TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2017

(ORIGINALLY ISSUED IN TURKISH)

TURCAS PETROL A.Ş.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY – 31 MARCH 2017

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

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

		Non-audited	Audited
		Current period	Prior period
	Notes	**31 March 2017**	31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents	4	**154,840,428**	143,318,772
Trade receivables		**487,730**	493,761
- Trade receivables from third parties		***487,730***	*493,761*
Other receivables		**18,633,639**	17,572,797
- Other receivables from related parties	*15*	***18,442,685***	*17,445,262*
- Other receivables from third parties		***190,954***	*127,535*
Prepaid expenses		**1,504,640**	172,767
Assets related to current period tax	13	**244,154**	-
Other current assets		**99,339**	182,904
Total currents assets		**175,809,930**	161,741,001
Non-current assets			
Other receivables		**61,465,050**	73,561,290
- Other receivables from related parties	*15*	***61,439,826***	*73,536,066*
- Other receivables from third parties		***25,224***	*25,224*
Prepaid expenses		**4,344,330**	3,963,862
Financial assets	5	**63,240**	63,240
Investments accounted by equity method	7	**805,612,556**	782,692,423
Property, plant and equipment		**68,238,704**	46,507,903
Intangible assets		**56,626,635**	56,790,416
Deferred tax assets	13	**16,181,296**	16,567,899
Other non-current assets		**14,922,300**	12,777,854
Total non-current assets		**1,027,454,111**	992,924,887
TOTAL ASSETS		**1,203,264,041**	1,154,665,888

These condensed interim consolidated financial statements as at and for the period ended 31 March 2017 have been approved for issue by the Board of Directors ("BOD") on 9 May 2017 and signed on behalf of the BOD by Erkan İlhantekin, Finance Director (CFO) and Nurettin Demircan, Accounting Manager.

TURCAS PETROL A.Ş.

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

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

		Non-audited	Audited
		Current period	Prior period
	Notes	**31 March 2017**	31 December 2016
LIABILITIES			
Current liabilities			
Financial liabilities		**106,331,311**	99,507,091
- *Short term financial liabilities*	*6*	***35,456,684***	*33,415,809*
- *Short term portions of long term financial liabilities*	*6*	***70,874,627***	*66,091,282*
Trade payables		**10,763,923**	3,522,888
- *Trade payables to third parties*		***10,763,923***	*3,522,888*
Short term liabilities for employee benefits		**246,820**	-
Other payables		**1,442,804**	4,425,934
- *Other payables to related parties*	*15*	***586,182***	*1,825,329*
- *Other payables to third parties*		***856,622***	*2,600,605*
Current income tax liabilities	13	**-**	324,399
Short term provisions		**355,524**	821,254
- *Short term provisions for employee benefits*		***355,524***	*821,254*
Total current liabilities		**119,140,382**	108,601,566
Non-current liabilities			
Long-term financial liabilities	6	**442,593,597**	403,988,437
Other liabilities		**1,437,413**	-
- *Other payables to third parties*	15	***1,437,413***	-
Long term provisions		**645,741**	589,207
- *Long term provisions for employee benefits*		***645,741***	*589,207*
Deferred income		**31,697**	-
Other non-current liabilities		**887,679**	919,376
Total non-current liabilities		**445,596,127**	405,497,020
EQUITY			
Paid-in capital	9	**270,000,000**	270,000,000
Adjustment to share capital	9	**41,247,788**	41,247,788
Treasury shares (-)	9	**(22,850,916)**	(22,850,916)
Other comprehensive income/(expense) not to be reclassified to profit or loss		**(3,628,376)**	(3,732,123)
Actuarial losses on defined benefit plans		***(3,628,376)***	*(3,732,123)*
Restricted reserves	9	**37,333,125**	37,333,125
Retained earnings		**315,563,505**	297,557,197
Net (loss) / profit for year		**(2,079,111)**	18,006,308
Equity attributable to equity holders of the parent		**635,586,015**	637,561,379
Non-controlling interest		**2,941,517**	3,005,923
Total equity		**638,527,532**	640,567,302
TOTAL LIABILITIES AND EQUITY		**1,203,264,041**	1,154,665,888

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE - MONTH PERIODS ENDED 31 MARCH

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

	Notes	**Non-audited** **1 January – 31 March 2017**	Non-audited 1 January – 31 March 2016
Revenue		**-**	-
Cost of sales (-)		**-**	-
GROSS PROFIT / (LOSS)		**-**	-
General administrative expenses (-)	10	**(6,752,495)**	(4,951,668)
Marketing, selling and distribution expenses (-)	10	**-**	(602)
Other operating income		**473,209**	24,256,047
Other operating expenses (-)		**(22,831)**	(153,645)
OPERATING (LOSS) / PROFIT		**(6,302,117)**	19,150,132
Income from investments accounted by equity method	7	**22,728,655**	757,849
OPERATING PROFIT BEFORE FINANCIAL INCOME / (EXPENSES)		**16,426,538**	19,907,981
Financial income	11	**52,771,630**	19,712,858
Financial expenses (-)	12	**(70,981,024)**	(18,534,295)
(LOSS) / PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(1,782,856)**	21,086,544
Tax income / (expense) from continued operations			
- Current income tax expense (-)	13	**-**	(3,715,585)
- Deferred tax expense (-)	13	**(360,666)**	(2,019,919)
(LOSS) / PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(2,143,522)**	15,351,040
Attributable to:			
Equity holders of the parent		**(2,079,111)**	15,351,041
Non-controlling shares		**(64,411)**	(1)
(Loss) / earnings per share	14	**(0,008)**	0,060

