

**PETROL OFİSİ A.Ş.**

CONSOLIDATED FINANCIAL STATEMENTS  
AND REPORT ON REVIEW  
AS AT 30 JUNE 2007

(Translated into English from  
the Original Turkish Report)

**CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW AND THE  
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To Board of Directors  
Petrol Ofisi A.Ş.

*Introduction*

We have reviewed the accompanying consolidated balance sheet of Petrol Ofisi A.Ş. (the “Company”) and its subsidiaries (together the “Group”) as of 30 June 2007 and the related consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with financial reporting standards published by Capital Markets Board. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with auditing standards published by Capital Markets Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards published by Capital Markets Board and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Petrol Ofisi A.Ş. and its subsidiaries as at 30 June 2007 and of its financial performance and its cash flows for the six-month period then ended in accordance with financial reporting standards published by Capital Markets Board.

Without qualifying our conclusion we draw attention to the following:

As explained in detail in Note 31, the Energy Market Regulatory Authority (EMRA) imposed administrative fines on Petrol Ofisi A.Ş. and its subsidiary Erk Petrol Yatırımları A.Ş. (“Erk”) amounting to TRY 498.693.080 and TRY 100.738.860 respectively for the supplies made to unlicensed dealers. The Company and Erk have taken two different judicial actions in order to exercise their legal rights for the cancellation of the fine and removal of the payment orders. Upon filings for suspension of execution to Plenary Session of Administrative Law Divisions of Council of State, the execution of fines was suspended on 25 January 2007. The Company and Erk, paid the first instalment amounting to TRY 5.206.720 of the fines and ceased the payment of following instalments based on the ruling for suspension of the execution. Reasoned decisions for the suspension of the execution have been communicated to the Company and Erk on 28 February 2007. Uncertainty over the judicial process continues as of report date. Accordingly, the Group has not made provisions for this matter in the accompanying financial statements.

İstanbul, 15 August 2007

**DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.**  
Member of **DELOITTE TOUCHE TOHMATSU**

Gökhan Alpman  
Partner

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONSOLIDATED BALANCE SHEETS.....</b>	<b>1-2</b>
<b>CONSOLIDATED INCOME STATEMENTS.....</b>	<b>3</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY .....</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS.....</b>	<b>5</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>6-67</b>
NOTE 1 ORGANIZATION AND OPERATIONS OF THE COMPANY .....	6-7
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....	7-10
NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	11-22
NOTE 4 CASH AND CASH EQUIVALENTS .....	23
NOTE 5 MARKETABLE SECURITIES .....	23
NOTE 6 FINANCIAL BORROWINGS.....	24-26
NOTE 7 TRADE RECEIVABLES AND PAYABLES.....	26-28
NOTE 8 FINANCE LEASE RECEIVABLES AND PAYABLES .....	28-29
NOTE 9 DUE TO/FROM RELATED PARTIES .....	30-32
NOTE 10 OTHER RECEIVABLES AND PAYABLES.....	33
NOTE 11 BIOLOGICAL ASSETS .....	34
NOTE 12 INVENTORIES .....	34
NOTE 13 RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND ACCRUED INCOME.....	34
NOTE 14 DEFERRED TAX ASSETS AND LIABILITIES .....	35-36
NOTE 15 OTHER SHORT/LONG TERM ASSETS AND SHORT/LONG TERM LIABILITIES.....	36
NOTE 16 FINANCIAL ASSETS .....	37
NOTE 17 POSITIVE/NEGATIVE GOODWILL .....	37-38
NOTE 18 INVESTMENT PROPERTY .....	38
NOTE 19 PROPERTY, PLANT AND EQUIPMENT .....	39-40
NOTE 20 INTANGIBLE ASSETS .....	41
NOTE 21 ADVANCES RECEIVED .....	42
NOTE 22 RETIREMENT BENEFITS .....	42
NOTE 23 PROVISIONS .....	42-43
NOTE 24 MINORITY INTEREST/INCOME (LOSS) BEFORE MINORITY INTEREST .....	43
NOTE 25 SHARE CAPITAL.....	44
NOTE 26 CAPITAL RESERVES .....	44-45
NOTE 27 PROFIT RESERVES .....	46
NOTE 28 RETAINED EARNINGS.....	46
NOTE 29 FOREIGN CURRENCY POSITION.....	47
NOTE 30 GOVERNMENT GRANTS AND INCENTIVES .....	48
NOTE 31 PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS .....	48-52
NOTE 32 BUSINESS COMBINATIONS.....	52
NOTE 33 SEGMENTAL INFORMATION .....	53-55
NOTE 34 SUBSEQUENT EVENTS.....	56
NOTE 35 DISCONTINUED OPERATIONS .....	56
NOTE 36 OPERATING INCOME .....	57
NOTE 37 OPERATING EXPENSE.....	58
NOTE 38 OTHER OPERATING INCOME/EXPENSE AND PROFIT/LOSS.....	58-59
NOTE 39 FINANCE EXPENSE.....	59
NOTE 40 NET MONETARY GAIN/LOSS.....	59
NOTE 41 TAXATION .....	60-62
NOTE 42 EARNINGS PER SHARE .....	62
NOTE 43 STATEMENT OF CASH FLOWS .....	62
NOTE 44 OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REIURED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS .....	63-67

**PETROL OFİSİ A.Ş.****CONSOLIDATED BALANCE SHEETS AS OF  
30 JUNE 2007 AND 31 DECEMBER 2006**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

	<b>Footnote References</b>	<b>Current Period (Reviewed) 30 June 2007</b>	<b>Prior Period (Audited) 31 December 2006</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>2.144.797.129</b>	<b>2.842.565.670</b>
Cash and Cash Equivalents	4	215.715.043	647.146.167
Marketable Securities (net)	5	-	-
Trade Receivables (net)	7	1.155.742.856	1.284.150.267
Finance Lease Receivables (net)	8	-	-
Due from Related Parties (net)	9	476.773	1.337.417
Other Receivables (net)	10	50.334.618	74.406.508
Biological Assets (net)	11	-	-
Inventories (net)	12	684.883.474	791.945.443
Receivables From On Going Construction Contracts (net)	13	-	-
Deferred Tax Assets	14	-	-
Other Current Assets	15	37.644.365	43.579.868
<b>Long Term Assets</b>		<b>3.265.032.072</b>	<b>3.186.254.068</b>
Trade Receivables (net)	7	7.514.651	7.733.272
Finance Lease Receivables (net)	8	-	-
Due from Related Parties (net)	9	-	-
Other Receivables (net)	10	-	-
Financial Assets (net)	16	135.892	135.892
Negative/Positive Goodwill (net)	17	2.230.454.638	2.230.454.638
Investment Property (net)	18	-	-
Property, plant and equipment (net)	19	1.004.059.262	933.112.926
Intangible Assets (net)	20	4.667.768	4.919.272
Deferred Tax Assets	14	457.813	246.384
Other Long Term Assets	15	17.742.048	9.651.684
<b>TOTAL ASSETS</b>		<b>5.409.829.201</b>	<b>6.028.819.738</b>

The consolidated financial statements prepared as of and for the period ended 30 June 2007 have been approved by the Board of Directors on 15 August 2007.

Member of Board of Directors

Member of Board of Directors

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

**PETROL OFİSİ A.Ş.**

**CONSOLIDATED BALANCE SHEETS AS OF  
30 JUNE 2007 AND 31 DECEMBER 2006**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

	Footnote References	Current Period (Reviewed) 30 June 2007	Prior Period (Audited) 31 December 2006
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>		<b>1.728.144.804</b>	<b>2.235.490.471</b>
Short Term Borrowings (net)	6	28.586.664	144.214.989
Short Term Portions of Long Term Borrowings (net)	6	119.661.964	111.645.163
Finance Lease Payables (net)	8	5.935.759	5.910.756
Other Financial Liabilities (net)	10	-	-
Trade Payables (net)	7	1.065.992.675	1.442.230.653
Due to Related Parties (net)	9	9.608.776	9.549.421
Advances Received	21	-	-
Ongoing Construction Progress Payments (net)	13	-	-
Provisions	23	61.139.352	81.985.143
Deferred Tax Liabilities	14	-	-
Other Liabilities (net)	10	437.219.614	439.954.346
<b>Long Term Liabilities</b>		<b>1.391.284.040</b>	<b>1.446.788.769</b>
Long Term Borrowings (net)	6	611.720.969	680.529.827
Finance Lease Payables (net)	8	20.135.075	20.977.206
Other Financial Liabilities (net)	10	-	-
Trade Payables (Net)	7	683.060.330	674.008.866
Due to Related Parties (net)	9	-	-
Advances Received	21	73.505	63.025
Provisions	23	9.342.074	8.980.650
Deferred Tax Liabilities	14	56.916.044	56.467.318
Other Liabilities (net)	10	10.036.043	5.761.877
<b>MINORITY INTEREST</b>	24	<b>4.203.885</b>	<b>4.086.562</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>2.286.196.472</b>	<b>2.342.453.936</b>
<b>Capital</b>	25	<b>492.000.000</b>	<b>417.450.000</b>
<b>Adjustment to share capital</b>	25	-	-
<b>Capital Reserves</b>	26	<b>1.242.847.720</b>	<b>1.242.847.720</b>
Additional Paid in Capital		247.461.598	247.461.598
Premium in Excess of Par		-	-
Gain on cancellation of equity shares		-	-
Revaluation Fund		-	-
Revaluation Fund on Financial Assets		-	-
Inflation Adjustment of Shareholders' Equity Items		995.386.122	995.386.122
<b>Profit Reserves</b>	27	<b>55.652.674</b>	<b>49.569.471</b>
Legal Reserves		60.419.761	50.772.707
Statutory Reserves		-	-
Extraordinary Reserves		2.827.642	2.827.642
Special Reserves		2.976.458	2.976.458
Gain on sale of property and equity participations to be transferred to share capital		-	-
Currency Translation Reserve		(10.571.187)	(7.007.336)
<b>Net Profit for the Period</b>		<b>(52.693.613)</b>	<b>230.115.954</b>
<b>Retained Earnings</b>	28	<b>548.389.691</b>	<b>402.470.791</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>5.409.829.201</b>	<b>6.028.819.738</b>

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

**PETROL OFİSİ A.Ş.****CONSOLIDATED STATEMENTS OF INCOME  
FOR THE SIX MONTH INTERIM PERIODS ENDED 30 JUNE 2007 AND 30 JUNE 2006**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

		<b>Current Period (Reviewed) 1 January – 30 June 2007</b>	<b>Current Period (Unaudited) 1 April – 30 June 2007</b>	<b>Prior Period (Reviewed) 1 January – 30 June 2006</b>	<b>Prior Period (Unaudited) 1 April – 30 June 2006</b>
	<b>Not</b>				
<b>OPERATING INCOME</b>					
Sales Revenue (net)	36	5.983.245.471	3.330.599.078	6.220.525.507	3.578.886.486
Cost of Sales (-)	36	(5.593.873.861)	(3.077.379.876)	(5.838.751.655)	(3.350.621.118)
Other operating income / interest+dividend+rent (net)		31.064.494	11.684.739	23.171.000	15.666.395
<b>GROSS PROFIT / LOSS</b>		<b>420.436.104</b>	<b>264.903.941</b>	<b>404.944.852</b>	<b>243.931.763</b>
Operating Expenses (-)	37	(192.196.087)	(106.098.241)	(199.961.517)	(109.432.152)
<b>OPERATING PROFIT / LOSS</b>		<b>228.240.017</b>	<b>158.805.700</b>	<b>204.983.335</b>	<b>134.499.611</b>
Other income and profit	38	219.072.469	115.128.093	145.027.669	76.026.557
Other expenses and losses (-)	38	(423.866.126)	(66.620.868)	(367.881.262)	(313.383.047)
Finance expense	39	(22.076.078)	7.813.942	(188.142.316)	(159.421.815)
<b>PROFIT BEFORE MONETARY GAIN/ LOSS AND TAXATION</b>		<b>1.370.282</b>	<b>215.126.867</b>	<b>(206.012.574)</b>	<b>(262.278.694)</b>
Net Monetary Gain / Loss	40	-	-	-	-
<b>MINORITY INTEREST</b>		<b>(117.323)</b>	<b>(163.908)</b>	<b>(117.889)</b>	<b>7.238</b>
<b>PROFIT / LOSS BEFORE TAXATION</b>		<b>1.252.959</b>	<b>214.962.959</b>	<b>(206.130.463)</b>	<b>(262.271.456)</b>
Taxation	41	(53.946.572)	(43.547.149)	69.366.612	79.516.862
<b>NET PERIOD PROFIT/LOSS</b>		<b>(52.693.613)</b>	<b>171.415.810</b>	<b>(136.763.851)</b>	<b>(182.754.594)</b>
<b>EARNINGS PER SHARE</b>		<b>(0,107)</b>	<b>0,348</b>	<b>(0,278)</b>	<b>(0,371)</b>

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

**PETROL OFİSİ A.Ş.**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE SIX MONTH INTERIM PERIODS ENDED 30 JUNE 2007 AND 30 JUNE 2006**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

	Capital	Additional Paid-in Capital	Inflation Adjustment of Shareholders' Equity Items	Legal Reserves	Extraordinary Reserves	Special Reserves	Currency Translation Reserve	Gain on sale of property and equity participations to be transferred to share capital	Retained Earnings	Period Profit / Loss (net)	Total Shareholders' Equity
<b>1 January 2006</b>	<b>417.450.000</b>	<b>247.461.598</b>	<b>995.386.122</b>	<b>35.732.137</b>	<b>2.827.642</b>	<b>2.976.458</b>	<b>(7.360.293)</b>	-	<b>268.846.868</b>	<b>216.032.574</b>	<b>2.179.353.106</b>
Transfers from retained earnings	-	-	-	15.040.570	-	-	-	-	(15.040.570)	-	-
Transfers from period profit	-	-	-	-	-	-	-	-	216.032.574	(216.032.574)	-
Change in translation reserve	-	-	-	-	-	-	6.365.204	-	-	-	6.365.204
Dividends paid	-	-	-	-	-	-	-	-	(67.368.081)	-	(67.368.081)
Current period loss	-	-	-	-	-	-	-	-	-	(136.763.851)	(136.763.851)
<b>30 June 2006</b>	<b>417.450.000</b>	<b>247.461.598</b>	<b>995.386.122</b>	<b>50.772.707</b>	<b>2.827.642</b>	<b>2.976.458</b>	<b>(995.089)</b>	-	<b>402.470.791</b>	<b>(136.763.851)</b>	<b>1.981.586.378</b>
<b>1 January 2007</b>	<b>417.450.000</b>	<b>247.461.598</b>	<b>995.386.122</b>	<b>50.772.707</b>	<b>2.827.642</b>	<b>2.976.458</b>	<b>(7.007.336)</b>	-	<b>402.470.791</b>	<b>230.115.954</b>	<b>2.342.453.936</b>
Transfers from retained earnings	-	-	-	-	-	-	-	-	-	-	-
Transfers from period profit	44.292.287	-	-	9.647.054	-	-	-	30.257.713	145.918.900	(230.115.954)	-
Change in translation reserve	-	-	-	-	-	-	(3.563.851)	-	-	-	(3.563.851)
Transfers from gain on sale of property	30.257.713	-	-	-	-	-	-	(30.257.713)	-	-	-
Current loss for the period	-	-	-	-	-	-	-	-	-	(52.693.613)	(52.693.613)
<b>30 June 2007</b>	<b>492.000.000</b>	<b>247.461.598</b>	<b>995.386.122</b>	<b>60.419.761</b>	<b>2.827.642</b>	<b>2.976.458</b>	<b>(10.571.187)</b>	-	<b>548.389.691</b>	<b>(52.693.613)</b>	<b>2.286.196.472</b>

