



Corporate Governance Compliance Rating Report



Turcas Petrol A.Ş.

02 March 2018

Validity Period : 02.03.2018-02.03.2019

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Turcas Petrol A.Ş. is compiled in accordance with the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 70 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

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TURCAS PETROL A.Ş

BIST THIRD GROUP

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

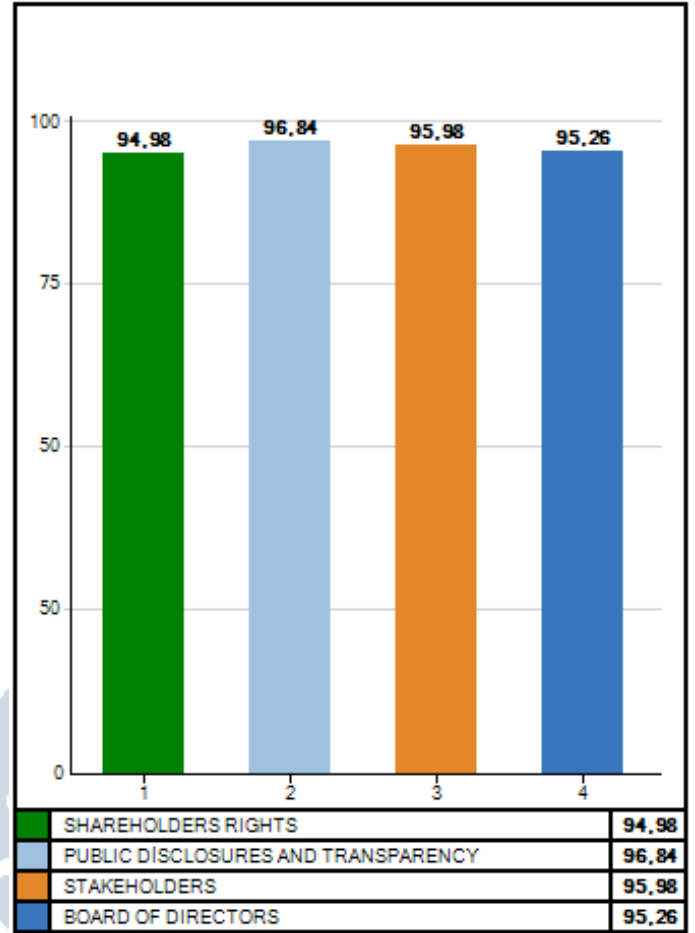
9.57

Kobirate Uluslararası Kredi Derecelendirme
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1. NINTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **TURCAS PETROL A.Ş.** with the Corporate Governance Principles has been prepared through onsite examinations of the documents, interviews held with executives and persons involved, examination of information open to public and other reviews. The rating process is based on the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S. Methodology and the process of rating are based on CMB's Corporate Governance Principles Communiqué no II-17.1 No: 28871, published on 03.01.2014.

According to CMB's decision No: 1/6, dated 08.01.2018, Turcas Petrol A.Ş. is on BIST 3rd Group Companies. At the end of the examination under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, the Corporate Governance Compliance Rating Grade of TURCAS PETROL A.Ş. is determined as **9.57**.

This result signifies that the Company has achieved a considerable compliance with the CMB's Corporate Governance Principles. Possible risks for the Company are determined and controlled. Public disclosure and transparency activities are at the highest

level. Rights of shareholders and stakeholders are treated fairly. The structure and working conditions of board of directors is significantly compliant with corporate governance principles.

▪ At the section of Shareholders, it is seen that Turcas has achieved the grade of **94.98**.

Relations with shareholders are managed by the Investor Relations Department (IRD). IRD activities are conducted by IRD Assistant Manager Pınar SAATÇIOĞLU (Ceritoğlu), under the supervision of CFO / IRD Director Erkan İLHANTEKİN. They both have Capital Markets Activities Level 3 and Corporate Governance Rating Licenses.

Erkan İlhantekin, Head of Investor Relations Department, has been a member of Corporate Governance Committee since 04.06.2012 in compliance with Capital Markets Board's Communiqué II-17.1. On the other hand IRD Assistant Manager Pınar SAATÇIOĞLU (Ceritoğlu) has also been appointed as a member of Corporate Governance Committee with the Board of Directors decision dated 02.03.2016, no: 2016/06. It is believed that this appointment is important in terms of increasing the experience of this official and its contributions to direct communication between the Committee and Department.