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE - MONTH PERIODS ENDED 31 MARCH

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

	Notes	**Non-audited** **1 January – 31 March 2017**	Non-audited 1 January – 31 March 2016
(LOSS) / PROFIT FOR THE PERIOD		**(2,143,522)**	15,351,040
Other comprehensive income / (expense) not to be reclassified to profit or loss			
Actuarial gains on defined benefit plans		**129,684**	-
Taxes related to other comprehensive income not to be reclassified to profit or loss			
Deferred tax expense	13	**(25,937)**	-
OTHER COMPREHENSIVE INCOME		**103,747**	-
TOTAL COMPREHENSIVE (LOSS) / INCOME		**(2,039,775)**	15,351,040
Attributable to:			
Equity holders of the parent		**(1,975,364)**	15,351,041
Non-controlling interests		**(64,411)**	(1)
(Loss) / earnings per share		**(0,0073)**	0,0569

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 THREE-MONTH PERIODS ENDED 31 MARCH

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

	Capital	Adjustment to share capital	Treasury shares	Restricted Reserves	Other comprehensive income and expense not to be reclassified to profit or loss	Retained earnings	Net income / (loss) for period	Equity attributable to 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
Transfers	-	-	-	-	-	(36,421,614)	36,421,614	-	-	-
Net profit / (loss)	-	-	-	-	-	-	15,351,041	15,351,041	(1)	15,351,040
Other comprehensive income / (expense)	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	15,351,041	15,351,041	(1)	15,351,040
31 March 2016 (*)	225,000,000	41,247,788	(22,850,916)	36,674,580	(3,393,300)	311,749,290	15,351,041	648,778,483	(5,079)	648,773,404
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**
Transfers	-	-	-	-	-	**18,006,308**	**(18,006,308)**	-	-	-
Changes in ownership rate of subsidiaries that do not result in control losses	-	-	-	-	-	-	-	-	**5**	**5**
Net profit / (loss)	-	-	-	-	-	-	**(2,079,111)**	**(2,079,111)**	**(64,411)**	**(2,143,522)**
Other comprehensive income / (expense)	-	-	-	-	**103,747**	-	-	**103,747**	-	**103,747**
Total comprehensive expense	-	-	-	-	**103,747**	-	**(2,079,111)**	**(1,975,364)**	**(64,411)**	**(2,039,775)**
31 March 2017 (*)	**270,000,000**	**41,247,788**	**(22,850,916)**	**37,333,125**	**(3,628,376)**	**315,563,505**	**(2,079,111)**	**635,586,015**	**2,941,517**	**638,527,532**

(*) Non-audited.

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 THREE MONTH PERIODS ENDED 31 MARCH

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

	Notes	Non-audited 1 January- 31 March 2017	Non-audited 1 January- 31 March 2016
A. Cash flows from operating activities		**14,917,497**	**142,470,667**
Net (loss) / income for the period		(2,143,522)	15,351,040
Adjustments to reconcile net (loss) / income for the period		**2,451,750**	**118,591,399**
Depreciation and amortization of property, plant and equipment and intangible assets	10	475,366	527,762
Provision for employee termination benefits		186,219	(303,668)
Provision for unused vacation		116,811	(33,258)
Bonus / premium provision		(27,862)	-
Unrealized foreign exchange income / expense		25,130,881	107,260,980
Changes in financial assets		-	10,368,039
Income from investment accounted for under equity accounting	7	(22,728,655)	(757,849)
Transactions with associates	7	(191,478)	-
Adjustment related to tax income	13	360,666	5,735,504
Interest expense	12	2,902,944	5,220,317
Interest income	11	(3,773,142)	(9,426,428)
Changes in working capital		**15,732,501**	**14,159,119**
Changes in receivables from trade receivables and related parties		6,031	8,791,006
Changes in other receivables		12,645,205	5,457,659
Changes in prepaid expenses and other current assets		(1,248,308)	274,666
Changes in prepaid expenses and other non-current assets		(2,524,915)	51,850
Changes in other payables and liabilities		(386,547)	(231,831)
Changes in payables from trade payables and related parties		7,241,035	(184,231)
Cash generated from operations		**16,040,729**	**148,101,558**
Tax payments		(568,553)	(5,630,891)
Premium and bonus paid		(554,679)	-
B. Net cash (used) / generated from investing activities		**(20,744,865)**	**9,172,140**
Purchase of tangible and intangible assets		(22,042,386)	(66,426)
Interest received		1,297,521	9,238,566
C. Net cash generated / (used) in financing activities		**17,395,559**	**(108,950,614)**
Proceeds from borrowings		18,256,000	-
Repayment of bank borrowings		(68,773)	(106,112,102)
Interest paid		(791,668)	(2,838,512)
Net increase in cash and cash equivalents		**11,568,191**	**42,692,193**
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	**154,828,652**	**211,140,782**

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 ("The Group") consist of Turcas Petrol A.Ş. ("The Company" or "Turcas"), 5 subsidiaries and 2 associates.

