

Türkiye Petrol Rafinerileri A.Ş.

**1 January – 30 June 2016 condensed interim
consolidated financial statements together
with review report**

Convenience translation into English of review report originally issued in Turkish

Review Report on the Interim Financial Information

To the Shareholders of Türkiye Petrol Rafinerileri A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Türkiye Petrol Rafinerileri A.Ş. ("Tüpraş") and its subsidiaries (together referred to as "the Group") as of June 30, 2016, which comprise the statement of consolidated financial position and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows and other explanatory notes ("interim financial information") for the six month period then ended. The management of the Group is responsible for the preparation and fair presentation of these interim financial information in accordance with Turkish Accounting Standards ("TAS 34") Interim Financial Reporting. ("TAS 34"). Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of a Review

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

Conclusion

Based on our review, nothing has come to our attention which may cause us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with TAS 34.

Other matter

As disclosed in Note 2.2.3, in the accompanying consolidated financial statements the accounting principles applied differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

11 August 2016
Istanbul, Turkey

Türkiye Petrol Rafinerileri A.Ş.

Convenience translation of the condensed interim consolidated financial statements for the period of 1 January- 30 June 2016

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Türkiye Petrol Rafinerileri A.Ş.

Consolidated statements of financial position as at 30 June 2016

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

Assets	Notes	Reviewed 30 June 2016	Audited 31 December 2015
Current assets		10.411.743	8.674.981
Cash and cash equivalents	4	4.600.346	3.027.546
Trade receivables	6	2.594.691	2.539.832
Due from related parties	6, 31	557.826	658.673
Trade receivables from third parties		2.036.865	1.881.159
Other receivables	7	52.601	25.815
Other receivables from third parties		52.601	25.815
Derivative Instruments	20	19.047	18.845
Inventories	8	2.581.944	2.102.161
Prepaid expenses	14	145.356	132.093
Current income tax assets	29	945	4.317
Other current assets	15	416.813	824.372
Non-current assets		16.867.593	16.795.135
Financial investments	9	4.000	4.000
Investments accounted by equity method	10	788.858	762.217
Investment properties	11	4.621	4.621
Property, plant and equipment	12	11.522.682	11.479.744
Intangible assets	13	53.577	59.409
Other intangible assets		53.577	59.409
Derivative Instruments	20	201.003	250.027
Prepaid expenses	14	230.018	179.695
Deferred tax assets	29	3.099.091	3.202.503
Other non-current assets	15	963.743	852.919
Total assets		27.279.336	25.470.116
Liabilities			
Current liabilities		11.674.382	8.828.240
Short-term financial liabilities	5	795.321	94.023
Current portion of long term financial liabilities	5	2.684.163	1.777.358
Trade payables	6	4.837.108	3.878.036
Due to related parties	6, 31	60.179	80.273
Trade payables, third parties		4.776.929	3.797.763
Liabilities for employee benefits	18	41.855	70.129
Other payables	19	9.607	14.288
Other payables to third parties		9.607	14.288
Derivative Instruments	20	212.589	40.379
Deferred income	16	6.457	23.111
Current income tax liabilities	29	98.025	133.346
Provisions	17	106.339	70.604
Provisions for employee benefits		38.303	7.952
Other provisions		68.036	62.652
Other current liabilities	15	2.882.918	2.726.966
Non-current liabilities		8.299.870	8.273.427
Long-term financial liabilities	5	8.038.997	8.048.039
Provisions	17	201.565	193.973
Provisions for employee benefits		201.565	193.973
Deferred income	16	2.695	2.560
Derivative Instruments	20	55.113	27.244
Other non-current liabilities	15	1.500	1.611
Total liabilities		19.974.252	17.101.667
Equity		7.305.084	8.368.449
Share capital	23	250.419	250.419
Adjustment to share capital	23	1.344.243	1.344.243
Share premiums/discounts		172	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		(3.622)	(3.622)
Revaluation and reclassification gains/(losses)		(3.622)	(3.622)
Actuarial gain/(loss) arising from defined benefit plans		(3.622)	(3.622)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(462.482)	(410.631)
Hedging gains/(losses)		(562.269)	(510.448)
Cash flow hedge gains/(losses)		(562.269)	(510.448)
Currency translation differences		17.526	17.556
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		82.261	82.261
Restricted reserves	23	331.337	163.401
Retained earnings		5.363.804	4.410.959
Net income		409.429	2.550.168
Total equity attributable to equity holders of the parent		7.233.300	8.305.109
Non-controlling interests		71.784	63.340
Total equity and liabilities		27.279.336	25.470.116

The condensed consolidated financial statements for the period ended 30 June 2016 have been approved by the Board of Directors on 11 August 2016.

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of comprehensive income for the six month interim period ended 30 June 2016
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notlar	Reviewed		Reviewed	
		1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Revenue (net)	24	14.644.570	8.453.154	17.549.308	10.601.049
Cost of sales (-)	24	(13.512.197)	(7.728.012)	(15.925.076)	(9.471.910)
Gross profit		1.132.373	725.142	1.624.232	1.129.139
General administrative expenses (-)	25	(345.601)	(167.932)	(272.368)	(142.877)
Marketing, selling and distribution expenses (-)	25	(95.794)	(53.984)	(78.980)	(43.969)
Research and development expenses (-)	25	(13.464)	(6.281)	(12.193)	(4.781)
Other operating income	26	99.902	708	63.233	41.745
Other operating expenses (-)	26	(10.647)	(4.701)	(350.379)	(109.501)
Operating profit		766.769	492.952	973.545	869.756
Income/(expense) from investment activities	27	(136)	65	212	2
Income/(loss) from investments accounted by equity method	10	68.671	53.938	9.377	32.123
Operating profit before financial income/(expense)		835.304	546.955	983.134	901.881
Financial income	28	131.551	(50.004)	494.015	50.297
Financial expense (-)	28	(472.302)	(98.299)	(796.805)	(242.511)
Profit before tax from continued operations		494.553	398.652	680.344	709.667
Tax income / (expense)	29	(76.428)	(63.641)	311.197	3.577
Taxes on income (-)		(48.441)	(44.896)	(5.843)	(4.189)
Deferred tax income / (expense)		(27.987)	(18.745)	317.040	7.766
Net income from continued operations		418.125	335.011	991.541	713.244
Other comprehensive income:					
Items to be reclassified to profit or loss		(52.103)	(134.606)	(223.298)	(35.894)
Changes in currency translation differences		(30)	453	3.377	1.437
Gains/losses on hedging		(64.888)	(172.591)	(283.344)	(61.205)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		12.815	37.532	56.669	23.874
- Deferred tax income/(expense)		12.815	37.532	56.669	23.874
Other comprehensive income/(expense) after taxation		(52.103)	(134.606)	(223.298)	(35.894)
Total comprehensive income		366.022	200.405	768.243	677.350
Distribution of income for the period:					
Non-controlling interests		8.696	4.494	6.309	3.172
Attributable to equity holders of the parent		409.429	330.517	985.232	710.072
Distribution of total comprehensive income					
Non-controlling interests		8.444	4.437	6.202	3.065
Attributable to equity holders of the parent		357.578	195.968	762.041	674.285
Earnings per share with nominal value Kr 1 each (Kr)	30	1,63	1,31	3,93	2,83

Türkiye Petrol Rafinerileri A.Ş.

**Consolidated statement of changes in equity for the six month interim period ended 30 June 2016
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)**

	Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss			Accumulated other comprehensive income/(expense) to be reclassified to profit or loss				Retained earnings				Total Equity	
	Share Capital	Adjustment to share capital	Share premiums/discounts	Revaluation and reclassification Gains/(loss)	Cash flow hedge Gains/(losses)	Currency translation differences	Share of other comprehensive income accounted for investment Using equity method taht will be reclassified profit or loss	Restricted reserves	Accumulated profit	Profit for the period	Equity holders of the parent		Non-controlling interests
Reviewed													
1 January 2015	250.419	1.344.243	172	(11.186)	(447)	12.058	54.256	163.401	2.884.837	1.458.963	6.156.716	55.914	6.212.630
Transfers	-	-	-	-	-	-	-	-	1.458.963	(1.458.963)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(6.046)	(6.046)
- Net profit for period	-	-	-	-	-	-	-	-	-	985.232	985.232	6.309	991.541
- Other comprehensive income	-	-	-	-	(226.568)	3.377	-	-	-	-	(223.191)	(107)	(223.298)
Total comprehensive income	-	-	-	-	(226.568)	3.377	-	-	-	985.232	762.041	6.202	768.243
30 June 2015	250.419	1.344.243	172	(11.186)	(227.015)	15.435	54.256	163.401	4.343.800	985.232	6.918.757	56.070	6.974.827
Reviewed													
1 January 2016	250.419	1.344.243	172	(3.622)	(510.448)	17.556	82.261	163.401	4.410.959	2.550.168	8.305.109	63.340	8.368.449
Adjustments to previous period effects	-	-	-	-	-	-	-	-	198.338	-	198.338	-	198.338
Transfers	-	-	-	-	-	-	-	167.936	2.382.232	(2.550.168)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(1.627.725)	-	(1.627.725)	-	(1.627.725)
- Net profit for the period	-	-	-	-	-	-	-	-	-	409.429	409.429	8.696	418.125
- Other comprehensive income	-	-	-	-	(51.821)	(30)	-	-	-	-	(51.851)	(252)	(52.103)
Total comprehensive income	-	-	-	-	(51.821)	(30)	-	-	-	409.429	357.578	8.444	366.022
30 June 2016	250.419	1.344.243	172	(3.622)	(562.269)	17.526	82.261	331.337	5.363.804	409.429	7.233.300	71.784	7.305.084

Türkiye Petrol Rafinerileri A.Ş.