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

**PETROL OFİSİ A.Ş.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE  
INTERIM PERIODS ENDED 30 JUNE 2007 AND 30 JUNE 2006**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

<b>Cash Flows From Operating Activities</b>	<b>Note</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
Income before taxation on income and minority interests		1.370.282	(206.012.574)
<b>Adjustments to reconcile net income /(loss) to net cash from/ (used in) operating activities:</b>			
Amortization and depreciation	19, 20	54.556.878	48.729.404
Increase in retirement pay provision	23	558.926	518.065
Interest expense – net		35.285.284	62.009.120
(Gain) / loss on the sale of property, plant and equipment		335.698	(11.741.691)
Doubtful receivable provision – net	7	24.621.884	2.552.278
Deferred finance (income)/ expense		(1.927.867)	1.037.998
Provision for litigation		5.768.041	12.183.327
Accrued foreign exchange loss on letter of credits and bank loans		(99.755.328)	260.130.032
<b>Net cash before changes in operating assets and liabilities</b>		<b>20.813.798</b>	<b>169.405.959</b>
Decrease/(increase) in trade receivables		105.932.014	(384.554.880)
Decrease/(increase) in due from related parties	9	860.644	(4.490.746)
Decrease/(increase) in inventories	12	107.061.969	(76.567.629)
Decrease/(increase) in other current assets		30.007.393	(15.234.773)
Decrease/(increase) in other long-term assets		(8.090.364)	(1.076.369)
(Decrease)/increase in trade payables		52.576.741	322.129.975
(Decrease)/increase in due to related parties	9	59.355	16.145.302
(Decrease)/increase in other short-term borrowings		(22.198.826)	55.102.280
(Decrease)/increase in other long-term borrowings		4.284.646	(22.910)
Retirement pay provision paid	23	(197.502)	(796.182)
Taxes and dues paid		(60.859.014)	(1.373.922)
<b>Cash provided by operating activities</b>		<b>230.250.854</b>	<b>78.666.105</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment and intangible assets	19, 20	(123.528.483)	(112.384.164)
Proceeds from sale of property, plant and equipment		1.663.669	30.805.011
Cash flow from available for sale financial assets		-	2.322
<b>Net cash used in investing activities</b>		<b>(121.864.814)</b>	<b>(81.576.831)</b>
<b>Financing activities</b>			
Borrowing repayments		(186.600.547)	(591.364.953)
Borrowing redemptions		67.724.664	376.978.663
Letter of credits paid in trade payables		(398.516.912)	(226.855.070)
Letter of credits received in trade payables		23.865.637	601.558.356
Leasing repayments		(4.539.722)	-
Dividends paid		-	(67.368.081)
Dividends paid to minority interest		-	(480.028)
Received/ (paid) interest-net		(38.160.906)	(56.840.554)
Share of minority interest from capital increases		-	4.014
<b>Net cash (used in) / provided by financing activities</b>		<b>(536.227.786)</b>	<b>35.632.347</b>
Currency Translation Differences		(3.563.851)	6.365.204
Net (decrease)/increase in cash and cash equivalents		(431.405.597)	39.086.825
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4</b>	<b>647.044.123</b>	<b>137.739.866</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>215.638.526</b>	<b>176.826.691</b>

Letters of credits that bear interest are classified under financing activities and letters of credits which do not bear interest are classified under trade payables. Additions to property, plant and equipment in 2007 amounting to TRY 3.722.594 were financed by new finance leases.

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

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY

Petrol Ofisi A.Ş. (“the Company”) was incorporated in Turkey in 1941 as a State Economic Enterprise and is engaged primarily in the supply and marketing of fuel from domestic and foreign markets, the organization of distribution and storing, the additional sales of refinery subsidiary products, the production of all types of grease and lubricants and their by-products, blending, the establishment of blending and production facilities, whole and retail sales, import and export. The Group has 8 regional offices, 3.402 service stations (Petrol Ofisi: 3.094, Kipet: 84, Erk: 224), 2 lubricant blending plants, 11 fuel and 2 LPG terminal, 1 office and 28 aviation supply units. As of 31 December 2006, the number of personnel is 1.164. (31 December 2006: 1.204).

The Company is registered in Turkey and the address of the registered office is as follows:

Eski Büyükdere Caddesi No: 37, 34398 Maslak, İstanbul

The shares of the Company are quoted to İstanbul Stock Exchange Market (ISE) since 1991.

The main shareholders of the Company are Doğan Şirketler Grubu Holding A.Ş. (“Doğan Holding”) and OMV Aktiengesellschaft (“OMV”). The shareholders’ detail are provided in Note 25 as of the balance sheet dates.

On 24 January 2006, Doğan Holding sold shares with a nominal amount of TRY 26.090.625, which corresponds to 6,25% of Company’s capital, with a price of TRY 5,35 per share, with TRY 1 nominal value, in the Wholesale Market to 32 corporate investors through the agency of Deutsche Bank A.G. After the sale, Doğan Holding’s share in Company’s capital decreased to 86,73%. Since Doğan Holding A.Ş. was the dominant shareholder of the Company before the sale, the sales operation did not lead to any changes in the management and control of Petrol Ofisi A.Ş.

As a result of the negotiations with leading Central European oil and gas company OMV Aktiengesellschaft (“OMV”) for the distribution and supply of petroleum and gas products, including refining, oil exploration and production, Doğan Holding has reached an agreement for the sale of 34% of the Company’s shares to OMV. Turkish Competition Authority approved the share transfer on 25 April 2006. The total sale price of the shares USD 1.054.000.000 was collected in cash by Doğan Holding as of 16 May 2006. Following the transaction, the share of Doğan Holding in the capital of the Company fell from 86,73% to 52,73%. The agreement envisages a management system based on equal partnership with OMV. The Company’s Board of Directors is composed of eight members, four of which were assigned by Doğan Holding and the other four by OMV.

The Company and its subsidiaries will be referred to as “Group” for consolidated financial statements. The subsidiaries (the “Subsidiaries”) of the Company and their nature of businesses are as follows:

Kıbrıs Türk Petrolleri Ltd. (“KIPET”) was established in 1974 in the Turkish Republic of Northern Cyprus and its primary operation is the distribution of fuel.

Lysa Investments Ltd. was founded in the Bahamas in 2001 in order to trade petroleum products and its name was changed to Petrol Ofisi International Oil Trading Ltd. (“PO International”) in 2003.

PO Petrofinance N.V. (“Petrofinance”) was founded in the Netherlands in 2002 in order to generate funds, borrow money and grant loans.

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### **NOTE 1 – ORGANIZATION AND OPERATIONS OF THE COMPANY (cont'd)**

Erk Petrol Yatırımları A.Ş. (“ERK”), which was established in 2003 is engaged in the supply of fuel, petroleum products, LPG and similar products from domestic and foreign markets and their marketing, the organization of distribution and storing, the additional sales of refinery by-products, the production of all types of grease and lubricants and their by-products, blending, establishing blending and production facilities, whole- and retail sales, import and export.

PO Oil Financing Ltd. (“PO Oil Financing”), was founded in the Cayman Islands in 2004 in order to generate funds in international markets.

Petrol Ofisi Alternatif Yakıtlar Toptan Satış A.Ş. (“PO Alternatif Yakıtlar”), was established in Turkey in 2005 for the purpose of functioning in natural gas market, supporting natural gas usage, exporting and importing of natural gas, liquid natural gas and similar products, selling and distributing, organizing distribution, storing and modulation activities domestically and abroad.

Petrol Ofisi Gaz İletim A.Ş. (“PO Gaz İletim”), was established in Turkey in 2005 for the purpose of functioning in natural gas market, supporting natural gas usage, transmission, filling and delivery in natural gas sector, preparing projects of transportation vehicles and plants, constructing them, operating them, making agreements with the Companies active in natural gas sector in Turkey and carrying natural gas, storing and organizing activities for modulation domestically and abroad.

Petrol Ofisi UK Limited (“PO UK Limited”) was established on 9 September, 2003, as 100% subsidiary of PO International, in order to provide consultancy and support in the international trading of petroleum products in England. The entity is not active and was closed in 2006.

Petrol Ofisi Akdeniz Rafinerisi Sanayi ve Ticaret A.Ş. (“Akdeniz Rafinerisi”), was established in June 2007 for building a petroleum refinery in Ceyhan.

PO Georgia LLC (“PO Georgia”) was established in May 2007 in Georgia to provide services in aviation, to establish a fuel retail network and to provide support services in relation to fuel distribution activities.

#### **NOTE 2– BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

##### **2.1 Accounting Standards:**

The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries operating in foreign countries main their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the legislation effective in those counties.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

##### 2.1 Accounting Standards: (cont'd)

Capital Market Board (CMB) issued Decree No XI-25 “Capital Markets Accounting Standards” that provides a detailed accounting principals set. This Decree became effective for periods after 1 January 2005. Article 5 of Decree No XI-27, which amends the mentioned Decree, declares that the entities applying International Financial Reporting Standards (IFRS) are accepted as applying the preparation and disclosure requirements of Decree No XI-25.

Accompanying financial statements were prepared in accordance with IFRS, within the framework of alternative treatment allowed by CMB as mentioned above and comply with CMB’s decree announced on 20 December 2004 regarding the format of the financial statements and footnotes.

##### 2.2 Preparation of Financial Statements in Hyperinflationary Periods:

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 “Financial Reporting in Hyperinflationary Economies” was not applied.

##### 2.3 Consolidation

###### (i) Subsidiaries

Subsidiaries are companies in which the Company has power to control directly. Control power means the Company has power to affect the financial and operating policies for the benefit of the Company of related companies direct and indirectly. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. Subsidiaries and proportion of ownership interest as of 30 June 2007 and 31 December 2006 are shown below:

Name	<u>Proportion of ownership interest (%)</u>	
	30 June 2007	31 December 2006
KIPET	52,00	52,00
PO International	100,00	100,00
Petrofinance	100,00	100,00
Erk Petrol	99,96	99,96
PO Oil Financing	100,00	100,00
PO Alternatif Yakıtlar	99,89	99,83
PO Gaz İletim	99,75	99,50
Akdeniz Rafinerisi	99,99	-
PO Georgia	100,00	-

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

##### **2.3 Consolidation (cont'd)**

###### **(ii) Eliminations**

All the intercompany transactions, balances between the Company and its Subsidiaries (“Group”) and all unrealized income are eliminated in the consolidated financial statements. Unrealized losses from intercompany transactions in the case of no evidence for decrease in value have been eliminated by the method which is used for elimination of unrealized income.

###### **(iii) Translation of foreign subsidiary financial statements**

The foreign subsidiaries maintain their books of accounts in accordance with the laws and regulations in force in the countries in which they are registered and necessary adjustments and reclassifications made for the fair presentation in accordance with IFRS. The assets and liabilities of foreign subsidiaries are translated into New Turkish Lira using the relevant foreign exchange rates prevailing at the balance sheet date. The incomes and expenses of the foreign subsidiaries are translated into New Turkish Lira using average exchange rate for the year. Exchange differences arising from using year-end and average exchange rates are included in the shareholders’ equity as currency translation reserve.

##### **2.4 Comparative Information and Restatement of Prior Period Financial Statements**

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes.

##### **2.5 Offsetting**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

*(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)*

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#### **NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)**

##### **2.6 Adoption of New and Revised International Financial Reporting Standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007 except for the ones that contradict with CMB’s decree regarding required format, announced on 20 December 2004.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 8 – Operating Segments
- IFRIC 11 – IFRS 2: Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Revenue recognition

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is probable. Net sales are calculated after the sales returns and sales discounts are deducted.

##### *Sale of goods:*

Revenue from sale of goods is recognised when all the following conditions are satisfied:

- The Group transfers the significant risks and rewards of ownership of the goods to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

Interest income is recorded on the basis of effective interest rate method and dividend income is recorded when the right of dividend income emerges.

##### 3.2 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories comprise all costs of materials purchased, labour and an appropriate amount for factory overheads. The cost of inventories is determined on a weighted average basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

##### 3.3 Property, plant and equipment

Property, plant and equipment that are acquired before 1 January 2005 are carried with their restated cost as of 31 December 2004; and intangible assets that are acquired after 1 January 2005 are carried with their cost after subtracting accumulated depreciation and impairment.

Property, plant and equipment are depreciated principally on a straight-line basis. Land is not depreciated as it is deemed to have an indefinite life. The depreciation periods for property, plant and equipment, which approximate the useful lives of such assets, are as follows:

Buildings and land improvements	2-50 year
Machinery and equipment	2-20 year
Motor vehicles	4-5 year
Furniture and fixtures	2-50 year
Leasehold improvements	3-39 year
Other tangible assets	2-25 year

*(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)*

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**3.3 Property, plant and equipment (cont'd)**

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Other tangible assets mainly consist of tanks, stations and station equipments.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**3.4 Financial Leasing Transactions**

Leases of property, plant and equipment where the Group has all the risks and rewards of ownership substantially are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are treated as comprising capital and interest elements.