Turcas Petrolcülük A.Ş. was established in 1988 by 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 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 at the end of the period is 54 (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 Üretim A.Ş.	Turkey	Electricity
Turcas Elektrik Toptan Satış A.Ş.	Turkey	Electricity
Turcas Yenilenebilir Enerji Üretim A.Ş.	Turkey	Electricity
Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.	Turkey	Energy, electricity

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

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

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

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

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

Turcas Elektrik Üretim A.Ş. was established on 23 December 2003. Turcas Elektrik Üretim A.Ş. obtained Electric Production License with the EMRA's decision numbered 658-2 dated 16 February 2006, for 20 years starting from 16 February 2006. The Electricity Production License has been terminated as of 31 January 2015 by the EMRA Board Decision No. 5440-17 dated 29 January 2015.

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.

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 Elektrik Üretim A.Ş. owns 99.99% of Turcas Yenilenebilir Enerji Üretim A.Ş. (former Turcas Rüzgar Enerji Üretim A.Ş.).

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Financial reporting standards

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 31 March 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.

NOTE 2 - BASIS OF PRESENTATION OFCONSOLIDATED 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 March 31, 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 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

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

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:
a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards:

This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

IFRS 12 Disclosure of Interests in Other Entities:

This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

IAS 28 Investments in Associates and Joint Ventures:

This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

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

Functional and Presentation Currency

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

The functional and presentation currency of the associates whose currency is in a currency other than TL is presented in the currency of the countries in which they are presented and their statutory financial statements are restated by applying the necessary adjustments and reclassifications for the purpose of fair presentation in accordance with TFRS. The assets and liabilities of the associates are translated into Turkish Lira using the exchange rate at the balance sheet date, income and expenses at the average exchange rate. Exchange differences arising as a result of closing and average exchange rates are followed under foreign currency translation differences 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.

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.

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:

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

Deferred Taxes:

Group accounts the deferred tax assets and liabilities for the temporary differences arising from the timing differences between the statutory financial statements and the financial statements prepared in accordance with the Turkish Accounting Standards. Subsidiaries of the Group have deferred tax assets consisting of carry forward tax losses which may be deducted from the future taxable income and other deductible temporary differences. Amount of the deferred tax assets which may be partially or completely recovered are anticipated according to the current conditions. During the projections, future taxable income, current period losses, expiration dates of the carry forward tax losses, other tax assets and the tax planning strategies, if necessary, are taken into account.

Group has carry forward tax losses amounting to TL 148,480,704 from which can be utilized with future profits, as of 31 March 2017 (31 December 2016: TL 121,128,572). Since the Group projects that Turcas Elektrik Üretim A.Ş. is going to generate taxable income within the next five years, deferred tax assets amounting to TL 117,400,062 (31 December 2016: TL 116,513,000) and Turcas Petrol A.Ş.'s current year loss of TL 887,062 have been recognized for total TL 23,480,012 carryforward tax losses (31 December 2016: TL 23,302,600) (Note 13).

Contingent Liabilities:

Regarding the tax inspection carried out for STAŞ, STAŞ management considers that matters criticized in the tax inspection report are in compliance and consistent with the related regulations; accordingly no provision regarding the inspection has been recognized in the financial statements of STAŞ (Note 8).

NOTE 3 - SEGMENT REPORTING

The reportable segments of Turcas have been organized by management as oil 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.

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

NOTE 3 - SEGMENT REPORTING (Continued)

a) Operating segments which have been prepared in accordance with the reportable segments as of 31 March 2017 are as folllows:

	Oil	**Electricity**	**Other**	**Total**
Revenue from external customers	**-**	**-**	**-**	**-**
EBITDA	**-**	**(1,002,058)**	**(4,824,693)**	**(5,826,751)**
Financial income	**-**	**38,786,079**	**13,985,551**	**52,771,630**
Financial expense	**-**	**(60,058,783)**	**(10,922,241)**	**(70,981,024)**
Depreciation and amortisation expense	**-**	**(12,046)**	**(463,320)**	**(475,366)**
Income from associates	**22,019,400**	**709,255**	**-**	**22,728,655**
Purchase of tangible and intangible assets	**-**	**20,914,080**	**1,128,306**	**22,042,386**

b) Operating segments which have been prepared in accordance with the reportable segments as of 31 March 2016 are as follows:

	Oil	Electricity	Other	Total
Revenue from external customers	-	-	-	-
EBITDA	-	(106,872)	19,784,766	19,677,894
Financial income	-	14,921,934	4,790,924	19,712,858
Financial expense	-	(12,315,543)	(6,218,752)	(18,534,295)
Depreciation and amortisation expense	-	-	(527,762)	(527,762)
Income/(expense) from associates	3,573,000	(2,815,151)	-	757,849
Purchase of tangible and intangible assets	-	-	66,213	66,213

c) Operating segment information as of 31 March 2017 are shown below:

	Oil	**Electricity**	**Other**	**Eliminations**	**Total**
Segment assets (*)	**-**	**539,207,048**	**500,624,086**	**(642,179,649)**	**397,651,485**
Associates	**483,310,753**	**322,301,803**	**-**	**-**	**805,612,556**
Segment liabilities	**-**	**612,296,494**	**42,654,638**	**(90,214,623)**	**564,736,509**

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

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

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

NOTE 3 - SEGMENT REPORTING (Continued)

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

	1 January – 31 March 2017	1 January – 31 March 2016
Income		
Segment revenue	**-**	-
Consolidated Income	**-**	-
EBITDA		
EBITDA of segment	**(1,002,058)**	(106,872)
Other EBITDA	**(4,824,693)**	19,784,766
Consolidated EBITDA	**(5,826,751)**	19,677,894
Financial income	**52,771,630**	19,712,858
Financial expense	**(70,981,024)**	(18,534,295)
Income/expense from investment activities	**22,728,655**	757,849
Amortisation and depreciation	**(475,366)**	(527,762)
(Loss) / profit before consolidated tax	**(1,782,856)**	21,086,544