**Consolidated statement of cash flows for the six month interim period ended 30 June 2016
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)**

	Notes	Reviewed	
		1 January - 30 June 2016	1 January - 30 June 2015
A. Cash flows from operating activities		1.990.255	(1.467.164)
Profit/(loss)		418.125	991.541
Adjustment for reconciliation of profit/(loss)		538.991	114.535
- Adjustment for depreciation and amortisation expense	12, 13	269.862	185.682
- Adjustments for stock impairment	8	(100.959)	(90.204)
- Adjustments for stock(cancelation) impairment		(100.959)	(90.204)
- Adjustment for provisions	17	41.224	39.284
- Adjustment for interest income and expense	28	171.861	185.776
- Adjustment for unrealized foreign currency translation differences		(68.898)	(234.377)
- Adjustment for fair value gain or loss		96.787	(198.585)
- Adjustment for income of investments accounted by equity method	10	(68.671)	(9.377)
- Adjustment for tax income/expenses		76.428	(311.197)
- Adjustment for (gain) / loss on sales of property, plant and equipment	27	136	(212)
- Adjustment for other items related with cash flow of investment or financial activities	28	(16.568)	547.895
- Other adjustments for reconciliation of profit/(loss)		(7)	(150)
Changes in working capital		854.855	(2.491.339)
- Adjustment for increase/decrease in inventories		(378.824)	(322.127)
- Adjustment for increase/decrease in trade receivables		(53.562)	(1.520.990)
- Adjustment for increase/decrease in other receivables related with operations		335.374	(308.262)
- Adjustment for increase/decrease in trade payables		961.438	(1.081.213)
- Adjustment for increase/decrease in other payables related with operations		(9.571)	741.253
Cash flows from operating activities		1.811.971	(1.385.263)
- Tax payments/returns		(41.734)	(5.168)
- Other cash inflow/outflow		220.018	(76.733)
B. Cash flows from investing activities		(330.529)	(438.502)
Cash inflows from the sales of property, plant and equipment and intangible assets		264	302
Cash outflows from the purchase of property, plant and equipment and intangible assets		(372.793)	(508.804)
Dividends received	10	42.000	70.000
C. Cash flows from financing activities		(105.932)	502.674
Cash inflows from financial liabilities		16.751.897	9.994.201
Cash outflows from financial liabilities		(15.061.260)	(9.356.833)
Dividends paid		(1.627.725)	(6.046)
Interest received		109.438	63.874
Interest paid		(278.282)	(192.522)
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		1.553.794	(1.402.992)
D. Impact of foreign currency translation differences on cash and cash equivalents		(68.898)	234.377
Net increase/decrease in cash and cash equivalents		1.484.896	(1.168.615)
E. Cash and cash equivalents at beginning of period		2.199.168	3.211.406
Cash and cash equivalents at end of period	4	3.684.064	2.042.791

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016

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

1. Organization and nature of operations of the Group

Türkiye Petrol Rafinerileri A.Ş. (“Tüpraş” or the “Company”) was established on 16 November 1983. The Company is mainly engaged in the following fields:

- To provide and refine crude oil, to import and export petroleum products when necessary, and to establish and operate domestic and foreign refineries for this purpose,
- To establish and operate factories and facilities in petrochemical and other related industries,,
- To provide the necessary raw and supplementary materials and process, produce or trade these materials in order to obtain petrochemical and other related products,
- To package the products produced during various phases of production and to establish a packaging industry for this purpose, to evaluate and/or to sell waste, by products and substandard products, to establish and operate the necessary facilities for the destruction of the waste products,
- To establish and operate facilities and plants related with all kinds of energy and energy related industries within the framework of the laws and regulations. To obtain, use and trade all kinds of equipment, materials and chemical substances for this purpose,
- To purchase, sell, import, export, store, market and distribute (wholesale, retail, foreign and domestic) all kinds of petroleum products, LPG and natural gas, to establish marketing and distributing companies or similar partnerships with legal entities or real persons or to acquire, transfer or sell the shares of partnerships, when necessary.

The main operations of Tüpraş and its subsidiaries (collectively referred as “the Group”) are in Turkey and the Group’s business segment has been identified as refining.

The Company is registered at the Capital Markets Board (“CMB”) of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. (“BİST”) (previously known as Istanbul Stock Exchange (“ISE”)) since 1991. As at 30 June 2016, the shares quoted on the BİST are 49% of the total shares. As of 30 June 2016, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

	%
Enerji Yatırımları A.Ş.	51,00
Publicly held	49,00
	100,00

Parent of the Company is controlled by Koç Holding A.Ş., Koç Family and the companies owned by Koç Family

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the three month interim period ended 30 June 2016 (continued)

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

1. Organization and nature of operations of the Group (continued)

The nature of the business of the subsidiaries and joint ventures of the Group is as follows:

Subsidiary	Country of incorporation	Nature of business
Ditaş Deniz İşletmeciliği ve Tankerciliği A.Ş. ("Ditaş")	Turkey	Crude oil and petroleum products transportation
Üsküdar Tankercilik A.Ş. ("Üsküdar")	Turkey	Crude oil and petroleum products transportation
T Damla Denizcilik A.Ş. ("Damla")	Turkey	Crude oil and petroleum products transportation
Kadıköy Tankercilik A.Ş. ("Kadıköy")	Turkey	Crude oil and petroleum products transportation
Beykoz Tankercilik A.Ş. ("Beykoz")	Turkey	Crude oil and petroleum products transportation
Sarıyer Tankercilik A.Ş. ("Sarıyer")	Turkey	Crude oil and petroleum products transportation
Kartal Tankercilik A.Ş. ("Kartal")	Turkey	Crude oil and petroleum products transportation
Maltepe Tankercilik A.Ş. ("Maltepe")	Turkey	Crude oil and petroleum products transportation
Salacak Tankercilik A.Ş. ("Salacak")	Turkey	Crude oil and petroleum products transportation
Karşıyaka Tankercilik A.Ş. ("Karşıyaka")	Turkey	Crude oil and petroleum products transportation
Bakırköy Tankercilik A.Ş. ("Bakırköy") (**)	Turkey	Crude oil and petroleum products transportation
Karaköy Tankercilik A.Ş. ("Karaköy") (**)	Turkey	Crude oil and petroleum products transportation
Çengelköy Tankercilik A.Ş. ("Çengelköy") (**)	Turkey	Crude oil and petroleum products transportation
Körfez Hava Ulaştırma A.Ş. ("Körfez") (*)	Turkey	Air carriage and transportation

(*) Körfez, a subsidiary of the Group, has not been included in the scope of consolidation in the consolidated financial statements for the period ended 30 June 2016 on the grounds of materiality of its stand alone and total financial statements as to amount and composition, and accounted for as financial asset available-for-sale. As of 30 June 2016 total assets of Körfez is TL 7.013 thousand and net period loss of Körfez is TL 977 thousand.

(**) Bakırköy, Karaköy and Çengelköy, subsidiaries of the Group, which have been established in January 2016 have been included in the scope of consolidation in the consolidated financial statements for the interim period ended 30 June 2016.

Joint venture	Country of incorporation	Nature of business
OPET Petrolcülük A.Ş. ("Opet")	Turkey	Petroleum products retail distribution
THY Opet Havacılık Yakıtları A.Ş.	Turkey	Jet fuel supply services
Opet International Limited	United Kingdom	Petroleum products trading
Opet Trade B.V.	Netherlands	Petroleum products trading
Tasfiye halinde Opet Trade Singapore (*)	Singapore	Petroleum products trading
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.	Turkey	Lube oil trading
Op Ay Akaryakıt Ticaret Ltd. Şti.	Turkey	Petroleum products trading
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.	Turkey	Petroleum products trading
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.	Turkey	Marine services
Opet Aygaz Gayrimenkul A.Ş.	Turkey	Real estate

(*) The company discontinued its activities as of 15 July 2015.

The total number of employees of the Group as at 30 June 2016 is 5.204 (31 December 2015 –5.131).

The address of the registered office of the Company is as follows:

Türkiye Petrol Rafinerileri A.Ş.
Güney Mahallesi
Petrol Caddesi No:25 41790
Körfez, Kocaeli

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

The interim condensed financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (the Communiqué) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Reporting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”).

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group’s financial statements have been prepared in accordance with this decision.

In accordance with the Turkish Accounting Standard No: 34 Interim Financial Reporting”, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2015.

The Group and the group companies established in Turkey maintain their books of account and prepare their statutory financial statements (“Statutory Financial Statements”) in accordance with rules and principles published by POA, the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets and derivative instruments that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards.

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim consolidated financial statements as at 30 June 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:

- At cost
 - In accordance with IFRS 9,
- Or
- Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

2. Basis of presentation of consolidated financial statements (continued)

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

The amendment did not have significant impact on the financial position or performance of the Group.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

ii) Standards issued but not yet effective and not early adopted

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

2. Basis of presentation of consolidated financial statements (continued)

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

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

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

The IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRS 16 Leases

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

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

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

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

IAS 7 'Statement of Cash Flows (Amendments)

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

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

2.1.3 Financial statements of joint ventures operating in foreign countries

Financial statements of joint ventures operating in foreign countries are prepared according to the legislation of the country in which they operate, and adjusted to the Turkish Financial Reporting Standards to reflect the proper presentation and content. Foreign joint ventures' assets and liabilities are translated into TL with the foreign exchange rate at the balance sheet date. Exchange differences arising from the retranslation of the opening net assets of foreign undertakings and differences between the average and balance sheet date rates are included in the “currency translation differences” under the other comprehensive income statement and shareholders' equity.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

2.1.4 Basis of consolidation

- a) The condensed consolidated financial statements for the interim period ended 30 June 2016 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2015 and include financial statements of Tüpraş, and its Subsidiaries.
- b) At 30 June 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries and Joint Ventures apart from Bakırköy, Karaköy and Çengelköy, which have been established in January 2016, that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2015.