Activities of Investor and Shareholders Relations Department are regularly reported to the Board of Directors. The Department presents its detailed analysis of share performance and liquidity once a week and its comprehensive reports on activities and Company's corporate governance policies once in three months to the Board of Directors. 4 (four) reports were presented to the Board in March, June, September and December in 2016.

There is no regulation or practice of cancelling or restricting shareholders' right to obtain and review information imposed by the Articles of Association and/or a

decision by any corporate unit. Disclosures for shareholders and public are made in accordance with the "Disclosure Policy" of the Company. The policy is accessible at the Company's corporate website. It has been determined that the Company has taken care to ensure use of basic shareholder rights during the rating period.

Ordinary General Assembly meeting to discuss activities of 2016 took place on 03.05.2017. The announcement of the meeting was made through Turkish Trade Registry Gazette (TTSG) No: 9303 and dated 11.04.2017, Public Disclosure Platform Statement on 03.04.2017, Central Registration Agency's e – general assembly system (EGKS) and corporate website, 21 days before the meeting, in accordance with regulations.

A briefing document on general assembly meeting's items of agenda was prepared and published on the corporate website and Public Disclosure Platform. The document included additional explanations within the scope of CMB regulations, as well as agenda items and it is found very descriptive.

Turcas' compliance with regulations and principles in general assembly practices is at a very good level. Within this frame, it has been learned that Central Registration Agency (MKK) has found Company's Electronic General Assembly practice an exemplary application and used it in presentations abroad.

The Company has earned TRY 16,336,124.91 distributable net period profit in 2016 and with the addition of TRY 558,982.00 donations made within the year; net distributable period profit became TRY 16,895,106.91. Use of this profit is explained in the section of **ii. Dividend Distribution**" of this report.

Board's proposal for dividend distribution and dividend distribution table have been published by Public Disclosure Platform on

the same day with invitation to the general assembly meeting.

▪ In the section of Public Disclosure and Transparency, the Company has achieved the grade of **96.84**.

Company's activities in the field of Public Disclosure and Transparency continue with the same sensitivity and improvements.

Merger of Turcas Enerji Holding A.Ş. and Turcas Elektrik Üretim A.Ş. has been completed in 2017. These processes, which require frequent contacts with the public opinion and CMB, have been fully completed in time, in compliance with Corporate Governance Principles and Regulations.

As it was stated in the material event disclosure dated 25 August 2017; Shell & Turcas Petrol A.Ş. partnership agreement has been revised between Turcas Petrol A.Ş. and The Shell Company of Turkey (Shell). With the Board decision dated 14 May 2015, No 2015/10, it was decided to postpone the disclosure of the decision to revise the agreement to public in order to protect shareholders and other investors from speculative share price movements that may be caused by the uncertainty about whether or not negotiations would be successfully concluded. Measures have been taken to ensure the privacy of information in accordance with CMB's Material Events Communiqué No II-15.1 and the process was concluded within the frame of regulations and without causing any speculations.

It is understood that during the transactions the Company has disclosed timely, correct, equal and sufficient information for the public.

Finance Director (CFO) Erkan İLHANTEKİN and Accounting Manager Nurettin DEMİRCAN are responsible and authorized for signing public disclosure statements of the Company. These officials are charged with monitoring and watching all subjects related with public disclosure.

Although it is not obligatory for the Company as it is on the list of 3rd Group Companies, Turcas continues to make material event disclosures and declare financial statements, which should be disclosed to public in accordance with capital market regulations, at Public Disclosure Platform simultaneously in Turkish and English.

Company's corporate web site www.turcas.com.tr has been renewed in 2017. It has been determined that corporate website and annual reports are in compliance with the criteria specified by Principles and they are used effectively as means of public disclosure.

Independent audit of the Company for 2016 has been done by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited). There have been no cases in the report where the independent auditor avoided expressing opinions, expressed conditional opinions or avoided signing. Company officials told us that there have been no legal conflicts or developments between the Company and independent auditor and its representatives that could harm the independence.

On the suggestion of Audit Committee and by the approval of general assembly, it has been decided that audit for 2017 would be conducted by the same company.

▪ At the section of Stakeholders, the Company has achieved the grade of **95.98**.