The capital element is treated as a reduction to the capitalized obligation under the lease and the interest element is charged to the statement of income. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

**3.5 Intangible assets**

*(i) Goodwill and amortisation*

Goodwill represents the difference between the purchased assets' purchase cost and the fair value of the underlying net assets. Goodwill that is acquired before 31 March 2004 is capitalized and amortised using the straight-line method over the estimated useful life of 20 years until 31 December 2004. Due to the change in the accounting policies beginning from 1 January 2005, amortisation for goodwill has been ceased. The net book value of goodwill is reviewed annually for impairment and if there are indicators of impairment, an impairment charge should be recognized in the consolidated statements of income if recoverable amount is less than carrying amount.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**3.5 Intangible assets (cont'd)**

*(ii) Other intangible assets*

Other intangible assets that are acquired before 1 January 2005 are carried with their restated cost as of 31 December 2004; and intangible assets that are acquired after 1 January 2005 are carried with their cost after subtracting accumulated depreciation and impairment.

Intangible assets other than goodwill, comprise information systems, privileged rights and software. They are amortised on a straight-line basis over their estimated useful lives for the period of 5-20 years from the date of acquisition.

**3.6 Impairment of assets**

All assets other than deferred tax assets and goodwill are tested to see if there is an indication of impairment of asset or not for each periods of the balance sheet. If such an indication exists, recoverable amount of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 3.7 Borrowing costs

Interest expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use or sale.

All other borrowing costs are recorded in the income statement in the period in which they are incurred.

##### 3.8 Financial instruments

Financial assets and liabilities are recorded in the balance sheet when the Company is a legal party to these financial instruments.

###### Financial assets

Investments are recognised and derecognized on trade date where the purchase or sales of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories: financial assets as “at fair value through profit or loss” (FVTPL), “held-to-maturity investments”, “available-for-sale” (AFS) financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

###### Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the Group acquires the financial asset principally for the purpose of selling in the near term, the financial asset is apart of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short term profit taking as well as derivatives that are not designated and effective hedging instruments. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

###### Effective interest rate

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate a shorter period.

Income is recognised on an effective interest basis for held-to-maturity investments, available-for-sale financial assets and loans and receivables.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 3.8 Financial instruments (cont'd)

###### Financial assets (cont'd)

###### Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

###### Available for sale financial assets

Certain shares and redeemable notes held by the Company are classified as being available for sale and are stated at fair value.

Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available for sale equity instruments are recognised in profit and loss when the Group's right to receive payments is established.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

###### Loans and receivables

Trade and other receivables are initially recorded at fair value. At subsequent periods, loans and receivables are measured at amortised cost using the effective interest method.

###### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is an objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For loans and receivables the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### 3.8 Financial instruments (cont'd)

###### Financial assets (cont'd)

###### Impairment of financial assets (cont'd)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously recognized written off are credited against the allowance account and are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

###### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

###### Financial liabilities

The Group's financial liabilities and equity instruments, are classified in accordance with the contractual arrangements and recognition principles of a financial liability and equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The significant accounting policies for financial liabilities and equity instruments are described below.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities.

###### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value, and at each reporting period revalued at fair value as of balance sheet date. Changes in fair value are recognized in profit and loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

*(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)*

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**3.8 Financial instruments (cont'd)**

Financial liabilities (cont'd)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Recognition of the resulting gain or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). The Group uses various hedging instruments to preserve the value of its petroleum inventories and cargo imports, to ensure a constant flow of income, and to minimize adverse price movements.

**3.9 Business combinations**

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**3.10 Foreign currency transactions**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Company and its Turkish subsidiaries, transactions in currencies other than TRY (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings,
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks,
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TRY using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**3.11 Earnings per share**

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

**3.12 Subsequent events**

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

The Group; restates its financial statements if such subsequent events arise.

**3.13 Provisions, contingent liabilities, contingent assets**

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine probability of outflow of economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for cases where a reliable estimate can not be made.

When the outflow of economic benefits from the Group is probable but the amount can not be measured reliably the Group discloses this fact in the footnotes.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **3.14 Change in accounting policies, accounting estimates and errors**

Changes in accounting policies or accounting errors noted are applied retroactively and the financial statements of the previous year are adjusted. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

##### **3.15 Related parties**

In consolidated financial statements, Doğan Holding and OMV groups, important personnel in management and board of directors, their family and controlled or dependent companies, participations and subsidiaries are all accepted and denoted as related parties (“Related Parties”).

##### **3.16 Segmental information**

The Group has realized financial reporting according to segments which include customer groups of different risks and benefits.

##### **3.17 Construction agreements**

None.

##### **3.18 Discontinued operations**

None.

##### **3.19 Government incentives and grants**

None.

##### **3.20 Investment properties**

None.

##### **3.21 Taxation and deferred tax**

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**3.21 Taxation and deferred tax (cont'd)**

Income tax expense represents the sum of the tax currently payable and deferred tax.

*Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

*Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

##### **3.22 Retirement pay provision**

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”).

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses.

##### **3.23 Retirement plans**

None.

##### **3.24 Agricultural activities**

None.

##### **3.25 Statement of cash flows**

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows generated from petroleum products sales of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### **3.26 Share capital and dividends**

Common shares are classified as equity. Dividends on common shares are recognised in equity in the period in which they are approved and declared.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 4 – CASH AND CASH EQUIVALENTS

As of 30 June 2007 and 31 December 2006, cash and cash equivalents are summarized as follows:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Cash	79.252	124.479
Banks		
- Demand Deposit	16.578.545	556.494.813
- Time Deposit	199.057.246	90.098.839
- Blocked Time Deposit	-	4.237
- Other Cash Equivalent and Blocked Cash Deposit	-	423.799
	<b>215.715.043</b>	<b>647.146.167</b>

As of 30 June 2007, the interest rates of Turkish Lira, time deposits vary between 11,15% and 17,50% (31 December 2006:18,00%-19,50%). Interest rates of foreign currency time deposits are varying between 2,98% and 5,35% (31 December 2006: 4,00% - 5,25%). Such time deposits include TRY 38.550.464 (31 December 2006: TRY 63.521.607), USD time deposits of TRY 150.922.957 (31 December 2006: TRY 26.581.469) and EUR time deposits of TRY 9.583.825 (31 December 2006: None)

As of 30 June 2007 and 31 December 2006, cash and cash equivalents in consolidated statement of cash flow are summarized below:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Cash and cash equivalents	215.715.043	647.146.167
Less: interest accruals	(76.517)	(102.044)
	<b>215.638.526</b>	<b>647.044.123</b>

#### NOTE 5 – MARKETABLE SECURITIES

None.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 6 – FINANCIAL BORROWINGS**

	<b>30 June 2007</b>	<b>31 December 2006</b>
Short term bank loans	28.586.664	144.214.989
<b>Total short term financial borrowings</b>	<b>28.586.664</b>	<b>144.214.989</b>
Short term portions of long term borrowings and interests	98.069.373	88.371.729
Eurobond	21.592.591	23.273.434
<b>Total short term portions of long term financial borrowings</b>	<b>119.661.964</b>	<b>111.645.163</b>
<b>Total short term financial borrowings</b>	<b>148.248.628</b>	<b>255.860.152</b>
Long term bank loans	396.716.889	449.110.570
Eurobond	215.004.080	231.419.257
<b>Total long term financial borrowings</b>	<b>611.720.969</b>	<b>680.529.827</b>
<b>Total financial borrowings</b>	<b>759.969.597</b>	<b>936.389.979</b>

**(i) Eurobond**

The issue and sale procedures of Eurobond performed by PO Oil Financing Limited which is a subsidiary of Company were completed on 22 July 2004 and the bond issued with a nominal value of USD 175 million are registered at Luxembourg Stock Exchange. The bond issued have a maturity of five years; beginning on 22 July 2004 and the date of maturity is 22 July 2009. The Eurobond has a fixed interest rate of 9,75% p.a. and the interests are paid semi-annually. As of 30 June 2007, the short-term and the long-term portions of Eurobond amounted to TRY 21.592.591 and TRY 215.004.080 respectively (31 December 2006: TRY 23.273.434 and TRY 231.419.257).

**PETROL OFİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 6 – FINANCIAL BORROWINGS (cont'd)**

As of 30 June 2007 and 31 December 2006, details of Group's financial borrowings are as follows:

	Weighted Average Interest Rate		Interest Rate %		Original Currency		TRY	
	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006	30 June 2007	31 December 2006
<b>Short-term borrowings:</b>								
Bank borrowings in USD (fixed interest)	6,31%	6,38%	6,27-6,35%	6,08%- 6,4%	3.251.993	78.603.386	4.242.550	110.484.919
Bank borrowings in TRY	4,35%	3,11%	0% - 20,00%	0% - 20,75%	24.344.114	33.730.070	24.344.114	33.730.070
							<b>28.586.664</b>	<b>144.214.989</b>
<b>Short term portions of long term borrowings:</b>								
Short term portion of long-term bank borrowings in USD (fixed interest)	6,84%	6,51%	6,33% - 8,08%	5,50% - 8,12%	68.464.407	58.354.625	89.318.666	82.023.261
Short term portion of long-term bank borrowings in EURO (fixed interest)	6,53%	5,58%	6,53%	5,58%	412.907	249.454	726.097	461.864
Short term portion of long-term bank borrowings in USD (variable interest)	7,11%	7,18%	6,58% - 7,57%	6,73% -7,62%	5.460.958	3.512.662	7.124.366	4.937.398
Short term portion of long-term bank borrowings in EURO (variable interest)	5,29%	4,73%	5,29%	4,73%	511.937	512.668	900.244	949.206
							<b>98.069.373</b>	<b>88.371.729</b>
<b>Long-term borrowings:</b>								
Bank borrowings in USD (fixed interest)	7,71%	7,55%	7,28% - 8,08%	6,42% - 9,50%	224.865.419	268.734.798	293.359.425	377.733.632
Bank borrowings in EURO (fixed interest)	6,53%	5,58%	6,53%	5,58%	1.379.872	1.534.678	2.426.504	2.841.457
Bank borrowings in USD (variable interest)	7,10%	7,17%	6,58% - 7,57%	6,73% -7,62%	76.330.467	47.410.124	99.580.727	66.639.670
Bank borrowings in EURO (variable interest)	5,29%	4,73%	5,29%	4,73%	767.832	1.023.932	1.350.233	1.895.811
							<b>396.716.889</b>	<b>449.110.570</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 6 – FINANCIAL BORROWINGS (cont'd)**

Repayment schedule of financial borrowings are as follows:

	<b>30 June 2007</b>	<b>31 December 2006</b>
0-1 year	148.248.628	255.860.152
1-2 years	59.583.792	118.998.340
2-3 years	504.566.127	311.741.819
3-4 years	19.613.446	215.296.672
4-5 years	17.030.524	19.621.655
5+ years	10.927.080	14.871.341
	<b>759.969.597</b>	<b>936.389.979</b>

The carrying amount of the Group's financial borrowings approximates their fair value.

**NOTE 7 –TRADE RECEIVABLES AND PAYABLES**

At the balance sheet date, trade receivables are summarized below:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Trade receivables	647.836.383	744.792.148
Cheques and notes receivable	580.053.489	587.541.932
Loans given to dealers	4.179.904	4.285.578
Other trade receivables	393.783	308.739
	<b>1.232.463.559</b>	<b>1.336.928.397</b>
Less: Provisions for doubtful receivables	(76.720.703)	(52.778.130)
<b>Short term trade receivables</b>	<b>1.155742.856</b>	<b>1.284.150.267</b>
Loans given to dealers	6.953.501	7.076.830
Deposits and guarantees given	561.150	656.442
<b>Long term trade receivables</b>	<b>7.514.651</b>	<b>7.733.272</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 7 – TRADE RECEIVABLES AND PAYABLES (cont'd)**

Provisions for doubtful receivables movement for the six month periods ended 30 June is as follows :

	<b>2007</b>	<b>2006</b>
1 January	52.778.130	23.894.273
Collections	(679.311)	(1.546.130)
Charge for the period	24.621.884	2.552.278
<b>30 June</b>	<b>76.720.703</b>	<b>24.900.421</b>

The Group obtained the following collaterals for trade receivables:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Guarantee cheques and notes	175.940.553	217.884.881
Letter of guarantees	190.756.636	177.576.035
Mortgages	345.769.603	273.557.813
Cash guarantees	2.355.124	2.192.239
	<b>714.821.916</b>	<b>671.210.968</b>

As of balance sheet date, details of Group's trade payables are as follows:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Suppliers	1.058.487.236	1.432.546.183
Notes payables	1.545.160	5.510.672
Other trade payables	5.960.279	4.173.798
<b>Short term trade payables</b>	<b>1.065.992.675</b>	<b>1.442.230.653</b>
Suppliers	682.103.467	673.080.864
Deposits and guarantees received	956.863	928.002
<b>Long term trade payables</b>	<b>683.060.330</b>	<b>674.008.866</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 7 – TRADE RECEIVABLES AND PAYABLES (cont'd)

Non-interest bearing letters of credit in short-term trade payables amount to TRY 292.957.583 (USD 224.557.399) (31 December 2006: TRY 518.295.224 (USD 368.735.931)). Interest-bearing letters of credit amount to TRY 399.396.835 (USD 282.233.806 and Euro 17.739.330) and weighted average interest rates are 5,88 % and 4,86% respectively (31 December 2006: TRY 615.509.788 (USD 353.047.854 and EUR 64.415.730) and weighted average interest rates are 6,74% and 4,38 respectively).

Non-interest bearing letters of credit in long-term trade payables amount to TRY 442.342.729 (USD 339.063.873) (31 December 2006: TRY 404.515.346 (USD 287.788.379)). Interest bearing letters of credit amount to TRY 238.482.030 (USD 182.800.882) and weighted average interest rates is 6,23% (31 December 2006: TRY 268.564.633 (USD 191.067.610) weighted average interest rate is 6,43%).

Non-interest bearing letter of credits are recognized at fair value at initial recognition. In subsequent periods these letter of credits are measured at amortized cost, using the effective interest rate method Effective interest rates used for long-term and short term non-interest bearing letters of credit are 5,83% and 5,94% respectively (31 December 2006: %6,05 and %6,12).

As of 30 June 2007, long term letter of credits amounting to TRY 344.118.245 have maturities within the second year and TRY 336.706.514 have maturities within the third year (31 December 2006: TRY 346.438.946 within the second year and TRY 326.641.033 within the third year).

#### NOTE 8 – FINANCE LEASE RECEIVABLES AND PAYABLES

There are no financial lease receivables.