	30 June 2016		31 December 2015	
Subsidiary	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Ditaş	79,98	79,98	79,98	79,98
Üsküdar	79,98	79,98	79,98	79,98
Damla	79,98	79,98	79,98	79,98
Beykoz	79,98	79,98	79,98	79,98
Kadıköy	79,98	79,98	79,98	79,98
Sarıyer	79,98	79,98	79,98	79,98
Kartal	79,98	79,98	79,98	79,98
Maltepe	79,98	79,98	79,98	79,98
Salacak	79,98	79,98	79,98	79,98
Karşıyaka	79,98	79,98	79,98	79,98
Bakırköy	79,98	79,98	-	-
Karaköy	79,98	79,98	-	-
Çengelköy	79,98	79,98	-	-

The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiary are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiary are eliminated from equity and income for the year, respectively.

- c) Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and one or more other parties. The Group exercises such joint control through the power to exercise voting rights (relating to shares in the companies as a result of ownership interest directly and indirectly by itself whereby exercising control over the voting rights of (but does not have the economic benefit of) the shares held by them. The Group's interest in joint ventures is accounted for with equity method. Investments accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The comprehensive income statement presents shares of financial results of the Group's joint ventures. The changes of the amount, not reflected on income or loss of the joint venture, on the equity of the joint venture can requisite an adjustment on the net book value of the joint venture in proportion of the Group's share. The share of the Group from these changes is directly accounted under the Group's equity.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

2. Basis of presentation of consolidated financial statements (continued)

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 30 June 2016 and 31 December 2015:

	30 June 2016		31 December 2015	
	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Investments accounted by equity method				
Opet	50,00	40,00	50,00	40,00
Opet International Limited (*)	50,00	40,00	50,00	40,00
Opet Trade B.V.(*)	50,00	40,00	50,00	40,00
Tasfiye Halinde Opet Trade Singapore(*) (**)	50,00	40,00	50,00	40,00
THY Opet Havacılık Yakıtları A.Ş.(*)	25,00	20,00	25,00	20,00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	25,00	20,00	25,00	20,00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	25,00	20,00	25,00	20,00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	16,65	13,32	16,65	13,32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(*)	12,50	10,00	12,50	10,00
Opet Aygaz Gayrimenkul A.Ş.(*)	25,00	20,00	25,00	20,00

(*) Related companies are consolidated or accounted by equity method in Opet's financial statements..

(**) The company discontinued its activities as of 15 July 2015.

- d) Other investments in which the Group has interest below 20%, or over which the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 9).
- e) The non-controlling shareholders' share of the net assets and results for the period for the subsidiaries are classified separately in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.

2.2. Changes in accounting policies

2.2.1 Comparative information

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous year.

The Group presented the consolidated statement of financial position as of 30 June 2016 comparatively with the consolidated statement of financial position as of 31 December 2015, presented the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 30 June 2016 comparatively with the consolidated financial statements for the interim period ended 30 June 2016.

Classification amendments made in comparative financial statements during the preparation of financial statements of accounting period ending as at June 30, 2016 are as follows:

- Expenses from non-operating sections at an amount of TL 28.749 thousand recorded in other operating expenses in comprehensive income statement of interim period ending as at June 30, 2015 of the Company is classified under cost of sales account.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued) (Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (continued)

2.2.2 Offsetting

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

2.2.3 Convenience translation into English of consolidated financial statements

The accounting principles described in Note 2.1 to the consolidated financial statements (defined as Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January and 31 December 2005 and the presentation of the basic financial statements and the notes to them. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 30 June 2016, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 June 2016 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended 31 December 2015. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2015.

3. Business Combinations

No business combinations occurred during the period 30 June 2016.

4. Cash and cash equivalents

	30 June 2016	31 December 2015
Cash at banks		
Revenue share (blocked)	906.004	823.645
Time deposit	3.661.225	2.151.632
Demand deposits	22.839	47.536
Interest income accruals	10.278	4.733
Total	4.600.346	3.027.546

Revenue Share (blocked)

As required by the Petroleum Market License Regulation, the revenue share collected by the Group is held in banks and evaluated as blocked deposit in the Company's books. The revenue share was invested as demand deposits with overnight interest rate as at 30 June 2016 and 31 December 2015 (Note 15).

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

4. Cash and cash equivalents (continued)

Time deposits and other cash and cash equivalents

As at 30 June 2016 and 31 December 2015, the maturity and the currency information of the time deposits, is as follows:

30 June 2016

	Less than 1 month	1 - 3 months	Total
TL	1.058.390	-	1.058.390
USD	1.903.698	8.738	1.912.436
EUR	625.464	64.569	690.033
GBP	366	-	366
Time deposit	3.587.918	73.307	3.661.225

31 December 2015

	Less than 1 month	1 - 3 months	Total
TL	600.110	-	600.110
USD	1.510.950	11.543	1.522.493
EUR	20.730	8.176	28.906
GBP	123	-	123
Time deposit	2.131.913	19.719	2.151.632

Effective interest rate of TL time deposits is 12,10%, effective interest rate of USD time deposits is 2,61%, effective interest rate of EUR time deposits is 1,60% and effective interest rate of GBP time deposits is 1,30% (31 December 2015 - TL 13,75%, USD 2,28% ,EUR 1,40% and GBP 1,40%).

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 30 June 2016 and 31 March 2015 are as follows:

	30 June 2016	30 June 2015
Cash and cash equivalents	4.600.346	2.787.031
Blocked deposits (Revenue share)	(906.004)	(736.953)
Less: Time deposit interest accruals	(10.278)	(7.287)
Cash and cash equivalents for cash flow purposes	3.684.064	2.042.791

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

5. Financial liabilities

	30 June 2016	31 December 2015
Short term financial liabilities		
Short-term bank borrowings	795.321	94.017
Interest accruals	-	6
Total	795.321	94.023
Current portion of long-term bank borrowings:		
Current portion of long-term bank borrowings	2.380.680	1.684.088
Bonds issued	200.000	-
Interest accruals of bank borrowings	81.830	70.783
Interest accruals of bonds issued	21.653	22.487
Total	2.684.163	1.777.358
Long-term financial liabilities:		
Long-term bank borrowings	6.012.820	5.812.719
Bonds issued	2.025.520	2.235.320
Interest accruals of bank borrowings	657	-
Total	8.038.997	8.048.039
Total financial liabilities	11.518.481	9.919.420

As explained by Tüpraş in material disclosures dated 18 December 2014, 31 December 2014, 16 January and 19 January 2015, without internal public offers, the necessary permits have been received for the bond issue up to a nominal amount of 1 billion TL for the qualified investors and a nominal amount of 200 million TL bond issue with 728 days maturity and a fixed coupon paid per six months was completed on 19 January 2015, respectively.

As explained in material disclosures dated 26 September, 17 October, 18 October, 30 October and 2 November 2012, Tüpraş issued bonds to foreign investors and release of these bonds were realized on 2 November 2012. Total amount of these issued bonds is USD 700 million with an interest rate of 4,125% and maturity of 2 May 2018.

As explained in material disclosure dated 17 March 2016, Tüpraş signed a long term loan facility agreement with a group of lenders, consisting of HSBC (Coordinator), ING (Facility Agent), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A, Intesa Sanpaolo and JPMorgan Chase Bank, N.A. London Branch, to meet our working capital requirements for forthcoming period and extend the weighted-average of debt maturities. The loans amounting to 157,5 million USD and 261,5 million EUR were utilized on 29 March 2016 and the loans have semi-annual interest payments, 5 year maturity with 3 years grace period and 6 monthly 5 equal principal payments thereafter.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

5. Financial liabilities (continued)

Foreign currency balances and interest rates for the short and long-term financial liabilities as at 30 June 2016 and 31 December 2015 are as follows:

		30 June 2016	
	Effective interest rate (%)	Original currency	Bin TL
Short term financial liabilities:			
TL borrowings(*)	10,80	795.320.754	795.321
			795.321
Current portion of long-term financial liabilities:			
USD borrowings	3,04	314.914.269	911.237
EUR borrowings	3,22	9.584.273	30.711
TL borrowings	11,01	1.438.732.026	1.438.732
TL bonds issued	8,97	200.000.000	200.000
			2.580.680
Interest accruals			103.483
Total short-term financial liabilities			3.479.484
Long-term financial liabilities:			
USD borrowings	2,81	1.608.817.105	4.655.272
USD bonds issued	4,17	700.000.000	2.025.520
EUR borrowings	2,10	300.278.185	962.212
TL borrowings	13,24	395.336.601	395.336
			8.038.340
Interest accruals			657
Total long-term financial liabilities			8.038.997

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 119.334 thousand as of 30 June 2016 (31 December 2015 - TL 90.673 thousand).

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

5. Financial liabilities (continued)

			31 December 2015
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
USD borrowings	2,63	1.150.000	3.344
TL borrowings	-	90.672.977	90.673
			94.017
Current portion of long-term financial liabilities:			
USD borrowings	2,63	314.423.295	914.217
EUR borrowings	2,39	13.016.855	41.361
TL borrowings	11,26	728.509.803	728.510
			1.684.088
Interest accruals			93.276
Total short-term financial liabilities			1.871.381
Long-term financial liabilities:			
USD borrowings	2,50	1.585.919.115	4.611.218
USD bonds issued	4,17	700.000.000	2.035.320
EUR borrowings	3,13	45.375.909	144.187
TL borrowings	11,52	1.057.313.726	1.057.314
TL bonds issued	8,97	200.000.000	200.000
			8.048.039
Interest accruals			-
Total long-term financial liabilities			8.048.039

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

5. Financial liabilities (continued)

As at 30 June 2016 and 31 December 2015, the redemption schedule of long-term bank borrowings is as follows:

	30 June 2016	31 December 2015
2017	731.825	2.180.509
2018	3.064.443	2.944.591
2019	1.135.021	602.960
2020	1.117.121	621.157
2021 and after	1.990.587	1.698.822
Total	8.038.997	8.048.039

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project and further to the agreements the loans amounting to USD 1.998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 30 June 2016 the outstanding amount of the loans is USD 1.703 million (31 December 2015 – USD 1.850 million).