In order to ensure employees' participation to management, "Strategy Sharing Meeting" was held for the first time in 2015 with the attendance of all employees and this meeting has been repeated every year since then. Company's vision, mission and strategic targets are shared with employees at this meeting and their opinions are heard. Started in 2015 and repeated every year, "Strategic Targets Progress Meeting" serves as a platform that brings to discuss progress in strategic targets and receive opinions and proposals.

“Internal Communication Committee”, which was established in 2014, continues its activities. It was established in order to support corporate culture, increase employees’ communication, motivation and loyalty to the Company and to make business processes more efficient. The Committee comprises five (5) individuals. There is an “Employee Representative” among the members of the Committee. This representative is elected by employees to convey expectations of employees with the Committee.

The Company believes that understanding employees’ needs, expectations and factors that would increase their motivation is important to strengthen corporate structure and to achieve sustainable success. Therefore, “Employee Satisfaction and Loyalty Survey” is regularly conducted every year. Additionally, “Internal Customer Satisfaction and Organizational Alignment Survey” is also conducted in order to measure joint work efficiency of related departments and identifying problems in interdepartmental coordination (if there are any) and improvement needs within the processes.

Established under the leadership of Quality, Process Management and Environment Department in 2016, “Office Environmental Risk Assessment Working Group” continues its activities. “Turcas Petrol Quality Policy” has been prepared during the rating period and it was put into effect on 03.05.2017.

“Ethical Principles and Compliance with Regulations Policy”, obligatory for all employees, was revised in 2016 and presented to the shareholders at the general assembly meeting on 03.05.2017. The policy is accessible on Company’s corporate website.

Company has established a “Sustainability Working Group”. The Group was established in November 2016 in order to determine and plan sustainability activities within the Company, to take necessary actions and

prepare for sustainability reporting. It comprises 9 members.

The Company has a rather detailed and modern HR policy. The processes of HR policies contain written procedures, based on objective criteria and they give priority to productivity, aiming to educate and develop careers of recruited employees, protecting rights of both the employees and the Company.

“Compensation Policy” for employees has been prepared and disclosed to public through corporate website.

Turcas continues to develop its policies in this section.

- In the section of Board of Directors, Turcas has received the grade of **95.26**.

Working principles of Corporate Governance and Early Detection Risk Committees have been revised with the Board decision dated 14.06.2017 and numbered 2017/12. The revision states:

“Getting positive votes of all independent members is essential to take a decision. In cases when all independent members do not vote in favor of a decision, there will be negotiations for four weeks. If no results come out of these negotiations, the subject will be brought to the Board of Directors for final decision.” The revision has increased the position and influence of independent committee members in decision making processes. It is obvious that this revision improves compliance with corporate governance principles to a higher level and it makes a very valuable step within the scope of good practices.

Rotation of committee members also continues.

As a result of interviews and examination of Decision Books of Board of Directors and Committees, it has been determined that the

Board and Committees continue their activities regularly.

Board of Directors has determined Company's strategic targets. Chairman of Board of Directors and General Manager are different persons. In line with the principle of clear differentiation of powers between Chairman of Board and CEO / General Manager, 14th and 16th items of Articles of Association clearly describe duties of the Board of Directors and Chairman of Board. Duties of the Chairman of Board, Board Members and General Manager are also described in detail in the Guidelines that set the principles of activity of the Board of Directors. These job descriptions are in line with the Principles to a great extent.

Company's Board of Directors comprises 7 (seven) individuals; 1 (one) Chairman and 6 (six) members. The Board of Directors has 4 (four) non – executive members and 2 (two) of them are independent Members who meet the criteria for independence as described by Corporate Governance Principles.

Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee have been established, as required by the principles. Separate Nomination Committee and Remuneration Committee haven't been established because of the Board of Directors' structure. Duties of these committees are carried out by the Corporate Governance Committee. Mandates, working principles and membership composition for all three committees have been determined by the Board of Directors, approved as written documents, disclosed to the public and published on the corporate website. All members of the Audit Committee are Independent Members of Board of Directors. Chairmen of Corporate Governance and Early Detection of Risk are also Independent Members of Board of Directors. CEO / General Manager have no assignment in committees. Board of Directors convened 4

(four) times and took 27 (twenty seven) decisions in 2017.

Audit Committee held 4 (four) meetings in 2017 and reported meeting results to the Board of Directors.

Corporate Governance Committee held 4 (four) meetings in 2017 and reported meeting results to the Board of Directors. It is also learned that Committee briefs Board of Directors at every Board meeting.