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 March 2017	31 December 2016
Cash	**8,740**	146
Banks		
- time deposit	**154,583,475**	143,145,290
- demand deposit	**248,213**	173,336
	154,840,428	143,318,772

The maturities of cash and cash equivalents are as follows:

Up to 30 days	**145,195,154**	54,833,652
Up to 60 days	**9,645,274**	88,485,120
	154,840,428	143,318,772

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

NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

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

	31 March 2017	31 December 2016
TL	**10.46**	9.09
USD	**1.08**	2.24
EUR	**1.06**	1.15

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

	31 March 2017	31 December 2016	31 March 2016
Cash and cash equivalents	**154,840,427**	143,318,772	211,442,605
Less: Interest accrual	**(11,775)**	(58,311)	(301,823)
	154,828,652	143,260,461	211,140,782

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

NOTE 5 - FINANCIAL ASSETS

		31 March 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**

	31 March 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 (via Turcas Elektrik Toptan Satış A.Ş.)	**50,000**	**0.08**	50,000	0.08
	63,240		63,240	

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 6 - FINANCIAL LIABILITIES

As of 31 March 2017 and on 31 December 2016 financial liabilities are as follows:

	31 March 2017	31 December 2016
Short-term bank borrowings	**106,331,311**	99,507,091
Long-term bank borrowings	**442,593,597**	403,988,437
	548,924,908	503,495,528

	31 March 2017		
	Yearly average effective interest rate (%)	Original amount	TL
EUR borrowings			
- Floating interest rate (*)	Euribor + 1.65%	11,432,158	44,680,302
- Fixed interest rate (***)	2.95% - 4.75%	9,589,351	37,478,061
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% – Libor + 4.75%	6,643,475	24,172,948
Total short term financial liabilities			106,331,311
EUR borrowings			
- Floating interest rate (*)	Euribor + 1.65%	74,362,805	290,632,153
- Interest accrual of EUR floating rate loan		410,074	1,602,693
- Fixed interest rate (***)	4.35% - 4.75%	4,590,725	17,941,931
- Interest accrual of EUR floating rate loan		21,336	83,387
USD borrowings			
- Floating interest rate (**)	Libor + 3.40% – Libor + 4.75%	36,058,239	131,201,508
- Interest accrual of USD floating rate loan		311,088	1,131,925
Total long term financial liabilities			442,593,597
Total financial liabilities			548,924,908

(Amounts expressed in Turkish Lira ("TL") 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 31 March 2017, TL 355,487,321 (EUR 90,957,020) including its accrued interest, which is recognized through the deduction of ECA premium and arrangement fee amounting to TL 17,172,953 (EUR 4,393,970) 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 31 March 2017, TL 115,334,613 (USD 31,697,525) including its accrued interest, which is recognized through deducting the arrangement fee amounting to TL 237,132 (USD 65,171) 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 31 March 2017, the balance of the loan, which is utilized from the limit allocated in USD, is around TL 41,997,212 (USD 11,542,135) including accrued interest. It is recognized through deducting the arrangement fee and commitment fee amounting to TL 529,715 (USD 145,582) and TL 58,597 (USD 16,104) 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 35,456,684 (EUR 9,072,150) including interest accrued with 2.95% interest rate was used from Vakifbank. In addition, there is an auto loan with a maturity of TL 723,533 (EUR 185,127) 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 31 March 2017, the amount of the loan used in the EUR limit is TL 19,546,539 (EUR 5,001,289) including the accrued interest. The arrangement fee amounting to TL 63,149 (EUR 16,158) and the commitment fee amounting to TL 160,228 (EUR 40,997) have been shown for this loan by deducting from the total loan amount. Such commission amounts are amortized over the term of the loan.

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

(Amounts expressed in Turkish Lira ("TL") 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. 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:

	31 March 2017	31 December 2016
Within 1 year	**106,331,311**	99,507,091
1 - 2 years	**71,268,024**	63,786,227
2 - 3 years	**68,445,264**	63,334,767
3 - 4 years	**65,205,265**	60,317,038
4 - 5 years	**62,195,628**	57,584,501
After 5 years	**175,479,416**	158,965,904
	548,924,908	503,495,528

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

- The loan agreement was entered into with the bank consortium composing of Bayerische Landesbank ("Bayern LB") and Portigon AG with respect to the amount EUR 149,351,984, with a maturity of 13 years and no-payback (grace) period of three years at the interest rate Euribor + 1.65%, under the guarantee of Euler Hermes German Export Loan Agency,

NOTE 6 - FINANCIAL LIABILITIES (Continued)

- 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%.

The outstanding amount of the loan received from the bank consortium formed by Bayern LB and Portigon AG is EUR 90,957,020 and the outstanding amount of the loan received from TSKB is USD 31,697,525 as of 31 March 2017.

-In accordance with the amendment agreement signed on 20 June 2016 between Turcas Elektrik Üretim A.Ş. ("TEÜAŞ") and TSKB, Bayern LB and Portigon A.G. (Consortium Banks), maturities of loans obtained from Consortium Banks for the financing of Denizli Combined Cycle Gas Power Plant with an installed capacity of 775 MW (TEÜAŞ's stake: 30%) have been extended by 2 years. Therefore, maturity of the loan obtained from TSKB is extended from 2020 to 2022. Meanwhile, maturity of the loan obtained from Bayern LB and Portigon A.G. is extended from 2023 to 2025.