6. Trade receivables and payables

Short-term trade receivables:

	30 June 2016	31 December 2015
Trade receivables	2.043.060	1.888.743
Due from related parties (Note 31)	557.826	658.673
Doubtful trade receivables	2.676	2.593
Other trade receivables	10	16
Less: Unearned credit finance income		
Less: Provision for doubtful receivables	(6.205)	(7.600)
Trade receivables	(2.676)	(2.593)
Total short-term trade receivables (net)	2.594.691	2.539.832

As at 30 June 2016, Tüpraş has offsetted TL 1.154.680 thousand (31 December 2015 - TL 778.111 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

6. Trade receivables and payables (continued)

The credit quality of trade receivables that are neither past due nor impaired

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are renegotiated under four groups. The details of credit quality of such trade receivables as at 30 June 2016 and 31 December 2015 are as follows

	30 June 2016	31 December 2015
Group 1	2.832	245
Group 2	68.265	285.691
Group 3	2.138.285	1.273.775
Group 4	131.587	970.364
Total	2.340.969	2.530.075

Group 1 - New customers (less than three months)

Group 2 - State owned enterprises

Group 3 - Existing customers with no payment defaults in previous periods (have been customers by more than three months)

Group 4 - Customers with previous record of collection delays but from which all receivables due are collected (Excluding Group 1 and 2)

Aging analysis for trade receivables that are past due but not impaired

Aging of overdue receivables that are past due but not impaired as at 31 March 2016 and 31 December 2015 is as follows:

	30 June 2016	31 December 2015
Up to 3 months	225.433	9.354
3 to 12 months	28.289	403
Total	253.722	9.757

The Group management does not estimate a collection risk for these past due but not impaired receivables as the significant portion of these receivables is due from government entities where sales are made regularly.

Movement of the provision for doubtful receivables for the years ended 30 June 2016 and 2015 is as follows:

	2016	2015
1 January	2.593	2.593
Charge for the period	98	-
Payments during the period	(15)	-
30 June	2.676	2.593

Türkiye Petrol Rafinerileri A.Ş.**Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)**

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

6. Trade receivables and payables (continued)**Short-term trade payables:**

	30 June 2016	31 December 2015
Trade payables	4.780.884	3.799.352
Due to related parties (Note 31)	60.179	80.273
Less: Unrealised credit finance charges		
Trade payables	(3.955)	(1.589)
Total short-term trade payables (net)	4.837.108	3.878.036

7. Other receivables and payables**Other short-term receivables:**

	30 Jun 2016	31 December 2015
Receivable from insurance recoveries	19.029	2.607
Advances and guarantees given	25.338	16.267
Receivable from personnel	8.234	6.941
Other doubtful receivables	737	738
Less: Provision for other doubtful receivables	(737)	(738)
Total	52.601	25.815

8. Inventories

	30 June 2016	31 December 2015
Raw materials and supplies	865.589	939.327
Work-in-progress	651.394	545.730
Finished goods	830.005	526.884
Trade goods	90.819	12.074
Goods in transit	132.871	169.266
Other	12.421	10.994
	2.583.099	2.204.275
Less: Provision for impairment in inventories	(1.155)	(102.114)
Total	2.581.944	2.102.161

As of June 30, 2016, stock impairment amounting to TL 205 thousand comes from finished goods (31 December 2015 – TL 36.535 thousand), TL 950 thousand comes from work-in-progress (31 December 2015 – 63.346) and recognized under cost of goods sold account. There is no stock impairment from trade goods as of June 30, 2016 (31 December 2015 – 2.233 bin TL).

Movement of the provision for inventories for the years ended 30 June 2016 and 2015 is as follows:

	2016	2015
1 January	102.114	90.204
Charge for the period	1.155	-
Cancellations within the period	(102.114)	(90.204)
30 June	1.155	-

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

9. Financial Investments

Financial investments available-for-sale

	30 June 2016		31 December 2015	
	Participation share (%)	Amount	Participation share (%)	Amount
Körfez Hava Ulaştırma A.Ş.	100,00	4.000	100,00	4.000
		4.000		4.000

10. Investments accounted by equity method

	30 June 2016		31 December 2015	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	788.858	40,00	762.217
		788.858		762.217

The goodwill amounting to TL 189.073 thousand arising from the purchase of Opet shares on December 28, 2006 were classified on the investments accounted by equity method in the financial statements.

The movement in the investments accounted by equity method during the period ended 30 June 2016 and 2015 is as follows:

	2016	2015
1 January	762.217	726.494
Investments recognized with equity method;		
Shares in current year profit	68.671	9.377
Dividend payment	(42.000)	(70.000)
Currency translation differences	(30)	3.377
30 June	788.858	669.248

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

10. Investments accounted by equity method (continued)

Consolidated summary financial statements of investments accounted by equity method (before Group’s effective interest) are as follows:

	30 June 2016	31 December 2015		
Current assets	2.649.478	2.173.587		
Non-current assets	2.075.796	1.993.748		
Total assets	4.725.274	4.167.335		
Short term liabilities	2.160.243	1.729.243		
Long term liabilities	1.065.568	1.005.232		
Equity	1.499.463	1.432.860		
Total liabilities	4.725.274	4.167.335		

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Sales(net)	9.037.075	5.216.755	8.688.351	5.194.904
Gross profit	506.182	287.113	390.979	248.606
Operating profit/loss	238.083	150.992	123.898	130.106
Net income/loss for period	171.678	134.845	23.442	80.308

11. Investment property

At 30 June 2016, investment property represents the land amounting to TL 4.621 thousand (31 December 2015 - TL 4.621 thousand). The fair value of the investment property has been determined as TL 38.117 thousand as a result of fair value assessments (31 December 2015 – TL 38.117 thousand).

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

12. Property, plant and equipment

	1 January 2016	Additions	Transfers	Disposals	30 June 2016
Cost:					
Land	48.844	-	-	-	48.844
Land improvements	3.525.298	-	89.013	-	3.614.311
Buildings	695.372	-	7.871	-	703.243
Machinery and equipment	11.149.479	84	189.099	(3.245)	11.335.417
Motor vehicles	619.383	110.261	446	(285)	729.805
Furniture and fixtures	105.955	426	4.572	(768)	110.185
Construction in progress	499.904	196.597	(294.378)	-	402.123
Other tangible assets	1.488	-	-	-	1.488
	16.645.723	307.368	(3.377)	(4.298)	16.945.416
Accumulated depreciation:					
Land improvements	(1.129.120)	(71.723)	-	-	(1.200.843)
Buildings	(174.083)	(7.427)	-	-	(181.510)
Machinery and equipment	(3.664.377)	(157.513)	-	2.915	(3.818.975)
Motor vehicles	(139.883)	(16.405)	-	254	(156.034)
Furniture and fixtures	(57.230)	(7.542)	-	729	(64.043)
Other tangible assets	(1.286)	(43)	-	-	(1.329)
	(5.165.979)	(260.653)	-	3.898	(5.422.734)
Net book value	11.479.744				11.522.682

	1 January 2015	Additions	Transfers	Disposals	30 June 2015
Cost:					
Land	48.862	-	-	(18)	48.844
Land improvements	1.656.919	-	8.208	(2)	1.665.125
Buildings	444.122	-	237	(133)	444.226
Machinery and equipment	5.692.599	-	58.610	(551)	5.750.658
Motor vehicles	516.853	89.212	8.271	(173)	614.163
Furniture and fixtures	80.955	323	4.118	(864)	84.532
Construction in progress	6.921.974	787.681	(81.300)	-	7.628.355
Other tangible assets	1.367	-	-	-	1.367
	15.363.651	877.216	(1.856)	(1.741)	16.237.270
Accumulated depreciation:					
Land improvements	(998.696)	(35.988)	-	-	(1.034.684)
Buildings	(160.461)	(4.797)	-	133	(165.125)
Machinery and equipment	(3.381.748)	(117.788)	-	548	(3.498.988)
Motor vehicles	(112.480)	(13.633)	-	173	(125.940)
Furniture and fixtures	(45.681)	(5.551)	-	861	(50.371)
Other tangible assets	(1.192)	(43)	-	-	(1.235)
	(4.700.258)	(177.800)	-	1.715	(4.876.343)
Net book value	10.663.393				11.360.927

The Company completed its investment within the scope of Residuum Upgrading Project and the investment amounting to TL 7.229.540 thousand was capitalized as of 31 December 2015. The depreciation has started to be recognized in the financial statements as the Company terminated capitalization of borrowing costs at 1 March 2015 and TL 120.296 thousand of TL 110.105 thousand depreciation is recognized under cost of sold goods while TL 10.191 thousand of the aforementioned depreciation is recognized under general administrative expenses as of 30 June 2016.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

12. Property, plant and equipment (continued)

Total depreciation expense amounting to TL 260.653 thousand (30 June 2015 - TL 177.800 thousand) in the consolidated statement of comprehensive income for the period ended 30 June 2016 has been allocated to cost of goods sold amounting to TL 241.453 thousand (30 June 2015 - TL 155.955 thousand), to marketing, sales and distribution expenses amounting to TL 1 thousand (30 June 2015 - TL 1 thousand), to general administration expenses amounting to TL 19.199 thousand (30 June 2015 - TL 21.844 thousand)

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 30 June 2016 is as follows:

	1 January 2016	Additions	Transferles	Disposals	30 June 2016
Cost:					
Rights and software	57.087	-	2.554	-	59.641
Development expenses	61.981	-	823	-	62.804
	119.068	-	3.377	-	122.445
Accumulated amortisation:					
Rights and software	(30.418)	(3.282)	-	-	(33.700)
Development expenses	(29.241)	(5.927)	-	-	(35.168)
	(59.659)	(9.209)	-	-	(68.868)
Net book value	59.409				53.577

The movements of intangible assets and related accumulated amortisation for the period ended 30 June 2015 is as follows:

	1 January 2015	Additions	Transfers	Disposals	30 June 2015
Cost:					
Rights and software	49.933	-	1.491	-	51.424
Development expenses	54.096	-	365	(70)	54.391
	104.029	-	1.856	(70)	105.815
Accumulated amortisation:					
Rights and software	(25.436)	(2.464)	-	-	(27.900)
Development expenses	(18.024)	(5.418)	-	6	(23.436)
	(43.460)	(7.882)	-	6	(51.336)
Net book value	60.569				54.479

Total amortisation expenses amounting to TL 9.209 thousand (30 June 2015 - TL 7.882 thousand) in the consolidated statement of comprehensive income for the period ended 30 June 2016 have been allocated to the cost of goods sold amounting to TL 7 thousand (30 June 2015- 7 thousand), and to general administration expenses amounting to TL 9.202 thousand (30 June 2015 - TL 7.875 thousand).

