

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

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

Assets	Notes	Unaudited	Audited
		30 September 2017	31 December 2016
Current assets		19.613.537	13.667.060
Cash and cash equivalents	4	7.762.766	6.050.721
Trade receivables	6	5.507.751	3.180.282
Due from related parties	6, 31	1.602.382	751.824
Trade receivables from third parties		3.905.369	2.428.458
Other receivables	7	62.886	25.626
Other receivables from third parties		62.886	25.626
Derivative instruments	20	319.673	34.731
Inventories	8	4.456.173	3.608.439
Prepaid expenses	14	102.980	97.903
Current income tax assets	29	268.989	95.928
Other current assets	15	1.132.319	573.430
Non-current assets		17.707.479	17.551.120
Financial investments	9	6.500	4.000
Investments accounted for using the equity method	10	1.039.354	923.994
Investment properties	11	4.621	4.621
Property, plant and equipment	12	11.992.448	11.741.476
Intangible assets	13	49.070	55.106
Other intangible assets		49.070	55.106
Derivative instruments	20	82.508	368.882
Prepaid expenses	14	235.299	238.352
Deferred tax assets	29	3.303.637	3.227.031
Other non-current assets	15	994.042	987.658
Total assets		37.321.016	31.218.180
Liabilities			
Current liabilities		19.486.927	12.660.262
Short-term financial liabilities	5	221.664	385.524
Current portion of long term financial liabilities	5	4.408.649	1.572.434
Trade payables	6	9.525.756	6.987.843
Due to related parties	6, 31	52.927	88.017
Trade payables, third parties		9.472.829	6.899.826
Liabilities for employee benefits	18	72.239	92.442
Other payables	19	25.140	27.953
Due to related parties	19, 31	10.562	18.546
Other payables to third parties		14.578	9.407
Derivative instruments	20	347.555	29.454
Deferred income	16	6.717	15.417
Current income tax liabilities	29	488.426	141.217
Provisions	17	163.283	65.056
Provisions for employee benefits		78.716	13.571
Other provisions		84.567	51.485
Other current liabilities	15	4.227.498	3.342.922
Non-current liabilities		7.758.322	10.390.885
Long-term financial liabilities	5	7.536.532	10.176.307
Provisions	17	214.303	207.415
Provisions for employee benefits		214.303	207.415
Deferred income	16	3.797	3.992
Derivative Instruments	20	2.464	1.782
Other non-current liabilities	15	1.226	1.389
Total liabilities		27.245.249	23.051.147
Equity		10.075.767	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		(860.846)	(986.870)
Hedging gains/(losses)		(1.007.081)	(1.132.725)
Cash flow hedge gains/(losses)		(1.007.081)	(1.132.725)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		146.235	145.855
Restricted reserves	23	279.668	331.337
Retained earnings		5.651.805	5.363.804
Net income		3.318.187	1.793.267
Total equity attributable to equity holders of the parent		9.975.490	8.088.386
Non-controlling interests		100.277	78.647
Total equity and liabilities		37.321.016	31.218.180