At the balance sheet date, Group's finance lease payables are as follows:

Short-term finance lease payables

	<b>30 June 2007</b>	<b>31 December 2006</b>
Short term finance lease payables	8.496.217	8.340.183
Deferred financial lease payables	(2.560.458)	(2.429.427)
<b>Total</b>	<b>5.935.759</b>	<b>5.910.756</b>

Long-term finance lease payables

	<b>30 June 2007</b>	<b>31 December 2006</b>
Long term finance lease payables	25.384.620	26.367.249
Deferred financial lease payables	(5.249.545)	(5.390.043)
<b>Total</b>	<b>20.135.075</b>	<b>20.977.206</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 8 – FINANCE LEASE RECEIVABLES AND PAYABLES (cont'd)**

Repayment schedule of finance lease payables as of 30 June 2007 is as follows:

	<b>Finance lease payables</b>	<b>Deferred financial lease payables</b>	<b>Total liability</b>
0-1 year	8.496.217	(2.560.458)	5.935.759
1-2 years	7.354.720	(2.041.140)	5.313.580
2-3 years	6.170.278	(1.573.319)	4.596.959
3-4 years	5.671.209	(1.088.325)	4.582.884
4-5 years	4.239.371	(471.019)	3.768.352
5+ years	1.949.042	(75.742)	1.873.300
	<b>33.880.837</b>	<b>(7.810.003)</b>	<b>26.070.834</b>

Repayment schedule of finance lease payables as of 31 December 2006 is as follows:

	<b>Finance lease payables</b>	<b>Deferred financial lease payables</b>	<b>Total liability</b>
0-1 year	8.340.183	(2.429.427)	5.910.756
1-2 years	7.576.731	(1.972.398)	5.604.333
2-3 years	6.259.596	(1.533.478)	4.726.118
3-4 years	5.318.403	(1.121.066)	4.197.337
4-5 years	4.446.970	(605.994)	3.840.976
5+	2.765.549	(157.107)	2.608.442
	<b>34.707.432</b>	<b>(7.819.470)</b>	<b>26.887.962</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 9 – DUE TO/FROM RELATED PARTIES****i) Due to/from related parties:****a) Due from related parties**

	<b>30 June 2007</b>	<b>31 December 2006</b>
DTV Haber ve Görsel Yayıncılık A.Ş.	23.144	1.577
Milta Turizm İşletmeleri A.Ş.	157.732	19.219
Doğan Dağıtım Satış ve Pazarlama A.Ş.	19.292	23.466
Dergi Pazarlama Planlama ve Ticaret A.Ş.	18.489	19.993
Doğan Havacılık Sanayi ve Ticaret A.Ş.	57.325	3.895
Doğan Şirketler Grubu Holding A.Ş.	8.858	5.937
Doğan Dış Ticaret ve Mümessillik A.Ş.	11.740	45.166
Doğan Yayın Holding A.Ş.	15.910	15.008
Çelik Halat ve Tel San. A.Ş.	12.175	16.268
Hürriyet Gazetecilik A.Ş.	52.873	62.527
Çankaya Bel-Pet Ltd. Şti.	2.716	1.041.373
Doğan Haber Ajansı A.Ş.	19.981	17.856
Ray Sigorta A.Ş.	7.203	-
Other	69.335	65.132
<b>Total</b>	<b>476.773</b>	<b>1.337.417</b>

**b) Due to related parties**

	<b>30 June 2007</b>	<b>31 December 2006</b>
Petrom S.A.	3.398.590	2.091.128
OMV Refining & Marketing GMBH	1.956.331	7.204
Doğan Gazetecilik A.Ş.	488.644	11.803
Eko Televizyon Yayıncılık A.Ş.	126.319	35.400
Milta Turizm İşletmeleri A.Ş.	405.027	255.468
D-Yapı İnşaat San. Tic. A.Ş.	395.971	6.509.370
Hürriyet Gazetecilik A.Ş.	564.517	84.383
Ray Sigorta A.Ş.	-	254.290
DTV Haber ve Görsel Yayıncılık A.Ş.	1.802.428	-
Other	470.949	300.375
<b>Total</b>	<b>9.608.776</b>	<b>9.549.421</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 9 – DUE TO/FROM RELATED PARTIES (cont'd)****ii) Major sales to related parties and purchases from related parties:****a) Product sales to related parties**

	<b>1 January – 30 June 2007</b>	<b>1 April – 30 June 2007</b>	<b>1 January – 30 June 2006</b>	<b>1 April – 30 June 2006</b>
Çankaya Bel-Pet Ltd. Şti.	6.455.344	3.586.021	2.623.572	2.213.987
Doğan Dağıtım Satış Ve Pazarlama A.Ş.	320.986	162.831	350.883	216.588
Doğan Dış Ticaret Ve Mümessillik A.Ş.	926.181	579.561	914.958	712.127
Hürriyet Gazetecilik Ve Matbaacılık A.Ş.	729.283	380.674	671.951	365.693
Milta Turizm İşletmeleri A.Ş.	589.553	549.373	712.441	651.324
Doğan Haber Ajansı A.Ş.	234.124	124.176	279.419	173.160
Doğan Yayın Holding A.Ş.	192.164	103.313	165.768	99.591
Dergi Pazarlama Planlama ve Ticaret A.Ş.	200.014	105.048	90.314	13.777
Dtv Haber Ve Görsel Yayıncılık A.Ş.	188.745	94.892	179.491	115.076
Other	993.158	536.553	1.010.827	700.018
<b>Total</b>	<b>10.829.552</b>	<b>6.222.442</b>	<b>6.999.624</b>	<b>5.261.341</b>

**b) Fixed asset sales to related parties**

	<b>1 January - 30 June 2007</b>	<b>1 April - 30 June 2007</b>	<b>1 January - 30 June 2006</b>	<b>1 April - 30 June 2006</b>
Ortadoğu Otomotiv Ticaret A.Ş.	-	-	10.050.000	50.000
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10.050.000</b>	<b>50.000</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 9 – DUE TO/FROM RELATED PARTIES (cont'd)****ii) Major sales to related parties and purchases from related parties: (cont'd)****c) Product purchases from related parties**

	<b>1 January – 30 June 2007</b>	<b>1 April – 30 June 2007</b>	<b>1 January – 30 June 2006</b>	<b>1 April – 30 June 2006</b>
DTV Haber ve Görsel Yayıncılık A.Ş.	488.220	485.610	3.612.934	2.308.668
Milta Turizm İşletmeleri A.Ş.	2.454.032	1.198.622	1.680.107	1.220.880
D Yapı İnşaat San. ve Tic. A.Ş.	119.130	-	11.552.371	9.879.006
Doğan Gazetecilik A.Ş.	609.337	528.401	1.079.175	810.956
Doğan Şirketler Grubu Holding A.Ş.	1.438.638	712.832	1.126.951	594.286
Eko Televizyon Yayıncılık A.Ş.	70.800	-	1.062.661	890.069
Hürriyet Gazetecilik ve Matbaacılık A.Ş.	883.123	687.326	1.009.427	712.293
OMV Refining & Marketing GMBH	2.604.335	2.558.623	-	-
Doğan Otomobilcilik Ticaret ve San. A.Ş.	266.078	102.578	-	-
Petrom S.A.	34.576.833	20.022.279	50.308.385	50.308.385
Other	450.392	452.931	424.345	92.746
<b>Total</b>	<b>43.960.918</b>	<b>26.749.202</b>	<b>71.856.356</b>	<b>66.817.289</b>

**d) Fixed asset purchases from related parties**

	<b>1 January - 30 June 2007</b>	<b>1 April - 30 June 2007</b>	<b>1 January - 30 June 2006</b>	<b>1 April - 30 June 2006</b>
D-Yapı İnşaat San. ve Tic. A.Ş.	3.549.740	3.446.149	-	-
<b>Total</b>	<b>3.549.740</b>	<b>3.446.149</b>	<b>-</b>	<b>-</b>

**iii) Other income from and expense made to related companies:****a) Benefits provided to board members and key management personnel:**

	<b>1 January - 30 June 2007</b>	<b>1 April - 30 June 2007</b>	<b>1 January - 30 June 2006</b>	<b>1 April - 30 June 2006</b>
To the board of director	203.600	103.533	229.242	121.512
To key management personel	3.995.000	3.197.500	2.603.000	1.026.612
<b>Total</b>	<b>4.198.600</b>	<b>3.301.033</b>	<b>2.832.242</b>	<b>1.148.124</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 10 – OTHER RECEIVABLES AND PAYABLES**

<b>OTHER RECEIVABLES</b>	<b>30 June 2007</b>	<b>31 December 2006</b>
Receivables from personnel	675.535	631.333
Special consumption tax exemption(*)	19.314.101	58.473.461
Receivable from Privatization Administration	4.602.919	4.612.289
Deposits and guarantees given	13.706.431	3.305.351
Receivables from military(**)	5.699.152	-
Other	6.336.480	7.384.074
<b>Total other receivables</b>	<b>50.334.618</b>	<b>74.406.508</b>

(\*) On deliveries made to certain military institutions, embassies and petroleum searching companies, the Group obtains Special Consumption Tax exemption to be used through the purchases from Tüpraş. The amount reflected in the consolidated financial statements corresponds to the exemption certificates sent to Tüpraş but not used as of the date of the consolidated financial statements.

(\*\*) Represents the receivables due to cash - against - goods sales to military.

<b>OTHER PAYABLES</b>	<b>30 June 2007</b>	<b>31 December 2006</b>
Taxes, dues and other payables	310.753.606	287.594.158
Fuel purchase certificates(*)	75.917.106	90.611.768
Legal liabilities (**)	3.813.561	17.418.831
Vacation accrual	7.019.260	5.746.221
Expense accruals	9.620.162	15.869.832
Income related to future months	12.162.667	8.237.761
Fair value hedge accruals	4.913.352	-
Other	13.019.900	14.475.775
<b>Total other short term payables</b>	<b>437.219.614</b>	<b>439.954.346</b>

Income related to future years	20.763	22.881
Letter of credit expenses	10.015.280	5.738.996
<b>Total other long term payables</b>	<b>10.036.043</b>	<b>5.761.877</b>

(\*) Fuel purchase certificates are issued and given to certain customers for future consumption. On 30 June 2007 and 31 December 2006, the certificates shown in current liabilities are the certificates issued but not used by the customers.

(\*\*) The Company appealed a case to Supreme Court of Appeals, in which the Company's receivable was ruled out as TRY 9.680.936 by the Supreme Court of Üsküdar Asliye Hukuk Mahkemesi. As a result of the ruling of Supreme Court of Appeals, the Group paid back to Vakıflar Bölge Müdürlüğü on 05.06.2007, TRY 13.605.270 of the amount previously collected. The Company applied for the ammenment of the appeal decision, and amendment ruling has not been received as of the balance sheet date.

**PETROL OFİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 11 – BIOLOGICAL ASSETS**

None.

**NOTE 12 – INVENTORIES**

	<b>30 June 2007</b>	<b>31 December 2006</b>
Trade goods	597.291.029	597.958.995
Raw materials	20.641.117	40.360.796
Finished goods	16.405.557	15.309.682
Order advances given	2.471.301	669.056
Work in process	2.268.171	2.331.515
Other	45.806.299	135.315.399
<b>Total</b>	<b>684.883.474</b>	<b>791.945.443</b>

Other inventories consist of fuels and lubricants in transit. The advances given to refineries for fuel purchases are also presented in order advances given.

**NOTE 13 – RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS AND ACCRUED INCOME**

None.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 14 – DEFERRED TAX ASSETS AND LIABILITIES**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and financial statements prepared in accordance with the to tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IFRS and tax legislation.

The rate applied in the calculation of deferred tax assets and liabilities is 20% (2006: %20).

	<b>Temporary Differences</b>		<b>Deferred Tax Asset / (Liability)</b>	
	<b>30 June 2007</b>	<b>31 December 2006</b>	<b>30 June 2007</b>	<b>31 December 2006</b>
Difference between tax base and carrying value of property, plant and equipment and intangibles	(404.577.939)	(410.258.088)	(60.234.820)	(61.370.851)
Deferred finance expense of long term trade payables	(48.854.484)	(39.786.617)	(9.770.897)	(7.957.323)
Provision for doubtful receivables and lawsuits	39.907.075	58.238.897	7.981.415	11.647.779
Provision for employment termination benefit	8.056.210	7.801.634	1.611.242	1.560.327
Carry forward tax losses	3.850.935	2.904.974	770.187	580.995
Other temporary differences	15.923.208	(3.409.308)	3.184.642	(681.861)
<b>Deferred tax asset / (liability), net</b>			<b>(56.458.231)</b>	<b>(56.220.934)</b>

At the balance sheet date, the Group has unused tax losses of TRY 5.420.833 (31 December 2006: TRY 4.474.872) available for offset against future profits. A deferred tax asset of TRY 770.187 has been recognized for these losses (31 December 2006: TRY 894.974) and a deferred tax asset of TRY 313.980 has not been recognized.

Deferred tax asset of TRY 172.057 has not been accounted for because profitability for future periods can not be estimated (31 December 2006: TRY 807.836).

Unrecognized tax losses will expire as follows:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Expire in 2010	1.796.046	1.796.046
Expire in 2011	2.678.826	2.678.826
Expire in 2012	945.961	-
	<b>5.420.833</b>	<b>4.474.872</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 14 – DEFERRED TAX ASSETS AND LIABILITIES (cont'd)**

Movement of deferred tax assets / (liabilities) for the period ended 30 June 2007 and 2006 is as follows:

<u>Deferred tax asset movement :</u>	<b>2007</b>	<b>2006</b>
1 January opening balance	246.384	-
Deferred tax income/(expense) (Note 41)	211.429	-
<b>30 June closing balance</b>	<b>457.813</b>	<b>-</b>

  

<u>Deferred tax liability movement :</u>	<b>2007</b>	<b>2006</b>
1 January opening balance	(56.467.318)	(80.207.584)
Deferred tax income/(expense) (Note 41)	(448.726)	70.373.675
<b>30 June closing balance</b>	<b>(56.916.044)</b>	<b>(9.833.909)</b>

**NOTE 15 – OTHER SHORT/LONG TERM ASSETS AND SHORT/LONG TERM LIABILITIES**

<u>OTHER CURRENT ASSETS</u>	<b>30 June 2007</b>	<b>31 December 2006</b>
Advances given to subcontractors	1.684.168	7.663
Prepaid expenses	14.869.313	17.750.939
Fair value hedge accruals	-	7.837.204
Income accruals on North Iraq sales and other income accruals	4.134.788	36.427
Income accruals on ANT carrying	2.134.656	-
VAT carried forward	921.530	2.072.530
Special consumption tax to be offset	13.291.080	14.972.212
Prepaid taxes and funds	2.918	102.437
Business advances	604.460	800.456
Other	1.452	
	<b>37.644.365</b>	<b>43.579.868</b>

<u>OTHER LONG TERM ASSETS</u>	<b>30 June 2007</b>	<b>31 December 2006</b>
Prepaid expenses	17.304.272	9.159.208
Deposits and guarantees given	101.792	101.792
Other long term assets	335.984	390.684
	<b>17.742.048</b>	<b>9.651.684</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 16 – FINANCIAL ASSETS

Financial assets available for sale are as follows:

	<u>30 June 2007</u>		<u>31 December 2006</u>	
	TRY	%	TRY	%
Çankaya Bel-Pet Limited Şirketi(*)	135.020	49,0	135.020	49,0
İstanbul Gübre Sanayi A.Ş.	872	0,1	872	0,1
	<b>135.892</b>		<b>135.892</b>	

(\*) Çankaya Bel-Pet Limited Şirketi, in which the Company has 49% participation is, carried at restated cost for changes in the general purchasing power of Turkish Lira as at 31 December 2004, because it is not material for consolidated financial statements.

