	32,416,284	1,383	32,417,667
30 June 2013	**225,000,000**	**41,247,788**	**(22,850,916)**	**34,823,299**	**-**	**407,493,624**	**32,416,284**	**718,130,079**	**9,623**	**718,139,702**
1 January 2014	**225,000,000**	**41,247,788**	**(22,850,916)**	**34,823,299**	**(4,280,400)**	**407,493,624**	**25,256,777**	**706,690,171**	**7,963**	**706,698,134**
Transfers	-	-	-	1,851,281	-	23,405,496	(25,256,777)	-	-	-
Changes in minority shares	-	-	-	-	-	-	-		4,307	4,307
Dividends paid	-	-	-	-	-	(10,647,028)		(10,647,028)	-	(10,647,028)
Total comprehensive loss	-	-	-	-	-	-	(5,067,324)	(5,067,324)	(779)	(5,068,103)
Changes in scope of consolidation	-	-	-	-	-	2,984,177	-	2,984,177	-	2,984,177
30 June 2014	**225,000,000**	**41,247,788**	**(22,850,916)**	**36,674,580**	**(4,280,400)**	**423,236,269**	**(5,067,324)**	**693,959,997**	**11,491**	**693,971,488**

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

TURCAS PETROL A.Ş.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOW FOR THE SIX MONTH PERIODS ENDED 30 JUNE

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

	Notes	1 January- 30 June 2014	1 January- 30 June 2013
A. Cash flows from operating activities		**3,821,577**	**69,486,932**
Net (loss)/ income		(5,068,103)	32,417,667
Adjustments to reconcile net income		**59,630,859**	**28,051,259**
Tax income		7,330,517	1,951,118
Unrealized foreign exchange losses / (gains)		(4,991,014)	25,645,988
Depreciation and amortization of property, plant and equipment and intangible assets		966,555	484,109
Loss on sale of associate	15	62,583,151	-
Changes in financial assets		1,917,700	(4,610,650)
Provision for employee termination benefits		(34,316)	92,948
Provision for unused vacation		91,910	79,746
Adjustments for accumulated earnings of associates		(8,233,644)	-
Provision for debt		-	4,408,000
Changes in working capital		**(29,014,295)**	**15,362,635**
Changes in receivables from trade receivables and related parties		5,566,242	(424,131)
Changes in other receivables		(34,729,873)	11,513,802
Changes in other payables and liabilities		4,014,672	(11,008,392)
Changes in payables from trade payables and related parties		(3,673,789)	5,104,823
Changes in prepaid expenses and other assets		(191,547)	10,176,533
Cash generated from operations		**25,548,461**	**75,831,561**
Taxes paid		(31,513)	(562,967)
Interest expense	13	7,425,475	6,394,968
Interest income	12	(29,120,846)	(12,176,630)
B. Net cash (generated from) / used ininvesting activities		**146,249,748**	**(64,538,446)**
Purchase of property, plant and equipment and intangible assets		(1,663,542)	(14,432,153)
Cash provided from sales of tangible and intangible assets		91,527	-
Capital increase of associates		(24,000,000)	-
Cash inflows from the sale of associate		123,002,629	-
Interest received		29,279,428	11,231,554
Cash inflows from the management fees	14	23,078,575	14,455,219
Dividends received	7	15,000,000	30,000,000
Incomes from associates	7	(18,538,869)	(38,229,202)
Capital advances given to associates		-	(67,563,864)
C. Net cash (used in)/ generated from financing activities		**(41,432,898)**	**5,163,250**
Proceeds from bank borrowings		4,057,524	19,099,174
Repayment of bank borrowings		(27,349,375)	(428,983)
Interest paid		(7,494,019)	(6,409,304)
Capital increase-minority interest		-	486
Dividends paid		(10,647,028)	(7,098,123)
Net increase in cash and cash equivalents		**108,638,425**	**10,111,736**
Cash and cash equivalents balance at the beginning of the period	4	**81,421,815**	**117,987,702**
Cash and cash equivalents balance at the end of the period		**190,060,240**	**128,099,438**

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

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Turcas Petrol A.Ş. and its subsidiaries and invesments accounted for under equity accounting ("The Group") consists of, Turcas Petrol A.Ş. ("The Company" or "Turcas"), a total of 6 subsidiaries and 3 associates.

Turcas Petrolcülük A.Ş. was established in 1988 by Türkpetrol Holding and Burmah-Castrol, In 1996, Tabaş Petrolcülük A.Ş. ("Tabaş") purchased shares of Turcas Petrolcülük A.Ş. resulting in an ownership of 82,16%.

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

As of 1 July 2006, Turcas Petrol A.Ş. transferred its part of shares to Shell & Turcas Petrol A.Ş. (STAŞ) by partial spin-off, 30% shares of Shell & Turcas Petrol A.Ş. were owned by Turcas Petrol A.Ş. and 70% shares of Shell & Turcas Petrol A.Ş. were owned by Shell Company of Turkey Ltd. Since this date, main operations of Turcas Petrol A.Ş.; purchasing, selling, importing, exporting of petroleum products, have been carried by Shell & Turcas Petrol A.Ş. By the decision of the Company's Board of Directors, the main operations of the Company changed into search, research, production, transportation, distribution, storage, export, import, re-export, and national and international investments about trade in the energy sector and its sub sectors 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 businesses 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 are traded on İstanbul Stock Exchange since 1992.

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

The number of employees of the Group as of 30 June 2014 is 50 (30 December 2013: 49).

Subsidiaries	Country	Nature of business
Turcas Enerji Holding A.Ş. (Former Marmara Petrol ve Rafineri İşleri A.Ş.)	Turkey	Holding
Turcas Elektrik Üretim A.Ş.	Turkey	Electricity
Turcas Elektrik Toptan Satış A.Ş.	Turkey	Electricity
Turcas Gaz Toptan Satış A.Ş.	Turkey	Gas
Turcas Yenilenebilir Enerji Üretim A.Ş.	Turkey	Electricity
Turcas Rafineri Yatırımları A.Ş.	Turkey	Petroleum refineries

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

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

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

Based on the resolution of the Board of Directors of the Company dated 7 June 2004, the Company's subsidiary Marmara Petrol ve Rafineri İşleri A.Ş. and the other ATAŞ partners returned their Certificate of Refinery to the General Directorate of Petroleum Affairs, put an end to the refining operations of ATAŞ and obtained a Terminal License for ATAŞ from the Energy Market Regulatory Authority ("EMRA"). The entity continues its storage and service operations as of the balance sheet date.

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

Turcas Elektrik Üretim A.Ş. has been established on 23 December 2003 and obtained Electric Production License with the EMRA's decision numbered 658-2 dated 16 February 2006, for 20 years starting from 16 February 2006.

Turcas Elektrik Toptan Satış A.Ş. has been established on 30 October 2000 and obtained the license to operate in electric wholesale business for 10 years starting from 5 June 2003 in accordance with the Electricity Market Regulation numbered 4628.

Turcas Gaz Toptan Satış A.Ş. has been established on 6 June 2005, in order to operate in the import of natural gas and wholesale activities. The company has obtained sales licence for 30 years period on 17 May 2007.

Turcas Rüzgar Enerji Üretim A.Ş. has been established on 25 October 2007 and it operates in the installation and administration of electric energy production facilities, electric energy production, and the sale of the energy or capacity that has been generated. Turcas Elektrik Üretim A.Ş. owns 99.99% of Turcas Yenilenebilir Enerji Üretim A.Ş.