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

As a requirement of the loan agreement signed with Portigon AG and Bayern LB, a DSRA Standby Letter of Credit has been arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Elektrik Üretim A.Ş. with Bayern LB as the drawee bank in the amount of EUR 5,981,811, with maturity ending 28 July 2017. As a collateral to this DSRA Standby Letter of Credit, Turcas Petrol A.Ş. has provided a Corporate Guarantee amounting to EUR 5,981,811 in favor of Türkiye Garanti Bankası A.Ş.

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

A loan agreement having 14 years of maturity with a grace period of 30 months amounting to USD 40.5 million and EUR 15 million was signed on February 25, 2016 with TSKB for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., which is the 92% subsidiary of the Group. As of 31 March 2017, the outstanding loan balance is around USD 11,500,000 and EUR 4,980,000.

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	(%)	**31 March 2017**	(%)	31 December 2016
STAŞ	**30.00**	**483,310,753**	30.00	461,291,353
RWE & Turcas Güney Elektrik Üretim A.Ş.	**30.00**	**322,301,803**	30.00	321,401,070
		805,612,556		782,692,423

	31 March 2017	31 December 2016
Balance at the beginning of the year	**782,692,423**	617,944,470
Income and losses from associates (net) (*)	**22,728,655**	757,849
Transactions with associates (**)	**191,478**	-
Balance at the end of the year	**805,612,556**	618,702,319

(*) The Group's income and loss balances from associates amounting to TL 22,728,655 consist of income balance RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TL 709,255, income balance from Shell & Turcas Petrol A.Ş amounting to TL 22,019,400.

(**) 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 31 March 2017, STAŞ is one of the leading companies in Turkish fuel distribution sector with 1,024 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 determined in the second half of the year.

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

NOTE 7 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

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

STAŞ	31 March 2017	31 December 2016
Total assets	**4,767,606,843**	4,855,350,924
Total liabilities	**(3,156,571,000)**	(3,317,713,081)
Net assets	**1,611,035,843**	1,537,637,843
Group's share of associate's net assets	**483,310,753**	461,291,353

	1 January - 31 March 2017	1 January - 31 March 2016
Net sales revenue	**4,108,576,000**	3,258,864,000
Comprehensive income	**73,398,000**	11,910,000
The Group's share in total comprehensive income	**22,019,400**	3,573,000

RWE&Turcas Güney Elektrik Üretim A.Ş.

Turcas Elektrik Üretim A.Ş. which is 100% direct subsidiary of Turcas in electricity generation, has established a joint venture company named RWE & Turcas Güney Elektrik Üretim A.Ş. with RWE Holding A.Ş. that is a subsidiary of RWE AG which is one of the leading energy companies in the world. Shareholding ratio of Turcas Elektrik Üretim A.Ş is 30% in this joint venture established in 2007. Natural gas combined cycle power plant with a 775 MW installed capacity, which is established in Denizli by RWE & Turcas Güney Elektrik Üretim A.Ş., has become operational with completion of temporary admission process conducted by the Ministry as of 24 June 2013.

RWE&Turcas Güney Elektrik Üretim A.Ş.

	31 March 2017	31 December 2016
Total assets	**1,469,162,475**	1,555,687,175
Total liabilities	**(362,354,105)**	(451,242,989)
Net assets	**1,106,808,370**	1,104,444,186
Group's share of associate's net assets	**332,042,511**	331,333,256
Inter-group finance expense elimination	**9,740,708**	9,932,186
Group's share, net	**322,301,803**	321,401,070

	1 January - 31 March 2017	1 January - 31 March 2016
Net sales revenue	**212,903,299**	163,224,852
Comprehensive income / (expense)	**2,364,182**	(8,365,660)
The Group's share in total comprehensive income / (expense)	**709,255**	(2,509,698)

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

NOTE 8 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities of Turcas

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

		31 March 2017		31 December 2016	
	Currency	**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	**1,225,500**	**1,225,500**	1,261,500	1,261,500
B. GPM's given on behalf of fully Consolidated companies (**)	TL	**4,504,083**	**4,504,083**	4,524,569	4,524,569
	USD	**366,556**	**1,333,751**	-	-
C. GPM's given for continuation of its Economic activities on behalf of third parties (*)	USD	**168,000,000**	**611,284,800**	168,000,000	591,225,600
	EUR	**164,722,775**	**643,786,020**	158,829,724	589,242,393
D. Total amount of other GPM's					
i) Total amount GPM's given on behalf of the majority shareholders (***)		-	-	-	-
ii) Total amount of GPM's given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of GPM's given on behalf of third parties which are not in scope of C		-	-	-	-
			1,262,134,154		1,186,254,062

(*) Turcas Elektrik Üretim A.Ş. has entered into a loan agreement for USD 55,000,000 with TSKB, regarding the loans utilized for the 775 MW Natural Gas Combined Cycle Power Plant investment in Denizli. The amount of total guarantee given to TSKB by Turcas Petrol A.Ş. is USD 77,000,000. As stated in Note 6, as a requirement of the loan agreement signed with Portigon AG and Bayern LB amounting to EUR 149,351,984 with a thirteen years of maturity and a grace period of three years, Turcas Petrol A.Ş. has provided a corporate guarantee amounting to EUR 149,351,984 in favor of Portigon AG and Bayern LB. Again, as a requirement of the loan agreement, a DSRA Standby Letter of Credit was arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Elektrik Üretim A.Ş. with Bayern LB as the drawee bank in the amount of EUR 5,981,811, with a maturity of 28 July 2017. Therefore, Turcas Petrol A.Ş. has provided a collateral amounting to EUR 5,981,811 to Garanti Bank in order to prepare the mentioned guarantee.

