

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

**1 JANUARY - 30 JUNE 2017 CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**



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

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION**

To the Board of Directors of
Türkiye Petrol Rafinerileri A.Ş.

Introduction

1. We have reviewed the accompanying consolidated statement of financial position of Türkiye Petrol Rafinerileri A.Ş. (the "Company") and its subsidiaries ("collectively referred as the Group") as at 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, consolidated changes in equity, consolidated cash flows and other explanatory notes for the six-month period then ended ("condensed consolidated interim financial information"). The management of the Group is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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



Other matter

4. The interim condensed consolidated financial information of the Group as at 30 June 2016 and for the six-month period then ended was reviewed by another audit firm. On 11 August 2016, the audit firm expressed an unqualified conclusion on the interim condensed consolidated financial information of the Group as at 30 June 2016 and for the six-month period then ended. The consolidated financial statements of the Group as at 31 December 2016 and for the year then ended which were initially issued on 13 February 2017, and audited by the same audit firm, are reissued on 2 August 2017 due to the correction of a classification error on the consolidated cash flow statement and an unqualified opinion is expressed by the audit firm.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Ediz Günsel, SMMM
Partner

İstanbul, 2 August 2017

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

TABLE OF CONTENTS	PAGE
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION	1
CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	2
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY	3
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS.....	4
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	5 - 50
NOTE 1 ORGANIZATION OF THE GROUP AND NATURE OF OPERATIONS	5-6
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	7-12
NOTE 3 BUSINESS COMBINATIONS.....	12
NOTE 4 CASH AND CASH EQUIVALENTS.....	13
NOTE 5 FINANCIAL LIABILITIES.....	14-17
NOTE 6 TRADE RECEIVABLES AND PAYABLES.....	17-19
NOTE 7 OTHER RECEIVABLES AND PAYABLES.....	19
NOTE 8 INVENTORIES	19-20
NOTE 9 FINANCIAL INVESTMENTS.....	20
NOTE 10 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD.....	20-21
NOTE 11 INVESTMENT PROPERTY	21
NOTE 12 PROPERTY, PLANT AND EQUIPMENT	22
NOTE 13 INTANGIBLE ASSETS	23
NOTE 14 PREPAID EXPENSES.....	24
NOTE 15 OTHER ASSETS AND LIABILITIES	24-26
NOTE 16 DEFERRED INCOME.....	26
NOTE 17 PROVISIONS	26-29
NOTE 18 LIABILITIES FOR EMPLOYEE BENEFITS.....	29
NOTE 19 OTHER PAYABLES	29
NOTE 20 DERIVATIVE INSTRUMENTS	30-31
NOTE 21 GOVERNMENT GRANTS	31-32
NOTE 22 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES.....	33-34
NOTE 23 EQUITY	34-36
NOTE 24 SALES AND COST OF SALES.....	36
NOTE 25 GENERAL ADMINISTRATIVE EXPENSES MARKETING, SELLING AND DISTRIBUTION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	37
NOTE 26 OPERATING INCOME/(EXPENSES)	38
NOTE 27 INCOME FROM INVESTMENT ACTIVITIES.....	38
NOTE 28 FINANCIAL INCOME/(EXPENSES)	39
NOTE 29 TAX ASSETS AND LIABILITIES	39-41
NOTE 30 EARNINGS PER SHARE	41
NOTE 31 RELATED PARTY TRANSACTIONS.....	41-44
NOTE 32 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	44-49
NOTE 33 SUBSEQUENT EVENTS.....	50

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

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

Assets	Notes	Reviewed 30 June 2017	Audited 31 December 2016
Current assets		15.141.275	13.667.060
Cash and cash equivalents	4	5.540.022	6.050.721
Trade receivables	6	3.997.830	3.180.282
Due from related parties	6, 31	1.114.745	751.824
Trade receivables from third parties		2.883.085	2.428.458
Other receivables	7	37.450	25.626
Other receivables from third parties		37.450	25.626
Derivative Instruments	20	336.485	34.731
Inventories	8	4.188.188	3.608.439
Prepaid expenses	14	117.119	97.903
Current income tax assets	29	115.159	95.928
Other current assets	15	809.022	573.430
Non-current assets		17.476.006	17.551.120
Financial investments	9	5.500	4.000
Investments accounted for using the equity method	10	972.762	923.994
Investment properties	11	4.621	4.621
Property, plant and equipment	12	11.727.966	11.741.476
Intangible assets	13	52.325	55.106
Other intangible assets		52.325	55.106
Derivative instruments	20	79.522	368.882
Prepaid expenses	14	321.125	238.352
Deferred tax assets	29	3.311.996	3.227.031
Other non-current assets	15	1.000.189	987.658
Total assets		32.617.281	31.218.180
Liabilities			
Current liabilities		15.901.792	12.660.262
Short-term financial liabilities	5	142.886	385.524
Current portion of long term financial liabilities	5	3.863.795	1.572.434
Trade payables	6	7.610.162	6.987.843
Due to related parties	6, 31	88.817	88.017
Trade payables, third parties		7.521.345	6.899.826
Liabilities for employee benefits	18	46.277	92.442
Other payables	19	11.248	27.953
Due to related parties	19, 31	-	18.546
Other payables to third parties		11.248	9.407
Derivative instruments	20	56.377	29.454
Deferred income	16	3.220	15.417
Current income tax liabilities	29	259.687	141.217
Provisions	17	128.508	65.056
Provisions for employee benefits		46.212	13.571
Other provisions		82.296	51.485
Other current liabilities	15	3.779.632	3.342.922
Non-current liabilities		7.651.368	10.390.885
Long-term financial liabilities	5	7.424.983	10.176.307
Provisions	17	218.600	207.415
Provisions for employee benefits		218.600	207.415
Deferred income	16	4.098	3.992
Derivative Instruments	20	2.406	1.782
Other non-current liabilities	15	1.281	1.389
Total liabilities		23.553.160	23.051.147
Equity		9.064.121	8.167.033
Share capital	23	250.419	250.419
Adjustment to share capital	23	1.344.243	1.344.243
Share premiums/discounts		-	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		(7.986)	(7.986)
Gains/ losses on revaluation and remeasurement		(6.124)	(6.124)
Actuarial gain/(loss) arising from defined benefit plans		(6.124)	(6.124)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(1.862)	(1.862)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(873.007)	(986.870)
Hedging gains/(losses)		(1.018.743)	(1.132.725)
Cash flow hedge gains/(losses)		(1.018.743)	(1.132.725)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		145.736	145.855
Restricted reserves	23	279.668	331.337
Retained earnings		5.651.805	5.363.804
Net income		2.325.983	1.793.267
Total equity attributable to equity holders of the parent		8.971.125	8.088.386
Non-controlling interests		92.996	78.647
Total equity and liabilities		32.617.281	31.218.180

The condensed interim consolidated financial statements for the period ended 30 June 2017 have been approved by the Board of Directors on 2 August 2017.

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

	Notes	Reviewed		Reviewed	
		1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Revenue	24	25.000.318	12.630.679	14.644.570	8.453.154
Cost of sales	24	(21.796.759)	(11.035.588)	(13.512.197)	(7.728.012)
Gross profit		3.203.559	1.595.091	1.132.373	725.142
General administrative expenses	25	(368.617)	(189.753)	(345.601)	(167.932)
Marketing, selling and distribution expenses	25	(119.754)	(63.937)	(95.794)	(53.984)
Research and development expenses	25	(8.790)	(3.973)	(13.464)	(6.281)
Other operating income	26	139.980	84.748	99.902	708
Other operating expenses	26	(56.556)	55.577	(10.647)	(4.701)
Operating profit / (loss)		2.789.822	1.477.753	766.769	492.952
Income from investment activities	27	926	-	-	65
Expense from investment activities	27	(13.073)	(13.073)	(136)	-
Income/(loss) from investments accounted by equity method	10	118.887	61.762	68.671	53.938
Operating profit before financial income/(expense)		2.896.562	1.526.442	835.304	546.955
Financial income	28	227.153	64.792	131.551	(50.004)
Financial expense (-)	28	(637.158)	(156.406)	(472.302)	(98.299)
Profit before tax from continued operations		2.486.557	1.434.828	494.553	398.652
Tax income / (expense)		(147.277)	28.693	(76.428)	(63.641)
Taxes on income (-)		(259.687)	(147.419)	(48.441)	(44.896)
Deferred tax income / (expense)	29	112.410	176.112	(27.987)	(18.745)
Net income from continued operations		2.339.280	1.463.521	418.125	335.011
Other comprehensive income:					
Items to be reclassified to profit or loss		114.915	190.470	(52.103)	(134.606)
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		(119)	(1.305)	(30)	453
Income/(loss) from translation of foreign currency of investments using equity method		(119)	(1.305)	(30)	453
Income/(expense) relating to avoidance of risk of cash flow		142.479	237.460	(64.888)	172.591
Income/(loss) of avoidance of risk cash flow		142.479	237.460	(64.888)	(172.591)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		(27.445)	(45.685)	12.815	37.532
Deferred tax income/(expense)		(27.445)	(45.685)	12.815	37.532
Other comprehensive income/(expense)		114.915	190.470	(52.103)	(134.606)
Total comprehensive income		2.454.195	1.653.991	366.022	200.405
Distribution of income for the period:					
Non-controlling interests		13.297	6.362	8.696	4.494
Attributable to equity holders of the parent		2.325.983	1.457.159	409.429	330.517
Distribution of total comprehensive income					
Non-controlling interests		14.349	8.170	8.444	4.437
Attributable to equity holders of the parent		2.439.846	1.645.821	357.578	195.968
Earnings (loss) per share from continued operations					
Earnings per share with nominal value Kr 1 each (Kr)	30	9,29	5,82	1,63	1,32