Turcas Rafineri Yatırımları A.Ş. has been established on 28 December 2011. It operates in the installation of petroleum refineries and additional plants, purchasing and operating of these plants, processing raw petroleum and ensuring that raw petroleum is processed both in domestic and abroad refineries.

Associates	**Country**	**Nature of business**
Shell & Turcas Petrol A,Ş("STAŞ")	Turkey	Petroleum products
RWE&Turcas Güney Elektrik Üretim A.Ş. ("RWE&Turcas Güney")	Turkey	Energy, electricity
Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. ("Turcas&BM")	Turkey	Energy, electricity

STAŞ operates in every aspect of the purchase, sale, import, export, storage and distribution of all types of fuel and oil.

RWE & Turcas Güney Elektrik Üretim A.Ş has been established on 7 December 2007 in order to construct and operate electricity power plant, generate electrical energy, heat and steam from power plants, perform maintenance services and market the recycled and waste materials.

Turcas&BM Kuyucak Jeotermal Elektrik Üretim A.Ş, partnership with Turcas Enerji Holding A.Ş. (46%), BM Mühendislik ve İnşaat A.Ş. (46%) and Alte Enerji A.Ş. (8%), was established in order to operate in production of geothermal energy. The detailed information about the investments accounted for using the equity method is given in Note 7.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Principles Governing the Preparation of Condensed Consolidated Interim Financial Statements

The accompanying condensed consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, condensed consolidated financial statements are prepared in accordance with the Turkish Accounting Standards 34 (“TAS 34 “) “Interim Financial Reporting” issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”).

In compliance with the TAS 34, entities have preference in presenting their interim consolidated financial statements whether full set or condensed. In this framework, Group preferred to present its interim consolidated financial statements in condensed. Therefore the interim condensed consolidated financial statements should be examined together with the year-end financial statements as of 31 December 2013.

The Group maintains its books of account and prepares its statutory financial statements in TL 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.

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

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.

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 2013. These condensed consolidated interim financial statements should be read on a comparative basis with annual financial statements for the year between 1 January - 31 December 2013.

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 IAS/IFRS.

(a) Standards, amendments and interpretations effective from 30 June 2014 that are relevant and applied to the condensed consolidated interim financial statements of the Group:

- TAS/IAS 32 (amendment), "Financial instruments: Presentation", on offsetting financial assets and financial liabilities, is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS/IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

- TFRS/IFRS 10, TFRS/IFRS 12 ve TAS/IAS 27 (amendments), "Consolidated financial statements": 'exeptions for the consolidation of subsidiaries'; is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics.

- TAS/IAS 36 (amendments), "Impairment of assets" on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- TAS 39/IAS 39 (amendments) "Financial Instruments: Recognition and Measurement" - "Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

- TFRIC/ IFRYK 21 – TAS/IAS 37, "Levies" is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

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

2.2 Summary of the Significant Accounting Policies

(b) Not yet entered into force by the Group but not early adopted the standards to existing standards, amendments and interpretations:

- TAS/ IAS 19 (amendment), "Defined benefit plans", is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards.

  - TFRS/IFRS 2, "Share Based Payment"
  - TFRS/IFRS 3, "Business Combination"
  - TFRS/IFRS 8, "Operating Segments"
  - TFRS/IFRS 13, "Fair value measurement"
  - TAS/IFRS 16, "Tangible Assets and TAS/IAS 38, Intangible Assets"
  - TFRS/IFRS 9, "Financial Instruments: TAS/IAS 37, Provisions, Contingent Assets and Liability"
  - TFRS/IFRS 39, "Financial Instruments-Recognition and Measurement"

- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from 2011-2-13 cycle of the annual improvements project that affect 4 standards:

  - TFRS/IFRS 1, "First Adoption of IFRS"
  - TFRS/IFRS 3, "Business Combinations"
  - TFRS/IFRS 13, "Fair Value Measurement"
  - TAS/IAS 40, "Investment Properties"

- TFRS/IFRS 11 (amendments), "Joint Arrangements", is effective for annual periods beginning on or after 1 July 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- TAS /IAS 16 ve TAS/IAS 38 (amendments), "Tangible Assets", "Intangible Assets", is effective for annual periods beginning on or after 1 July 2016. In this amendment the IASB has clarified that the use of revenuebased methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

2.2 Summary of the Significant Accounting Policies

(b) Not yet entered into force by the Group but not early adopted the standards to existing standards, amendments and interpretations: (continued)

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

- TFRS/IFRS 15, "Revenue from contracts with customers", is effective for annual periods beginning on or after 1 July 2017. the International Accounting Standards Board (IASB) and the US national standard-setter, the Financial Accounting Standards Board (FASB), initiated a joint project to clarify the principles for recognising revenue and to develop a common revenue standard for IFRS and US GAAP. The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new model employs an asset and liability approach, rather than current revenue guidance focuses on an 'earnings process'.

- TFRS/IFRS 9 "Financial instruments" - classification and measurement; is effective for annual periods beginning on or after 1 January 2018. This standard on classification and measurement of financial assets and financial liabilities will replace TAS/IAS 39, "financial instruments: Recognition and measurement". TFRS/IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the TAS/IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions

- Amendments to TFRS/IFRS 9, "Financial instruments", regarding general hedge, is effective for annual periods beginning on or after 1 January 2018. These amendments to TFRS/IFRS 9, "Financial instruments", bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

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

Functional and Presentation Currency

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

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

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.

2.4 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Deferred Taxes:

Group accounts the deferred tax assets and liabilities for the temporary differences arising from the timing differences between the statutory financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards. Subsidiaries of the Group have deferred tax assets consisting of carry forward tax losses which may be deducted from the future taxable income and other deductible temporary differences. Amount of the deferred tax assets which may be partially or completely recovered are anticipated according to the current conditions. During the projections, future taxable income, current period losses, expiration dates of the carry forward tax losses, other tax assets and the tax planning strategies, if necessary, are taken into account. Group has carry forward tax losses amounting to TL65,569,681 from which can be utilized with future profits, as of 30 June 2014 (31 December 2013: TL90,675,465).

Since the Group projects that Turcas Elektrik Üretim A.Ş., and Turcas Elektrik Toptan Satış A.Ş. which are the subsidiaries of Group, are going to generate taxable income within the next five years, deferred tax assets amounting to TL12,005,978 has been recognized for total TL60,029,891 carry forward tax losses (31 December 2013:TL15.236.689).

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

NOTE 3 - SEGMENT REPORTING

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

Accounting policies applied by each operational segment of Turcas are the same as those are applied in Turcas's condensed interim consolidated financial statements prepared in accordance with Turkish Financial Reporting Standards.

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

Detailed information about each segment is given 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 other players in the sector.