Early Detection of Risk Committee held 5 (five) meetings in 2017 and reported meeting results to the Board of Directors.

"Guidelines on Compensation" of the Directors and Top Executives have been determined and disclosed to public through corporate website.

In accordance with relevant Communiqué of CMB, possible damages to the company due to defects of Board of Directors Members and Executive Directors while performing their duties are insured. A Material Event Disclosure on the subject was published on Public Disclosure Platform on 10.08.2017.

Self criticism and performance measurement for the Board of Directors were conducted in 2014 for the first time and the data were evaluated. It is learned that activities in this area continued regularly in 2016 and 2017.

There are 2 (two) women in the Board of Directors, which meets recommendation Corporate Governance Principles that 25 % of the Board should be women.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



Company Name	: Turcas Petrol Anonim Şirketi
Company Address	: Ahi Evran Caddesi No: 6 Aksoy Plaza Kat:7 34398 Maslak-Sarıyer / İstanbul
Company Phone	: (0212) 2590000 / 17 Hat
Company Facsimile	: (0212) 2590018-19
Company's Web Address	: www.turcas.com.tr
Company's E-Mail Address	: turcas_investorrelations@turcas.com.tr
Date of Incorporation	: 07/03/1980
Registered Number	: 171118
Paid in Capital	: 270.000.000.-TL
Line of Business	: Energy sector and activities like fuel distribution, search, production, transportation, distribution, storage, import, export, national and international commercial operations and investments in sub segments such as electricity and natural gas.
Company's Sector	: Energy

Company's Representative in Charge of Rating:

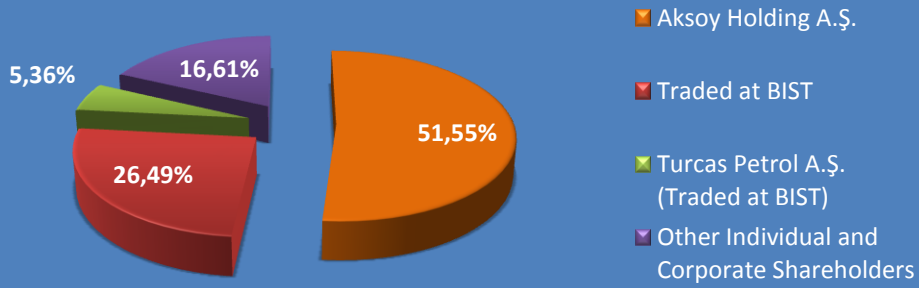
Erkan İLHANTEKİN

Finance Director / CFO / Director of Investor Relations Department

erkan.ilhantekin@turcas.com.tr

0212 259 0000/1270

Turcas Petrol A.Ş. Shareholder Structure



TURCAS Petrol A.Ş Shareholder Structure

Shareholder Name	Share (TL)	Share (%)
Aksoy Holding A.Ş.	139.175.892-	51,55
Traded at BIST	71.518.416-	26,49
Turcas Enerji Holding A.Ş.(Traded at BIST)	14.471.336-	5,36
Other Individual and Corporate Shareholders	44.834.356-	16,61
Total	270.000.000,00	100

Source: www.turcas.com.tr

Indirect Individual and Corporate Shareholders

Shareholder Name	Share (TL)	Share (%)
Erdal AKSOY	74.463.975	27,58
Saffet Batu AKSOY	31.177.440	11,55
Banu Aksoy TARAKÇIOĞLU	31.177.440	11,55
Belkis AKSOY	1.029.969	0,38
Aksoy Enternasyonal Ticaret A.Ş.	1.294.421	0,48

Source: www.kap.gov.tr

Aksoy Holding A.Ş. Shareholder Structure

Shareholder Name	Share (TL)	Share (%)
Erdal AKSOY	176.686.056	53,5
S. Batu AKSOY	73.894.229	22,4
Banu Aksoy TARAKÇIOĞLU	73.894.220	22,4
Ayşe Belkis AKSOY	2.441.995	0,7
Aksoy Enternasyonal Ticaret A.Ş.	3.083.500	0,9
TOPLAM	330.000.000	100,00