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”), 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	Gains/losses on revaluation and remeasurement	Share of other comprehensive income accounted for	Gains/losses on hedging	Share of other comprehensive income accounted for	Restricted reserves	Retained earnings	Net Profit for the period	Equity holders of the parent	Non-controlling interests	
				Actuarial gain/(loss) arising from defined benefit plans	investments using equity method that will not be reclassified to profit or loss	Cash flow hedge gains/(losses)	Share of other comprehensive income accounted for investments using equity method that will be reclassified to profit or loss						
Reviewed													
1 January 2016	250.419	1.344.243	172	(2.771)	(851)	(510.448)	99.817	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 income 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	(2.771)	(851)	(562.269)	99.787	331.337	5.363.804	409.429	7.233.300	71.784	7.305.084
Reviewed													
1 January 2017	250.419	1.344.243	172	(6.124)	(1.862)	(1.132.725)	145.855	331.337	5.363.804	1.793.267	8.088.386	78.647	8.167.033
Transfers	-	-	-	-	-	-	-	-	1.793.267	(1.793.267)	-	-	-
Dividends paid	-	-	(172)	-	-	-	-	(51.669)	(1.505.266)	-	(1.557.107)	-	(1.557.107)
- Net income for the period	-	-	-	-	-	-	-	-	-	2.325.983	2.325.983	13.297	2.339.280
- Other comprehensive income	-	-	-	-	-	113.982	(119)	-	-	-	113.863	1.052	114.915
Total comprehensive income	-	-	-	-	-	113.982	(119)	-	-	2.325.983	2.439.846	14.349	2.454.195
30 June 2017	250.419	1.344.243	-	(6.124)	(1.862)	(1.018.743)	145.736	279.668	5.651.805	2.325.983	8.971.125	92.996	9.064.121

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”), unless otherwise indicated)

	Notes	Reviewed 1 January - 30 June 2017	Reviewed 1 January - 30 June 2016
Cash flows from operating activities		2.107.420	2.006.780
Profit/(loss)		2.339.280	418.125
Adjustment for reconciliation of profit/(loss)		720.999	555.516
Adjustment for depreciation and amortisation expense	12, 13	284.666	269.862
- Adjustments for stock impairment(cancellation)		13.470	(100.959)
- Adjustments for stock impairment	8	13.470	(100.959)
- Adjustment for provisions	17	76.851	41.224
- Adjustment for interest (income) and expense	28	117.118	188.386
- Adjustment for unrealized foreign currency translation differences	28	43.977	68.898
- Adjustment for fair value (gain) or loss		(9.692)	96.787
- Adjustment for income of investments accounted by equity method	10	(118.887)	(68.671)
- Adjustment for tax expenses(income)		147.277	76.428
- Adjustment for (gain) / loss on sales of property, plant and equipment	27	12.147	136
- Adjustment for other items related with cash flow of investment or financial activities	28	138.693	(16.568)
- Other adjustments for reconciliation of profit/(loss)		15.379	(7)
Changes in working capital		(759.023)	854.855
Adjustment for decrease/(increase) in trade receivables		(827.861)	(53.562)
Adjustment for decrease/(increase) in other receivables related with operations		(265.737)	335.374
Adjustment for decrease/(increase) in inventories		(593.219)	(378.824)
Adjustment for increase/(decrease) in trade payables		617.253	961.438
Adjustment for increase/(decrease) in other payables related with operations		310.541	(9.571)
Cash flows from operating activities		2.301.256	1.828.496
Tax returns/(payments)		(160.448)	(41.734)
Other cash inflow/(outflow)		(33.388)	220.018
Cash flows from investing activities		(308.221)	(330.529)
Cash outflows in subsidiaries regarding additional share purchases		(1.500)	-
Cash inflows from the sales of property, plant and equipment and intangible assets		2.456	264
Cash outflows from the purchase of property, plant and equipment and intangible assets		(379.177)	(372.793)
Dividends received	10	70.000	42.000
Cash flows from financing activities		(2.339.240)	(122.457)
Cash inflows from financial liabilities	5	23.009.300	16.714.096
Cash outflows from financial liabilities	5	(23.685.054)	(15.028.064)
Cash inflows from derivative instruments		8.175	4.605
Dividends paid		(1.557.107)	(1.627.725)
Interest paid		(350.662)	(294.807)
Interest received		236.108	109.438
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		(540.041)	1.553.794
Impact of foreign currency translation differences on cash and cash equivalents		(43.977)	(68.898)
Net increase/(decrease) in cash and cash equivalents		(584.018)	1.484.896
Cash and cash equivalents at beginning of period	4	5.022.402	2.199.168
Cash and cash equivalents at end of period	4	4.438.384	3.684.064

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 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. (“BIST”) (previously known as Istanbul Stock Exchange (“ISE”)) since 1991. As at 30 June 2017, the shares quoted on the BIST are 49% of the total shares. As of 30 June 2017, 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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:

Subsidiaries	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
Pendik Tankercilik A.Ş. (“Pendik”)	Turkey	Crude oil and petroleum products transportation
Tuzla Tankercilik A.Ş. (“Tuzla”)	Turkey	Crude oil and petroleum products transportation
Körfez 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 condensed interim consolidated financial statements for the period ended 30 June 2017 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 2017 total assets of Körfez is TRY7,470 thousand and net period loss of Körfez is TRY 974 thousand.

Joint ventures	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 2017 is 5.444 (31 December 2016 – 5.296).

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

The condensed interim consolidated 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”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the Communiqué, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as published by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”).

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 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 2016.

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 interim condensed consolidated financial statements are presented in TRY, 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 condensed consolidated financial statements as at 30 June 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2017. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

2.1. Basis of presentation (Continued)

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS) (Continued)

a) Standards, amendments and interpretations applicable as at 30 June 2017

- Amendments to TAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Annual improvements 2014-2016;
TFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

b) Standards, amendments and interpretations applicable as at 30 June 2017

- Amendments to TFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- TFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to TFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

2.1. Basis of presentation (Continued)

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS) (Continued)

- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if TFRS 15, ‘Revenue from Contracts with Customers’, is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Amendments to TFRS 4, ‘Insurance contracts’ regarding the implementation of TFRS 9, ‘Financial Instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard— TAS 39.
- Amendment to TAS 40, ‘Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014–2016;
TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- TFRS 17, ‘Insurance contracts’, effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

2.1. Basis of presentation (Continued)

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS) (Continued)

- The possible effects regarding the amendments in TFRS 15, TFRS 9, TFRS 16 on the consolidated financial statements has been evaluated by the Group management. According to the evaluations made throughout the period, considering agreements made with customers and related costs, it is anticipated that subjects such as sales guarantees, combined goods and services sales to be assessed under TFRS 15, will not have a significant impact on the consolidated financial statements of the Group. The Group management will reevaluate the effects of TFRS 15 considering possible future developments. According to TFRS 16, total amount of leased assets under operational lease is determined as of the balance sheet date and the evaluation of assets planned to be acquired in the future by operational lease has been performed. TFRS 9 includes requirements for measurement and classification of financial assets and liabilities, and also involves expected credit risk model, which will replace impairment loss model. As of 30 June 2017, considering the insignificant amount of doubtful receivables in the total amount of trade receivables, it is predicted that the expected credit risk model will not have any significant effect on the consolidated financial statements of the Group. Evaluations of the Group management are ongoing regarding the possible effects of these new standards.

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 TRY 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 “Income/(loss) from translation of foreign currency of investments using equity method” under the other comprehensive income statement and shareholders’ equity.

2.1.4 Principles of consolidation

- The condensed consolidated financial statements for the interim period ended 30 June 2017 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2016 and include financial statements of Tüpraş, and its Subsidiaries.
- At 30 June 2017, there are no changes in voting rights or proportion of effective interest on subsidiaries and joint ventures that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2016.