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

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

b) Operating segments which have been prepared in accordance with the reportable segments as of 1 January- 30 June 2013 are as follows:

	Oil	**Natural gas**	**Electricity**	**Other***	**Total**
Segment revenue	-	-	20,222,291	-	20,222,291
EBITDA	244,180	(125,620)	323,556	4,946,533	5,388,649
Financial income	303,861	-	17,104,352	12,108,282	29,516,495
Financial expense	-	(20,254)	(39,515,898)	(2,162,422)	(41,698,574)
Depreciation and amortisation expense	-	(190)	(92,244)	(391,675)	(484,109)
Income from associates	30,604,709	-	11,041,614	-	41,646,323
Purchase of tangible and intangible assets	-	-	2,153	14,430,000	14,432,153

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

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

d) Operating segments which have been prepared in accordance with the reportable segments for the period between 1 April - 30 June 2013 are as follows:

	Oil	Natural gas	Electricity	Other*	Total
Segment revenue	-	-	9,869,070	-	9,869,070
EBITDA	245,903	(63,645)	19,739	7,695,917	7,897,914
Financial income	303,861	(114,827)	8,642,047	7,950,127	16,781,208
Financial expense	-	(11,899)	(31,580,813)	(1,289,004)	(32,881,716)
Depreciation and amortisation expense	-	(95)	(45,455)	(93,937)	(139,487)
Income from associates	14,639,540	-	10,491,079	-	25,130,619
Purchase of tangible and intangible assets	-	-	(1,271)	8,665,467	8,664,196

e) Operating segment information as of 30 June 2014 are shown below:

	Oil	Natural gas	Electricity	Other*	Eliminations	Total
Segment Assets	126,861,325	8,138,149	501,789,390	381,008,613	(426,869,105)	590,928,372
Associates	443,314,500	-	106,633,446	-	-	549,947,946
Segment Liabilities	32,950	10,256	449,786,427	10,802,922	(13,727,725)	446,904,830

f) Operating segment information as of 31 December 2013 are shown below:

	Oil	Natural gas	Electricity	Other*	Eliminations	Total
Segment Assets	742,142	8,149,506	449,089,239	339,283,588	(316,542,509)	480,721,966
Associates	599,933,498	-	96,843,538	-	-	696,777,036
Segment Liabilities	31,642,279	86,750	473,374,005	4,132,270	(38,434,438)	470,800,866

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Income				
Segment revenue	33,460,808	20,222,291	13,552,075	9,869,070
Consolidated Income	**33,460,808**	**20,222,291**	**13,552,075**	**9,869,070**
EBITDA				
EBITDA of segment	(18,503,759)	(442,116)	(17,467,354)	(201,997)
Other EBITDA	34,708,734	4,946,533	36,557,588	7,695,917
Consolidated EBITDA	**16,204,975**	**5,388,649**	**19,090,234**	**7,897,914**
Financial income	78,918,420	29,516,496	47,261,030	16,781,208
Financial expense	(47,850,144)	(41,698,574)	(13,815,412)	(32,881,716)
Expenses from investing activities	(62,583,151)	-	(62,583,151)	-
Income/(expense) from associates	18,538,869	41,646,323	(7,505,140)	25,130,619
Amortisation and depreciation	(966,555)	(484,109)	(437,944)	(139,487)
Profit before consolidated tax	**2,262,414**	**34,368,785**	**(17,990,383)**	**16,788,538**

NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2014	31 December 2013
Cash	9,859	4,948
Banks		
- demand deposit	2,273,374	404,877
- time deposit	187,892,991	81,282,244
	190,176,224	**81,692,069**

The maturities of cash and cash equivalents are as follows:

	30 June 2014	31 December 2013
Up to 30 days	190,176,224	81,692,069
	190,176,224	**81,692,069**

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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

	30 June 2014	31 December 2013
TL	9.93	6.55
USD	2.34	2.54

Cash and cash equivalents as of 30 June 2014, 31 December 2013 and 30 June 2013, as seen in condensed interim consolidated cash flow statements, are as follows:

	30 June 2014	31 December 2013	30 June 2013
Cash and cash equivalents	190,176,224	81,692,069	128,200,688
Less: Interest accrual	(115,984)	(270,254)	(101,250)
	190,060,240	**81,421,815**	**128,099,438**

The company has no blocked deposits as of 30 June 2014 (31 December 2013: None).

NOTE 5 - FINANCIAL ASSETS

	30 June 2014			31 December 2013		
	Short term	Long term	Total	Short term	Long term	Total
Financial assets held for sale	-	13,240	13,240	-	13,240	13,240
Held-to-maturity financial assets	5,093,376	-	5,093,376	7,011,076	-	7,011,076
	5,093,376	**13,240**	**5,106,616**	**7,011,076**	**13,240**	**7,024,316**

a) Financial assets held for sale

	30 June 2014		31 December 2013	
	Participation amount	Participation rate (%)	Participation amount	Participation rate (%)
ATAŞ	13,240	5.00	13,240	5.00
	13,240		**13,240**	

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

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

NOTE 5 - FINANCIAL ASSETS (Continued)

b) Held to maturity financial assets:

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

	30 June 2014	31 December 2013
Bonds:		
Private sector bonds	5,093,376	7,011,076
	5,093,376	**7,011,076**

Remaining time to maturity dates of held-to-maturity financial assets in agreements as of 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014			31 December 2013		
	Banking	Other firms	Total	Banking	Other firms	Total
Less than 3 months	5,093,376	-	5,093,376	7,011,076	-	7,011,076
	5,093,376	**-**	**5,093,376**	**7,011,076**	**-**	**7,011,076**

Remaining time to repricing dates of held-to-maturity financial assets in agreements as of 30 June 2014 and 31 December 2013 are as follows:

	30 June 2014			31 December 2013		
	Banking	Other firms	Total	Banking	Other firms	Total
Less than 3 months	5,093,376	-	5,093,376	7,011,076	-	7,011,076
	5,093,376	**-**	**5,093,376**	**7,011,076**	**-**	**7,011,076**

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

	2014	2013
1 January	**7,011,076**	**2,090,187**
Purchases	9,482,515	6,689,271
Disposals through sales and redemptions	(11,440,610)	(2,090,187)
Additions due to amortized cost	40,395	11,566
30 June	**5,093,376**	**6,700,837**

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

NOTE 6 - FINANCIAL LIABILITIES

As of 30 June 2014 and on 31 December 2013 financial liabilities are as follows:

	30 June 2014	31 December 2013
Short term bank borrowings	52,231,436	52,122,787
Long term financial liabilities	374,707,864	403,167,922
Total financial liabilities	**426,939,300**	**455,290,709**

	30 June 2014		
	Yearly average effective interest rate(%)	**Original amount**	**TL**
EUR borrowings			
- Fixed interest rate	6.20	35,142	101,626
- Floating interest rate	1.99	12,654,245	36,594,812
USD borrowings			
- Floating interest rate	3.75	7,316,096	15,534,998
Total short term financial liabilities			**52,231,436**
EUR borrowings			
- Floating interest rate (*)	1.99	100,001,391	289,194,021
- Interest accrual of floating rate loan		45,954	132,895
USD borrowings			
- Floating interest rate (**)	3.75	40,204,611	85,370,472
- Interest accrual of floating rate loan			10,476
Total long term financial liabilities			**374,707,864**
Total financial liabilities			**426,939,300**

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TL349,550,427 (EUR120,826,285), ECA premium of TL22,362,374 (EUR7,732,762) and management fee of TL1,399,220 have been deducted from the original amount. These amounts will be amortised until the end of loan agreement.

(**) Original amount of loan obtained TSKB is TL101,225,876 (USD47,666,667) and management fee of TL320,406 (USD150,893) have been deducted from the original amount. These amounts will be amortised until the end of loan agreement.