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

14. Prepaid expenses**Short term prepaid expenses:**

	30 June 2016	31 December 2015
Long term prepaid expenses:		
Prepaid investment loan insurance expenses (*)	78.628	47.484
Advances given	29.955	32.158
Taxes and funds to be offsetted	21.600	28.133
	15.173	24.318
Total	145.356	132.093

Long term prepaid expenses:

	30 June 2016	31 December 2015
Prepaid investment loan insurance expenses (*)	91.078	105.400
Advances given to third parties for property, plant and equipment	102.203	54.894
Advances given to related parties for property, plant and equipment (Note 31)	36.079	17.963
Prepaid other expenses	658	1.438
Total	230.018	179.695

(*) The Company made the payment of the investment loans' insurance expenses related with Residuum Upgrading Project, when these loans were utilized. Related insurance payments will be expensed within the maturity of related loans.

15. Other assets and liabilities**Other current assets:**

	30 June 2016	31 December 2015
Deferred Value Added Tax (“VAT”)	329.527	289.514
Deferred Special Consumption Tax (“SCT”)	80.835	75.497
Income Accruals (*)	4.930	448.312
Other current assets	1.521	11.049
Total	416.813	824.372

(*) As of 31 December 2015 TL 445.148 thousand of revenue recognition at a total amount of TL 448.312 thousand consists of revenue recognition of outstanding commodity derivatives transactions ending on 31 December 2015. There is not income accrual from commodity derivatives transactions as of 30 June 2016.

Other non-current assets:

	30 June 2016	31 December 2015
Spare parts and materials	990.201	879.473
Other	1.048	952
Provision for spare parts and materials	(27.506)	(27.506)
Total	963.743	852.919

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

15. Other assets and liabilities (continued)

Other non-current assets:

	30 June 2016	31 December 2015
SCT payable	1.224.732	1.253.987
Revenue share	910.472	827.793
Deferred VAT	329.527	289.514
VAT payable	318.525	239.207
Deferred SCT	80.835	75.497
Other taxes and liabilities	17.042	37.381
Other	1.785	3.587
Total	2.882.918	2.726.966

Deferred VAT and SCT include VAT and SCT amounts related to export committed sales and are classified within "Other current assets" under assets and within "Other current liabilities" under liabilities. Such SCT and VAT amounts are offset when the export transaction is certified and the related taxes are cancelled by the tax office.

According to the Petroleum Market Law, financing needs of refinery owners to maintain the National Petroleum Stock are supplied by the revenue share, which is a surplus added to the sales price, limited to a ceiling of USD 10/ton as determined by Energy Market Regulatory Authority ("EMRA"). In the case of importation of petroleum products, the revenue share is to be paid to the refinery owner by the importer.

The Group has been collecting the revenue share over the sales of petroleum products and non-refinery imports of petroleum products since 1 January 2005, the date the relevant article of the regulation came into force.

The Group has been collecting revenue share for LPG sales since 16 September 2005 in addition to the revenue share collected for petroleum products, in accordance with the Liquefied Petroleum Gas ("LPG") Market Regulation.

It has been decided by the National Petroleum Reserves Commission that the investment management of the revenue share collected will be conducted by the General Directorate of Tüpraş, and the collected amount will be invested in overnight reverse repurchase agreements.

As a result of these regulations, the revenue share amounting to TL 910.472 thousand accumulated as at 30 June 2016 (31 December 2015 – TL 827.793 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TL 906.004 thousand that is (31 December 2015 - TL 823.645 thousand) blocked in banks as demand deposits related to the calculated revenue share has been classified as Revenue share "Blocked" within "Cash and cash equivalents" (Note 4).

Other long-term liabilities:

	30 June 2016	31 December 2015
Participation share	1.500	1.611
Total	1.500	1.611

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

16. Deferred income

Short-term deferred income

	30 June 2016	31 December 2015
Advances taken	4.942	21.430
Deferred income	1.515	1.681
Total	6.457	23.111

Long-term deferred income

	30 June 2016	31 December 2015
Deferred income	2.695	2.560
Total	2.695	2.560

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	30 June 2016	31 December 2015
Seniority incentive bonus provision	5.669	5.325
Personnel bonus accruals	32.634	2.627
Total	38.303	7.952

Long term employee benefits:

	30 June 2016	31 December 2015
Provision for employment termination benefits	149.840	144.547
Provision for unused vacation	43.078	41.904
Seniority incentive bonus provision	8.647	7.522
Total	201.565	193.973

Seniority incentive bonus provision:

Group has an employee benefit plan called “Seniority Incentive Bonus”, which is paid to the employees with a certain level of seniority.

Seniority incentive bonus is paid to personnel together with their monthly salary when certain seniority levels are reached. The bonus amounts to 45 days of salary for 5 years of seniority level, 55 days of salary for 10 years of seniority level, 70 days of salary for 15 years of seniority level, 80 days of salary for 20 years of seniority level, 90 days of salary for 25 years of seniority level and 100 days of salary for 30 years of seniority level, paid once for each seniority level.

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17. Provisions (continued)

The movements in the provision for seniority incentive bonus during the period are as follows:

	2016	2015
1 January	12.847	10.850
Charge for the period	3.716	3.448
Payments during the period	(2.247)	(1.969)
30 June	14.316	12.329

Provision for employment termination benefits:

Under the Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 4.092,53 (31 December 2015 - TL 3.828,37) for each year of service as at 30 June 2016.

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 Company arising from the retirement of the employees.

TAS 19 requires that actuarial valuation methods to be developed to estimate the Group's employment termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

	30 June 2016	31 December 2015
Discount rate (%)	%4,60	%4,60
Turnover rate to estimate probability of retirement (%)	%99,52	%99,52

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 4.092,53 which is effective as at 30 June 2016, has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2015- 3.828,37 TL).

The movement in the provision for employment termination benefits during the period is as follows:

	2016	2015
1 January	144.547	132.587
Interest expense	7.480	5.410
Increase during the period	11.212	5.413
Payments during the period	(13.399)	(9.738)
30 June	149.840	133.672

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
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17. Provisions (continued)

Provision for unused vacation:

The movement in the provision for unused vacation during the period is as follows:

	2016	2015
1 January	41.904	37.265
Charge for the period	4.490	4.556
Payments during the period	(3.316)	(2.414)
30 June	43.078	39.407

Other short term provisions:

	30 June 2016	31 December 2015
Provisions for pending claims and law suits	14.435	13.405
EMRA participation share	17.177	17.883
Provision for demurrage	11.623	11.032
Other	24.801	20.332
Total short-term provisions	68.036	62.652

Movement of the short-term provisions for the period ended 30 June 2016 and 2015 are as follow:

	Provision for pending claims	EMRA participation	Provision for tax penalty	Provision for demurrage	Other	Total
1 January 2016	13.405	17.883	-	11.032	20.332	62.652
Charges for the period, net	1.030	8.236	-	591	4.469	14.326
Payments during the period	-	(8.942)	-	-	-	(8.942)
30 June 2016	14.435	17.177	-	11.623	24.801	68.036
1 January 2015	13.743	14.635	54.998	1.658	16.920	101.954
Charges for the period, net	38	8.062	-	9.557	312	17.969
Payments during the period	(297)	(7.317)	(54.998)	-	-	(62.612)
30 June 2015	13.484	15.380	-	11.215	17.232	57.311

EMRA participation share is the participation fee that is paid by the refinery license owners in accordance with the Petroleum Market License Regulation, calculated by multiplying net sales with the participation share rate determined by EMRA.

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Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
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17. Provisions (continued)

Tax Penalty

As a result of the tax inspection on the Company started by the Ministry of Finance Tax Inspection Board, the “Tax Inspection Reports and Tax and Penalty Notices” prepared with regard to the issues criticized by the tax inspectors, mentioned in the material disclosure dated July 24, 2013, were communicated to the Company on January 8, 2015. regarding the Tax and Penalty Notices for which a total principle tax of TL 65,6 million and a tax penalty of TL 94,4 million was claimed, a settlement was reach as a result of the discussions held with the Central Reconciliation Committee on February 26, 2015 within the scope of the settlement provisions of the Tax Procedure Law for the Company to pay a total of TL 54.998 thousand for the amounts imposed including interest, and the related penalty was paid on March 18, 2015.