#### NOTE 17 – POSITIVE/NEGATIVE GOODWILL

IFRS 3 (“Business Combinations”) is applied to the business combinations and to any goodwill arising on these business combinations for which the agreement date is on or after 31 March 2004. IFRS 3 requires goodwill acquired in a business combination to be measured after initial recognition at cost less any accumulated impairment losses. In accordance with the transitional provisions of IFRS 3, the Company discontinues amortising previously recognised goodwill from the beginning of the first annual period beginning on or after 31 March 2004. Accordingly, the Company has ceased amortising goodwill in the annual year beginning on 1 January 2005. Total goodwill of the Company as of 31 December 2004 was TRY 2.809.692.447 and accumulated amortization was TRY 579.237.809. Since 1 January 2005, the goodwill is presented net off amortization as TRY 2.230.454.638 in the financial statements.

İş Doğan Petrol Yatırımları A.Ş. (“İş Doğan”), which was established as a joint venture of Türkiye İş Bankası A.Ş. and Doğan Şirketler Grubu Holding A.Ş., acquired 51% and 25,8% shares of the Company with an amount TRY 2.825.070.788 and TRY 557.364.740 respectively on 21 July 2000 and 8 August 2002 from the Privatization Administration (“PA”). Goodwill of TRY 2.710.882.207 related to these acquisitions was included in the pre-merger consolidated financial statements of İş Doğan, prepared in accordance with IFRS.

Based on the Board of Directors decision numbered 2002/38 and dated 17 November 2002, İş Doğan decided to collect its publicly held shares held through call back and these share purchases were realised between 22 November and 9 December 2002. As a result of these share purchases, the total percentage of shares owned by İş Doğan increased to 96,3% and İş Doğan transferred 14% of these shares to its shareholders, namely Türkiye İş Bankası A.Ş. and Doğan Şirketler Grubu Holding A.Ş. equally as 7% , before the merger. After the share transfer made by İş Doğan to its shareholders, the remaining shares collected via call back representing 5,5% of the total. Goodwill of TRY 51.771.489 related to these acquisitions was included in the pre-merger consolidated IFRS financial statements of İş Doğan related to 5,5% share purchase. The fair value assessment related to the shares purchased by İş Doğan in 2002 finalized in 2003. As a result of the assessment, goodwill increased and property, plant and equipment decreased by TRY 47.038.751.

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### **NOTE 17 – POSITIVE/NEGATIVE GOODWILL (cont'd)**

On 27 December 2002, the Company merged with İş Doğan, which was the majority shareholder of the Company, in accordance with Turkish Commercial Code Article No: 451 and Corporate Tax Law Article No: 37-39 after the approval the Turkish Capital Markets Board (“CMB”) given at the meeting numbered 61/1705 and dated 24 December 2002. As a result of this legal merger, the assets and liabilities of İş Doğan were transferred to the Company and İş Doğan was dissolved. Minority interest of TRY 247.461.598 in these financial statements was classified under additional paid-in capital during the merger.

The Group assesses goodwill for impairment annually or more frequently when there is an indication of impairment. Recoverable amount is determined by calculating the value in use. Principal estimates such as discount rate, growth rate, sale prices and direct costs during the period are taken into account in assessing the value in use. Discount rate reflects the effective market valuations concerning time value of money and risks specific to the asset. The Company is using weighted average cost of capital as the discount rate. Growth rate is determined in respect of the related sector growth estimates. Changes in sales prices and direct costs are based on past experience and future expectations.

The Group is preparing its cash flow projections based on the latest financial budget which is approved by the management. In preparing cash flows, for the next five years 5% per annum and for subsequent years 0% estimated growth rate was used as of 31 December 2006. The Company used a rate of 9,70% in order to discount cash flow projections. As a result of assessment, the recoverable amount of goodwill exceeded its carrying amount and there was no impairment as of 31 December 2007. Because goodwill is tested for impairment annually, impairment assessment has not been performed as of 30 June 2007.

#### **NOTE 18 – INVESTMENT PROPERTY**

None.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 19 – PROPERTY, PLANT AND EQUIPMENT**

Movements of property, plant and equipment during the period ended as of 30 June 2007 are as follows:

	<b>1 January 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer</b>	<b>30 June 2007</b>
<b>Cost:</b>					
Land and buildings	253.572.592	-	-	806.062	254.378.654
Land improvements	162.719.417	-	(27.930)	1.904.721	164.596.208
Machinery and equipment	611.488.569	-	(6.259)	1.941.945	613.424.255
Motor vehicles	16.763.216	-	(375.617)	875.131	17.262.730
Furniture and fixtures	23.735.447	11.759	(46.246)	1.404.125	25.105.085
Other tangibles	445.703.269	6.969.830	(404.462)	35.440.845	487.709.482
Leasehold improvements	210.391.689	831.688	(728.254)	70.964.999	281.460.122
Construction in progress	29.698.125	119.349.607	(1.229.133)	(113.489.599)	34.329.000
	<b>1.754.072.324</b>	<b>127.162.884</b>	<b>(2.817.901)</b>	<b>(151.771)</b>	<b>1.878.265.536</b>
<b>Accumulated Depreciation:</b>					
Buildings	14.236.154	2.596.366	-	-	16.832.520
Land improvement	48.192.771	4.714.463	(17.844)	-	52.889.390
Machinery and equipment	516.970.144	7.142.257	(2.608)	-	524.109.793
Motor vehicles	9.058.429	1.122.130	(364.616)	-	9.815.943
Furniture and fixtures	14.574.557	1.741.433	(43.238)	-	16.272.752
Other tangibles	179.961.288	22.410.693	(244.577)	-	202.127.404
Leasehold improvements	37.966.055	14.338.068	(145.651)	-	52.158.472
	<b>820.959.398</b>	<b>54.065.410</b>	<b>(818.534)</b>	<b>-</b>	<b>874.206.274</b>
<b>Net book value:</b>					
Land and buildings	239.336.438				237.546.134
Land improvements	114.526.646				111.706.818
Machinery and equipment	94.518.425				89.314.462
Motor vehicles	7.704.787				7.446.787
Furniture and fixtures	9.160.890				8.832.333
Other tangibles	265.741.981				285.582.078
Leasehold improvements	172.425.634				229.301.650
Construction in progress	29.698.125				34.329.000
<b>Net book value</b>	<b>933.112.926</b>				<b>1.004.059.262</b>

Other tangible assets mainly consist of tanks, stations and station equipments.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 19 – PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Movements of property, plant and equipment during the period ended as of 30 June 2006 are as follows:

	<b>1 January 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer</b>	<b>30 June 2007</b>
<b>Cost:</b>					
Land and buildings	260.396.402	755.045	(20.064.318)	452.318	241.539.447
Land improvements	151.581.440	-	(612.528)	1.724.732	152.693.644
Machinery and equipment	610.802.814	1.678.998	(162.111)	1.063.788	613.383.489
Motor vehicles	12.006.713	863.927	(366.339)	-	12.504.301
Furniture and fixtures	20.567.673	848.234	(210.682)	7.803	21.213.028
Other tangibles	346.199.299	11.395.574	(175.182)	10.714.634	368.134.325
Leasehold improvements	135.178.852	49.899.092	(336)	199.365	185.276.973
Construction in progress	15.539.033	46.920.930	(292.098)	(15.430.656)	46.737.209
	<b>1.552.272.226</b>	<b>112.361.800</b>	<b>(21.883.594)</b>	<b>(1.268.016)</b>	<b>1.641.482.416</b>
<b>Accumulated Depreciation:</b>					
Buildings	39.724.012	3.918.220	(529.966)	-	43.112.266
Land improvement	10.773.954	2.143.644	(1.667.866)	-	11.249.732
Machinery and equipment	499.250.487	10.270.161	(105.578)	-	509.415.070
Motor vehicles	8.078.457	695.770	(314.690)	-	8.459.537
Furniture and fixtures	10.526.364	1.922.481	(159.001)	-	12.289.844
Other tangibles	137.081.131	20.731.572	(114.702)	-	157.698.001
Leasehold improvements	19.440.348	8.165.594	(336)	-	27.605.606
	<b>724.874.753</b>	<b>47.847.442</b>	<b>(2.892.139)</b>	<b>-</b>	<b>769.830.056</b>
<b>Net book value:</b>					
Land and buildings	220.672.390				198.427.181
Land improvements	140.807.486				141.443.912
Machinery and equipment	111.552.327				103.968.419
Motor vehicles	3.928.256				4.044.764
Furniture and fixtures	10.041.309				8.923.184
Other tangibles	209.118.168				210.436.324
Leasehold improvements	115.738.504				157.671.367
Construction in progress	15.539.033				46.737.209
<b>Net book value</b>	<b>827.397.473</b>				<b>871.652.360</b>

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 20 – INTANGIBLE ASSETS**

Movements of intangible assets during the period ended as of 30 June 2007 are as follows:

	<b>1 January 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer</b>	<b>30 June 2007</b>
<b>Cost:</b>					
Other intangible assets	17.454.050	88.193	-	151.771	17.694.014
	<b>17.454.050</b>	<b>88.193</b>	<b>-</b>	<b>151.771</b>	<b>17.694.014</b>
<b>Accumulated depreciation:</b>					
Other intangible assets	12.534.778	491.468	-	-	13.026.246
	<b>12.534.778</b>	<b>491.468</b>	<b>-</b>	<b>-</b>	<b>13.026.246</b>
<b>Net book value</b>	<b>4.919.272</b>				<b>4.667.768</b>

Movements of intangible assets during the period ended as of 30 June 2006 are as follows:

	<b>1 January 2006</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfer</b>	<b>30 June 2006</b>
<b>Cost:</b>					
Other intangible assets	15.964.094	22.364	(103.880)	1.268.016	17.150.594
	<b>15.964.094</b>	<b>22.364</b>	<b>(103.880)</b>	<b>1.268.016</b>	<b>17.150.594</b>
<b>Accumulated depreciation:</b>					
Other intangible assets	11.800.431	881.962	(32.015)		12.650.378
	<b>11.800.431</b>	<b>881.962</b>	<b>(32.015)</b>		<b>12.650.378</b>
<b>Net book value</b>	<b>4.163.663</b>				<b>4.500.216</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 21 – ADVANCES RECEIVED

The detail of short-term and long-term advances received as of balance sheet date is as follows:

	30 June 2007	31 December 2006
Short-term advances received	-	-
Long-term advances received	73.505	63.025
<b>Total advances received</b>	<b>73.505</b>	<b>63.025</b>

Long-term advances are received from K.K.T.C. Ekonomi ve Maliye Bakanlığı Hazine ve Muhasebe Dairesi.

#### NOTE 22 – RETIREMENT BENEFITS

None.

#### NOTE 23 – PROVISIONS

	30 June 2007	31 December 2006
Provision for corporate tax (Note 41)	38.937.449	46.087.188
Provision for lawsuits (Note 31)	21.264.363	35.747.897
Provisions for other debts and expenses	937.540	150.058
<b>Total short term provisions</b>	<b>61.139.352</b>	<b>81.985.143</b>
Retirement pay provision	8.969.366	8.607.942
Provisions for other debts and expenses	372.708	372.708
<b>Total long term provisions</b>	<b>9.342.074</b>	<b>8.980.650</b>

#### Retirement Pay Provision:

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60<sup>th</sup> article that has been changed. The amount payable consists of one month's salary limited to a maximum of TRY 1.960,69 for each period of service at 30 June 2007 (31 December 2006: TRY 1.857,44).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 23 – PROVISIONS (cont'd)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2007, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5% and a discount rate of 11%, resulting in a real discount rate of approximately 5,71% ( 31 December 2006: 5,71% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of YTL 2.030,19 effective from 1 June 2007 has been taken into consideration in calculation of provision from employment termination benefits.

	<b>30 June 2007</b>	<b>30 June 2006</b>
1 January	8.607.942	7.642.550
Increase during the period	558.926	518.065
Amounts paid	(197.502)	(796.182)
<b>Closing Balance</b>	<b>8.969.366</b>	<b>7.364.433</b>

#### NOTE 24 – MINORITY INTEREST/INCOME (LOSS) BEFORE MINORITY INTEREST

The Group's minority interest and minority loss belongs to Kipet, ERK, PO Alternatif Yakıtlar and PO Gaz İletim and as of the balance sheet date TRY 4.203.885 and TRY 117.323 respectively (31 December 2006: TRY 4.086.562; 30 June 2006: TRY 117.888).

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 25 – SHARE CAPITAL

The composition of the Company's paid-in share capital as of 30 June 2007 and 31 December 2006 is as follows:

	<b>30 June 2007</b>		<b>31 December 2006</b>	
	<b>Share (%)</b>	<b>TRY</b>	<b>Share (%)</b>	<b>TRY</b>
Doğan Holding	52,73	259.435.790	52,73	220.124.940
OMV Aktiengesellschaft	34,00	167.280.000	34,00	141.933.000
Public quotation	13,27	65.284.210	13,27	55.392.060
<b>Total</b>	<b>100</b>	<b>492.000.000</b>	<b>100</b>	<b>417.450.000</b>
Adjustment to capital		874.738.210		874.738.210
<b>Total paid-in capital</b>		<b>1.366.738.210</b>		<b>1.292.188.210</b>

The Company increased its share capital from TRY 417.450.000 to TRY 492.000.000 by TRY 74.550.000, from retained earnings and profit reserves. TRY 74.550.000 share capital increase includes TRY 30.257.713 profit on sale of property and TRY 44.292.287 net income of 2006.