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

	31 December 2013		
	Yearly average effective interest rate(%)	**Original amount**	**TL**
EUR borrowings			
- Fixed interest rate	6.20	34,060	100,016
- Floating interest rate	1.88	12,401,006	36,415,554
USD borrowings			
- Floating interest rate	3.79	7,312,569	15,607,217
Total short term financial liabilities			**52,122,787**
EUR borrowings			
- Floating interest rate (*)	1.88	105,323,872	309,283,551
- Fixed interest rate	6.20	17,848	52,411
- Interest accrual of floating rate loan		64,247	188,661
USD borrowings			
- Floating interest rate (**)	3.79	43,864,521	93,620,048
- Interest accrual of floating rate loan		10,894	23,251
Total long term financial liabilities			**403,167,922**
Total financial liabilities			**455,290,709**

(*) Original amount of loan obtained from consortium of Bayern LB and Portigon AG is TL370,467,777 (EUR126,159,638), ECA premium of TL23,369,453 (EUR10,784,740) and management fee of TL1,399,220 (EUR746,760) have been deducted from the original amount, These amounts will be amortised until the end of loan agreement.

(**) Original amount of loan obtained TSKB is TL109,560,733 (USD51,333,333) and management fee of TL333,469 (USD156,243) have been deducted from the original amount, These amounts will be amortised until the end of loan agreement.

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

The redemption schedule of financial liabilities is as follows:

	2014	**2013**
0 - 1 year	52,231,436	52,122,787
1 - 2 years	51,689,673	52,075,182
2 - 3 years	51,689,673	52,022,771
3 - 4 years	51,689,673	52,022,771
4 - 5 years	51,689,673	52,022,771
After 5 years	167,949,172	195,024,427
	426,939,300	**455,290,709**

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of borrowings according to their contractual repricing dates of the Group is as follows:

	2014	**2013**
1-3 years	155,610,782	156,220,739
3-5 years	103,379,347	104,045,541
5-7 years	95,617,442	104,045,541
7-10 years	72,331,729	72,771,110
10-13 years	-	18,207,778
	426,939,300	**455,290,709**

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

The loan agreement was entered into with the bank consortium composing of Bayerische Landesbank ("Bayern LB") and Portigon AG with respect to the amount EUR149,351,984, with a maturity of 13 years and no-payback (grace) period of three years at the interest rate Euribor + 1.65%, under the guarantee of Euler Hermes German Export Loan Agency,

The loan agreement was entered into with Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with respect to the amount USD55,000,000, with a maturity of 10 years and no-payback (grace) period of three years at the interest rate Libor + 3.40%.

The portion EUR120,826,285 of the loan received from the bank consortium formed by Bayern LB and Portigon AG and the portion USD47,666,667 of the loan received from TSKB have been utilised as of 30 June 2014.

Turcas Petrol A.Ş. has provided a Corporate Guarantee as collateral amounting to USD77,000,000 in favor of TSKB and EUR149,351,984 in favor of Bayern LB and Portigon AG consortium within the scope of the respective loan agreements.

As a requirement of the loan agreement signed with Portigon AG and Bayern LB, a DSRA Standby Letter of Credit has been arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Elektrik Üretim A.Ş. with Bayern LB as the drawee bank in the amount of EUR 8,500,000, with maturity ending 15 July 2014. (It was amounting to EUR21.656.038 as of 31 December 2013 and it has decreased proportion of difference of security amount in current period. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR EUR8,500,000 (31 December 2013: EUR21.656.038) in favor of Türkiye Garanti Bankası A.Ş.

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

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

NOTE 7 - ASSOCIATES

	%	**31 June 2014**	**%**	**31 December 2013**
STAŞ	30.00	443,314,500	30.00	437,891,400
RWE & Turcas Güney Elektrik Üretim A,Ş,	30.00	103,779,817	30.00	93,983,068
Turcas & BM Kuyucak Jeotermal Elektrik Üretim A,Ş,	46.00	2,853,629	46.00	2,860,470
Socar Turkey Yatırım A.Ş. (*)	-	-	18.50	162,042,098
		549.947.946		**696,777,036**

	30 June 2014	**30 June 2013**
Balance at the beginning of the period	**696,777,036**	**553,928,943**
Incomes and expenses from associates (net) (*)	18,538,869	41,646,323
Dividends received	(15,000,000)	(30,000,000)
Transactions with associates (**)	3,367,135	(3,417,121)
Currency translation differences	16,339,446	-
Changes in scope of consolidation (***)	(194,074,540)	-
Capital increase of associates	24,000,000	67,563,864
Balance at the end of the period	**549,947,946**	**629,722,009**

(*) The Group's income and expense balances from associates amounting to TL18.538.869 consist of income balance from Shell & Turcas Petrol A.Ş amounting to TL20,423,100, expense balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TL(17,570,386), expense balance from Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş. amounting to TL(6,841) and rest of the balance is consist of the Group's share of income from SOCAR Turkey Yatırım A.Ş. amounting to TL15.692.996 before before it has been sold as of 15 May 2014.

(**) The balance consist of adjustment records for consolidation related to given loans by the Group to RWE&Turcas Güney for investing of Denizli Power Plant which was capitalized.

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

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

NOTE 7 - ASSOCIATES (Continued)

STAŞ

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

The Shell Company of Turkey Ltd, and Turcas Petrol A.Ş. have established Shell & Turcas Petrol A.Ş. on 1 July 2006 by merging part of their assets. Turcas Petrol A.Ş. owns %30 of the new company. The main fields of activity of Turcas Petrol A.Ş., i,e, purchasing, selling, export and import of petroleum and petroleum products have started to be undertaken by Shell & Turcas Petrol A.Ş. as of 1 July 2006.

STAŞ, as one of the most important associates of the group, has generated TL7,332,742 thousunds of sales revenue during the first six months of 2014 (2013: TL13,997,089 thousands) and continues to strengthen its place in the Turkey's oil & lubricants market, The company maintains its first place in gasoline with 24% market share, lubricants sales with 26% market share and third place in white product (total of gasoline and diesel sales) sales with 18% market share in its 1,050 stations all over the country.

The summarized financial informations of STAŞ, which is an associate of the Group accounted for by equity method is as follows:

STAŞ

	30 June 2014	31 December 2013
Total assets	3,610,402,000	3,201,367,000
Total liabilities	(2,132,687,000)	(1,741,729,000)
Net assets	1,477,715,000	1,459,638,000
The Group's share of net assets	**443,314,500**	**437,891,400**

	1 January - 30 June 2014	1 January - 30 June 2013
Net sales revenue	7,332,742,000	6,430,979,000
Net income for the period	68,077,000	66,397,000
Group's share	**20,423,100**	**19,919,100**

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

NOTE 7 - ASSOCIATES (Continued)

RWE&Turcas Güney Elektrik Üretim A.Ş.

Turcas Elektrik Üretim A.Ş. which is 100% subsidiary due to the direct and indirect shares regarding the electricity generation of Turcas, established two joint ventures, titled RWE & Turcas Güney Elektrik Üretim A.Ş. and RWE & Turcas Kuzey Elektrik Üretim A.Ş.. The share Turcas Elektrik A.Ş. has in these companies, founded in 2009, is 30%, RWE & Turcas Güney Elektrik Üretim A.Ş. obtained positive response for its Environmental Impact Statement from the Republic of Turkey Ministry of the Environment and Forestry in 2008 in order to establish and operate a natural gas combined cycle power plant with installed power of 775 MW, and also obtained an Electricity Generation Licence from the Energy Market Regulatory Authority in 2009, and completed the land purchases.