	30 June 2017		31 December 2016	
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	79,98	79,98
Karaköy	79,98	79,98	79,98	79,98
Çengelköy	79,98	79,98	79,98	79,98
Pendik	79,98	79,98	79,98	79,98
Tuzla	79,98	79,98	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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

- c) Joint ventures are companies in which the Group has joint control. Joint control is the contractually agreed sharing of control. The control, exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. 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 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 table below shows the total interest of the Group in its joint ventures accounted by equity method as at 30 June 2017 and 31 December 2016:

	30 June 2017		31 December 2016	
	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 (%)
Joint ventures 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

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 2017 comparatively with the consolidated statement of financial position as of 31 December 2016. Also the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 30 June 2017 are presented comparatively with the consolidated financial statements for the interim period ended 30 June 2016.

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 Seasonality of operations

There is no seasonality effect depending on the dynamics of petroleum sector that the Group operates in which could affect the financial statements.

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 30 June 2017, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 June 2017 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 2016. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2016.

3. Business Combinations

No business combinations occurred during the period 30 June 2017.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

4. Cash and cash equivalents

	30 June 2017	31 December 2016
Cash at banks		
Revenue share (blocked)	1.084.286	1.002.012
Time deposit	4.420.177	5.016.257
Demand deposits	18.207	6.145
Time deposit interest accruals	17.352	26.307
Total	5.540.022	6.050.721

Revenue Share (blocked)

As required by the Petroleum Market License Regulation, the revenue share collected from the customers by the Group is held at banks and considered as blocked deposit in the Company’s books. The revenue share was invested as demand deposits with overnight interest rate as at 30 June 2017 and 31 December 2016 (Note 15).

Time deposits and other cash and cash equivalents

As at 30 June 2017 and 31 December 2016, the maturity and the currency information of the time deposits, is as follows:

30 June 2017

	Effective rate of interest %	Less than 1 month	1 - 3 months	Total
TRY	15,00	2.586.700	-	2.586.700
USD	4,46	708.450	23.904	732.354
EUR	2,49	1.091.695	9.090	1.100.785
GBP	1,40	338	-	338
Time deposit		4.387.183	32.994	4.420.177

31 December 2016

	Effective rate of interest %	Less than 1 month	1 - 3 months	Total
TRY	11,40	945.212	-	945.212
USD	3,63	2.884.335	181.826	3.066.161
EUR	1,98	1.003.834	557	1.004.391
GBP	1,30	493	-	493
Time deposit		4.833.874	182.383	5.016.257

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 30 June 2017 and 30 June 2016 are as follows:

	30 June 2017	30 June 2016
Cash and cash equivalents	5.540.022	4.600.346
Blocked deposits (Revenue share)	(1.084.286)	(906.004)
Less: Time deposit interest accruals	(17.352)	(10.278)
Cash and cash equivalents	4.438.384	3.684.064

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

5. Financial liabilities

	30 June 2017	31 December 2016
Short-term financial liabilities		
Short-term bank borrowings	142.088	385.162
Interest accruals of bank borrowings	798	362
Total	142.886	385.524
Short-term portion of long-term bank borrowings:		
Short-term portion of long-term bank borrowings	1.307.440	1.265.535
Bonds issued	2.454.970	200.000
Interest accruals of bank borrowings	84.056	81.435
Interest accruals of bonds issued	17.329	25.464
Total	3.863.795	1.572.434
Long-term financial liabilities:		
Long-term bank borrowings	7.424.983	7.712.045
Bonds issued	-	2.463.440
Interest accruals of bank borrowings	-	822
Total	7.424.983	10.176.307
Total financial liabilities	11.431.664	12.134.265

As explained by Tüpraş in material disclosures dated 18 December 2014, 31 December 2014, 16 January 2015 and 19 January 2015, without internal public offers, the necessary permits have been received for the bond issue up to a nominal amount of TRY 1 billion for the qualified investors and a nominal amount of TRY 200 million bond issue with 728 days maturity and a fixed coupon paid per six months, respectively, was completed on 19 January 2015. The related bond was amortized as of 16 January 2017.

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 the 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

5. Financial liabilities (Continued)

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) 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 2017 the outstanding amount of the loans is USD 1.407 million (31 December 2016 – USD 1.555 million)

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 30 June 2017 and 31 December 2016 are as follows:

			30 June 2017
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	2,22	2.500.000	8.768
TRY borrowings (*)	-	105.298.668	105.299
EUR borrowings	2,89	7.000.000	28.021
Interest accruals			798
Total short-term financial liabilities			142.886
Short-term portion of long-term financial liabilities:			
USD borrowings	3,34	327.148.145	1.147.342
USD bonds issued	4,17	700.000.000	2.454.970
EUR borrowings	3,21	9.584.273	38.366
TRY borrowings	12,94	121.732.026	121.732
			3.762.410
Interest accruals			101.385
Short-term portion of total long-term borrowings			3.863.795
Long-term financial liabilities:			
USD borrowings	3,13	1.464.035.909	5.134.520
EUR borrowings	2,06	291.496.026	1.166.858
TRY borrowings	12,70	1.123.604.575	1.123.605
			7.424.983
Interest accruals			-
Total long-term financial liabilities			7.424.983

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY 105.299 thousand as of 30 June 2017 (31 December 2016 - TRY 190.645 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

5. Financial liabilities (Continued)

			31 December 2016
	Effective interest rate (%)	Original currency	Thousand TRY
Short term financial liabilities:			
EUR borrowings	2,89	7.000.000	25.970
TRY borrowings	8,80	359.191.765	359.192
Interest accruals			362
Total short-term financial liabilities			385.524
Short-term portion of long-term financial liabilities:			
USD borrowings	3,34	314.914.269	1.108.246
EUR borrowings	3,21	9.584.273	35.557
TRY borrowings	12,65	121.732.026	121.732
TRY bonds issued	8,97	200.000.000	200.000
			1.465.535
Interest accruals			106.899
Short-term portion of total long-term borrowings			1.572.434
Long-term financial liabilities:			
USD borrowings	3,11	1.613.833.466	5.679.403
USD bonds issued	4,17	700.000.000	2.463.440
EUR borrowings	2,08	296.011.204	1.098.171
TRY borrowings	12,58	934.470.588	934.471
			10.175.485
Interest accruals			822
Total long-term financial liabilities			10.176.307

As at 30 June 2017 and 31 December 2016, the redemption schedule of long-term bank borrowings is as follows:

	30 June 2017	31 December 2016
2018	1.362.136	4.544.096
2019	1.697.496	1.358.333
2020	1.482.245	1.443.351
2021	1.166.217	1.092.287
2022 and after	1.716.889	1.738.240
Total	7.424.983	10.176.307

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

5. Financial liabilities (Continued)

The movement of borrowings as of 30 June 2017 and 30 June 2016 is as follows:

	2017	2016
1 January	12.134.265	9.919.420
New financial borrowings	23.009.300	16.714.096
Principal payments	(23.685.054)	(15.028.064)
Changes in interest accruals	(5.901)	10.864
Changes in foreign exchange rates	(20.946)	(97.835)
30 June	11.431.664	11.518.481

6. Trade receivables and payables

Short-term trade receivables:

	30 June 2017	31 December 2016
Trade receivables	2.898.533	2.433.602
Due from related parties (Note 31)	1.114.745	751.824
Doubtful trade receivables	2.676	2.676
Other trade receivables	18	9
Less: Unearned credit finance income	(15.466)	(5.153)
Less: Provision for doubtful receivables	(2.676)	(2.676)
Total short-term trade receivables (net)	3.997.830	3.180.282

Tüpraş discounts the domestic receivables by using domestic government bonds and foreign receivables by using six months libor rates.

As at 30 June 2017, Tüpraş has offsetted TRY 547.000 thousand (31 December 2016 - TRY 1.625.766 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 2017 and 31 December 2016 are as follows

	30 June 2017	31 December 2016
Group 1	1.807	1.783
Group 2	542.806	3.063
Group 3	2.927.057	2.070.505
Group 4	471.145	1.040.014
Total	3.942.815	3.115.365

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 30 June 2017 and 31 December 2016 is as follows:

	30 June 2017	31 December 2016
Up to 3 months	53.424	62.386
3 to 12 months	1.591	2.531
Total	55.015	64.917

The Group has guarantees received amounting to TRY 35.181 (31 December 2016 – TRY 51.479) for trade receivables overdue but not impaired. Major part of receivables without guarantees are from government entities which regularly made sales, any collection risk is not projected.