#### NOTE 26 – CAPITAL RESERVES

	<b>30 June 2007</b>	<b>31 December 2006</b>
Additional paid in capital (*)	247.461.598	247.461.598
Shareholder's equity inflation restatement differences	995.386.122	995.386.122
	<b>1.242.847.720</b>	<b>1.242.847.720</b>

(\*) The Company legally merged with İş Doğan by taking over all of İş Doğan's assets and liabilities in accordance with the Turkish Commercial Code Article numbered 451 and Corporate Tax Law Articles numbered 37, 38 and 39 after the approval of the CMB given at the meeting numbered 61/1705 and dated 24 December 2002. As of the merger date, which was 27 December 2002, the financial statements of İş Doğan prepared in accordance with IFRS were considered as the basis for the Company's post-merger financial statements. Goodwill related to above mentioned acquisitions was also included in the pre-merger consolidated financial statements of İş Doğan. Minority interest of TRY 247.461.598 in these financial statements was classified under additional paid-in capital during the merger.

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

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. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 26 – CAPITAL RESERVES (cont'd)

Public companies distribute dividends according to CMB regulations as follows:

CMB, announced the minimum dividend rate as 20% as defined in Article 5-1 of Decree No IV-27 “Dividend and Interim Dividend Regulations for Public Companies Subject to Capital Market Law” Companies Based on the decision of the General Assembly, the distribution of this minimum amount of the distributable profit can be made as cash or as bonus share or as a combination of a certain percentage of cash and bonus shares. In case the first dividend amount is less than 5% of paid/issued capital, the dividend amount can be retained instead of distribution.

Between 10 May 2006 and 9 June 2006, the Company distributed a gross cash dividend of TRY 67.368.081 from 2005 year net profit. Full liability tax payer shareholders, as well as limited liability tax payer shareholders who obtain dividends in Turkey through a business place or permanent representation office, have been paid a cash dividend at the rate of 16,138% (TRY 0,16138 gross=net) for each share certificate with a nominal value of TRY 1, and other shareholders have been paid a cash dividend at the rate of 16,138% (TRY 0,16138 gross, TRY 0,14524 net) for each share certificate with a nominal value of TRY 1.

In accordance with Communiqué XI/25 the detail of shareholders equity accounts are as follows:

	<b>30 June 2007</b>	<b>31 December 2006</b>
Capital	492.000.000	417.450.000
Additional capital	247.461.598	247.461.598
Legal reserves	60.419.761	50.772.707
Extraordinary reserves	2.827.642	2.827.642
Other reserves	2.650.980	2.650.980
Cost increase fund	325.478	325.478
Shareholders' equity inflation restatement differences	995.386.122	995.386.122
Translation reserve	(10.571.187)	(7.007.336)
Net income/(loss)	(52.693.613)	230.115.954
Retained earnings	548.389.691	402.470.791
<b>Total Shareholders' Equity</b>	<b>2.286.196.472</b>	<b>2.342.453.936</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 27 – PROFIT RESERVES

Adjusted values and shareholders' equity inflation restatement differences in terms of the purchasing power at 31 December 2004, as of 30 June 2007 and 31 December 2006 of accounts shown in note 26 with historical values are summarized below:

			<b>30 June 2007</b>
	<b>Historical</b>	<b>Adjusted</b>	<b>Shareholder's Equity</b>
	<b>Value</b>	<b>Value</b>	<b>Inflation Restatement Differences</b>
Capital	492.000.000	1.366.738.210	874.738.210
Legal reserves	60.419.761	174.497.317	114.077.556
Extraordinary reserves	2.827.642	8.150.984	5.323.342
Cost increase fund (*)	325.478	510.968	185.490
Other reserves (*)	2.650.980	3.712.504	1.061.524
<b>Total</b>	<b>558.223.861</b>	<b>1.553.609.983</b>	<b>995.386.122</b>

			<b>31 December 2006</b>
	<b>Historical</b>	<b>Adjusted</b>	<b>Shareholder's Equity</b>
	<b>Value</b>	<b>Value</b>	<b>Inflation Restatement Differences</b>
Capital	417.450.000	1.292.188.210	874.738.210
Legal reserves	50.772.707	164.850.263	114.077.556
Extraordinary reserves	2.827.642	8.150.984	5.323.342
Cost increase fund (*)	325.478	510.968	185.490
Other reserves (*)	2.650.980	3.712.504	1.061.524
<b>Total</b>	<b>474.026.807</b>	<b>1.469.412.929</b>	<b>995.386.122</b>

(\*) Cost increase fund and other reserves have been classified under special reserves in the consolidated financial statements.

#### NOTE 28 –RETAINED EARNINGS / ACCUMULATED DEFICIT

The Group's accumulated profit as of 30 June 2007 amounting to TRY 548.389.691 have been presented in retained earnings in the consolidated balance sheets (31 December 2006: TRY 402.470.791).

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 29 – FOREIGN CURRENCY POSITION**

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation to New Turkish Lira of foreign currency denominated liabilities and assets. The Group has a net foreign currency liability position due to the foreign currency denominated borrowings. Therefore, the Group monitors currency risk by the analysis of foreign currency position.

**30 June 2007 (TRY Equivalent of Foreign Currency Amount)**

	USD	EURO	Other	Total TRY
<b>Assets</b>				
Cash and cash equivalents	159.014.729	11.114.469	7.243	170.136.441
Short-term trade receivables	171.598.915	611.887	-	172.210.802
Other current assets	5.448.172	357.047	-	5.805.219
Other long-term assets	447.302	32.829	-	480.131
	<b>336.509.118</b>	<b>12.116.232</b>	<b>7.243</b>	<b>348.632.593</b>
<b>Liabilities</b>				
Short-term borrowings	122.278.173	1.626.341	-	123.904.514
Short-term trade payables	764.051.199	2.041.238	43.047	766.135.484
Finance lease payables and other short-term liabilities	32.444.090	793.889	-	33.237.979
Long-term borrowings	607.944.232	3.776.737	-	611.720.969
Long-term trade payables	681.550.216	1.510.114	-	683.060.330
Finance lease payables and other long-term liabilities	11.934.778	1.876.916	-	13.811.694
	<b>2.220.202.688</b>	<b>11.625.235</b>	<b>43.047</b>	<b>2.231.870.970</b>
<b>Net foreign currency position</b>	<b>(1.883.693.570)</b>	<b>490.997</b>	<b>(35.804)</b>	<b>(1.883.238.377)</b>

**31 December 2006 (TRY Equivalent of Foreign Currency Amount)**

	USD	EURO	Other	Total TRY
<b>Assets</b>				
Cash and due from banks	154.255.113	907.850	25.108	155.188.071
Short-term trade receivables	181.785.212	1.317.088	-	183.102.300
Other current assets	9.217.143	19.262	-	9.236.405
Long-term trade receivables	-	64.904	-	64.904
Other long-term assets	481.931	1.333	-	483.264
	<b>345.739.399</b>	<b>2.310.437</b>	<b>25.108</b>	<b>348.074.944</b>
<b>Liabilities</b>				
Short-term borrowings	220.719.807	1.410.275	-	222.130.082
Short-term trade payables	1.161.996.727	551.023	54.604	1.162.602.354
Finance lease payables and other short-term liabilities	19.836.589	1.369.475	-	21.206.064
Long-term borrowings	675.791.769	4.738.058	-	680.529.827
Long-term trade payables	673.925.792	4.031.422	-	677.957.214
Finance lease payables and other long-term liabilities	17.357.838	-	-	17.357.838
	<b>2.769.628.522</b>	<b>12.100.253</b>	<b>54.604</b>	<b>2.781.783.379</b>
<b>Net foreign currency position</b>	<b>(2.423.889.123)</b>	<b>(9.789.816)</b>	<b>(29.496)</b>	<b>(2.433.708.435)</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 30 – GOVERNMENT INCENTIVES AND GRANTS

None.

#### NOTE 31 – PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS

As of 30 June 2007 and 31 December 2006; provisions, contingent liabilities and contingent assets are as follows:

	30 June 2007	31 December 2006
Letter of guarantees given	157.046.574	544.292.062
Lawsuit against the Company sued by PA (*)	-	15.603.434
Other lawsuits against the Group	18.422.932	7.455.967

#### Penalty Imposed by the Energy Market Regulatory Authority

With its Notifications No: 25049 and 25057, both dated 31 August 2006, the Energy Market Regulatory Authority (EMRA) imposed administrative fines on Petrol Ofisi A.Ş. and its subsidiary ERK Petrol Yatırımları A.Ş. (“Erk”) amounting to TRY 498.693.080 and TRY 100.738.860 respectively for deliveries made to unlicensed dealers. The Company and Erk have taken two different judicial actions in order to exercise their legal rights for the cancellation of the fines and removal of payment orders.

#### *Request for Cancellation of EMRA Fine Process*

In line with the regulations, the Company and Erk filed court cases with the 13th Division of Council of State on 18 September 2006 for the cancellation of the EMRA resolution and the stay of execution of the fines. On 17 November 2006, 13th Division of Council of State ruled for the stay of execution of TRY 11.431.360 portion of the total fine of the Company and rejected the request for stay of the execution for TRY 487.261.720. Similarly stay of TRY 1.428.920 portion of the total fine of Erk was ruled for and request for the stay of execution of TRY 99.309.940 was rejected.

On 7 December 2006, the Company and Erk appealed the ruling of the 13th Division of Council of State to the Plenary Session of Administrative Divisions of Council of State, denying motion for stay of execution for administrative fines imposed on the Company and Erk.

On 25 January 2007, Plenary Session of Administrative Divisions of Council of State suspended the execution of all of the fines imposed against the Company and ERK. Reasoned decision regarding the stay of the execution has been communicated to the Company and Erk on 28 February 2007.

Stay of the execution has been grounded on two reasons. These are;

- 1) transfer of fuels to unlicensed dealers should be evaluated as “Disobeying legal obligations” which is mentioned in 3rd item of 19th clause of Petroleum Market Law, instead of violation of 2nd item of 7th clause
- 2) fines should be imposed by taking the beginning date of violation as the notification date of EMRA, which is 12 April 2005, instead of 20 March 2005.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 31 – PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (cont'd)**

**Penalty Imposed by the Energy Market Regulatory Authority (cont'd)**

*Request for Cancellation of EMRA Fine Process (cont'd)*

Applying fine separately for each dealer to which shipments made; imposing a single fine by considering fuel supply to unlicensed dealers as a single action; beginning date of fuel supply that is subjected to fine; whether it is lawful to impose a fine since there is not a regulation that restrains distribution license owners from supplying fuel to their own unlicensed dealers; and amount of fines for shipments are also included in the decision. Case has still been discussed by 13th Department of the State Council substantially.

*Request for Cancellation of Payment Orders Process*

The second judicial process was filed lawsuits with Istanbul Administrative Court for the cancellation of the payment orders and the suspension of the execution, upon the communication of the payment orders issued for fines imposed by EMRA to the Company and ERK by Boğaziçi Tax Office on 2 November 2006.

Simultaneously, the Company and Erk applied to the Ministry of Finance for payment in instalments of the administrative fines to avoid cash-out flows during the judicial process and since the approval of this claim required submission of guarantee, 8 real-estates amounting TRY 204.892.000 and inventory amounting TRY 280.960.086 are given as guarantee for the Company and 33 real-estates amounting TRY 89.053.744 and inventory amounting TRY 11.267.870 are given as guarantee for Erk. Ministry of Finance has accepted that the fines to be paid in 18 monthly instalments, starting in December 2006 and the first two being in smaller amounts. TRY 5.206.721 has been paid (TRY 2.966.229 through set-off and the remaining TRY 2.240.491 in cash) as the December 2006 instalment.

Consistent with the decision of the 13th Division of Council of State, İstanbul 7th Administrative Court decided to grant a stay of execution for TRY 11.431.360 portion of the payment orders for the Company and TRY 1.428.920 portion of the payment orders for ERK but rejected the request for stay of execution concerning the remainder of the payment orders. Notification of the decision was received on 16 January 2007. Following this decision, an application was filed at İstanbul District Administrative Court for the annulment of the rejection decision and for motion for stay of the total payment order.

Following the decision of the Plenary Session of the Administrative Divisions of Council of State, İstanbul District Administrative Court has ruled for the acceptance of the Company's and Erk's motion for stay without guarantee, after the annulment of the decision of the İstanbul 7th Administrative Court for the denial of the request for stay. Payments were not made after 1<sup>st</sup> instalment, because execution of the payment orders was suspended.

Uncertainty over the judicial process and final decision of the court cases continues as of the announcement date of the consolidated financial statements for the period ended 30 June 2007. Accordingly, no provision has been provided for this matter in the accompanying financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 31 – PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (cont'd)**

Tax Arbitration

On 27 December 2002, the Company merged with İş Doğan, which was the majority shareholder of the Company, in accordance with Turkish Commercial Code Article No: 451 and Corporate Tax Law Article No: 37, 38 and 39 after the approval the Capital Markets Board (“CMB”) has given at the meeting numbered 61/1705 and dated 24 December 2002. As a result of this legal merger, the assets and liabilities of İş Doğan were transferred to the Company and İş Doğan was dissolved.

As a result of tax audit of the fiscal years of 2001 and 2002 of İş Doğan and fiscal years of 2002, 2003, 2004 and 2005 of the Company, notifications for tax assessment amounting to TRY 359.992.521,20 for corporate tax liability, TRY 265.516.081,76 for prepaid tax liability and tax penalty amounting to TRY 625.508.602,96 were communicated to the Company.

The Company has filed an application for arbitration with Ministry of Finance for the above mentioned tax and tax penalty. Negotiations between the representatives of Ministry of Finance and the Company have been finalized through a settlement, and TRY 275.362.170 was paid on 11 June 2007. Accordingly, the Company has no outstanding liability related with this tax audit.

As of the date of publication of 31 December 2006 financial statements, the view of the Group’s management on tax dispute was as follows:

- 1) There are several tax rulings issued by Ministry of Finance stating that finance expenses incurred in relation to the acquisition of subsidiary shares should be tax deductible and thus the stance of Ministry of Finance is consistent,
- 2) Moreover, it has been accepted in tax verdicts that the finance expenses incurred in relation to the acquisition of subsidiary shares were to be tax deductible,
- 3) It has also been clearly stated in the Article 5 of the New Corporate Tax Law No:5520 effective June 2006 that the finance expenses incurred for the acquisition of subsidiary shares are tax deductible.