Source: www.turcas.com.tr

Company Board of Directors

<i>Name / Surname</i>	<i>Title</i>	<i>Executive / Non - Executive</i>
Erdal AKSOY	Chairman of the Board	Executive
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board	Executive
S.Batu AKSOY	Board Member and CEO	Executive
Matthew J. BRYZA	Board Member	Non – executive
M. Timuçin TECMEN	Board Member	Non – executive
Ayşe Botan BERKER	Independent Board Member	Independent / Non – executive
Mehmet SAMİ	Independent Board Member	Independent / Non – executive

Source: www.kap.gov.tr

Top Management

<i>Name / Surname</i>	<i>Title</i>
Erdal AKSOY	Chairman of the Board
S. Batu AKSOY	Board Member and CEO
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board
Arkin AKBAY	Operational Director
Erkan İLHANTEKİN	Finance Director(CFO)/IRD Head
Altan KOLBAY	Corporate Communication and Public Relations Manager

Source: www.turcas.com.tr

Committees Formed Within the Board of Directors

Audit Committee

<i>Name / Surname</i>	<i>Title</i>
Ayşe Botan BERKER	Independent Board Member / Committee Chairperson
Mehmet SAMİ	Independent Board Member / Committee Member

Source: www.kap.gov.tr

Corporate Governance Committee

<i>Name / Surname</i>	<i>Title</i>
Mehmet SAMİ	Independent Board Member / Committee Chairperson
Ayşe Botan BERKER	Independent Board Member / Committee Member
M. Timuçin TECMEN	Board Member / Committee Member
Matthew J. BRYZA	Board Member / Committee Member
Erkan İLHANTEKİN	Finance Director(CFO)/IRD Head / Committee Member
Altan KOLBAY	Corporate Communication and Public Relations Manager / Committee Member
Pinar SAATÇIOĞLU	Investor Relations Deputy Manager / Committee Member

Source: www.turcas.com.tr

Early Detection of Risk Committee

Name/ Surname	Title
Ayşe Botan BERKER	Independent Board Member / Committee Chairperson
Banu Aksoy TARAKÇIOĞLU	Deputy Chairperson of the Board
Erkan İLHANTEKİN	Finance Director(CFO) / IRD Head
Murat Kubilay ŞİMŞEK	Corporate Finance Manager
Ayşe Nihal ŞEKER	Corporate Treasure Manager

Source: www.turcas.com.tr

Investor Relations Department

Name/ Surname	Title	Communication
Erkan İLHANTEKİN	Finance Director(CFO) / IRD Head	0(212) 259 0000 erkan.ilhantekin@turcas.com.tr
Pınar SAATCIOĞLU	Investor Relations Deputy Manager/ Investor Relations Department Official	0(212) 259 0000 (Dahili: 1287) pınar.ceritoglu@turcas.com.tr

Source: www.kap.gov.tr

Comparison of Company's Certain Selected Items for Consolidated Balance-Sheet belonging to 9th Months of last two years (TL)

	2016/09	2017/09	Change %
Current Assets	199.248.136	140.807.514	-29,33
Fixed Assets	924.708.093	1.182.346.530	27,86
Total Assets	1.123.956.229	1.323.154.417	17,72
Short Term Liabilities	63.125.300	182.485.830	189,09
Long Term Liabilities	415.734.168	491.299.197	18,18
Equity	645.096.761	649.369.390	0,7

Source: www.kap.gov.tr

Comparison of Company's Certain Selected Items for Consolidated Income Statements belonging to 9th Months of last two years (TL)

	2016/09	2017/09	Change %
Sales Income	-	-	-
Sales Cost (-)	-	-	-
Operational Profit or Loss	8.137.380	(16.683.081)	-148,77
Profit / Loss before Tax	28.200.979	22.410.723	-20,53
Net Periodical Profit / Loss	23.297.487	24.071.712	3,32

Source: www.kap.gov.tr

The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included

BIST Code: TRCAS

Market, where it is Traded: STAR MARKET

Indexes it is Included: BIST 100 / BIST CORPORATE GOVERNANCE / BIST STAR / BIST FINANCIAL / BIST Istanbul / BIST 100-30 / BIST HOLDING AND INVESTMENT / BIST ALL

**The Bottom and Peak Closing Values of Company's Shares traded on the BIST for last year
(20.02.2017-20.02.2018)**

Bottom (TL)	Peak(TL)
1,53.- (22.02.2017)	2,78.- (18.09.2017)

Source: Turcas Petrol A.Ş

Information about Subsidiaries, Affiliated Companies, Financial Fixed Assets and Financial Investments