18. Liabilities for employee benefits

	30 June 2016	31 December 2015
Due to the personnel	22.774	54.495
Social security withholdings payment	19.081	15.634
Total	41.855	70.129

19. Other payables

	30 June 2016	31 December 2015
Deposits and guarantees received	9.607	14.288
Total	9.607	14.288

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Notes to the consolidated financial statements for the three month interim period ended 30 June 2016 (continued)
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20. Derivative Instruments

	30 June 2016				31 December 2015			
			Fair values				Fair values	
	Purchase Contrat Amount	Exchange Contrat Amount	Assets	Liabilities	Purchase Contrat Amount	Exchange Contrat Amount	Assets	Liabilities
<i>Cash flow hedge</i>								
Interest rate swap	1.815.662	1.815.662	-	16.120	1.947.631	1.947.631	-	14.838
Cross currency swap	834.038	668.581	14.689	22.677	855.177	682.228	18.845	21.026
Commodity derivative	657.831	761.897	-	91.880	-	-	-	-
<i>Derivatives held for trading</i>								
Currency forwards	1.890.593	2.034.858	-	63.026	-	-	-	-
Commodity derivative	592.727	623.319	4.358	18.886	172.450	162.217	-	4.515
Short term derivative financial instruments			19.047	212.589			18.845	40.379
<i>Cash flow hedge</i>								
Interest rate swap	1.815.662	1.659.565	-	44.194	1.947.631	1.947.631	-	7.280
Cross currency swap	834.038	668.581	201.003	10.919	855.177	682.228	250.027	19.964
Long term derivative financial instruments			201.003	55.113			250.027	27.244
Total derivative financial instruments			220.050	267.702			268.872	67.623

As of June 30, 2016, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TL 2.034.858 thousand in exchange for a purchase of USD 598.000 thousand and which has expired on December 30, 2016.

As of June 30, 2015, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD 573.529 thousand (December 31, 2015 - USD 611.765 thousand) and Ditaş's long term borrowings amounting to EUR 48.714 thousand (December 31, 2015 – 53.142) with fixed rate instalment payments for cash flow hedging.

Notes to the consolidated financial statements for the three month interim period ended 30 June 2016 (continued)
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20. Derivative instruments

As of June 30, 2016, cross currency swap transactions consist of swap transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD 200.000 thousand and TL currency indexed with fixed interest payment amounting to TL 463.875 thousand (December 31, 2015 – USD 200.000 thousand), and swap transaction of long-term borrowings with floating interest rate amounting to USD 88.235 thousand and payments with fixed interest rate amounting to TL 204.706 thousand. (December 31, 2015- USD 94.118 thousand)

Commodity derivative transactions consists of product crack fixing transactions, swap transactions and zero cost collar transactions as of June 30, 2016. Product crack fixing transactions have been made for total gasoline stocks of 600 thousand barrels and weighted average fixation margin of these transactions is USD 8,91 per barrel having a maturity of December 31, 2016. Swap transactions have been made for crude oil stocks at a total number of 2,9 million barrels and weighted average fixation margin of these transactions is USD 43,18 per barrel having a maturity of December 31, 2016. Zero cost collar transactions have been made for crude oil stocks at a total number of 3,3 million barrels and weighted average purchase and sales price of these transactions is USD 38,01 and USD 53,39 per barrel having a maturity of December 31, 2016. Commodity derivative transactions consists of product crack fixing transactions as of December 31, 2015. Weighted average fixation margin of transactions made for gasoline stocks of 3,9 million barrels is USD 15,21/barrel and it has a maturity of March 31, 2016.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project (“TEYDEB”) with incentive and the existence of research and development center have enabled the Company to benefit from government incentives (research and development deduction, income tax stoppage incentive, social security premium support and stamp tax exemption) according to Law, no 5746, Supporting Research and Development Activities. In this context, as of June 30, 2016, the Company’s expenditures within scope of R&D center amounted to TL 5.566 thousand (30 June 2015 - TL 4.827 thousand), within scope of TEYDEB amounted to TL 1.454 thousand (30 June 2015 – TL 1.941 thousand). As of June 30, 2016, TL 2.211 thousand (June 30, 2015 – TL 1.700 thousand) is recorded as incentive income out of total R&D expenditures.

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of June 30, 2016, investment expenditures amounting to TL 7.969.662 thousand (31 December 2015- TL 7.969.662 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2015 – TL 3.656.588 thousand) has been realized to be used in future periods. Moreover, as of June 30, 2016 within the scope of the Strategic Investment the Company offset TL 449.757 thousand from tax base (31 December 2015 - TL 344.638 thousand). Besides, the Company benefits from VAT exemption, VAT refund, exemption from customs duty, incentive for employer share of insurance premium and interest incentive within scope of Strategic Investment Incentive.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

21. Government grants (continued)

On 11 April, 2013, the Company was granted an investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for the purchasing of the wagons worth TL 75.000 thousand to be used in intercity railroad transportation. Support elements of this investment is to benefit from are, VAT exemption, interest incentive, customs duty exemption, tax discount rate (80%), rate of contribution to investment (40%) and employer's social security premium contribution (7 years).

On September 23, 2014, the Company was granted an investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of Batman Refinery project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (90%), rate of contribution to investment (50%) and interest incentive.

The Company received investment incentive on October 9, 2013 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey in scope of environmental project of Oil Sublimation and Recycling of Flare Gas. Investment benefits are VAT exemption, interest incentive and exemption from customs duty.

The Company received investment incentive on October 27, 2015 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of Kırıkkale Refinery Project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (60%), rate of contribution to investment (25%) and interest incentive..

The Group has benefited from insurance premium employer share incentives with 5% according to Law, no 5510.

As of 30 June, 2016 and 2015, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows

	30 June 2016	30 June 2015
Social security withholdings incentives	12.653	11.638
Interest incentive	6.894	11.866
Research and development incentives	2.211	1.700
Total	21.758	25.204

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

22. Commitments and contingent assets and liabilities

	30 June 2016		31 December 2015	
Guarantees received:	Original Currency:	TL Amount:	Original Currency:	TL Amount:
Letter of guarantees received		1.487.840		2.138.941
- Letter of guarantees in TL	931.761	931.761	919.053	919.053
- Letter of guarantees in USD	150.285	434.865	374.064	1.087.627
- Letter of guarantees in EUR	34.286	109.865	37.189	118.172
- Letter of guarantees in other currencies	-	11.349	-	14.089
Guarantee notes received		34.993		24.039
- Guarantee notes in TL	34.993	34.993	24.039	24.039
Guarantee letters received		194.680		195.380
- Guarantee letters received - TL	50.000	50.000	50.000	50.000
- Guarantee letters received - USD	50.000	144.680	50.000	145.380
Total guarantees received		1.717.513		2.358.360
Guarantees given:				
Letter of credits given		252.147		305.121
- Letter of credits in USD	79.007	228.615	99.796	290.168
- Letter of credits in EUR	5.285	16.935	4.706	14.953
- Letter of credits in other currencies	-	6.597	-	-
Letter of guarantees given		1.282.579		459.304
- Letter of guarantees in TL	505.009	505.009	400.570	400.570
- Letter of guarantees in USD	268.721	777.570	20.200	58.734
Letters of guarantee given to customs offices		1.384.919		1.541.278
- Letter of guarantees in TL	1.346.466	1.346.466	1.503.147	1.503.147
- Letter of guarantees in EUR	12.000	38.453	12.000	38.131
Letters of guarantee given to banks		280.960		225.073
- Letter of guarantees in USD	41.268	119.413	17.474	50.807
- Letter of guarantees in EUR	50.414	161.547	54.842	174.266
Total guarantees given		3.200.605		2.530.776

As at 30 June 2016 and 31 December 2015, letter of guarantees received are composed of guarantees from customers and suppliers. Guarantees given are mainly composed of guarantees given to government entities and customs offices. As at 30 June 2016, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 275.512 thousand (31 December 2015- TL 219.671 thousand) and for derivative financial instruments amounting to TL 5.448 thousand (31 December 2015 – TL 5.402 thousand).

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

22. Commitments and contingent assets and liabilities (continued)

Collaterals, pledges, mortgages given by the Group as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
A. CPMs given for companies in the name of its own legal personality	2.919.645	2.305.703
- TL	1.851.475	1.903.717
- USD	1.006.185	348.902
- EUR	55.388	53.084
- Other	6.597	-
B.CPMs given on behalf of the fully consolidated companies	280.960	225.073
- USD	119.413	50.807
- EUR	161.547	174.266
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
A. CPMs given for companies in the name of its own legal personality	-	-
Total	3.200.605	2.530.776

23. Equity

The Company's shareholders and their shareholding percentages as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	Share (%)	31 December 2015	Share (%)
Enerji Yatırımları A.Ş	127.714	51	127.714	51
Publicly owned	122.705	49	122.705	49
Total	250.419	100	250.419	100
Adjustment to share capital	1.344.243		1.344.243	
Total paid-in capital	1.594.662		1.594.662	

Adjustment to share capital" represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the Turkish Financial Reporting Standards.

Registered capital of the Company is TL 500.000 thousand and is divided into 50.000.000.000 shares with a registered nominal value of 1 Kuruş ("Kr") (31 December 2015 - 1 Kr) each. The authorised and paid-in share capital of the Company comprises 25.041.919.999 Group A shares with a registered nominal value of Kr 1 and one Group C share with privileges belonging to the Privatisation Administration.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

23. Equity (continued)

As per the articles of association of the Company, one member of the Board of Directors should be nominated by the Group C shareholders. Board of Directors' decisions on the supply needs of petroleum products of the Turkish military forces requires the consent of the member representing the Group C shareholders.

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.

Restricted reserves

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 loss and are not available for any other usage unless the reserve exceeds 50% of paid-in share capital.

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under “Restricted Reserves”. At 30 June 2016, the restricted reserves of the Company amount to TL 331.337 thousand (31 December 2015 - TL 163.401 thousand).