Moreover, for the power plant which is put into use by RWE & Turcas Güney Elektrik Üretim A.Ş. in Denizli, a turnkey engineering, acquisition and construction contract was signed with the Greek "METKA" firm on 27 October 2009, The construction licence of the power plant was also obtained during the period, In 2010 system connection agreements were finalised with the Turkish Electricity Transmission Corporation and the final decision was reached, and at the end of 2010 loan agreements were signed with Portigon AG, Bayern LB and TSKB under appropriate conditions for the financing of the project. Construction of the power plant has started on 19 July 2010 and with the temporary acceptance of Ministry made on 24 June 2013 the power plant has became operational.

Denizli Natural Gas Cycle Plant built by RWE&Turcas Güney Elektrik Üretim A.Ş. has been put into use as of 24 June 2013. On the other hand, since the completion of the project was delayed as of 1 January 2013 according to the EPC Agreement signed between RWE&Turcas Güney Elektrik Üretim A.Ş. (owner and operator of the plant in question), Metal Constructions of Greece SA (METKA) and Power Projects Sanayi Insaat Ticaret LTD Companies (PPL); the right to claim damages for delay in performance has emerged due to this delay as per the relevant articles of the EPC Agreement and RWE&Turcas Güney Elektrik Üretim A.Ş. management has decided to recognise an income accrual of TL61,666,500 in its financial statement dated 31 December 2013. Negotiation protocol regarding this issue has been signed between parties. In accordance with this protocol, METKA and PPL draw back their request for arbitration made in 2013 and late fee amounting to EUR21,000,0000 has been determined to pay to RWE&Turcas Güney Elektrik Üretim A.Ş..

	30 June 2014	**31 December 2013**
Total assets	1,606,386,523	1,643,196,489
Total liabilities	(1,220,963,871)	(1,292,916,492)
Net assets	385,422,652	350,279,997
The Group's share of net assets	**115,626,796**	**105,083,999**

	1 January - 30 June 2014	**1 January - 30 June 2013**
Net sales revenue	326,214,308	56,507,459
(Loss)/ income for the period	(58,567,952)	36,805,381
Group's share	**(17,570,386)**	**11,041,614**

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

NOTE 7 - ASSOCIATES (Continued)

Turcas BM Kuyucak Jeotermal Elektrik Üretim A.Ş.

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

	30 June 2014	31 December 2013
Total asset	6,757,760	6,722,769
Total liabilities	(554,223)	(504,361)
Net assets	6,203,537	6,218,408
The Group's share of net assets	**2,860,468**	**2,860,468**

	1 January - 30 June 2014	1 January - 30 June 2013
Loss for the period	(14,871)	-
Group's share	**(6,841)**	**-**

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

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a. Contingent assets and liabilities

Contingent assets and liabilities of Turcas Petrol

Collaterals, pledges, mortgages (CPM) given by the Group, as of 30 June 2014 and 31 December 2013 are as follows:

		30 June 2014		31 December 2013	
	Currency	Original Amount	TL Amount	Original Amount	TL Amount
A. CPM's given for companies' Own legal personality	TL	420,776	420,776	437,976	437,976
B. CPM's given on behalf of fully Consolidated companies (**)	TL	5,064,026	5,064,026	14,380,934	14,380,934
	EUR	200,000	578,380	-	-
C. CPM's given for continuation of its economic activities on behalf of third parties(*)	USD	77,000,000	163,501,800	77,000,000	164,341,100
	EUR	157,851,984	456,492,152	171,208,022	502,752,357
D, Total amount of other CPM's					
i) Total amount CPM's given on behalf of the majority shareholders		-	-	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C		-	-	-	-
			626,057,134		**681,912,367**

(*) Turcas Elektrik Üretim A.Ş. has entered into a loan agreement for USD55,000,000 with TSKB, with a maturity of 10 years with a grace period of three years, regarding the loans made available for the 775 MW Natural Gas Combined Cycle Power Plant investment in Denizli. The amount of total guarantee given to TSKB by Turcas Petrol A.Ş. is USD77,000,000. As stated in note 7, as a requirement of the loan agreement signed with Portigon AG and Bayern LB. Turcas Petrol A.Ş. has provided a corporate guarantee amounting to EUR149,351,984 in favor of Portigon AG and Bayern LB. Again, as a requirement of the loan agreement, a DSRA Standby Letter of Credit was arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Elektrik Üretim A.Ş. with Bayern LB as the drawee bank in the amount of EUR21,656,038, with a maturity of 15 July 2014. The Guarantee amount was EUR21,656,038 as of 31 December 2013, later on it has decreased to amounting EUR8,500,000 during the period. Therefore, Turcas Petrol A.Ş. has provided a collateral amounting to EUR8,500,000 to Garanti Bank in order to prepare the said guarantee.

(**) It consists of the guarantees that Turcas Elektrik Toptan Satış A.Ş. has given to electricity distributer firms.

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

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

Contingent assets and liabilities of Turcas Petrol (Continued)

The rate of GPM's given by the Company to equity is 90% as of 30 June 2014 (31 December 2013: 96%).

	30 June 2014	**31 December 2013**
Letter of guarantees received	6,048,486	9,136,905
Mortgage received	2,201,150	2,201,150
Letter of other guarantees received	57,000	62,000
	8,306,636	**11,400,055**

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

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

	30 June 2014	**31 December 2013**
Letters of guarantee given to the customs office	781,382,100	341,741,700
Letters of guarantee given to the EMRA	15,000,000	15,000,000
Letters of guarantee given to the tax office	4,381,800	4,373,400
Other	3,564,900	3,233,700
Total	**804,328,800**	**364,348,800**

	30 June 2014	**31 December 2013**
Mortgages taken	336,098,400	322,008,600
Letters of guarantees received	164,413,200	151,882,800
Other guarantees received	8,688,300	9,004,200
Total	**509,199,900**	**482,895,600**

Shell&Turcas Petrol A.Ş. has committed to pay TL159,260,000 to the station owners for the station improvement in the periods mentioned below (31 December 2013: TL158,955,000). The payment terms of group's share of warranty is as follows:

	30 June 2014	**31 December 2013**
Within 1 year	10,221,600	10,603,200
1-5 years	26,084,700	27,471,300
5-22 years	11,471,400	9,612,000
	47,777,700	**47,686,500**

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

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

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

According to the environmental laws in effect, Shell & Turcas Petrol A.Ş. ("STAŞ") is responsible for any environmental pollution that may arise as a result of its operations. In the case that STAŞ causes an environmental pollution, STAŞ may be required to recover the damages. There are no environmental lawsuits claimed against STAŞ as of the balance sheet date, however in the case of abandoning the currently operating terminals in the future, STAŞ may be charged for the soil clean-up costs for these terminals. On the other hand, according to the BCA, any environmental liabilities that have arisen prior to the acquisition date are the responsibility of shareholders. STAŞ is accountable only for the environmental liabilities that occur subsequent to the Acquisition Date. However, STAŞ management does not foresee any liabilities that should be reflected in these consolidated financial statements.