Expert opinions point out that the practice adopted by the Company was in line with related articles of tax law and the opinion of Ministry of Finance as evidenced in tax rulings.

Uncertainty over the judicial process and final decision of the court cases was ongoing as of the announcement date of the consolidated financial statements for the year ended 31 December 2006. Accordingly, no provision has been provided for this matter in the financial statements.

(\*) The lawsuit filed by the Turkish Privatisation Administration ( PA) at the Fifth Commercial Court of First Instance for TRY 3.420.107 under principal file 01/1526 was based on the Company’s application of a net-off processed for the dividends payable to PA against the unpaid amounts due to the Company by PA. Court of Appeals ruled for the reversal of this which was rejected by the relevant court. The suit has been finalized in favour of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 31 – PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (cont'd)**

The lawsuit filed by PA at the Ankara, Eighth Commercial Court of First Instance for TRY 12.183.327 under principal file 05/31 was based on the delay in the payment to PA by the Company, performed in accordance with the old agreement which in turn pertained to the annulation by the Administrative Tribunal of the resolution of Privatisation High Commission which has revised the Share Sale Agreement with regard to the purchase of 25,8% shares owned by PA. The suit has been finalised against the Company, and the Company appealed at Supreme Court of Appeals. Supreme Court of Appeals has ratified the initial court decision against the Company and the decision has been communicated to the Company. The Company applied for amendmend of ratification decision of the Supreme Court of Appeals. But such application does not stay the execution and TRY 21.375.230 has been paid as a result of the ratification dections of Supreme Court of Appeals. A provision of TRY 20.843.011 has been provided for probable file amount, interest and expenses as of 31 December 2006. If Supreme Court of Appeals rules for the amendment of its ratification decision, the case will return to initial court for rehearing and a new trial will start in line with the amendment decision. If the request for amendment of the ratification decision was rejected, the court decision will become final and there will be no avenues for any other legal application.

The court case for an amount of TRY 850.886 which was filed by Istanbul Metropolitan Municipality with Beykoz First Civil Court of First Instance (File No: 2001/320), with a request for damages for the unlawful occupation of the Çubuklu Storage Facilities, resulted against the Company. An application was made to the Supreme Court of Appeals, which ruled for the amendment of the resolution and the trial process started again. The case for an amount of TRY 2.555.850 which was filed by Istanbul Metropolitan Municipality with Beykoz 1st Civil Court of First Instance (File No: 2006/101), related to the damages payable for the unlawful occupation of the Çubuklu Storage Facilities, is currently pending. A provision of TRY 8.475.480 has been provided for regarding the court expenses and possible interests and charges.

The court case for an amount of TRY 1.895.740 filed by one of the dealers of the Company, Bercan Petrol San. ve Tic. Ltd. Şti., with the İstanbul Third Commercial Court of First Instance (No:2002/334) for the collection of additional losses and investment costs resulted against the Company. The reasoned decision has not yet been communicated to the Company. A provision of TRY 2.838.463 has been provided for regarding the court expenses and possible interests and charges.

A provision of TRY 9.806.420, regarding court expenses and possible interests and charges, has been provided for various court cases filed against the Company.

According to a purchase agreement made with Tüpraş Petrol Rafineri İşleri A.Ş., the Group has to notify annual purchase commitments in mid-October. However, the Group has a right to revise its quarterly purchase commitments prior to 30 days, and its monthly purchase commitments prior to 15 days.

The Group is required to submit purchase commitments quarterly to Boru Hatlari ile Petrol Taşıma A.Ş. (BOTAS) regarding the LNG shipments from LNG Terminal at Marmara Ereğlisi. In case shipments are less than 70% of the commitment, the Group pays the value of quantity difference to BOTAS.

**PETROL OFİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 31 – PROVISIONS, CONTINGENT LIABILITIES, CONTINGENT ASSETS (cont'd)**

Fair value hedge was applied for the Group's oil inventories and import cargo purchases; for the purpose of regular gross profit margin and avoiding loss in value inventory, by using various derivative instruments. Financial instruments whose maturities are 1 or 2 months are used for the import cargos, for oil inventories contracts with longer maturities are used. The maturities of all contracts are less than 1 year. Any gains or losses arising from changes in the fair value hedges, are included in cost of goods sold.

	<b>30 June 2007</b>		<b>31 December 2006</b>	
	<b>Nominal</b>	<b>Fair Value (Decrease)</b>	<b>Nominal</b>	<b>Fair Value Increase</b>
Cargo / Inventory	114.690.680	(4.913.352)	34.676.503	2.902.318
	<b>114.690.680</b>	<b>(4.913.352)</b>	<b>34.676.503</b>	<b>2.902.318</b>

**NOTE 32 – BUSINESS COMBINATIONS**

None.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 33 – SEGMENTAL INFORMATION**

The Group, has provided the financial reporting of segmental information with respect to different customer groups composed of diverse risk and utility.

<b>1 January - 30 June 2007</b>				
	<b>Retail</b>	<b>Industrial and commercial</b>	<b>Other (*)</b>	<b>Total</b>
Sales revenue (net)	3.856.635.561	1.132.851.116	993.758.794	5.983.245.471
Cost of sales (-)	(3.570.403.909)	(1.085.603.575)	(937.866.377)	(5.593.873.861)
Other revenues	-	-	31.064.494	31.064.494
<b>Gross operating profit/loss</b>	<b>286.231.652</b>	<b>47.247.541</b>	<b>86.956.911</b>	<b>420.436.104</b>
Operating expense(-)	(65.071.823)	(37.197.123)	(43.734.730)	(146.003.676)
<b>Segment operating profit</b>	<b>221.159.829</b>	<b>10.050.418</b>	<b>43.222.181</b>	<b>274.432.428</b>
Operating expenses – unallocated				(46.192.411)
Other income and profit				219.072.469
Other expense and losses				(423.866.126)
Finance expenses (-)				(22.076.078)
<b>Operating profit/ loss</b>				<b>1.370.282</b>
Net monetary gain / loss				-
Minority interests				(117.323)
<b>Profit/loss before taxation</b>				<b>1.252.959</b>
Taxes				(53.946.572)
<b>Net profit/loss for the period</b>				<b>(52.693.613)</b>

<b>1 April - 30 June 2007</b>				
	<b>Retail</b>	<b>Industrial and commercial</b>	<b>Other (*)</b>	<b>Total</b>
Sales revenue (net)	2.182.315.517	569.084.924	579.198.637	3.330.599.078
Cost of sales (-)	(1.994.472.193)	(534.291.990)	(548.615.693)	(3.077.379.876)
Other revenues	-	-	11.684.739	11.684.739
<b>Gross operating profit/loss</b>	<b>187.843.324</b>	<b>34.792.934</b>	<b>42.267.683</b>	<b>264.903.941</b>
Operating expense(-)	(35.643.710)	(20.436.471)	(24.098.386)	(80.178.567)
<b>Segment operating profit</b>	<b>152.199.614</b>	<b>14.356.463</b>	<b>18.169.297</b>	<b>184.725.374</b>
Operating expenses – unallocated				(25.919.674)
Other income and profit				115.128.093
Other expense and losses				(66.620.868)
Finance expenses (-)				7.813.942
<b>Operating profit/ loss</b>				<b>215.126.867</b>
Net monetary gain / loss				-
Minority interests				(163.908)
<b>Profit/loss before taxation</b>				<b>214.962.959</b>
Taxes				(43.547.149)
<b>Net profit/loss for the period</b>				<b>171.415.810</b>

\* Other includes maritime, aviation, lubricants, and other segments.

**PETROL OFİSİ A.Ş.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 33 – SEGMENTAL INFORMATION (cont'd)**

<b>1 January - 30 June 2006</b>				
	<b>Retail</b>	<b>Industrial and commercial</b>	<b>Other (*)</b>	<b>Total</b>
Sales revenue (net)	3.863.477.225	1.354.057.739	1.002.990.543	6.220.525.507
Cost of sales (-)	(3.631.191.932)	(1.304.197.499)	(903.362.224)	(5.838.751.655)
Other revenues	-	-	23.171.000	23.171.000
<b>Gross operating profit/loss</b>	<b>232.285.293</b>	<b>49.860.240</b>	<b>122.799.319</b>	<b>404.944.852</b>
Operating expense(-)	(84.251.816)	(31.511.926)	(29.163.584)	(144.927.326)
<b>Segment operating profit</b>	<b>148.033.477</b>	<b>18.348.314</b>	<b>93.635.735</b>	<b>260.017.526</b>
Operating expenses – unallocated				(55.034.191)
Other income and profit				145.027.669
Other expense and losses				(367.881.262)
Finance expenses (-)				(188.142.316)
<b>Operating profit/ loss</b>				<b>(206.012.574)</b>
Net monetary gain / loss				-
Minority interests				(117.889)
<b>Profit/loss before taxation</b>				<b>(206.130.463)</b>
Taxes				69.366.612
<b>Net profit/loss for the period</b>				<b>(136.763.851)</b>

<b>1 April – 30 June 2006</b>				
	<b>Retail</b>	<b>Industrial and commercial</b>	<b>Other (*)</b>	<b>Total</b>
Sales revenue (net)	2.247.904.322	662.557.890	668.424.274	3.578.886.486
Cost of sales (-)	(2.110.390.031)	(637.432.310)	(602.798.777)	(3.350.621.118)
Other revenues	-	-	15.666.395	15.666.395
<b>Gross operating profit/loss</b>	<b>137.514.291</b>	<b>25.125.580</b>	<b>81.291.892</b>	<b>243.931.763</b>
Operating expense(-)	(45.835.867)	(16.718.255)	(17.187.409)	(79.741.531)
<b>Segment operating profit</b>	<b>91.678.424</b>	<b>8.407.325</b>	<b>64.104.483</b>	<b>164.190.232</b>
Operating expenses – unallocated				(29.690.621)
Other income and profit				76.026.557
Other expense and losses				(313.383.047)
Finance expenses (-)				(159.421.815)
<b>Operating profit/ loss</b>				<b>(262.278.694)</b>
Net monetary gain / loss				-
Minority interests				7.238
<b>Profit/loss before taxation</b>				<b>(262.271.456)</b>
Taxes				79.516.862
<b>Net profit/loss for the period</b>				<b>(182.754.594)</b>

\* Other includes maritime, aviation, lubricants, and other segments.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 33 – SEGMENTAL INFORMATION (cont'd)****Segment assets and liabilities employed:**

<b>Total assets</b>	<b>30 June 2007</b>	<b>31 December 2006</b>
Retail	1.637.291.528	1.620.591.162
Industrial and commercial	616.050.297	817.776.738
Others	635.639.603	658.276.371
Unallocated	2.520.847.773	2.932.175.467
<b>Total</b>	<b>5.409.829.201</b>	<b>6.028.819.738</b>

  

<b>Total Liabilities</b>	<b>30 June 2007</b>	<b>31 December 2006</b>
Retail	1.140.420.845	1.139.312.162
Industrial and commercial	420.716.500	490.388.233
Others	572.453.993	862.023.550
Unallocated	985.837.506	1.190.555.295
<b>Total</b>	<b>3.119.428.844</b>	<b>3.682.279.240</b>

**Capital expenditures, depreciation and amortisation:****Property, plant and equipment and intangible assets purchases**

	<b>30 June 2007</b>	<b>30 June 2006</b>
Retail	58.028.989	64.104.820
Industrial and commercial	34.536.989	23.668.765
Others	34.585.143	22.876.052
Unallocated	99.956	1.734.527
<b>Total</b>	<b>127.251.077</b>	<b>112.384.164</b>

**Depreciation and amortisation**

Retail	22.979.792	26.129.326
Industrial and commercial	14.281.390	9.801.361
Others	14.019.297	9.700.100
Unallocated	3.276.397	3.098.617
<b>Total</b>	<b>54.556.876</b>	<b>48.729.404</b>

As of 30 June 2007 and 2006, there are no significant non-cash expenses other than depreciation and capital expenditure to be allocated.

## **PETROL OFİSİ A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### **NOTE 34 – SUBSEQUENT EVENTS**

Refinery license application filed by the Company’s subsidiary “Petrol Ofisi Akdeniz Rafinerisi Sanayi ve Ticaret A.Ş.” for building a petroleum refinery in Ceyhan, has been approved by Energy Market Regulatory Authority on 27 June 2007.

The Company has been authorized by the Board of Directors on 26 July 2007 to search for petroleum/gas exploration and development of opportunities. The Company signed an agreement with Petropars and OMV to jointly participate in the bidding round of the “Iran Exploration and Development Tender”. Subject to its prequalification by National Iranian Oil Company, the Company will be represented with a 33% share in the mentioned consortium, which also on August 1, 2007 has submitted a bid in the mentioned tender. No information has been provided to the Company on prequalification as of the date of public announcement of the balance sheet.

Subsequent to balance sheet date, the shares of OMV and Doğan Holding in share capital of the Company increased to 35,71% and 53,50% as a result of share purchases.

#### **NOTE 35 – DISCONTINUED OPERATIONS**

As of the balance sheet date, the Group has no discontinued operations.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 36 – OPERATING INCOME**

<b><u>Sales</u></b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Domestic sales	5.962.562.485	3.358.825.588	6.226.781.873	3.575.698.572
Foreign sales	130.057.979	39.026.862	92.081.142	64.387.659
Sales returns	(6.411.031)	(3.312.967)	(5.993.484)	(3.637.072)
Sales discounts	(76.991.172)	(46.764.984)	(67.760.789)	(42.328.056)
Other discounts	(25.972.790)	(17.175.421)	(24.583.235)	(15.234.617)
	<b>5.983.245.471</b>	<b>3.330.599.078</b>	<b>6.220.525.507</b>	<b>3.578.886.486</b>

<b><u>Cost os Sales</u></b>	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Raw materials	63.679.699	35.968.608	69.330.819	48.712.734
Direct labor costs	356.451	174.780	899.254	577.100
General production expenses	4.516.828	2.458.638	3.736.229	2.325.659
Depreciation expense	680.205	331.010	611.973	326.114
Changes in work in process	63.346	708.846	(916.466)	(486.083)
Changes in finished goods	(1.095.875)	(1.955.462)	(940.171)	(857.422)
Cost of finished goods sold	68.200.654	37.686.420	72.721.638	50.598.102
Cost of trade goods sold (*)	5.521.150.501	3.037.365.079	5.764.831.180	3.299.160.608
Cost of services rendered	4.522.706	2.328.377	1.198.837	862.408
Cost of Sales	<b>5.593.873.861</b>	<b>3.077.379.876</b>	<b>5.838.751.655</b>	<b>3.350.621.118</b>

(\*) Cost of trade goods sold contains service/transportation cost of PO Gaz İletim A.Ş. amounting to TRY 4.522.707 (30 June 2006: TRY 336.429) and it includes TRY 288.623 depreciation and amortization (30 June 2006: TRY 137.719).