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TL 2.492.210 thousand as at 30 June 2016. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 8.097 thousand which are subject to corporate taxation when distributed as dividends

It is committed to distribute total balance remaining following the allocation of primary and secondary statutory reserves of distributable net profit of period related to 2015 and TL 1.627.725 thousand from secondary reserves as cash dividend and it has been fully paid off. TL 6,5 of net dividend payment and TL 6,5 of gross dividend payment have been made to a stock at a nominal value of TL 1,00 and at 650% ratio to resident institutions and non-resident partners obtaining premium through a registered office in Turkey or permanent representative and TL 6,5 gross dividend payment and TL 5,5250 net cash dividend payment to a stock at 650% ratio and having a nominal value of TL 1,00 to other shareholders.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

24. Revenue and cost of sales

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Domestic revenue	11.834.185	7.137.049	13.300.065	8.163.831
Export revenue	2.969.212	1.417.937	4.259.252	2.430.816
Service revenue	49.621	23.210	61.603	42.080
Gross revenue	14.853.018	8.578.196	17.620.920	10.636.727
Less: Sales discounts	(200.731)	(121.837)	(49.179)	(31.254)
Less: Sales returns	(7.717)	(3.205)	(22.433)	(4.424)
Sales (net)	14.644.570	8.453.154	17.549.308	10.601.049
Cost of goods sold	(11.952.498)	(6.772.478)	(15.135.710)	(8.993.638)
Cost of trade goods sold	(1.523.634)	(940.993)	(767.319)	(467.599)
Cost of services	(36.065)	(14.541)	(22.047)	(10.673)
Gross profit	1.132.373	725.142	1.624.232	1.129.139

Cost of sales:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Raw materials	10.775.762	6.183.342	14.170.054	8.452.113
Cost of trade goods sold	1.523.634	940.993	767.319	467.599
Energy expenses	476.811	237.221	436.436	250.108
Personnel expenses	256.082	119.763	218.224	115.595
Depreciation and amortization (Note 12-13)	241.460	121.307	155.962	92.330
Other production expenses	238.448	125.386	177.081	94.165
Cost of sales	13.512.197	7.728.012	15.925.076	9.471.910

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

25. General administrative expenses, marketing and selling expenses and research and development expenses

General administrative expenses:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Personnel expenses	155.900	69.861	112.062	51.907
Insurance expenses	44.289	20.679	30.852	18.274
Taxes and duties	30.969	18.493	29.503	16.142
Depreciation and amortisation expenses (Note 12-13)	28.401	14.274	29.719	20.091
Outsourced services	28.201	11.942	18.938	9.435
Office expenses	13.693	8.949	10.239	6.057
Subscription fees	9.615	5.581	9.323	5.337
Lawsuit and consultancy expenses	7.913	4.688	11.134	5.717
Rent expenses	3.785	1.784	5.523	2.876
Transportation and travel expenses	1.612	1.298	532	342
Donations	1.277	622	920	517
Other	19.946	9.761	13.623	6.182
Total general administrative expenses	345.601	167.932	272.368	142.877

Marketing, selling and distribution expenses:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Personnel expenses	36.906	18.151	30.172	15.821
Outsourced services	24.201	12.113	21.079	10.420
Carriage, storage and insurance expenses	15.456	12.610	13.225	9.455
Rent expenses	4.669	2.403	4.014	2.037
Energy expenses	2.883	1.922	1.332	709
Advertising expenses	474	284	628	159
Depreciation and amortisation expenses (Note 12)	1	-	1	-
Other	11.204	6.501	8.529	5.368
Total marketing, selling and distribution expenses	95.794	53.984	78.980	43.969

Research and development expenses:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Personnel expenses	10.843	4.966	9.527	4.210
License expenses	392	-	1.321	-
Lawsuit and consultancy expenses	254	231	130	13
Outsourced services	78	-	808	321
Other	1.897	1.084	407	237
Total research and development expenses	13.464	6.281	12.193	4.781

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

26. Other operating income/(expenses)

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Other operating income:				
Foreign exchange gain from trade payables	28.673	(32.316)	-	-
Credit finance gains	59.529	30.175	53.080	37.375
Rent income	1.748	834	1.343	656
Foreign exchange gain from trade receivables	-	-	5.338	1.788
Other	9.952	2.015	3.472	1.926
Total other operating income	99.902	708	63.233	41.745

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Other operating expense:				
Foreign exchange loss from trade payables	-	-	(333.742)	(103.510)
Credit finance charges	(5.320)	(3.787)	(2.932)	(1.113)
Foreign exchange loss from trade receivables	(1.124)	121	-	-
Other	(4.203)	(1.035)	(13.705)	(4.878)
Total other operating expense	(10.647)	(4.701)	(350.379)	(109.501)

27. Income/(expense) from investment activities

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Gain on sales of property plant and equipment and intangible assets	(136)	65	212	2
Total income/(expense) from investment activities	(136)	65	212	2

Türkiye Petrol Rafinerileri A.Ş.**Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)**

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

28. Financial income/(expenses)

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Financial income:				
Foreign exchange gains on borrowings	16.568	(107.328)	-	-
Interest income on deposits	114.983	57.324	61.052	28.252
Foreign exchange gains on deposits	-	-	234.377	2.174
Foreign exchange gains on derivative instruments	-	-	198.586	19.871
Total financial income	131.551	(50.004)	494.015	50.297
Financial expense:				
Foreign exchange losses on deposits	(68.898)	92.533	-	-
Interest expenses	(286.844)	(165.313)	(246.828)	(160.065)
Foreign exchange losses on derivative instruments	(96.857)	(15.813)	-	-
Foreign exchange losses on borrowings	-	-	(547.895)	(81.365)
Other	(19.703)	(9.706)	(2.082)	(1.081)
Total financial expense	(472.302)	(98.299)	(796.805)	(242.511)

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

29. Tax assets and liabilities

i) Corporation tax:

	30 June 2016	31 December 2015
Current period corporate tax provision	98.025	133.346
Current year tax assets	(945)	(4.317)
Corporation tax provision	97.080	129.029

Turkish tax legislation does not permit a parent company, its subsidiaries and its joint ventures to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on an individual-entity basis.

The corporation tax rate for the fiscal year 2016 is 20 % (2015 - 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

Investment incentive income

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuüm Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 30 June 2016, investment expenditures amounting to TL 7.969.662 thousand (31 December 2015 - TL 7.969.662 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2015 – TL 3.656.588 thousand) has been realized to be used in future periods. Moreover, as of 30 June 2016 within the scope of the Strategic Investment the Company offset TL 449.757 thousand from tax base (31 December 2015 – TL 344.638 thousand).

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

29. Tax assets and liabilities (continued)

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 30 June 2016 and 31 December 2015 using the enacted tax rates are as follows:

	Birikmiş geçici farklar		Ertelenmiş vergi (yükümlülüğü)/varlığı	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	742.395	523.313	(148.479)	(104.663)
Fair value difference of derivative instruments	-	217.134	-	(43.427)
Prepaid expenses	121.033	137.557	(24.207)	(27.511)
Financial assets fair value difference	86.591	86.591	(4.330)	(4.330)
Deferred tax liability			(177.016)	(179.931)
Investment incentive income	7.969.662	7.969.662	3.656.588	3.656.588
Investment incentive income net-offed by tax base within the scope of Strategic Investment Incentive			(449.757)	(344.638)
Employment termination benefits and seniority incentive bonus provision	160.994	154.952	32.199	30.990
Impairment on inventories	1.155	102.114	231	20.423
Provision for unused vacation liability	41.290	39.777	8.258	7.956
Provision for impairment on spare parts	27.506	27.506	5.501	5.501
Provisions for pending claims and lawsuits	14.435	13.405	2.887	2.681
Unearned credit finance income, (net)	2.250	6.011	450	1.202
Fair Values at derivative instruments	33.254	-	6.650	-
Financial Losses	2.305	-	461	-
Other	63.193	8.639	12.639	1.731
Deferred tax assets			3.276.107	3.382.434
Deferred tax asset / (liability), net			3.099.091	3.202.503

The movement of deferred taxes is as follows:

	2016	2015
Deferred tax asset / (liability), net		
1 January	3.202.503	2.623.134
Charge for the period	(27.987)	317.040
Charge to equity		
- Hedging reserve	12.815	56.669
Investment incentive income	(88.240)	-
30 June	3.099.091	2.996.843

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

30. Profit for shares

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Profit for the year attributable to shareholders of the Company	409.429	330.517	985.232	710.072
Weighted average number of shares with nominal value				
of Kr 1 each	25.041.920.000	25.041.920.000	25.041.920.000	25.041.920.000
Basic and diluted earnings per share in Kr	1,63	1,32	3,93	2,83

31. Related party transactions

Related party transactions were classified according to the following groups and contain all descriptions in this footnote.

- (1) Joint ventures
- (2) Koç Holding group companies
- (3) Ultimate parent

a) Deposits:

	30 June 2016	31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	2.137.158	1.287.266
Total	2.137.158	1.287.266

b) Due from related parties

	30 June 2016	31 December 2015
Opet Petrolcülük A.Ş. (1)	256.812	309.098
THY OPET Havacılık Yakıtları A.Ş. (1)	228.035	274.819
Aygaz A.Ş. (2)	67.817	70.583
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	5.143	4.162
Other (2)	19	11
Total	557.826	658.673

As of June 30, 2016, Tüpraş has offset TL 475.000 thousand (31 December 2015 - TL 125.000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

31. Related party transactions (continued)

c) Due to related parties:

	30 June 2016	31 December 2015
Aygaz A.Ş. (2)	16.699	17.112
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	11.683	3.510
Koç Sistem Bilgi ve İletişim A.Ş. (2)	6.123	10.667
Ark İnşaat A.Ş. (2)	5.113	12.656
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	4.683	5.559
Opet Petrolcülük A.Ş. (1)	3.726	5.275
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	2.565	2.325
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	512	648
Setur Servis Turistik A.Ş. (2)	194	536
Koç Holding A.Ş. (3)	-	17.469
Other (2)	8.881	4.516
Total	60.179	80.273

d) Advances given for property, plant and equipment:

	30 June 2016	31 December 2015
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	23.698	17.957
Ark İnşaat A.Ş. (2)	12.381	6
Total	36.079	17.963

e) Bank borrowings:

	30 June 2016	31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	5	-
Total	5	-

f) Product and service sales:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
THY OPET Havacılık Yakıtları A.Ş. (1)	1.670.316	946.249	2.228.633	1.296.267
Opet Petrolcülük A.Ş. (1)	1.556.916	986.041	1.561.774	969.902
Aygaz A.Ş. (2)	148.090	76.708	164.243	98.236
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	13.597	6.647	14.581	8.066
Other (2)	4	-	997	409
Total	3.388.923	2.015.645	.970.228	2.372.880

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

31. Related party transactions (continued)

g) Product and service purchases:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Aygaz A.Ş. (2)	186.132	100.663	181.314	96.101
Opet Petrolcülük A.Ş. (1)	62.745	38.623	30.797	17.497
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	64.340	61.140	75.833	70.594
THY OPET Havacılık Yakıtları A.Ş. (1)	28.349	15.186	38.024	8.964
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	24.957	13.483	25.896	13.050
Koç Sistem Bilgi ve İletişim A.Ş. (2)	12.178	7.899	9.985	6.524
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	9.549	4.070	8.493	3.589
Koç Holding A.Ş. (3) (*)	8.654	2.232	5.131	2.565
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	4.139	2.381	3.654	2.024
Other (2)	9.602	5.012	17.292	10.718
Total	410.645	250.689	396.419	231.626

(*) It includes remuneration of expenses, occurred related to companies provided services in care of Koç Holding A.Ş. including personnel and senior management expenses in acknowledgement of services such as finance, law, tax and senior management given to companies in the company structure of our main partner Koç Holding A.Ş, which are billed to our Company as a result of its distribution in the framework of "11-Intra-group Services" of General Communique numbered 1 on Distribution of Hidden Income through Transfer Pricing.