Movement of the provision for doubtful receivables for the years ended 30 June 2016 and 2017 is as follows:

	2017	2016
1 January	2.676	2.593
Charge for the period	-	98
Payments during the period	-	(15)
30 June	2.676	2.676

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

6. Trade receivables and payables (Continued)

Short-term trade payables:

	30 June 2017	31 December 2016
Trade payables	7.527.025	6.910.572
Due to related parties (Note 31)	88.817	88.017
Less: Unrealised credit finance charges		
Trade payables	(5.680)	(10.746)
Total	7.610.162	6.987.843

7. Other receivables and payables

Other short-term receivables:

	30 June 2017	31 December 2016
Advances and guarantees given	21.855	10.280
Receivable from personnel	8.137	7.723
Receivable from insurance recoveries	7.458	7.623
Other doubtful receivables	304	304
Less: Provision for other doubtful receivables	(304)	(304)
Total	37.450	25.626

8. Inventories

	30 June 2017	31 December 2016
Raw materials and supplies	937.122	1.084.842
Work-in-progress	1.027.454	795.792
Finished goods	1.180.374	919.756
Trade goods	50.717	50.669
Goods in transit	989.003	743.851
Other	16.988	13.529
	4.201.658	3.608.439
Less: Provision for impairment in inventories	(13.470)	-
Total	4.188.188	3.608.439

As of 30 June 2017, provision for impairment in inventories include impairment of TRY 1.214 thousand in finished goods, TRY 11,394 thousand in work in progress and TRY 862 thousand in trade goods. As of 31 December 2016, there is no provision for impairment of inventories.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

8. Inventories (Continued)

Movement of the provision for inventories for the periods ended 30 June 2017 and 2016 is as follows:

	2017	2016
1 January	-	102.114
Charge for the period	13.470	1.155
Cancellations within the period	-	(102.114)
30 June	13.470	1.155

9. Financial Investments

Financial investments available-for-sale

	30 June 2017		31 December 2016	
	Participation share (%)	Amount	Participation share (%)	Amount
Körfez Ulaştırma A.Ş.	100,00	5.500	100,00	4.000
		5.500		4.000

10. Investments accounted for using the equity method

	30 June 2017		31 December 2016	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	972.762	40,00	923.994
		972.762		923.994

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

The movement in the investments accounted for using the equity method during the period ended 30 June 2017 and 2016 is as follows:

	2017	2016
1 January	923.994	762.217
Investments accounted for using the equity method;		
Shares in current year profit	118.887	68.671
Dividend payment	(70.000)	(42.000)
Currency translation differences	(119)	(30)
30 June	972.762	788.858

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

10. Investments accounted for using the equity method (Continued)

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

	30 June 2017	31 December 2016		
Current assets	3.072.161	3.039.266		
Non-current assets	2.409.941	2.301.201		
Total assets	5.482.102	5.340.467		
Short term liabilities	2.371.304	2.399.461		
Long term liabilities	1.151.576	1.103.703		
Equity	1.959.222	1.837.303		
Total liabilities	5.482.102	5.340.467		

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Sales (net)	12.865.813	6.968.297	9.037.075	5.216.755
Gross profit	716.947	378.019	506.182	287.113
Operating profit	359.439	193.938	238.083	150.992
Net income for period	297.217	154.404	171.678	134.845

11. Investment property

As of 30 June 2017, investment property represents the land amounting to TRY 4.621 thousand (31 December 2016 - TRY 4.621 thousand). The fair value of the investment property has been determined as TRY 38.117 thousand as a result of fair value assessments (31 December 2016 – TRY 38.117 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

12. Property, plant and equipment

	1 January 2017	Additions	Transfers	Disposals	30 June 2017
Cost:					
Land	48.844	-	-	(29)	48.815
Land improvements	3.687.757	-	11.917	(121.329)	3.578.345
Buildings	744.592	-	5	(7.201)	737.396
Machinery and equipment	11.420.284	9	18.578	(82.764)	11.356.107
Motor vehicles	749.479	1.411	482	(929)	750.443
Furniture and fixtures	114.397	645	4.388	(1.365)	118.065
Construction in progress	649.948	280.590	(41.675)	-	888.863
Other tangible assets	1.488	93	-	-	1.581
	17.416.789	282.748	(6.305)	(213.617)	17.479.615
Accumulated depreciation:					
Land improvements	(1.272.244)	(75.327)	-	118.738	(1.228.833)
Buildings	(188.970)	(7.818)	-	7.199	(189.589)
Machinery and equipment	(3.972.568)	(166.825)	-	71.207	(4.068.186)
Motor vehicles	(171.865)	(17.607)	-	569	(188.903)
Furniture and fixtures	(68.301)	(7.746)	-	1.301	(74.746)
Other tangible assets	(1.365)	(27)	-	-	(1.392)
	(5.675.313)	(275.350)	-	199.014	(5.751.649)
Net book value	11.741.476				11.727.966
	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

Tüpraş capitalised its borrowing costs amounting to TRY 17.331 thousand in the interim condensed consolidated financial statements (30 June 2016 - TRY 1.115 thousand).

Total depreciation expense amounting to TRY 275.350 thousand (30 June 2016 - TRY 260.653 thousand) in the consolidated statement of comprehensive income for the period ended 30 June 2017 has been allocated to cost of goods sold amounting to TRY 262.121 thousand (30 June 2016 - TRY 241.453 thousand), to marketing, sales and distribution expenses amounting to TRY 2 thousand (30 June 2016 - TRY 1 thousand), to general administration expenses amounting to TRY 13.227 thousand (30 June 2016 - TRY 19.199 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 30 June 2017 is as follows:

	1 January 2017	Additions	Transfers	Disposals	30 June 2017
Cost:					
Rights and software	64.330	230	2.430	(343)	66.647
Development expenses	68.403	-	3.875	-	72.278
	132.733	230	6.305	(343)	138.925
Accumulated amortisation:					
Rights and software	(36.449)	(3.257)	-	343	(39.363)
Development expenses	(41.178)	(6.059)	-	-	(47.237)
	(77.627)	(9.316)	-	343	(86.600)
Net book value	55.106				52.325

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

	1 January 2016	Additions	Transfers	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

Total amortisation expenses amounting to TRY 9.316 thousand (30 June 2016 - TRY 9.209 thousand) in the consolidated statement of comprehensive income for the period ended 30 June 2017 have been allocated to the cost of goods sold amounting to TRY 7 thousand (30 June 2016 - TRY 7 thousand), and to general administration expenses amounting to TRY 9.309 thousand (30 June 2016 - TRY 9.202 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

14. Prepaid expenses

Short term prepaid expenses:

	30 June 2017	31 December 2016
Insurance and other expenses	86.390	41.680
Investment loan insurance expenses (*)	25.702	27.811
Advances given	5.027	28.412
Total	117.119	97.903

Long term prepaid expenses:

	30 Haziran 2017	31 Aralık 2016
Advances given to third parties for property, plant and equipment	216.762	120.883
Prepaid investment loan insurance expenses (*)	65.376	77.589
Advances given to related parties for property, plant and equipment (Note 31)	37.774	37.454
Prepaid other expenses	1.213	2.426
Total	321.125	238.352

(*) 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 2017	31 December 2016
Deferred Value Added Tax (“VAT”)	582.572	357.063
Deferred Special Consumption Tax (“SCT”)	93.940	79.863
Spare parts and material stocks	65.226	69.591
Taxes and funds to be offsetted	34.646	44.302
Income Accruals	13.509	19.348
Other current assets	19.129	3.263
Total	809.022	573.430

Other non-current assets:

	30 June 2017	31 December 2016
Spare parts and materials	1.021.812	1.008.993
Other	832	1.120
Provision for spare parts and materials	(22.455)	(22.455)
Total	1.000.189	987.658

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

15. Other assets and liabilities (Continued)

Other non-current assets:

	30 June 2017	31 December 2016
SCT payable	1.471.517	1.371.333
Revenue share	1.089.042	1.006.511
VAT payable	515.276	226.314
Deferred VAT	582.572	357.063
Deferred SCT	93.940	79.863
Other taxes and liabilities	21.934	43.475
Accrued expenses (*)	-	246.536
Other	5.351	11.827
Total	3.779.632	3.342.922

(*) As of 31 December 2016, expense accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk (swap transactions and zero-cost transactions). Weighted average price of outstanding commodity derivatives transactions is USD 47,47/barrel for 7.050 thousand crude oil barrel. Weighted average buying price of zero cost derivatives transactions is USD 42,91 /barrel for 6.950 thousand crude oil barrel inventory, weighted average selling price of zero cost derivatives transactions is USD 53,56 /barrel. The expense accruals recognition made as of 31 December 2016 is recognized under cost of goods sold and paid as of 9 January 2017.

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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

15. Other assets and liabilities (Continued)

As a result of these regulations, the revenue share amounting to TRY 1.089.042 thousand accumulated as at 30 June 2017 (31 December 2016 – TRY 1.006.511 thousand) which is not recognized in the comprehensive income statement, has been classified as “Revenue Share” within “Other short-term liabilities”. TRY 1.084.286 thousand that is (31 December 2016 - TRY 1.002.012 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 2017	31 December 2016
Participation share	1.281	1.389
Total	1.281	1.389

16. Deferred income

Short-term deferred income

	30 June 2017	31 December 2016
Advances taken	1.331	13.591
Deferred income	1.889	1.826
Total	3.220	15.417

Long-term deferred income

	30 June 2017	31 December 2016
Deferred income	4.098	3.992
Total	4.098	3.992

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	30 June 2017	31 December 2016
Seniority incentive bonus provision	10.540	9.073
Personnel bonus accruals	35.672	4.498
Total	46.212	13.571

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

17. Provisions (Continued)

Long term employee benefits:

	30 June 2017	31 December 2016
Provision for employment termination benefits	166.887	159.190
Provision for unused vacation	46.654	44.137
Seniority incentive bonus provision	5.059	4.088
Total	218.600	207.415

Seniority incentive bonus provision:

The 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.