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

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

	30 June 2014	31 December 2013
Letters of guarantees given to		
Turkish Electrcity Transmission Company	2,466,701	2,466,701
Other	10,500	10,500
Total	**2,477,201**	**2,477,201**

	30 June 2014	31 December 2013
Letters of guarantees received	23,397,678	18,499,992
Total	**23,397,678**	**18,499,992**

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

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

	30 June 2014	31 December 2013
Letters of guarantees given to the Governorship of Aydın	135,700	135,700
Total	**135,700**	**135,700**

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

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

b. Provisions

	30 June 2014	31 December 2012
Provision for lawsuits	245,500	245,500
Other provisions	4,500	4,500
	250,000	**250,000**

NOTE 9 - EQUITY

a) Share capital

Shareholders	Group	Allocation (%)	30 June 2014	Allocation (%)	31 December 2013
Aksoy Holding A.Ş.	A/C Grubu	51,55	115,979,910	51,55	115,979,910
Public Traded	A Grubu	24,91	56,051,858	24,91	56,048,763
Turcas Petrol A.Ş. (*)		5,36	12,059,447	5,36	12,059,447
YTC Turizm ve Enerji Ltd. Şti.	A Grubu	4,02	9,054,469	4,02	9,054,468
Suna Baban	A/B Grubu	3,46	7,789,720	3,46	7,789,719
Müeddet Hanzat Öz	A/B Grubu	3,46	7,794,215	3,46	7,794,215
Yılmaz Tecmen	A/B Grubu	2,21	4,968,783	2,21	4,968,783
Other	A/B Grubu	5,02	11,301,598	5,03	11,304,695
Total		**100,00**	**225,000,000**	**100,00**	**225,000,000**
Treasury shares adjustment (*)			(22,850,916)		(22,850,916)
Inflation adjustment			41,247,788		41,247,788
Adjusted capital			**243,396,872**		**243,396,872**

(*) %5.36 shares of Turcas Petrol A.Ş. which was owned by Turcas Enerji Holding A.Ş., one of Turcas Petrol A.Ş.'s subsidiaries, have been purchased by Turcas Petrol A.Ş. on 29 November 2012 as a consequence of Repurchasing Programme prepared in accordance with the communiqué no 26/767 "Principles for the Firms whose shares are quoted in ISE (Istanbul Stock Exchange) during the purchase of their own shares" by CMB on 10 August 2011. Treasury shares as of 30 June 2014 and 31 December 2013 consist of this transaction.

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

NOTE 9 - EQUITY (Continued)

a) Share capital (Continued)

The issued capital of the Company in 2014 is composed of 225,000,000 shares (2013: 225,000,000 shares). The nominal value of shares is TL 1 per share.

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

At least one of the the Group C shareholders is required to vote in the affirmative for some critical decisions determined in the establishment agreement of the Company.

There is no privilege assigned to any group of shares in terms of dividend distribution.

b) Restricted reserves excepted from profit

	30 June 2014	31 December 2013
Legal Reserves	36,674,580	34,823,299
	36,674,580	**34,823,299**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. In accordance with the Turkish Commercial Code, legal reserves can be used for offsetting the losses as long as they do not exceed 50% of the paid in capital. Apart from that, they can not be used in anyhow.

Quoted companies are subject to dividend requirements regulated by CMB as follows:

It was announced in the CMB decision dated 9 January 2009, number 1/6 that without considering the fact that a profit distribution has been declared in the general assemblies of the subsidiaries, joint ventures and associates, which are consolidated into the parent company's financial statements, the net income from these companies that are consolidated into the financial statements of the parent company can be considered when calculating the distributable amount, as long as the statutory reserves of these entities are sufficient for a such profit distribution. After completing these requirements, the parent company may distribute profit by considering the net income included in the consolidated financial statements prepared in accordance with Communiqué No. XI-29 of CMB.

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

NOTE 9 - EQUITY (Continued)

b) Restricted reserves excepted from profit (Continued)

In accordance with the CMB decision dated 27 January 2010, it is decided to remove the obligation related with the minimum dividend distribution rate for publicly traded companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source for capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

NOTE 10 - SALES AND COST OF SALES

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Electricity sales	30,887,389	19,969,240	13,552,075	9,735,476
Sales returns	-	(33,903)	-	(33,903)
Other sales	2,573,419	286,954	-	167,497
	33,460,808	**20,222,291**	**13,552,075**	**9,869,070**

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Electricity costs	32,808,644	18,392,006	13,064,412	8,761,052
Transmission capacity and service fee	24,569	-	12,768	-
Other costs	9,550	6,393	6,135	5,305
	32,842,763	**18,398,399**	**13,083,315**	**8,766,357**

NOTE 11 - EXPENSE BY NATURE

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Cost of goods sold	32,842,763	18,398,399	13,083,315	8,766,357
Personnel expenses	5,142,901	4,104,287	3,096,281	1,852,553
Outsourced services	1,057,255	1,105,467	551,621	125,193
Depreciation and amortization expenses	966,555	484,109	437,944	139,487
Travel expenses	450,222	382,573	265,252	163,919
Taxes and other liabilities	160,524	212,872	99,488	147,730
Rent expenses	139,809	346,416	57,367	173,151
Repair and maintenance expenses	137,588	93,316	(15,545)	58,227
Other	718,797	1,369,134	368,462	1,136,627
	41,616,414	**26,496,573**	**17,944,185**	**12,563,244**

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

NOTE 12 - FINANCIAL INCOME

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Foreign exchange gains	49,287,841	17,213,311	29,925,116	6,556,703
Interest income	29,120,846	12,176,630	17,362,978	10,106,429
Deferred finance income	509,733	126,555	(27,064)	118,076
	78,918,420	**29,516,496**	**47,261,030**	**16,781,208**

NOTE 13 - FINANCIAL EXPENSE

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Foreign exchange losses	40,282,740	35,302,649	10,276,842	29,483,567
Interest expenses	7,425,475	6,394,968	3,585,674	3,475,379
Deferred finance charges	141,929	957	(47,104)	(77,230)
	47,850,144	**41,698,574**	**13,815,412**	**32,881,716**

NOTE 14 - OTHER INCOME

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Shell Company Joint Venture				
Contract revenue (*)	23,078,575	14,455,219	23,078,575	14,455,219
Service revenue	181,053	626,783	66,734	219,655
Rent income	135,198	64,555	66,644	33,131
Other	581,848	597,265	75,724	246,787
	23,976,674	**15,743,822**	**23,287,677**	**14,954,792**

(*) Associate Initiative Agreement gives the right to reflect the predetermined amount about Turcas to Shell Türkiye under the circumstances of exceeding amounts of reflected administration expenses from the main associate abroad of Shell Türkiye to STAŞ.

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

NOTE 15 - EXPENSES FROM INVESTING ACTIVITIES

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Loss on sale of associate (*)	62,583,151	-	62,583,151	-
	62,583,151	**-**	**62,583,151**	**-**

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

NOTE 16 - TAX ASSETS AND LIABILITIES

Corporate tax for the period

Current tax liability	**30 June 2014**	**31 December 2013**
Corporate tax provision	(4,108,208)	(4,918,216)
Less: Prepaid tax and funds	31,513	5,232,908
Tax (liabilities)/ assets	**(4,076,695)**	**314,692**

Tax expense is comprised of the following:

	1 January - 30 June 2014	1 January - 30 June 2013	1 April - 30 June 2014	1 April - 30 June 2013
Current period corporate tax provision	(4,108,208)	(2,955,369)	(4,015,366)	(2,503,762)
Deferred tax (expense)/ income	(3,222,309)	1,004,251	(4,096,559)	992,731
	(7,330,517)	**(1,951,118)**	**(8,111,925)**	**(1,511,031)**

NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

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% (2013: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

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

Income withholding tax

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

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% (2013: 20%).