(**) Includes paid and accrued insurance premiums in the periods ended 30 June 2016 and 2015 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agency.

h) Fixed asset purchases:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Ark İnşaat A.Ş. (2)	26.496	17.705	30.524	17.417
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	6.270	495	89.183	-
Koç Sistem Bilgi ve İletişim A.Ş. (2)	343	329	-	-
Entek Elektrik Üretim A.Ş. (2)	-	-	27.412	-
Other (2)	11	6	751	379
Total	33.120	18.535	147.870	17.796

i) Remuneration of board of directors and executive management:

The senior management of the company is determined as Member and Chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TL 21.543 thousand as of period ending on 30 June 2016. (30 June 2015 – TL 7.645 thousand). TL 17.200 thousand of this amount is related to severance payments and the rest of amount consists of short term benefits (30 June 2015 – TL 3.326 thousand).

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

31. Related party transactions (continued)

j) Financial expenses paid to related parties:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Yapı ve Kredi Bankası A.Ş. (2)	993	260	2.832	630
Yapı Kredi Faktoring A.Ş. (2)	-	-	2.430	725
Total	993	260	5.262	1.355

k) Time deposit interest income:

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Yapı ve Kredi Bankası A.Ş. (2)	56.733	28.507	34.146	24.078
Total	56.733	28.507	34.146	24.078

l) Donations:

As of 30 June 2016, total donation is amounting to TL 1.129 thousand (30 June 2015- TL 50 thousand).

32. Financial instruments and financial risk management

The Group’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Foreign exchange risk

The Group is exposed to foreign exchange risk due to rate changes on the translation of foreign currency assets and liabilities to local currency. These risks are monitored by management by analysis of the foreign currency position.

The net financial liabilities of the Group are exposed to foreign exchange risk due to raw material imports from foreign countries and export sales. The Group manages such risks by regularly reflecting the foreign exchange rate changes to its product prices.

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the six month interim period ended 30 June 2016 (continued)

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

32. Financial instruments and financial risk management (continued)

The table below summarizes the foreign currency position risk of the Group as at 30 June 2016 and 31 December 2015. Foreign currency denominated assets and liabilities of the Group and related foreign currency position are as follows:

	30 June 2016	31 December 2015
Assets	2.726.041	2.144.050
Liabilities	(12.208.925)	(10.446.529)
Net balance sheet foreign currency position	(9.482.884)	(8.302.479)
Net foreign currency position of derivative financial instruments	2.724.630	855.176
Net foreign currency position	(6.758.254)	(7.447.303)

The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 30 June 2016, the Group has raw materials and petroleum products amounting to TL 2.437.044 thousand (31 December 2015 - TL 1.962.440 thousand) (Note 8).

Furthermore, the Group has defined that RUP investment loans amounted USD 1.567.553 thousand (TL 4.535.871 thousand) as hedging instrument against incurred USD/TL spot rate risk due to highly probable forecasted export sales revenues in USD (31 December 2015 – USD 1.709.447 thousand equivalent to TL 4.970.388 thousand), under this scope, beginning from March 1, 2015, has been practicing cash flow hedge accounting. Foreign exchange income/expense related to RUP investment loans are recognized in “Gains/ (losses) on hedging” under shareholders’ equity until the cash flow related to hedged item will be realized.

Except from related natural hedge amount and RUP investment loans defined as hedging under the scope of cash flow hedge, as of June 30, 2016, the Group has net foreign currency position amounting to TL 214.661 thousand (31 December 2015 – TL 514.475 thousand, net open position).

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the three month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

32. Financial instruments and financial risk management (continued)

DÖVİZ POZİSYONU TABLOSU										
	TL equivalent (In terms of functional currency)	30 June 2016				31 December 2015				
		USD	EUR	GBP	Other	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	51.289	17.725	-	-	-	31.286	10.757	3	-	-
Monetary financial assets(including cash, banks)	2.605.468	661.588	215.557	95	-	1.598.597	539.810	9.102	29	-
Derivative Instruments	4.358	1.506	-	-	-	-	-	-	-	-
Other	2.438	699	130	-	-	447.514	153.793	87	16	-
Current assets	2.663.553	681.518	215.687	95	-	2.077.397	704.360	9.192	45	-
Other	62.488	18.694	2.620	-	-	66.653	1.649	18.347	-	3.558
Non-current assets	62.488	18.694	2.620	-	-	66.653	1.649	18.347	-	3.558
Total assets	2.726.041	700.212	218.307	95	-	2.144.050	706.009	27.539	45	3.558
Trade payables	3.398.099	1.105.297	56.900	1.827	10.416	2.628.025	881.949	19.480	(134)	2.345
Financial liabilities	995.529	331.623	11.218	-	-	1.005.108	331.037	13.401	-	-
Other monetary liabilities	127.442	43.714	297	-	-	15.389	5.023	247	-	-
Current liabilities	4.521.070	1.480.634	68.415	1.827	10.416	3.648.522	1.218.009	33.128	(134)	2.345
Financial liabilities	7.643.661	2.309.044	300.278	-	-	6.790.725	2.285.919	45.376	-	-
Other monetary liabilities	44.194	14.484	712	-	-	7.282	1.939	517	-	-
Non-current liabilities	7.687.855	2.323.528	300.990	-	-	6.798.007	2.287.858	45.893	-	-
Total liabilities	12.208.925	3.804.162	369.405	1.827	10.416	10.446.529	3.505.867	79.021	(134)	2.345
Net asset/(liability) position of off-balance sheet foreign currency derivatives	2.724.630	886.235	50.000	-	-	855.176	294.117	-	-	-
Total amount of off-balance sheet derivative financial assets	2.724.630	886.235	50.000	-	-	855.176	294.117	-	-	-
Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(6.758.254)	(2.217.715)	(101.098)	(1.732)	(10.416)	(7.447.303)	(2.505.741)	(51.482)	179	1.213
Net monetary foreign currency asset/(liability) position	(9.552.168)	(3.124.849)	(153.848)	(1.732)	(10.416)	(8.816.646)	(2.955.300)	(69.916)	163	(2.345)
Fair value of derivative instruments	119.070	41.149	-	-	-	227.882	78.375	-	-	-

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Notes to the consolidated financial statements for the three month interim period ended 30 June 2016 (continued)
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32. Financial instruments and financial risk management (continued)

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 30 June 2016 and 31 December 2015.

Statement of foreign currency risk sensitivity				
30 June 2016				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(904.206)	904.206	(453.587)	453.587
Amount hedged for USD risk (-) (*)	710.028	(710.028)	-	-
USD net effect	(194.178)	194.178	(453.587)	453.587
10% change in EUR rate:				
Euro net assets/ liabilities	(49.299)	49.299	-	-
Amount hedged for Euro risk (-)	16.022	(16.022)	-	-
EUR net effect	(33.277)	33.277	-	-
TOTAL	(227.455)	227.455	(453.587)	453.587
31 December 2015				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(859.283)	859.283	(497.039)	497.039
Amount hedged for USD risk (-) (*)	582.556	(582.556)	-	-
USD net effect	(276.727)	276.727	(497.039)	497.039
10% change in EUR rate:				
Euro net assets/ liabilities	(22.217)	22.217	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(22.217)	22.217	-	-
TOTAL	(298.944)	298.944	(497.039)	497.039

The Company accounted RUP investment loans in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans are recognised in equity. 10 percent increase and decrease effect of foreign exchange rates are calculated with the same method and the calculated foreign exchange gains/losses are presented as hedged portion in the foreign exchange sensitivity table. Furthermore, the hedged portion of foreign exchange gains/losses via forwards and cross currency swap transactions is classified as the amount hedged against US dollar in the statement of exchange rate sensitivity analysis..

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Notes to the consolidated financial statements for the three month interim period ended 30 June 2016 (continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

32. Financial instruments and financial risk management (continued)

Export and import

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Export				
USD (equivalent of thousand TL)	2.969.203	1.417.937	4.259.109	2.314.806
Total	2.969.203	1.417.937	4.259.109	2.314.806
Import				
USD (equivalent of thousand TL)	11.362.512	6.645.248	13.670.004	5.635.657
Total	11.362.512	6.645.248	13.670.004	5.635.657

33. Subsequent events

Tüpraş concluded a three year non-recourse and 8 year naked loan contract having a Libor+2,14 interest rate at an amount of USD 150 million with European Bank for Reconstruction and Development (EBRD) on August 1, 2016 within the scope of energy efficiency investment program.