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

	2017	2016
1 January	13.161	12.847
Charge for the period	5.430	3.716
Payments during the period	(2.992)	(2.247)
30 June	15.599	14.316

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 23 May 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 TRY 4.426,16 (31 December 2016 - TRY 4.297,21) for each year of service as at 30 June 2017.

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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

17. Provisions (Continued)

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 2017	31 December 2016
Discount rate (%)	%4,50	%4,50
Turnover rate to estimate probability of retirement (%)	%99,51	%99,51

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 TRY 4.732,48 which is effective as at 1 July 2017, has been taken into consideration in calculating the provision for employment termination benefits of the joint ventures of the Group, which are registered in Turkey (31 December 2016 - TRY 4.297,21).

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

	2017	2016
1 January	159.190	144.547
Interest expense	8.573	7.480
Increase during the period	15.087	11.212
Payments during the period	(15.963)	(13.399)
30 June	166.887	149.840

Provision for unused vacation:

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

	2017	2016
1 January	44.137	41.904
Charge for the period	6.621	4.490
Payments during the period	(4.104)	(3.316)
30 June	46.654	43.078

Other short term provisions:

	30 June 2017	31 December 2016
Provisions for pending claims and law suits	15.797	12.523
EMRA participation share	20.856	20.159
Provision for demurrage	17.365	13.787
Other	28.278	5.016
Total	82.296	51.485

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

17. Provisions (Continued)

Movement of the short-term provisions for the period ended 30 June 2017 and 2016 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Other	Total
1 January 2017	12.523	20.159	13.787	5.016	51.485
Charges for the period, net	3.523	10.777	3.578	23.262	41.140
Payments during the period	(249)	(10.080)	-	-	(10.329)
30 June 2017	15.797	20.856	17.365	28.278	82.296

	Provision for pending claims and lawsuits	EMRA participation share	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

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.

18. Liabilities for employee benefits

	30 June 2017	31 December 2016
Due to the personnel	25.664	59.016
Social security withholdings payment	20.613	33.426
Total	46.277	92.442

19. Other payables

	30 June 2017	31 December 2016
Deposits and guarantees received	11.248	9.407
Other payables to related parties (Note 31)	-	18.546
Total	11.248	27.953

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

20. Derivative Instruments

	30 June 2017				31 December 2016			
			Fair values				Fair values	
	Purchase contract amount	Sale contract amount	Assets	Liabilities	Purchase contract amount	Sale contract amount	Assets	Liabilities
<i>Cash flow hedge</i>								
Interest rate swap	303.645	303.645	-	3.367	301.972	301.972	1.841	3.791
Cross currency swap	776.837	523.969	289.319	13.200	41.402	27.294	30.797	21.234
<i>Derivatives held for trading</i>								
Currency forwards	1.876.299	2.015.093	-	36.493	316.728	316.861	2.093	-
Commodity derivative	1.093.851	1.050.005	47.166	3.317	82.708	87.174	-	4.429
Total			336.485	56.377			34.731	29.454
Short term derivative financial instruments								
<i>Cash flow hedge</i>								
Interest rate swap	1.599.136	1.599.136	-	2.406	1.746.128	1.746.128	4.745	1.782
Cross currency swap	346.478	264.926	79.522	-	952.255	627.640	364.137	-
			79.522	2.406			368.882	1.782
Long term derivative financial instruments								
Total			416.007	58.783			403.613	31.236

As of 30 June 2017, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY 2.015.093 thousand in exchange of USD 535.000 thousand and will expire on 28-29 December 2017. As of 31 December 2016, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY 316.861 thousand in exchange of USD 90.000 thousand and which has expired on 3 January 2017.

As of 30 June 2017, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş’s long term borrowings amounting to USD 497.059 thousand (31 December 2016 - USD 535.294 thousand) and Ditaş’s long term borrowings amounting to EUR 39.857 thousand (31 December 2016 – EUR 44.285) with fixed rate instalment payments for cash flow hedging.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

20. Derivative Instruments (Continued)

As of 30 June 2017, cross currency swap transactions consist of swap transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD 200.000 thousand belonging to Tüpraş with TRY currency indexed, fixed interest payments amounting to TRY 463.875 thousand (31 December 2016 – USD 200.000 thousand), swap transaction of long-term borrowings with floating interest rate amounting to USD 76.471 thousand (31 December 2016 USD 82.353 thousand) belonging to Tüpraş with payments of fixed interest rate amounting to TRY 177.412 thousand, swap transactions of foreign currency indexed long term borrowings belonging to Ditaş amounting to EUR 19.928 thousand with TRY currency indexed, fixed interest payments amounting to TRY 73.932 thousand and swap transaction of TRY 73.932 thousand fixed interest payments with total of USD 21.008 thousand with foreign currency indexed fixed interest payments (31 December 2016 - None)

Commodity purchase and sales transactions consist of product crack fixing transactions, swap transactions and zero cost collar transactions as of 30 June 2017. Product crack fixing transactions have been made for gasoline stocks of 1.050 thousand barrels, jet stocks of 3.000 thousand barrel and 2.070 thousand barrel and weighted average fixation margin of these transactions are USD 10,403, 10,198 and 10,738 per barrel, respectively. Swap transactions have been made for 2.550 thousand barrels of crude oil and weighted average fixation margin of these transactions in USD is 54.13 per barrel. Zero cost collar transaction is made for total of 1.050 thousand barrels of crude oil where weighted average purchase price is 48,7 USD/barrel and weighted average sales price is 55,25 USD/barrel. Commodity purchase and sales transactions consist of product crack fixing transactions as of 31 December 2016. Commodity crack fixing transactions have been made for 1.500 thousand barrels of gasoline stocks and 900 thousand barrels of jet stocks with weighted average fixation margin of 10,704 and 9,683 USD per barrel, respectively.

21. Government grants

On 2 August 2010, the Company has obtained the Certificate of Research and Development Center. As a result of the implementation of Technology and Innovation Support Programs Administration Project (“TEYDEB”) and the existence of the Certificate of Research and Development Center, the Company has benefited from a number of government incentives including research and development expense deduction, income tax stoppage incentive, social security premium support and stamp tax exemption in accordance with Law, no 5746, Supporting Research and Development Activities. . In this context, as of 30 June 2017, the Company's total R & D expenditures amounting to TRY 4.531 thousand (30 June 2016 - TRY 2.211 thousand) were recorded as incentive income.

In the first quarter 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 Certificate for Residuum Upgrading Project (RUP). Investment expenditures made within the scope of this certificate are subject to 30% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 50%. 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 which became applicable after 19 October 2012. Expenditures made within the scope of Strategic Investment Incentive Certificate are subject to 50% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 90%.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

21. Government grants (Continued)

The Company received investment incentive on 9 October 2014 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 in İzmir Refinery. Investment benefits are VAT exemption, interest incentive and exemption from customs duty.

On 23 February, 2015, the Company was granted an investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for the project of storage and warehouse services in Kırıkkale. Support elements of this investment is to benefit from; VAT exemption and customs duty exemption.

On 24 July, 2015, the Company was granted an investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for the project of Modernisation of İzmir Refinery. Support elements of this investment is to benefit from; VAT exemption, tax discount of 50%, investment contribution of 15% and customs duty exemption.

The Company received investment incentive on 27 October 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 (70%), rate of contribution to investment (30%) and interest incentive.

The Company received investment incentive on 20 June 2016 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 and duty exemption.

The Company received investment incentive on 3 January 2017 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of İzmit Refinery Project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (50%), rate of contribution to investment (15%) and duty exemption.

The Company received investment incentive on 1 February 2017 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for the purchase of waggons with amount of TRY 75.000 that will be used for intercity railway transportation. Support elements of this investment is to benefit from are, VAT exemption, interest incentive, tax discount rate (80%), rate of contribution to investment (40%), duty exemption and , incentive for employer share of insurance premium (7 years).