A loan agreement having 14 years of maturity with a grace period of 30 months amounting to USD 40.5 million and EUR 15 million was signed on February 25, 2016 with TSKB for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. A surety of Turcas Petrol A.Ş., which will be expired at a later date, amounting to USD 91 million has been given for the aforementioned loan. The aforementioned surety will expire when the following conditions are satisfied: the revenues from the project operations will be recognized, the minimum subsequent four principal and interest payments will be made and the other conditions stated in the Loan Contract are performed by the loan borrower.

(**) 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.

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

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

	31 March 2017	31 December 2016
Letter of guarantees received	**19,238,934**	16,979,804
Letter of other guarantees received	**94,750**	74,750
	19,333,684	17,054,554

Contingent assets and liabilities of Turcas Petrol A.Ş. regarding STAŞ

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

	31 March 2017	31 December 2016
Letters of guarantee given to the customs office	**650,005,500**	670,301,400
Letters of guarantee given to the tax office	**93,270,600**	93,259,200
Letters of guarantee given to the EMRA	**15,000,000**	15,000,000
Other	**4,281,000**	6,190,500
	762,557,100	784,751,100

	31 March 2017	31 December 2016
Mortgages taken	**357,265,800**	567,978,900
Letters of guarantees received	**188,530,800**	178,259,100
Other guarantees received	**105,340,200**	111,608,100
	651,136,800	857,846,100

STAŞ has committed to pay TL 1,034,089,000 to the station owners 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:

	31 March 2017	31 December 2016
Within 1 year	**50,009,400**	50,009,400
1-5 years	**167,562,600**	167,562,600
5-22 years	**92,654,700**	92,654,700
	310,226,700	310,226,700

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

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

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

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:

	31 March 2017	31 December 2016
Letters of guarantees given for EMRA	**4,359,480**	4,359,480
Letters of guarantees given for TEİAŞ	**3,862,857**	3,862,857
Other	**3,535,000**	35,000
	11,757,337	8,257,337

	31 March 2017	31 December 2016
Letters of guarantees received	**91,845**	11,449,592
	91,845	11,449,592

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

NOTE 9- EQUITY

a) Paid in capital/treasury shares

Shareholders	Group	Allocation (%)	31 March 2017	Allocation (%)	31 December 2016
Aksoy Holding A.Ş.	A/C Grubu	**51.55**	**139,175,892**	51.55	139,175,892
Free Float	A Grubu	**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	**4.02**	**10,865,362**	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	**4.00**	**10,776,398**	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 31 March 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.

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

NOTE 9- EQUITY (Continued)

b) Restricted reserves

	31 March 2017	31 December 2016
Legal reserves	**37,333,125**	37,333,125
	37,333,125	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.

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

NOTE 10 - OPERATING EXPENSES

	1 January – 31 March 2017	1 January- 31 March 2016
Personnel expenses	**3,935,648**	2,799,277
Outsourced services	**871,210**	516,062
Taxes and other liabilities	**711,910**	41,542
Depreciation and amortization expenses	**475,366**	527,762
Repair and maintenance expenses	**288,858**	232,055
Travel expenses	**165,152**	121,581
Rent expenses	**32,185**	26,810
Donations	**3,162**	334,972
Other	**269,004**	352,209
	6,752,495	4,952,270

NOTE 11 - FINANCIAL INCOME

	1 January- 31 March 2017	1 January – 31 March 2016
Foreign exchange gains	**48,998,488**	10,286,430
Interest income	**3,773,142**	9,426,428
	52,771,630	19,712,858

NOTE 12 - FINANCIAL EXPENSE

	1 January – 31 March 2017	1 January – 31 March 2016
Foreign exchange losses	**67,963,276**	13,313,978
Interest expenses	**2,902,944**	5,220,317
Other	**114,804**	-
	70,981,024	18,534,295

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

NOTE 13 - TAX ASSETS AND LIABILITIES

	31 March 2017	31 December 2016
Corporate tax provision	**-**	(4,630,448)
Prepaid tax and funds	**244,154**	4,306,049
Prepaid tax and funds / (current tax liability) , net	**244,154**	(324,399)

Tax expense is comprised of the following:

	1 January – 31 March 2017	1 January – 31 March 2016
Current period corporate tax provision	**-**	(3,715,585)
Deferred tax income	**(360,666)**	(2,019,919)
	(360,666)	(5,735,504)

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 1^{st}-25^{th} of fourth month after fiscal year end.

Income witholding 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.