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

NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

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

	Total temporary differences		Deferred tax asset/(liability)	
	30 June 2014	**31 December 2013**	**30 June 2014**	**31 December 2013**
Carry forward tax loss	60,029,891	76,183,445	12,005,978	15,236,689
Interest accrual	10,515,308	11,488,753	2,103,062	2,297,751
Tangible and intangible assets	1,221,685	1,090,796	244,337	218,159
Provision for employment termination benefits	(409,206)	(443,522)	81,841	88,704
Doubtful receivables provision	(245,500)	(245,500)	49,100	49,100
Unused vacation provisions	(417,642)	(325,732)	83,528	65,146
Inventory	1,194,775	-	238,955	-
Other	2,425	365,379	(485)	73,076
Deferred tax (liabilities)/ assets (net)			**14,806,316**	**18,028,625**

As of the balance sheet date, the Group has carry forward tax losses amounting to TL65,569,681 (31 December 2013: TL90,675,465) to be deducted from future profits.

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

	30 June 2014	**31 December 2013**
2014	2,128,337	11,610,869
2015	792,820	792,820
2016	463,394	543,041
2017	1,130,847	1,051,200
2018	494,090	494,090
2019	530,302	-
	5,539,790	**14,492,020**

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

NOTE 16 - TAX ASSETS AND LIABILITIES (Continued)

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

	30 June 2014	31 December 2013
2018	59,818,695	76,183,445
2019	211,196	-
Closing balance	**60,029,891**	**76,183,445**

The movement of deferred tax assets and liabilities as of 30 June 2014 and 2013 are as follows:

	1 January- 30 June 2014	1 January- 30 June 2013
Opening balance	18,028,625	1,986,280
Deferred tax (expense)/ income	(3,222,309)	1,004,251
Closing balance	**14,806,316**	**2,990,531**

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

	30 June 2014	30 June 2013
Profit before tax	**2,262,414**	**34,368,785**
Tax effect (%)	20%	20%
Tax expense calculated by using effective tax rate	(452,483)	(6,873,757)
Tax effect of exemptions	492,398	1,157,707
Unused portion of carry forward tax losses	(6,490,422)	(3,174,182)
Transactions with associates	(713,564)	7,645,820
Tax effect of non deductible expenses	(571,004)	(946,316)
Other	404,558	239,610
Income tax expense	**(7,330,517)**	**(1,951,118)**

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

NOTE 17 - EARNINGS PER SHARE

At 30 June 2014 and 2013, the weighted average number of shares and earnings per share are as follows:

	1 January - 30 June 2014	**1 January - 30 June 2013**	**1 April - 30 June 2014**	**1 April - 30 June 2013**
Weighted average number of outstanding shares	225,000,000	225,000,000	225,000,000	225,000,000
(Loss)/ profit attributable to the equity holders of the parent	(5,067,324)	32,416,284	(26,101,449)	15,276,881
Earnings per share	**(0,02)**	**0,14**	**(0,12)**	**0,07**

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

NOTE 18 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	30 June 2014							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Balances with related parties	**Trade**	**Other**	**Trade**	**Other**	**Trade**	**Other**	**Trade**	**Other**
Associates								
Shell&Turcas Petrol A.Ş.	4,508	-	-	-	-	6,117	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	39,299,692	-	306,599,607	-	-	-	-
Turcas&BM Kuyucak Elektrik Üretim A.Ş.	-	1,932	-	-	-	597	-	-
Other entities								
Yeditepe Beyn, Otelcilik Turz.ve Tic. A.Ş. (**)	232,583	-	-	-	-	-	-	-
Dividend payable to real person shareholders	-	-	-	-	3,485,696	-	-	-
Aksoy Taşınmaz Yatırımları A.Ş	5,203	-	-	-	-	71,601	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	240,407	-	-
	242,294	**39,301,624**	**-**	**306,599,607**	**3,485,696**	**318,722**	**-**	**-**

(*) In order to finance the section corresponding to its part in the Denizli Project of RWE & Turcas Güney Elektrik Üretim A.Ş., the Group has entered into a loan agreement with Bayern LB, Portigon AG and TSKB, Principal and interest of the loan (TL Libor+2) is reflected to RWE & Turcas Güney Elektrik Üretim A.Ş., as stated in Shareholder Loan Agreement signed on 3 December 2010, TL17,476,719 of interest income has been booked regarding related receivables.

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

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

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

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

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

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

	31 December 2013							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
Balances with related parties	**Trading**	**Non-trading**	**Trading**	**Non-trading**	**Trading**	**Non-trading**	**Trading**	**Non-trading**
Associates								
Shell & Turcas Petrol A.Ş.	-	-	-	-	-	23,373	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	35,446,006	-	298,933,788	-	-	-	-
Turcas & BM Kuyucak Elektrik Üretim A.Ş.	4,052	-	-	-	8,532	-	-	-
Other entities controlled by the main shareholder								
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	199,619	-	-
Dividend payable to real person shareholders	-	-	-	-	279,097	-	-	-
Aksoy Holding A.Ş.	-	18,583	-	-	80,711	-	-	-
	4,052	**35,464,589**	**-**	**298,933,788**	**368,340**	**222,992**	**-**	**-**

(*) In order to finance the Denizli Project of RWE & Turcas Güney Elektrik Üretim A.Ş., the Group has entered into a loan agreement with Bayern LB, Portigon AG and TSKB. This Loan is being utilized to RWE & Turcas Güney Elektrik Üretim A.Ş., as Shareholder Loans as per the terms stated in Shareholder Loan Agreement signed on 31 December 2010. TL24,347,273 interest income is booked related to these receivables using interest rate (TL Libor+2) as stated in the agreement.

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

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

	1 January - 30 June 2013						
Transactions with related parties	**Purchases**	**Sales**	**Interest received**	**Rent income**	**Dividend income**	**Other income**	**Other expense**
Associates							
Shell & Turcas Petrol A.Ş.	34,773	1,018,560	-	-	30,000,000	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	11,347,477	-	-	-	-
Star Rafineri A.Ş.	-	-	593,101	-	-	-	-
Other Entities							
The Shell Company of Turkey LTD.	-	-	-	-	-	14,455,219	-
Conrad Yeditepe Beyn, Otelcilik Turz. ve Tic. A.Ş.	31,825	1,116,954	-	-	-	-	-
Etiler Dış Ticaret Ltd. Şti.	-	-	-	600	-	-	-
Aksoy Holding A.Ş.	-	-	-	7,892	-	15,098	17,100
Enak Yapı ve Dış Ticaret A.Ş.	-	-	-	1,300	-	22,154	-
Ataş Anadolu Tasfiyehanesi A.Ş.	397,667	-	-	54,055	-	-	-
YTC Turizm ve Enerji Ltd. Şti.	-	-	-	-	-	3,030	72,589
Aksoy Bodrum Taşinmaz Yatirimlari A.Ş.	-	-	-	500	-	1,907	-
Aksoy Taşinmaz Yatirimlari A.Ş.	-	-	-	600	-	-	-
	464,265	**2,135,514**	**11,940,578**	**64,947**	**30,000,000**	**14,497,408**	**89,689**

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

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

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

	1 January - 30 June 2014	**1 January - 30 June 2013**	**1 April - 30 June 2014**	**1 April - 30 June 2013**
Salaries and other short term benefits	1,839,811	1,165,082	983,497	582,674
	1,839,811	**1,165,082**	**983,497**	**582,674**

Between 2014 and 2013, the senior management bonuses, daily allowance, retirement benefits, dismissal, post employment benefits, equity settled share-basedpayments, and other long-term benefits did not provided.