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

As of 30 June, 2017 and 2016, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	30 June 2017	30 December 2016
Social security withholdings incentives	17.412	12.653
Research and development incentives	4.531	2.211
Interest incentive	251	6.894
Total	22.194	21.758

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

22. Commitments and contingent assets and liabilities

	30 June 2017		31 December 2016	
Guarantees received:	Original Currency:	TRY Amount:	Original Currency:	TRY Amount:
Letter of guarantees received		1.576.308		1.679.662
- Letter of guarantees in TRY	827.011	827.011	1.003.107	1.003.107
- Letter of guarantees in USD	188.971	662.741	160.721	565.608
- Letter of guarantees in EUR	20.439	81.816	27.113	100.585
- Letter of guarantees in other currencies	-	4.740	-	10.362
Guarantee notes received		8.109		14.485
- Guarantee notes in TRY	8.109	8.109	14.485	14.485
Guarantee letters received		225.355		225.960
- Guarantee letters received in TRY	50.000	50.000	50.000	50.000
- Guarantee letters received in USD	50.000	175.355	50.000	175.960
Direct debiting limits		132.338		20.000
- TRY direct debiting limits	132.338	132.338	20.000	20.000
Total guarantees received		1.942.110		1.940.107
Guarantees given:				
Letter of credits given		323.701		672.163
- Letter of credits in USD	89.274	313.092	184.253	648.422
- Letter of credits in EUR	2.615	10.468	3.921	14.545
- Letter of credits in other currencies	-	141	-	9.196
Letter of guarantees given		689.092		796.468
- Letter of guarantees in TRY	588.736	588.736	607.798	607.798
- Letter of guarantees in USD	28.615	100.356	53.612	188.670
Letters of guarantee given to customs offices		793.702		1.000.185
- Letter of guarantees in TRY	745.666	745.666	955.666	955.666
- Letter of guarantees in EUR	12.000	48.036	12.000	44.519
Letters of guarantee given to banks		417.710		338.033
- Letter of guarantees in USD	63.111	221.337	47.577	167.433
- Letter of guarantees in EUR	49.057	196.373	45.985	170.600
Total guarantees given		2.224.205		2.806.849

As at 30 June 2017 and 31 December 2016, 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 2017, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY 380.882 thousand (31 December 2016 - TRY 331.726 thousand) and for derivative financial instruments amounting to TRY 36.828 thousand (31 December 2016 - TRY 6.307 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

22. Commitments and contingent assets and liabilities (Continued)

Collaterals, pledges, mortgages given by the Group as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
A. CPMs given for companies in the name of its own legal personality	1.806.495	2.468.816
- TRY	1.334.402	1.563.464
- USD	413.448	837.092
- EUR	58.504	59.064
- Other	141	9.196
B. CPMs given on behalf of the fully consolidated companies	417.710	338.033
- USD	221.337	167.433
- EUR	196.373	170.600
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.	-	-
Total	2.224.205	2.806.849

23. Equity

The Company’s shareholders and their shareholding percentages as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	Share (%)	31 December 2016	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 TRY 500.000 thousand and is divided into 50.000.000.000 shares with a registered nominal value of 1 Kuruş (“Kr”) (31 December 2016 - 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 2017, the restricted reserves of the Company amount to TRY 279.668 thousand (31 December 2016 - TRY 331.337 thousand).

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 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 TRY 3.952.055 thousand as at 30 June 2017. This amount includes inflation adjustment differences of the equity accounts amounting to TRY 1.698.998 thousand and other reserves amounting to TRY 11.816 thousand which are subject to corporate taxation when distributed as dividends.

In the period ended as of 30 June 2017, the Company committed to make dividend payment in cash amounting to TRY 1.557.107 thousand which is the total amount remained after first and second composition legal reserves deducted from 2016 distributable net profit of the period and a portion of second composition legal reserves. The Company paid a cash dividend at the rate of 621,8% which corresponds to TRY 6.218 gross and TRY 6.218 net cash dividend for the shares with a nominal value of TRY 1,00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 621,8%, which corresponds to TRY 6.218 gross and TRY 5.2853 net cash dividend for the shares with a nominal value of TRY 1,00 to other shareholders.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

23. Equity (Continued)

As of 31 December 2016, 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 TRY 1.627.725 thousand from secondary reserves as cash dividend and it has been fully paid off. TRY 6,5 of net dividend payment and TRY 6,5 of gross dividend payment have been made to a stock at a nominal value of TRY 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 TRY 6,5 gross dividend payment and TRY 5,5250 net cash dividend payment to a stock at 650% ratio and having a nominal value of TRY 1,00 to other shareholders.

24. Revenue and cost of sales

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Sales from production	18.733.760	10.192.475	10.253.000	6.172.404
Export revenue	6.092.830	2.331.563	2.969.212	1.417.937
Trade sales	424.198	222.952	1.549.495	950.028
Service revenue	114.782	79.263	81.311	37.827
Gross revenue	25.365.570	12.826.253	14.853.018	8.578.196
Less: Sales discounts	(350.800)	(192.929)	(200.731)	(121.837)
Less: Sales returns	(14.452)	(2.645)	(7.717)	(3.205)
Sales (net)	25.000.318	12.630.679	14.644.570	8.453.154
Cost of goods sold	(21.350.552)	(10.800.878)	(11.952.498)	(6.772.478)
Cost of trade goods sold	(415.894)	(219.703)	(1.523.634)	(940.993)
Cost of services	(30.313)	(15.007)	(36.065)	(14.541)
Gross profit	3.203.559	1.595.091	1.132.373	725.142

Cost of sales:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Raw materials	19.741.216	9.991.512	10.775.762	6.183.342
Energy expenses	555.674	281.930	476.811	237.221
Other production expenses	528.271	265.441	238.448	125.386
Cost of trade goods sold	415.894	219.703	1.523.634	940.993
Personnel expenses	293.576	146.049	256.082	119.763
Depreciation and amortization (Note 12-13)	262.128	130.953	241.460	121.307
Cost of sales	21.796.759	11.035.588	13.512.197	7.728.012

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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

General administrative expenses:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expenses	170.290	88.723	155.900	69.861
Insurance expenses	41.530	22.708	44.289	20.679
Taxes and duties	33.058	16.956	30.969	18.493
Outsourced services	29.011	14.245	28.201	11.942
Depreciation and amortization expenses (Note 12-13)	22.536	11.335	28.401	14.274
Office expenses	16.243	9.379	13.693	8.949
Subscription fees	11.538	5.976	9.615	5.581
Rent expenses	9.438	6.909	3.785	1.784
Lawsuit and consultancy expenses	8.068	2.740	7.913	4.688
Donations	7.769	7.653	1.612	1.298
Transportation and travel expenses	1.708	888	1.277	622
Other	17.428	2.241	19.946	9.761
Total general administrative expenses	368.617	189.753	345.601	167.932

Marketing, selling and distribution expenses:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expenses	46.039	25.192	36.906	18.151
Outsourced services	31.869	15.710	24.201	12.113
Carriage, storage and insurance expenses	13.627	7.057	15.456	12.610
Rent expenses	5.611	3.089	4.669	2.403
Energy expenses	5.479	2.777	2.883	1.922
Advertising expenses	1.172	896	474	284
Depreciation and amortisation expenses (Note 12)	2	1	1	-
Other	15.955	9.215	11.204	6.501
Total marketing expenses	119.754	63.937	95.794	53.984

Research and development expenses:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Personnel expenses	5.737	1.965	10.843	4.966
Lawsuit and consultancy expenses	759	734	254	231
Outsourced services	239	117	78	-
Other	2.055	1.157	2.289	1.084
Total research and development expenses	8.790	3.973	13.464	6.281

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

26. Other operating income/(expenses)

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Other operating income:				
Credit finance gains	92.733	49.291	59.529	30.175
Foreign exchange gain from trade payables	29.909	29.909	28.673	(32.316)
Rent income	1.831	773	1.748	834
Other	15.507	4.775	9.952	2.015
Total other operating income	139.980	84.748	99.902	708

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Other operating expense:				
Credit finance charges	(40.938)	(18.799)	(5.320)	(3.787)
Foreign exchange loss from trade receivables	(5.738)	(1.528)	(1.124)	121
Foreign exchange loss from trade payables	-	80.538	-	-
Other	(9.880)	(4.634)	(4.203)	(1.035)
Total other operating expense	(56.556)	55.577	(10.647)	(4.701)

27. Income/(expense) from investment activities

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Gain/(loss) on sales of property plant and equipment and intangible assets	(12.147)	(13.073)	(136)	65
Total income/(expense) from investment activities	(12.147)	(13.073)	(136)	65

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

28. Financial income/(expenses)

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Financial income:				
Interest income on deposits	227.153	132.662	114.983	57.324
Foreign exchange gains on deposits	-	(67.870)	-	-
Foreign exchange gains on borrowings	-	-	16.568	(107.328)
Foreign exchange gains on derivative instruments	-	-	-	-
Total financial income	227.153	64.792	131.551	(50.004)
Financial expense:				
Interest expenses	(344.271)	(170.545)	(303.369)	(173.354)
Foreign exchange losses on borrowings	(138.693)	108.592	-	-
Foreign exchange losses on derivative instruments	(108.387)	(49.480)	(96.857)	(15.813)
Foreign exchange losses on deposits	(43.977)	(43.977)	(68.898)	92.533
Other	(1.830)	(996)	(3.178)	(1.665)
Total financial expense	(637.158)	(156.406)	(472.302)	(98.299)