Commercial Title	Line of Business	Paid/Extracted Capital	Company's Share in Capital	Currency	Company's Share in Capital (%)	Nature of Relationship with the Company
TURCAS ELEKTRİK TOPTAN SATIŞ A.Ş.	Electricity Production	4.300.000	4.300.000	TRY	100,00	AFFILIATED COMPANY (DIRECT)
TURCAS KUYUCAK JEOTERMAL ELEKTRİK ÜR. A.Ş	Electricity Production	39.777.656	36.595.444	TRY	92,00	AFFILIATED COMPANY (DIRECT)
SHELL&TURCAS PETROL. A.Ş	Oil Products	528.117.660	158.435.298	TRY	30,00	DIRECT SUBSIDIARY
RWE & TURCAS GÜNEY ELEKTRİK ÜRETİM A.Ş.	Electricity Production	1.527.000.000	458.100.000	TRY	30,00	DIRECT SUBSIDIARY
ATAŞ ANADOLU TASFIYEHANESİ A.Ş.	Fuel Oil Storage	8.400.000	420.000	TRY	5,00	FINANCIAL INVESTMENT
ENERJİ PİYASALARI İŞLETME A.Ş. (EPIAŞ)	Energy Markets Man.	625.000.000	50.000	TRY	0,008	FINANCIAL INVESTMENT

Source: www.kap.gov.tr

B. Changes within Last Year:

i. Changes of Capital, Shareholder Structure and Articles of Association:

There have been no changes in Company's capital and Articles of Association during the rating period.

ii. Dividend Distribution:

According to consolidated financial statements dated 31.12.2016 - prepared in accordance with CMB regulations and independently audited - the Company has earned TRY 16,336,124.91 distributable net period profit in 2016 and with the addition of TRY 558,982.00 donations made within the year; net distributable period profit became TRY 16,895,106.91. With the Board decision dated 03.04.2017 and numbered 2017/04, it was decided to distribute TRY 18,000,000 (from net distributable period profit and profits of previous years) in cash to shareholders and to complete the payment by 31.12.2017. The Board decision was presented for the approval of shareholders at the general assembly meeting on 03.05.2017.

Board decision on dividend distribution was disclosed on 03.04.2017 with a material event disclosure, same day with the invitation for general assembly meeting.

iii. Policies:

Turcas Petrol Quality Policy was approved and put into effect on 03.05.2017 during the rating period. Other policies did not change.

iv. Company Mergers, Relations with Subsidiaries and Affiliated Companies:

Changes within last one year are below:

- Company's Material Event Disclosure dated 18.09.2017;

"In accordance with the decision of our 100 % subsidiary Turcas Enerji Holding A.Ş.'s (TEHAŞ) Board of Directors dated 18.09.2017, Turcas Enerji Holding A.Ş. has resolved to merge with Turcas Yenilenebilir Enerji Üretim A.Ş., which is Turcas Enerji Holding A.Ş.'s 100% subsidiary via takeover method whereby all assets and liabilities of Turcas Yenilenebilir Enerji Üretim A.Ş. shall be transferred to Turcas Enerji Holding A.Ş. as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Corporate Tax Law and related legislation.

In the meantime, in accordance with the decision of Turcas Petrol A.Ş.'s Board of Directors dated 18.09.2017, Turcas Petrol A.Ş. has resolved to implement merger transaction with its 100% subsidiary Turcas Enerji Holding A.Ş. via takeover method whereby all assets and liabilities of Turcas Enerji Holding A.Ş. shall be transferred to Turcas Petrol A.Ş. as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Capital Markets Law, Corporate Tax Law and related legislation. Merger transaction between Turcas Enerji Holding A.Ş. and Turcas Petrol A.Ş. will be initiated after the completion of above mentioned merger between Turcas Yenilenebilir Enerji Üretim A.Ş. and Turcas Enerji Holding A.Ş. Both of the merger transactions are aimed at effective

management of subsidiaries portfolio, resource optimization leading to lower operational expenses and effective foreign currency risk management.”

- Company’s Material Event Disclosure dated 30.10.2017;

Turcas Enerji Holding A.Ş. (TEHAŞ) merger with Turcas Yenilenebilir Enerji Üretim A.Ş., which is Turcas Enerji Holding A.Ş.’s 100% subsidiary via takeover method whereby all assets and liabilities of Turcas Yenilenebilir Enerji Üretim A.Ş. were transferred to Turcas Enerji Holding A.Ş. as a whole was registered on 26.10.2017.”