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

NOTE 13 - TAX ASSETS AND LIABILITIES (Continued)

Deferred tax assets and liabilities

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

The rate applied in the calculation of deferred tax assets and liabilities is 20% (31 December 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)**	
	31 March 2017	31 December 2016	**31 March 2017**	31 December 2016
Carryforward tax losses	**(117,400,062)**	(116,513,000)	**23,480,012**	23,302,600
Interest accrual, net and unpaid loan commissions	**(7,656,826)**	(8,518,385)	**1,531,365**	1,703,677
Tangible and intangible assets	**(7,533,427)**	(6,742,025)	**1,506,685**	1,348,405
Provision for employment termination benefits	**(645,741)**	(589,207)	**129,148**	117,841
Bonus and premium provisions	**-**	(582,541)	**-**	116,508
Unused vacation pay liability	**(355,524)**	(238,713)	**71,105**	47,743
RWE&Turcas Güney interest income accrual	**2,151,524**	-	**(430,305)**	-
Effect of business combination	**28,462,702**	27,635,050	**(5,858,070)**	(5,527,010)
Effect of inter-group transactions	**22,070,875**	22,070,876	**(4,414,175)**	(4,414,175)
Other	**827,655**	638,450	**165,531**	(127,690)
Deferred tax asset, net			**16,181,296**	16,567,899

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

NOTE 13 - TAX ASSETS AND LIABILITIES (Continued)

The expiration dates of recognized carry-forward tax losses on which deferred tax asset has been calculated are as follows:

	31 March 2017	31 December 2016
2018	**48,704,093**	48,704,093
2020	**35,145,418**	35,145,418
2021	**32,663,489**	32,663,489
2022	**887,062**	-
	117,400,062	116,513,000

The movement of deferred tax assets and liabilities as of 31 March 2017 and 2016 are as follows:

	1 January-31 March 2017	1 January-31 March 2016
Opening balance	**16,567,899**	18,963,256
Presented in statement of profit or loss	**(360,666)**	(2,019,919)
Presented in other comprehensive income	**(25,937)**	-
Closing balance	**16,181,296**	16,943,337

NOTE 14 – (LOSS) / EARNINGS PER SHARE

For the years 31 March 2017 and 2016, the weighted average number of shares and earnings / loss per share is as follows:

	1 January – 31 March 2017	1 January - 31 March 2016
Weighted average number of outstanding shares	**270,000,000**	247,500,000
(Loss)/ profit attributable to the equity holders of the parent	**(2,143,522)**	15,351,041
(Loss) / earnings per share	**(0,008)**	0,060

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

NOTE 15 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 March 2017							
	Receivables				Payables			
	Short Term		Long Term		Short Term		Long Term	
Balances with related parties	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**
Associates								
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	**18,173,202**	-	**61,439,826**	-	**13,986**	-	-
Other related entities								
Dividend payable to real person shareholders	-	-	-	-	-	**240,607**	-	-
Erdal Aksoy	-	**3,027**	-	-	-	-	-	-
Saffet Batu Aksoy	-	**6,307**	-	-	-	-	-	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	**21,942**	-	-	-	**120,564**	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	**7,723**	-	-	-	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	**80,580**	-	-	-	**154,195**	-	-
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	**8,850**	-	-	-	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	**3,939**	-	-	-	-	-	-
Aksoy Holding A.Ş.	-	**91,679**	-	-	-	-	-	-
Aksoy Enternasyonel Tic. A.Ş.	-	**29,990**	-	-	-	-	-	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	**7,723**	-	-	-	-	-	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	**7,723**	-	-	-	-	-	-
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	**51,036**	-	-
Shell Turcas Petrol A.Ş.	-	-	-	-	-	**5,794**	-	-
Alte Enerji A.Ş. (**)	-	-	-	-	-	-	-	**1,437,413**
	-	**18,442,685**	**-**	**61,439,826**	**-**	**586,182**	**-**	**1,437,413**

(*) 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 2,522,157 using (TL Libor+2%). There is no guarantee, mortgage or pledge received for the mentioned receivable.

(**) The amount consists of capital advance given by Alte Enerji.

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

NOTE 15 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 March 2017							
Transactions with related parties	**Purchases**	**Sales**	**Interest received**	**Interest paid**	**Rent income**	**Dividend income**	**Other income**	**Other expenses**
Associates								
Shell & Turcas Petrol A.Ş.	-	-	-	-	-	-	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	2,522,157	-	-	-	31,418	-
Other related entities								
Erdal Aksoy	-	-	-	-	-	-	-	3,120
Yılmaz Tecmen	-	-	-	-	-	-	-	-
Saffet Batu Aksoy	-	-	-	-	-	-	-	2,410
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	55,254	-		78,009
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	1,500	-	9,817	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	2,000	-	9,817	220,638
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	-	-	-	1,500	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	-	-	-	-	-	3,338	-
Aksoy Holding A.Ş.	-	-	-	-	1,000	-	55,168	-
Aksoy Enternasyonel Tic. A.Ş.	-	-	-	-	1,500	-	40,766	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	1,500	-	9,817	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	-	-	-	1,500	-	9,817	-
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	-	256	116,769
Shell Turcas Petrol A.Ş.	-	-	-	-	-	-	-	20,318
Alte Enerji A.Ş.	-	-	-	1,298	-	-	-	-
	-	**-**	**2,522,157**	**1,298**	**65,754**	**-**	**170,214**	**441,264**

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

NOTE 15 - 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 Enternasyonel Tic. A.Ş.	-	17,857	-	-	-	-	-	-
Aksoy Bodrum Taşinmaz Yatirimlari A.Ş.	-	8,523	-	-	-	-	-	-
Pronegy Gayrimenkul Ve Enerji Yatirimlari 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.