29. Tax assets and liabilities

i) Corporation tax:

	30 June 2017	31 December 2016
Current period corporate tax provision	259.687	141.217
Current year tax assets	(115.159)	(95.928)
Corporation tax provision	144.528	45.289

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 2017 is 20 % (2016 - 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).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

(Amounts expressed in thousands of Turkish Lira (“TRY”) 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 2017 and 31 December 2016 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Fair value difference of derivative instruments	361.253	383.690	(72.251)	(76.738)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	179.245	-	(35.849)	-
Prepaid expenses	91.078	105.400	(18.216)	(21.080)
Deferred financial income, (net)	-	5.594	-	(1.119)
Deferred tax liability			(126.316)	(98.937)
Investment incentive income	8.865.750	8.242.254	3.373.036	3.262.646
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	-	52.144	-	10.429
Employment termination benefits and seniority incentive bonus provision	178.415	168.845	35.683	33.769
Provision for unused vacation liability	44.200	42.188	8.840	8.438
Provision for impairment on spare parts	22.455	22.455	4.491	4.491
Provisions for pending claims and lawsuits	15.797	12.523	3.159	2.505
Financial losses	7.678	9.271	1.536	1.854
Impairment on inventories	13.470	-	2.694	-
Deferred financial income, (net)	9.787	-	1.957	-
Other	34.580	9.178	6.916	1.836
Deferred tax assets			3.438.312	3.325.968
Deferred tax asset/(liability), net			3.311.996	3.227.031

In the first quarter 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 Certificate for Residuum Upgrading Project (RUP). Investment expenditures made within the scope of this certificate are subject to 30% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 50%. 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 which became applicable after 19 October 2012. Expenditures made within the scope of Strategic Investment Incentive Certificate are subject to 50% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 90%. The company has performed the revaluation of the unutilized investment incentives for both certificates by using the 9,70% revaluation rate, which was announced for the second provisional tax period of 2017 by the Ministry of Finance. In addition to the government contribution within the scope of Strategic Investment Incentive, the Company benefits from VAT exemption, VAT refund, customs duty exemption, incentive for employer share of insurance premium and interest incentive from this certificate.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

29. Tax assets and liabilities (Continued)

The movement of deferred taxes is as follows:

	2017	2016
Deferred tax asset/(liability), net		
1 January	3.227.031	3.202.503
Charge for the period	112.410	(27.987)
Charge to equity		
- Cash flow hedge reserve	(27.445)	12.815
Investment incentive income	-	(88.240)
30 June	3.311.996	3.099.091

30. Earnings per share

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Profit for the year attributable to shareholders of the Company	2.325.983	1.457.159	409.429	330.517
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	9,29	5,82	1,63	1,32

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) Parent, ultimate parent

a) Deposits:

	30 June 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	1.537.387	3.118.492
Total	1.537.387	3.118.492

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

31. Related party transactions (Continued)

b) Due from related parties

	30 June 2017	31 December 2016
Opet Petrolcülük A.Ş. (1)	697.683	382.580
THY OPET Havacılık Yakıtları A.Ş. (1)	344.727	299.357
Aygaz A.Ş. (2)	68.330	65.483
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	3.640	4.396
Diğer (2)	365	8
Total	1.114.745	751.824

As of 30 June 2017, Tüpraş has offset TRY 100.000 thousand (31 December 2016 - TRY 250.000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

c) Trade payables

	30 June 2017	31 December 2016
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	40.684	11.901
Aygaz A.Ş. (2)	17.156	21.635
Koç Sistem Bilgi ve İletişim A.Ş. (2)	7.689	10.260
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	5.801	5.723
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	5.294	12.800
Opet Petrolcülük A.Ş. (1)	4.462	7.275
Setur Servis Turistik A.Ş. (2)	3.096	276
Ark İnşaat A.Ş. (2)	1.138	9.393
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	106	2.510
Diğer (2)	3.391	6.244
Total	88.817	88.017

d) Other payables:

	30 June 2017	31 December 2016
Koç Holding A.Ş. (3)	-	18.546
Total	-	18.546

e) Advances given for property, plant and equipment:

	30 June 2017	31 December 2016
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	34.578	32.441
Ark İnşaat A.Ş. (2)	3.196	5.013
Total	37.774	37.454

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

31. Related party transactions (Continued)

f) Product and service sales:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2017
Opet Petrolcülük A.Ş. (1)	2.960.218	1.555.583	1.556.916	986.041
THY OPET Havacılık Yakıtları A.Ş. (1)	2.384.195	1.300.755	1.670.316	946.249
Aygaz A.Ş. (2)	294.666	125.176	148.090	76.708
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	15.104	5.912	13.597	6.647
Opet International Limited (2)	9.361	-	-	-
Diğer (2)	-	-	4	-
Total	5.663.544	2.987.426	3.388.923	2.015.645

g) Product and service purchases:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Aygaz A.Ş. (2)	239.411	108.007	186.132	100.663
Opet Petrolcülük A.Ş. (1)	108.949	52.980	62.745	38.623
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	76.361	76.205	64.340	61.140
THY OPET Havacılık Yakıtları A.Ş. (1)	35.324	18.672	28.349	15.186
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	30.029	13.795	24.957	13.483
Koç Sistem Bilgi ve İletişim A.Ş. (2)	11.272	7.473	12.178	7.899
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	10.207	4.748	9.549	4.070
Koç Holding A.Ş. (3) (*)	8.770	4.181	8.654	2.232
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	4.886	2.133	4.139	2.381
Diğer (2)	11.836	7.154	9.602	5.012
Total	537.045	295.348	410.645	250.689

(*) Consists of the Group’s share of invoices issued by Koç Holding, the ultimate parent of Tüpraş in accordance with the “11-Intra-group Services” of General Communiqué numbered 1 on Distribution of Hidden Income through Transfer Pricing which represents the services provided for financing, legal, tax and remuneration of senior management by the ultimate parent to its group companies.

(**) Includes paid and accrued insurance premiums in the periods ended 30 June 2017 and 2016 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş. acting as an intermediary insurance agent.

h) Fixed asset purchases:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Ark İnşaat A.Ş. (2)	24.305	14.222	26.496	17.705
Koç Sistem Bilgi ve İletişim A.Ş. (2)	1.922	347	343	329
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	-	-	6.270	495
Diğer (2)	354	310	11	6
Total	26.581	14.879	33.120	18.535

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

31. Related party transactions (Continued)

i) Remuneration of board of directors and executive management:

The senior management of the Company is determined as members and chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TRY 5.757 thousand as of period ending on 30 June 2017. (30 June 2016 - TRY 21.543 thousand) and there are no payments made due to redundancy from the work in 2017 (30 June 2016 - TRY 17.200 thousand).

j) Financial expenses paid to related parties:

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Yapı Kredi Faktoring A.Ş. (2)	3.118	658	993	260
Yapı ve Kredi Bankası A.Ş. (2)	761	598	-	-
Yapı Kredi Nederland (2)	68	-	-	-
Total	3.947	1.256	993	260

k) Time deposit interest income:

	1 Ocak - 30 Haziran 2017	1 Nisan - 30 Haziran 2017	1 Ocak - 30 Haziran 2016	1 Nisan - 30 Haziran 2016
Yapı ve Kredi Bankası A.Ş. (2)	110.403	59.731	56.733	28.507
Total	110.403	59.731	56.733	28.507

l) Donations:

As of 30 June 2017, total donation is amounting to TRY 547 thousand (30 June 2016 - TRY 1.129 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.

Commodity price risk

The Company is exposed to effects of fluctuation in oil prices related to its crude oil inventory held for production. For the elimination of commodity price risk, the management regularly reviews the amount of stocks.

Sales prices' of Tüpraş's products, are determined based on Mediterranean product prices, which is described as the "closest accessible free market formation in the world" by the Turkish Petroleum Market Law N. 5015, and USD selling rates. Within the framework of legal definitions, changes of prices in Mediterranean petroleum products market and changes in USD exchange rate are assessed daily by the management and the new selling price based on these two factors is updated when it differs significantly upwards or downwards from the current sales price.

Since instability in crude oil prices may cause unwanted and unexpected fluctuations in net profit and cash flows, the Company has constituted hedging policy in order to eliminate this risk. Within this framework, short and long term hedging transactions are made by using various derivative instruments (Note 20).

Product crack risk

Besides the fluctuations in crude oil prices, in order to eliminate fluctuation risk in product prices profit margins of the products (crack) can be fixed by using various derivative instruments (hedging). Therefore, a hedging policy has been created by comparing historical price levels and by hedging a certain percentage of the total sales volume at certain crack levels (Note 20).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

32. Financial instruments and financial risk management (Continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk due to operations in foreign currency. These risks are managed by analysis of the foreign currency monetary assets and liabilities in the consolidated financial statements, by a comprehensive risk tracking system which includes natural hedging and similar practices.