NOTE 19 - FOREIGN CURRENY POSITION

Foreign currency transactions cause foreign currency risk.

The Group has foreign currency risk, due to the fluctuations in exchange rates used in used in foreign currency transactions. The foreign currency risk arises from future trade transactions, the difference between recorded assets and liabilities. Under such circumstances, the group controls this risk by netting off the foreign currency assets and liabilities. The management analyzes the group's foreign currency position and takes necessary precautions when needed. The Group is primarily exposed to risks from USD and EUR, other currency's effects are immaterial.

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

NOTE 19 - FOREIGN CURRENY POSITION (Continued)

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

		30 June 2014			
		TL Equivalent (Functional currency)	**USD**	**Euro**	**Other**
1-	Trade receivables	-	-	-	-
2a-	Monetary financial assets	154,782,430	72,850,320	31,834	-
2b-	Non-monetary financial assets	-	-	-	-
3-	Other	-	-	-	-
4-	**Current assets (1+2+3)**	**154,782,430**	**72,850,320**	**31,834**	**-**
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)**	**154,782,430**	**72,850,320**	**31,834**	**-**
10-	Trade payables	-	-	-	-
11-	Financial liabilities	52,231,436	7,316,096	12,689,387	-
12a-	Other monetary financial liabilities	-	-	-	-
12b-	Other non-monetary financial liabilities	-	-	-	-
13-	**Current Liabilities (10+11+12)**	**52,231,436**	**7,316,096**	**12,689,387**	**-**
14-	Trade payables	-	-	-	-
15-	Financial liabilities	374,707,864	40,209,545	100,047,345	-
16a-	Other monetary financial liabilities	-	-	-	-
16b-	Other non-monetary financial liabilities	-	-	-	-
17-	**Non-current liabilities (14+15+16)**	**374,707,864**	**40,209,545**	**100,047,345**	**-**
18-	**Total liabilities (13+17)**	**426,939,300**	**47,525,641**	**112,736,732**	**-**
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)**	**(272,156,870)**	**25,324,679**	**(112,704,897)**	**-**
21-	**Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)**	**(167,693,998)**	**39,956,871**	**(87,326,124)**	**-**
22-	**Fair value of foreign currency hedged financial assets**	**-**	**-**	**-**	**-**
23-	**Hedged foreign currency assets**	**-**	**-**	**-**	**-**
24-	**Hedged foreign currency liabilities**	**-**	**-**	**-**	**-**
25-	**Exports**	**-**	**-**	**-**	**-**
26-	**Imports**	**-**	**-**	**-**	**-**

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

NOTE 19 - FOREIGN CURRENY POSITION (Continued)

		31 December 2013			
		TL Equivalent (Functional currency)	**USD**	**Euro**	**Other**
1-	Trade receivables	-	-	-	-
2a-	Monetary financial assets	42,396,610	19,857,501	5,022	-
2b-	Non-monetary financial assets	-	-	-	-
3-	Other	-	-	-	-
4-	**Current assets (1+2+3)**	**42,396,610**	**19,857,501**	**5,022**	-
5-	Trade receivables	-	-	-	-
6a-	Monetary financial assets	-	-	-	-
6b-	Non-monetary financial assets	-	-	-	-
7-	Other	-	-	-	-
8-	**Non-current assets (5+6+7)**	-	-	-	-
9-	**Total Assets (4+8)**	**42,396,610**	**19,857,501**	**5,022**	-
10-	Trade payables	-	-	-	-
11-	Financial liabilities	52,122,787	7,312,569	12,435,066	-
12a-	Other monetary financial liabilities	-	-	-	-
12b-	Other non-monetary financial liabilities	-	-	-	-
13-	**Current Liabilities (10+11+12)**	**52,122,787**	**7,312,569**	**12,435,066**	-
14-	Trade payables	-	-	-	-
15-	Financial liabilities	403,167,922	43,875,415	105,405,967	-
16a-	Other monetary financial liabilities	-	-	-	-
16b-	Other non-monetary financial liabilities	-	-	-	-
17-	**Non-current liabilities (14+15+16)**	**403,167,922**	**43,875,415**	**105,405,967**	-
18-	**Total liabilities (13+17)**	**455,290,709**	**51,187,985**	**117,841,033**	-
19-	**Net asset / liability position of off-balance sheet derivatives (19a-19b)**	-	-	-	-
19a-	Off-balance sheet foreign currency derivative assets	-	-	-	-
19b-	Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20-	**Net foreign currency asset liability position (9-18+19)**	**(412,894,098)**	**(31,330,484)**	**(117,836,011)**	-
21-	**Net foreign currency asset / liability position of monetary items (1+2a+5+6a+10-11-12a-14+15-16a)**	**(308,648,525)**	**(16,705,345)**	**(92,965,879)**	-
22-	**Fair value of foreign currency hedged financial assets**	-	-	-	-
23-	**Hedged foreign currency assets**	-	-	-	-
24-	**Hedged foreign currency liabilities**	-	-	-	-
25-	**Exports**	-	-	-	-
26-	**Imports**	-	-	-	-

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

NOTE 19 - FOREIGN CURRENY POSITION (Continued)

Foreign currency sensitivity

	30 June 2014			
	Gain/(Loss)		Equity	
	Appreciation of Foreign currency	Devaluation of Foreign currency	Appreciation of Foreign currency	Devaluation of Foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	5,377,442	(5,377,442)	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- US Dollar net effect (1+2)	**5,377,442**	**(5,377,442)**	**-**	**-**
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(32,593,129)	32,593,129	-	-
5- Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(32,593,129)**	**32,593,129**	**-**	**-**
+/-10% fluctuation of other exchange rates				
7- Other exchange rates net asset / liability	-	-	-	-
8- Part of hedged from other exchange rate risk (-)	-	-	-	-
9- Other exchange rates net effect (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**(27.215.687)**	**27.215.687**	**-**	**-**

	31 December 2013			
	Gain/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	(6,686,865)	6,686,865	(6,686,865)	6,686,865
2- Hedged from USD risk (-)	-	-	-	-
3- US Dollar net effect (1+2)	**(6,686,865)**	**6,686,865**	**(6,686,865)**	**6,686,865**
+/-10% fluctuation of EUR rate				
4- Euro net asset / liability	(34,602,545)	34,602,545	(34,602,545)	34,602,545
5- Hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4+5)	**(34,602,545)**	**34,602,545**	**(34,602,545)**	**34,602,545**
+/-10% fluctuation of other exchange rates				
7- Other exchange rates net asset / liability	-	-	-	-
8- Part of hedged from other exchange rate risk (-)	-	-	-	-
9- Other exchange rates net effect (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**(41,289,410)**	**41,289,410**	**(41,289,410)**	**41,289,410**

NOTE 20 - SUBSEQUENT EVENTS

None.

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