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

NOTE 15 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 March 2016							
Transactions with related parties	Purchases	Sales	Interest received	Interest paid	Rent income	Dividend income	Other income	Other expenses
Associates								
Shell & Turcas Petrol A.Ş.	-	-	-	-	-	-	-	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	7,191,837	-	-	-	28,763	-
Turcas & BM Kuyucak Elektrik Üretim A.Ş.	-	-	-	-	-	-	107	-
Other related entities								
The Shell Company of Turkey LTD.	-	-	-	-	-	-	24,010,230	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	1,500	-	8,807	-
Aksoy Holding A.Ş.	-	-	-	-	1,500	-	47,071	-
Aksoy Bodrum Taşınmaz Yatırımları A.Ş.	-	-	-	-	1,500	-	8,807	-
Aksoy Enternasyonel Ticaret A.Ş.	-	-	-	-	1,500	-	41,902	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	1,500	-	8,807	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	43,885	-	-	-
YTC Turizm ve Enerji Ltd. Şti.	-	-	-	-	-	-	-	-
Daytona Turizm Ve Danişmanlik Ltd.Şti.	-	-	-	-	1,500	-	-	-
Pronegy Gayrimenkul Ve Enerji Yatirimlari A.Ş.	-	-	-	-	1,500	-	8,807	-
Tas.Hal.Transbalkan Denizyollari Deniz Taş.Aş.	-	-	-	-	1,500	-	-	-
Pd Turizm Ve Gayrimenkul A.Ş. .	-	-	-	-	-	-	3,275	-
Aydin İmar San.Ve Tic.A.Ş.	-	-	-	-	-	-	-	281,780
	-	-	7,191,837	-	55,885	-	24,166,576	281,780

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

NOTE 15 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Total compensation provided to key management personnel during the current period is as follows:

	1 January – 31 March 2017	1 January - 31 March 2016
Salaries and other short term benefits	**2,283,524**	517,353

During 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 have not been provided.

NOTE 16 - FOREIGN CURRENY POSITION

(i) Foreign currency risk management

Foreign currency transactions cause foreign currency risk.

The Group has foreign currency risk, due to the fluctuations in exchange rates used in used in foreign currency transactions. The foreign currency risk arises from 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.

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

NOTE 16 - FOREIGN CURRENY POSITION (Continued)

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

	31 March 2017			
	TL Equivalent (Functional currency)	**USD**	**EUR**	**Other**
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	145,414,306	34,050,615	5,503,886	1,706
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	**145,414,306**	**34,050,615**	**5,503,886**	**1,706**
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)	**145,414,306**	**34,050,615**	**5,503,886**	**1,706**
10- Trade payables	-	-	-	-
11- Financial liabilities	106,331,311	6,643,475	21,021,509	-
12a-Other monetary liabilities	-	-	-	-
12b-Other non-monetary liabilities	-	-	-	-
13- Current Liabilities (10+11+12)	**106,331,311**	**6,643,475**	**21,021,509**	**-**
14- Trade payables	-	-	-	-
15- Financial liabilities	442,593,597	36,369,327	79,384,940	-
16a-Other monetary liabilities	-	-	-	-
16b-Other non-monetary liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	**442,593,597**	**36,369,327**	**79,384,940**	**-**
18- Total liabilities (13+17)	**548,924,908**	**43,012,802**	**100,406,449**	**-**
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)	**(403,510,602)**	**(8,962,187)**	**(94,902,563)**	**1,706**
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14+15-16a)	**(403,510,602)**	**(8,962,187)**	**(94,902,563)**	**1,706**
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 16 - FOREIGN CURRENY POSITION (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	-	-	-	-

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

NOTE 16 - FOREIGN CURRENY POSITION (Continued)

Foreign currency sensitivity

	31 March 2017			
	Gain/Loss		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
+/-10% fluctuation of USD rate				
1- USD net asset / liability	**(3,260,981)**	**3,260,981**	**-**	**-**
2- Hedged from USD risk (-)	**-**	**-**	**-**	**-**
3- USD net effect (1+2)	**(3,260,981)**	**3,260,981**	**-**	**-**
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	**(37,090,769)**	**37,090,769**	**-**	**-**
5- Hedged from EUR risk (-)	**-**	**-**	**-**	**-**
6- EUR net effect (4+5)	**(37,090,769)**	**37,090,769**	**-**	**-**
TOTAL (3+6)	**(40,351,750)**	**40,351,750**	**-**	**-**

	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	-	-

NOTE 17 - SUBSEQUENT EVENTS

Pursuant to Resolution of Board of Directors no. 2017/04 of 03.04.2017; it has been resolved to submit the following proposal to the approval of General Assembly during 2016 Annual General Meeting: In accordance with 2016 year-end consolidated financial statements prepared and audited in accordance with the regulations of Capital Markets Board, TL 18,000,000 (gross TL 0.066666, net TL 0.056666 per each share with TL 1 nominal value) dividend to be funded from net distributable income and retained earnings shall be distributed in cash until 31.12.2017. During the 2016 Annual General Meeting dated 03 May 2017, General Assembly has approved Board of Directors' dividend distribution proposal.

NOTE 17 - SUBSEQUENT EVENTS (Continued)

In accordance with the aim to improve effective management of subsidiaries, and to create more effective and active hedging mechanism aimed with the merger transaction via reclassification of foreign currency denominated long term investment loans within the group under the same balance sheet of our Company, which has foreign currency denominated assets and revenues; it has been resolved to take over TEÜAŞ shares which are owned by our 100% subsidiary Turcas Enerji Holding A.Ş. (98.97% direct shareholder of TEÜAŞ) and real persons. Accordingly, on 27.04.2017, 254,509,921.52 TEÜAŞ shares (each share having 1 TL nominal value) were acquired by Turcas Petrol A.Ş. for a consideration of 103,369,959.64 TL (equity value). As a result of this transaction, Turcas Petrol A.Ş. has become the only direct shareholder of TEÜAŞ with 100% stake.