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 30 June 2017 and 31 December 2016:

	30 June 2017		31 December 2016	
	TRY	USD(*)	TRY	USD(*)
Monetary assets	1.900.277	541.837	4.347.693	1.235.421
Monetary liabilities	(13.343.565)	(3.804.729)	(14.585.609)	(4.144.581)
Monetary assets/(liabilities) foreign currency position	(11.443.288)	(3.262.892)	(10.237.916)	(2.909.160)
Non-monetary assets	5.243	1.495	148.748	42.268
Net foreign currency position of derivative financial instruments	2.852.003	813.208	1.310.386	372.353
Net foreign currency asset/(liability) position	(8.586.042)	(2.448.189)	(8.778.782)	(2.494.539)
Cash flow hedging (**)	4.660.546	1.328.889	5.130.371	1.457.823
Net foreign currency position after cash flow hedging	(3.925.496)	(1.119.300)	(3.648.411)	(1.036.716)
Inventory in natural hedge scope (***)	4.044.897	1.153.345	3.477.413	988.126
Net foreign currency position after cash flow hedging and natural hedge	119.401	34.045	(170.998)	(48.590)

(*) Dollar equivalent amounts are determined through dividing total TRY equivalent positions to exchange rate of dollar as at balance sheet date.

(**) The Group has used its investment loans amounting to USD 1.328.889 thousand (TRY 4.660.546) as hedging instruments against USD/TRY spot exchange rate exposed as a result of forecast export proceeds having a high probability of realization and cash flow hedging is applied in this scope (31 December 2016 – USD 1.457.823 thousand (TRY 5.130.371 thousand), exchange difference income/expenses of investment loans are recognized in “Hedging gains/(losses)” account under equity until cash flows of the item which is included in related hedging are realized, it has no impact on the income statement.

(***) 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 2017, the Group has crude oil and petroleum products inventories amounting to TRY 4.044.897 thousand (31 December 2016 - TRY 3.477.413 thousand) (Note 8).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

32. Financial instruments and financial risk management (Continued)

	Foreign exchange position table									
	30 June 2017					31 December 2016				
	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	198	41	13	-	-	257.339	73.124	-	-	-
Monetary financial assets (including cash, banks)	1.896.794	224.353	277.199	-	338	4.085.609	875.246	270.883	114	-
Other	5.243	1.469	13	9	-	3.780	1.074	-	-	-
Current assets	1.902.235	225.863	277.225	9	338	4.346.728	949.444	270.883	114	-
Monetary financial assets	3.285	937	-	-	-	4.745	1.348	-	-	-
Other	-	-	-	-	-	144.968	27.163	13.309	-	-
Non-current assets	3.285	937	-	-	-	149.713	28.511	13.309	-	-
Total assets	1.905.520	226.800	277.225	9	338	4.496.441	977.955	284.192	114	-
Trade payables	3.268.440	922.849	7.440	24	2.025	3.841.321	1.056.681	27.213	1.043	17.189
Financial liabilities	3.751.740	1.048.689	18.457	-	-	1.243.661	333.977	18.418	-	-
Other monetary liabilities	19.600	5.371	191	-	-	257.008	72.774	243	-	-
Current liabilities	7.039.780	1.976.909	26.088	24	2.025	5.341.990	1.463.432	45.874	1.043	17.189
Financial liabilities	6.301.379	1.464.036	291.496	-	-	9.241.837	2.314.067	296.011	-	-
Other monetary liabilities	2.406	359	287	-	-	1.782	-	480	-	-
Non-current liabilities	6.303.785	1.464.395	291.783	-	-	9.243.619	2.314.067	296.491	-	-
Total liabilities	13.343.565	3.441.304	317.871	24	2.025	14.585.609	3.777.499	342.365	1.043	17.189
Net asset/(liability) position of off-balance sheet foreign currency derivatives	2.852.003	790.462	19.928	-	-	1.310.386	372.353	-	-	-
Total amount of off-balance sheet derivative financial assets	2.925.681	811.470	19.928	-	-	1.310.386	372.353	-	-	-
Total amount of off-balance sheet derivative financial liabilities	(73.678)	(21.008)	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(8.586.042)	(2.424.042)	(20.718)	(15)	(1.687)	(8.778.772)	(2.427.191)	(58.173)	(929)	(17.189)
Cash flow hedging	4.660.546	1.328.889	-	-	-	5.130.371	1.457.823	-	-	-
Net foreign currency position after cash flow hedging	(3.925.496)	(1.095.153)	(20.718)	(15)	(1.687)	(3.648.411)	(969.368)	(58.173)	(929)	(17.189)
Net monetary foreign currency asset/(liability) position	(11.443.288)	(3.215.973)	(40.659)	(24)	(1.687)	(10.237.916)	(2.827.781)	(71.482)	(929)	(17.189)
Fair value of derivative instruments used for hedging	355.641	101.406	-	-	-	373.700	106.189	-	-	-

As at 30 June 2017, the Group has TRY 119.401 thousand as net foreign currency surplus after natural hedging (31 December 2016 - TRY 170.998 thousand net foreign currency deficit) (p. 45).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

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 2017 and 31 December 2016.

Statement of foreign currency risk sensitivity				
30 June 2017				
	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	(1.127.874)	1.127.874	(466.055)	466.055
Amount hedged for USD risk (-)	750.646	(750.646)	-	-
USD net effect	(377.228)	377.228	(466.055)	466.055
10% change in EUR rate:				
Euro net assets/ liabilities	(16.276)	16.276	-	-
Amount hedged for Euro risk (-)	7.977	(7.977)	-	-
EUR net effect	(8.299)	8.299	-	-
TOTAL	(385.527)	385.527	(466.055)	466.055
31 December 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	(995.153)	995.153	(513.037)	513.037
Amount hedged for USD risk (-)	644.076	(644.076)	-	-
USD net effect	(351.077)	351.077	(513.037)	513.037
10% change in EUR rate:				
Euro net assets/ liabilities	(26.519)	26.519	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(26.519)	26.519	-	-
TOTAL	(377.596)	377.596	(513.037)	513.037

The Company accounted investment loans in scope of cash flow hedge accounting and foreign exchange income/expense arising from these loans are recognised in equity. 10% 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

32. Financial instruments and financial risk management (Continued)

Export and import

	1 January - 30 June 2017	1 April - 30 June 2017	1 January - 30 June 2016	1 April - 30 June 2016
Export				
USD (equivalent of thousand TRY)	6.092.830	2.331.563	2.969.203	1.417.937
Total	6.092.830	2.331.563	2.969.203	1.417.937
Import				
USD (equivalent of thousand TRY)	18.859.100	9.533.492	11.362.512	6.645.248
Total	18.859.100	9.533.492	11.362.512	6.645.248

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The gearing ratios as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Total financial liabilities (Note 5)	11.431.664	12.134.265
Less: Cash and cash equivalents (Note 4)	(5.540.022)	(6.050.721)
Net financial liabilities	5.891.642	6.083.544
Total shareholders’ equity	9.064.121	8.167.033
Total capital invested	14.955.763	14.250.577
Gearing ratio	%39,39	%42,69

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

32. Financial instruments and financial risk management (Continued)

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

Financial liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be their fair values since they are short term. The fair values of long-term bank borrowings with variable interest are considered to approximate their respective carrying values, since the initial rates applied to bank borrowings are updated periodically by the lender to reflect active market price quotations.

Fair value hierarchy table:

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 30 June 2017 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Derivative financial assets	-	416.007	.-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	58.783	-

Fair value hierarchy table as at 31 December 2016 is as follows:

Financial assets at fair value through profit or loss	Seviye 1	Seviye 2	Seviye 3
Derivative financial assets	-	403.613	.-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	31.236	-

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2017

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

33. Subsequent events

In accordance with the authority granted under Article 8 of its Articles of Association, Tüpraş resolved on 17 July 2017 to issue bonds or similar debt instruments up to a total amount of 1 billion USD or its equivalent in any other currency, with various tranches and maturities, and bearing interest rates to be determined by the market conditions on the date of issuance, to be sold to real and legal persons resident outside of Turkey within a period of one year through one or more than one issuance; to authorise the management of the company to perform all necessary actions within and outside Turkey, including the preparation and execution of all agreements related to the relevant issuance and all ancillary documents related to such agreements, making the necessary applications to the Capital Markets Board (“CMB”) and other authorities, the sale of the debt instruments, and the registrations of the debt instruments with the foreign stock exchanges. Within the scope of this decision, Tüpraş applied to the CMB to obtain necessary permits for the issuance and sale of the bonds or similar debt instruments up to an amount of 1 billion USD or its equivalent in any other currency in the foreign markets.

.....