- Company’s Material Event Disclosure dated 05.12.2017;

“The merger between Turcas Petrol A.Ş. and Turcas Enerji Holding A.Ş. (TEHAŞ), aiming to achieve effective management of subsidiaries portfolio and resource optimization was registered by Istanbul Trade Registry Office on 04.12.2017.”

- Company’s Material Event Disclosure dated 11.05.2017;

“In accordance with Turcas Petrol A.Ş. Board of Directors decision dated 08.05.2017, it has been decided to prepare and sign merger contract and other related documents; to make private and public applications, as well as registrations, declarations and other procedures required by regulations for merger with TEÜAŞ (currently our 100% subsidiary) whereby all of its assets and liabilities shall be transferred to our Company.”

- Company’s Material Event Disclosure dated 15.08.2017;

“In accordance with Capital Markets Board's Communiqué on Merger and Demerger numbered II 23.2, merger between Turcas Petrol A.Ş. and Turcas Elektrik Üretim A.Ş. via facilitated procedure has been registered by İstanbul Trade Registration Office on 14.08.2017.”

As a result of these transactions; Turcas Enerji Holding A.Ş. (TEHAŞ)(and Turcas Yenilenebilir Enerji Üretim A.Ş., which completed its merger with TEHAŞ on 26.10.2017) and Turcas Elektrik Üretim A.Ş. (TEÜAŞ) merged under the roof of Turcas Petrol A.Ş. Information about Subsidiaries and Affiliated Companies of Turcas Petrol A.Ş can be found on page 12 of this report.

- Company’s Material Event Disclosure dated 25.08.2017;

Turcas has held discussions with The Shell Company of Turkey (“Shell”) with respect to strategic alternatives concerning Shell & Turcas Petrol A.Ş. (“STAS”), a JV with Shell in which Turcas has a 30% stake. Public disclosure of these negotiations were delayed pursuant to Turcas Board Resolution dated May 14, 2015, No. 2015/10 as per the authority granted by Public Disclosure Guide article 6, based on No: II 15.1 Public Disclosure Communiqué, Article 27 of the Capital Markets Board of Turkey (“Communiqué”). The uncertainty regarding the result of these discussions and the need to protect our shareholders from any unjustified price movements which may result from inconclusive disclosures were the basis for the decision to delay disclosure. These discussions have resulted in amendments to various agreements between the parties on 25.08.2017, including the following matters:

(i) Shell has been granted the right, but not the obligation, exercisable at any time and only by Shell, after a 2 year lock up period, to trigger a calculation of the Fair Market Value (FMV) of STAS for the

purpose of purchasing Turcas' 30% shares. If upon calculation of FMV Shell makes an offer to purchase Turcas' shares in STAS, Turcas has the right to counter offer to purchase Shell's %70 shares in STAS, which could then effectively trigger an auction between the parties where each party has the right either to agree to sell its shares at the last offer or make an increased counter offer to purchase the other party's shares. Shell has the ability to cancel the auction process at any time before acceptance of any offer. If Shell stops the process, all the offers made up to that time will be null and void and each party's shareholding in STAS will not change. But if it elects to do so a 2 year lock up period will again be imposed.

(ii) In return for Turcas providing Shell with the option to trigger an exit, Shell shall cause STAS to issue 125 Usufruct Certificates to Turcas, which shall each entitle Turcas to USD 64,000 of preferred dividends per annum to be valid from financial year 2016 and with first payment to be realized in 2017.

Our Company believes that these discussions and resulting changes have strengthened the Cooperation of the parties within the JV while providing them with a fair and flexible mechanism to exit the JV if and when deemed necessary by changing global and macroeconomic circumstances. Our Company does not expect the mentioned changes to have a significant impact on the balance or the amount of the return generated by the parties from the JV.



3. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Onaylandığı Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In this analysis, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

399 criteria are used in the rating process for BIST Third Group companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into Corporate Governance Rating Question Sets through Kobirate A.Ş.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also

considered as part of the remaining 15 % and affect the company's grade.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

4. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ
A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DEFINITIONS
<p>9-10</p>	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
<p>7-8,9</p>	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
<p>6-6,9</p>	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the BIST Corporate Governance Index.</p>

GRADE	DEFINITIONS
4-5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency. Structure and working conditions of the Board appear to be at a level that might cause the investor to incur material losses.</p>