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 37 – OPERATING EXPENSES**

Operating expenses for the periods ended 30 June are as follows:

	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Personnel expenses	(42.464.579)	(23.004.156)	(38.913.011)	(17.638.445)
Electricity-Water-Heating expenses	(1.387.715)	(708.483)	(1.594.259)	(785.641)
Communication expenses	(2.468.324)	(1.305.805)	(2.315.632)	(1.215.790)
Repair and maintenance expenses	(7.649.362)	(5.169.659)	(8.066.124)	(5.989.657)
Insurance expenses	(3.163.691)	(1.848.200)	(2.100.844)	(1.236.329)
Transportation expenses	(5.990.369)	(3.405.673)	(6.476.225)	(4.497.227)
Taxes and dues payable	(11.250.875)	(5.741.146)	(12.796.033)	(6.744.122)
Depreciation and amortization	(53.588.050)	(27.497.452)	(47.979.712)	(24.386.424)
Advertising expenses	(17.573.675)	(11.849.141)	(40.944.357)	(24.712.564)
Consultancy charges	(31.229.320)	(17.015.672)	(21.571.110)	(12.520.293)
Bank and commission expenses	(2.996.826)	(1.386.463)	(5.431.804)	(3.564.319)
Rent expenses	(4.657.788)	(2.155.049)	(4.071.827)	(1.850.646)
Other	(7.775.513)	(5.011.342)	(7.700.579)	(4.290.695)
	<b>(192.196.087)</b>	<b>(106.098.241)</b>	<b>(199.961.517)</b>	<b>(109.432.152)</b>

**NOTE 38 – OTHER OPERATING INCOME/EXPENSE AND PROFIT/LOSS**

Other operating income and profit for the periods ended 30 June are as follows:

	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Dividend income from subsidiaries	-	-	148.372	148.372
Interest income	42.398.976	13.825.700	12.989.624	5.500.839
Commission incomes	1.651.226	1.080.920	804.987	230.986
Provisions released	679.311	312.149	1.546.130	738.447
Gain on sale of marketable securities	11.794	1.760	-	-
Foreign exchange gain	153.056.362	95.253.999	95.874.089	66.326.972
Rediscount interest income	14.119.998	1.191.020	13.212.419	21.520
Gain on sale of fixed asset	334.875	334.875	11.741.691	-
Other income and profits	6.819.927	3.127.670	8.710.357	3.059.421
	<b>219.072.469</b>	<b>115.128.093</b>	<b>145.027.669</b>	<b>76.026.557</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 38 – OTHER OPERATING INCOME/EXPENSE AND PROFIT/LOSS (cont'd)

Other operating expenses and losses for the periods ended 30 June are as follows:

	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Commission expenses (-)	(971.791)	(675.125)	(555.179)	(364.637)
Lawsuit provision expenses (-)	(32.301.062)	(13.068.861)	(14.995.001)	(12.617.490)
Tax Dispute provision expenses (-)	(275.362.170)	(46.170)	-	-
Foreign exchange losses(-)	(91.014.170)	(41.023.257)	(331.391.437)	(297.434.022)
Rediscount interest loss (-)	(12.192.131)	(1.967.704)	(14.250.417)	228.819
Loss on fixed asset sales (-)	(670.573)	(67.662)	-	-
Other expenses and losses (-)	(11.354.229)	(9.772.089)	(6.689.228)	(3.195.717)
	<b>(423.866.126)</b>	<b>(66.620.868)</b>	<b>(367.881.262)</b>	<b>(313.383.047)</b>

#### NOTE 39 – FINANCE EXPENSES

Finance expenses for the periods ended 30 June are as follows:

	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Cost of borrowings (-)	(59.557.614)	(25.135.386)	(74.948.906)	(45.110.169)
Foreign exchange gain/(loss) *	55.608.182	41.723.416	(113.193.410)	(114.311.646)
Discount of letters of credit	(18.126.646)	(8.774.088)	-	-
	<b>(22.076.078)</b>	<b>7.813.942</b>	<b>(188.142.316)</b>	<b>(159.421.815)</b>

\* Foreign exchange gain and losses related to bank loans are included in finance expenses.

#### NOTE 40 – NET MONETARY GAIN/LOSS

No monetary gain/loss to be reported for 30 June 2007 and 2006 due to the fact that inflation accounting is not applied since 1 January 2005.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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#### NOTE 41 – TAXATION

##### Corporate Tax

The Company and its Turkish subsidiaries are subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate for the period ended 30 June 2007 is 20% (30 June 2006: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2007 (June 2006: 30%).

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. The companies with special accounting periods, file their tax returns between 1<sup>st</sup>-25<sup>th</sup> of fourth month after fiscal year end. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

##### Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. However until the resolution of council of ministers, it was used as 10%. After the resolution, declared in Official Gazette in 23 July 2006, this rate is changed to %15 effective from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

#### NOTE 41 – TAXATION (cont'd)

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### **Income withholding tax (cont'd)**

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

The Group has used 20% corporate tax rate as of 30 June 2007 because it has chosen not to use investment incentive.

#### **Adjusted Tax Calculations According to Inflation**

Before the year 2003 and previous periods, except yearly revaluation of fixed assets and their depreciations, the profit for the period was not calculated with the inflation adjusted balances. In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" ("Tax Law 5024") that was published in the Official Gazette on 30 December 2003, The application of the inflation accounting has to be used in case of the inflation rate reaches the stated range in the law after 2004 and the following periods. There are not significant differences in inflation accounting principles between tax legislation and IFRS 29 "Financial Reporting in Hyperinflationary Economies". Because inflation exceeded certain criterias in 2004, according to Tax Law article 5024 the Company and its Turkish subsidiaries made inflation adjustment, these balances were used as opening balance for legal records after 1 January 2005. In 2007 and 2006 inflation accounting was not applied because the criterias stated in the law did not occur.

	<b>30 June 2007</b>	<b>31 December 2006</b>
<b><u>Corporate tax payable:</u></b>		
Current tax liability	53.709.275	56.758.979
Prepaid taxes and dues	(14.771.826)	(10.671.791)
<b>Provision for corporate tax (Note 23)</b>	<b>38.937.449</b>	<b>46.087.188</b>

	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
<b><u>Tax income/(loss):</u></b>				
Current tax	(53.709.275)	(39.114.933)	(1.007.063)	8.088.608
Deferred tax benefit / (charge) (Note 14)	(237.297)	(4.432.216)	70.373.675	71.428.254
	<b>(53.946.572)</b>	<b>(43.547.149)</b>	<b>69.366.612</b>	<b>79.516.862</b>

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 41 – TAXATION (cont'd)

Current period tax reconciliation:

	<b>30 June 2007</b>	<b>30 June 2006</b>
Consolidated profit/(loss) before taxes on income and minority interest	1.370.282	(206.012.579)
Tax at the effective rate 2007: 20% and 2006: 20%	274.056	(41.202.515)
Tax effect of non - deductible expenses	628.363	1.195.490
Tax effect of changes in rate from 30% to 20%	55.072.434	-
<u>Tax effect of exempt income</u>	<u>(2.028.281)</u>	<u>(29.359.587)</u>
<b>Taxes on income per the consolidated statement of income</b>	<b><u>53.946.572</u></b>	<b><u>(69.366.612)</u></b>

#### NOTE 42 – EARNINGS PER SHARE

	<b>1 January- 30 June 2007</b>	<b>1 April- 30 June 2007</b>	<b>1 January- 30 June 2006</b>	<b>1 April- 30 June 2006</b>
Net profit /(loss) for the period	(52.693.613)	171.415.810	(136.763.851)	(182.754.594)
Weighted-average number of outstanding shares (1 share equals to TRY 1 valued share)	492.000.000	492.000.000	492.000.000	492.000.000
<b>Net profit/(loss) per share (TRY)</b>	<b>(0,107)</b>	<b>0,348</b>	<b>(0,278)</b>	<b>(0,371)</b>

#### NOTE 43 – STATEMENT OF CASH FLOWS

Statement of cash flow is presented with the financial statements.

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### **NOTE 44 – OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS**

##### Additional Information on Financial instruments

###### (a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 6, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 25, 26, 27 and 28 respectively.

The management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group controls its catipal using the net debt/total capital ratio. This ratio is the calculated by at dividing the net debt by the total capital amount. Net debt is measured at total liability amount (comprises of loans, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents. Total capital is measured at shareholders' equity plus the net debt amount as presented in the balance sheet.

As of 30 January 2007 and 31 December 2006 net debt / total capital ratio is as follows:

	<b>30 Haziran 2007</b>	<b>31 Aralık 2006</b>
Total Liabilities	2.544.702.212	3.089.066.881
Minus: Cash and cash equivalents	215.715.043	647.146.167
<b>Net Debt</b>	<b>2.328.987.169</b>	<b>2.441.920.714</b>
Shareholders' Equity	2.286.196.472	2.342.453.936
<b>Total Capital</b>	<b>4.615.183.641</b>	<b>4.784.374.650</b>
Net Debt / Total Capital ratio	%50	%51

The Group's overall strategy remains unchanged from 2006

## PETROL OFİSİ A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

#### NOTE 44 – OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS (cont'd)

##### Additional Information on Financial instruments (cont'd)

###### (b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.8 to the financial statements.

###### (c) Categories of financial instruments

	30 June 2007	31 December 2006
<b>Financial Assets</b>		
Cash and cash equivelants	215.715.043	647.146.167
Trade receivables	1.163.257.507	1.291.883.539
Due from related parties	476.773	1.337.417
Financial assets	135.892	135.892
<b>Finansal Liabilities</b>		
Borrowings	759.969.597	936.389.979
Finance lease payables	26.070.834	26.887.962
Ticari payables	1.749.053.005	2.116.239.519
Due to related parties	9.608.776	9.549.421

###### (d) Financial risk management objectives

The Group's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments such as foreign currency forwards and diesel contrats to hedge these risk exposures during the period. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

###### (e) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (f) below) and interest rates (see (g) below).

Market risk exposures of the Group are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 44 – OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS (cont'd)**

Additional Information on Financial instruments (cont'd)

(f) Foreign currency risk management

Tranactions in foreign currencies expose the Group to foreign currency risk.

This risk mainly arises from fluctuation of foreign currency used in conversion of foreign assets and liabilities into Turkish Lira. Foreign currency risk arises as result of future trading transactions and the difference between the assets and liabilities recognized. In this regard, the Group manages this risk with a method of netting foreign currency denominated assets and liabilities. The management reviews the foreign currency open position and provide measures if required .

The Group is mainly exposed to foreign currency risk in USD, and the effect of other currencies are not material .

Foreign currency sensitivity

Based on the foreign currency position as at 30 June 2007, if TRY is devaluated/evaluated by 10% against USD and all other variables remain constant, foreign exchange loss/gain on USD denominated liabilities and assets decrease/increase net income after tax by TRY 153.111.608 (30 June 2006: TRY 164.878.477).

(g) Interest rate risk management

Financial liabilities of the Group expose the group to interest rate risk.. The Group's financial liabilities are mainly fixed rate borrowings and the Group has no variable interest financial assets. Consequently the Group's sensitivity to interest rate risk is not material.

(h) Price Risk

Group is exposed to price risk due to the difference between petroleum product stocks value and the product prices traded in international coomodity market which subsequently affects sales price adversely. In order to avoid the negative price flactuatiions on sales price, the Group entered into fair value hedge contracts. Gain/loss arising from fair value hedging transactions is added to cost of goods sold.

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's credit risk mainly arise from trade receivables. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Group and also by taking into consideration customer's financial position, past experiences and other factors, customer's credibility is evaluated continuously. Trade receivables, are evaluated based on the Group's policies and procedures and as a result presented net of doubtful provision in the financial statements (Note 7).

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

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**NOTE 44 – OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS (cont'd)**

Additional Information on Financial instruments (cont'd)

(j) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity Risk Tables

Having a conservative liquidity risk management requires obtaining adequate level of cash in addition to having the ability to utilize adequate level of borrowings and fund resources as well as closing market positions.

Funding risk attributable to the current and future potential borrowing demand is managed to the extent that an ongoing access to adequate number of creditors with high quality is provided.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the balance sheet.

**PETROL OFİSİ A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2007**

(Amounts are expressed as New Turkish Lira (TRY) unless otherwise stated.)

**NOTE 44 – OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS (cont'd)**Additional Information on Financial instruments (cont'd)

## (j) Liquidity risk management (cont'd)

Liquidity risk tables

<b>30 June 2007</b>	<b>Less than 6 months</b>	<b>6-12 moths</b>	<b>1 + year</b>	<b>Adjustments</b>	<b>Total</b>
Financial Borrowings (net)	71.066.781	82.084.902	746.860.702	(140.042.788)	759.969.597
Financial Lease Payables	4.322.188	4.174.029	25.384.621	(7.810.004)	26.070.834
Trade Payables (net)	799.161.969	286.060.067	743.829.232	(79.998.263)	1.749.053.005
Due to related parties (net)	9.608.776	-	-	-	9.608.776
<b>Total Liabilities</b>	<b>884.159.714</b>	<b>372.318.998</b>	<b>1.516.074.555</b>	<b>(227.851.055)</b>	<b>2.544.702.212</b>

<b>31 December 2006</b>	<b>Less than 6 months</b>	<b>6-12 moths</b>	<b>1 + year</b>	<b>Adjustments</b>	<b>Total</b>
Financial Borrowings (net)	213.525.280	45.901.803	862.428.509	(185.465.613)	936.389.979
Financial Lease Payables	4.256.935	4.096.908	26.353.588	(7.819.469)	26.887.962
Trade Payables (net)	1.243.297.214	213.068.463	715.116.544	(55.242.702)	2.116.239.519
Due to related parties (net)	9.549.421	-	-	-	9.549.421
<b>Total Liabilities</b>	<b>1.470.628.850</b>	<b>263.067.174</b>	<b>1.603.898.641</b>	<b>(248.527.784)</b>	<b>3.089.066.881</b>