The condensed interim consolidated financial statements for the period ended 30 September 2017 have been approved by the Board of Directors on 8 November 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unaudited		Unaudited	
		1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Revenue	24	39.344.061	14.343.743	24.095.452	9.450.882
Cost of sales	24	(34.530.568)	(12.733.809)	(22.045.598)	(8.533.401)
Gross profit / (loss)		4.813.493	1.609.934	2.049.854	917.481
General administrative expenses	25	(593.003)	(224.386)	(529.290)	(183.689)
Marketing, selling and distribution expenses	25	(188.111)	(68.357)	(151.591)	(55.797)
Research and development expenses	25	(12.322)	(3.532)	(20.593)	(7.129)
Other operating income	26	170.358	30.378	99.846	(56)
Other operating expenses	26	(111.058)	(54.502)	(77.688)	(67.041)
Operating profit / (loss)		4.079.357	1.289.535	1.370.538	603.769
Income from investment activities	27	-	597	-	10
Expense from investment activities	27	(11.550)	-	(126)	-
Income/(loss) from investments accounted by equity method	10	184.980	66.093	130.147	61.476
Operating profit before financial income / (expense)		4.252.787	1.356.225	1.500.559	665.255
Financial income	28	450.278	223.125	332.827	193.847
Financial expense (-)	28	(982.841)	(345.683)	(785.063)	(305.332)
Profit / (loss) before tax from continued operations		3.720.224	1.233.667	1.048.323	553.770
Tax income / (expense)		(381.126)	(233.849)	(44.460)	31.968
Taxes on income (-)		(488.426)	(228.739)	(103.118)	(54.677)
Deferred tax income / (expense)	29	107.300	(5.110)	58.658	86.645
Net profit (loss) from continued operations		3.339.098	999.818	1.003.863	585.738
Other comprehensive income:					
Items to be reclassified to profit or loss					
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		380	499	743	773
Income/(loss) from translation of foreign currency of investments using equity method		380	499	743	773
Other comprehensive income / (expense) relating to avoidance of risk of cash flow		157.057	14.578	(171.878)	(106.990)
Income/(loss) from avoidance of risk of cash flow		157.057	14.578	(171.878)	(106.990)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		(30.694)	(3.249)	33.520	20.705
Deferred tax income/(expense)		(30.694)	(3.249)	33.520	20.705
Other comprehensive income/(expense)		126.743	11.828	(137.615)	(85.512)
Total comprehensive income		3.465.841	1.011.646	866.248	500.226
Distribution of income for the period:					
Non-controlling interests		20.911	7.614	13.564	4.868
Attributable to equity holders of the parent		3.318.187	992.204	990.299	580.870
Distribution of total comprehensive income					
Non-controlling interests		21.630	7.281	12.617	4.173
Attributable to equity holders of the parent		3.444.211	1.004.365	853.631	496.053
Earnings (loss) per share from continued operations					
Earnings per share with nominal value kr. 1 each (kr.)	30	13,25	3,96	3,95	2,32

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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
	Gains/losses on revaluation and remeasurement		Share of other comprehensive income accounted for investment using equity method that will not be classified to profit loss	Share of other comprehensive income accounted for investments	Cash flow hedge gains/ (losses)	Gains/losses on hedging	Share of other comprehensive income accounted for investments	Restricted reserves	Retained earnings	Net profit for the period	Equity holders of the parent	Non-controlling interests			
	Share capital	Adjustment to share capital											Share premiums/ discounts	Actuarial gain/(loss) arising from defined benefit plans	
Unaudited															
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	-	-	-	-	-	-	-	-	990.299	990.299	990.299	13.564	1.003.863		
- Other comprehensive income	-	-	-	-	-	(137.411)	743	-	-	-	(136.668)	(947)	(137.615)		
Total comprehensive income	-	-	-	-	-	(137.411)	743	-	-	990.299	853.631	12.617	866.248		
30 September 2016	250.419	1.344.243	172	(2.771)	(851)	(647.859)	100.560	331.337	5.363.804	990.299	7.729.353	75.957	7.805.310		
Unaudited															
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	-	-	-	-	-	-	-	-	3.318.187	3.318.187	3.318.187	20.911	3.339.098		
- Other comprehensive income	-	-	-	-	-	125.644	380	-	-	-	126.024	719	126.743		
Total comprehensive income	-	-	-	-	-	125.644	380	-	-	3.318.187	3.444.211	21.630	3.465.841		
30 September 2017	250.419	1.344.243	-	(6.124)	(1.862)	(1.007.081)	146.235	279.668	5.651.805	3.318.187	9.975.490	100.277	10.075.767		

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

	Notes	Unaudited	
		1 January - 30 September 2017	1 January - 30 September 2016
Cash flows from operating activities		4.057.792	4.159.358
Profit/(loss)		3.339.098	1.003.863
Adjustment for reconciliation of profit/(loss)		1.227.057	576.410
Adjustment for depreciation and amortisation expense	12, 13	427.737	406.223
Adjustments for stock impairment(cancellation)		-	(102.114)
Adjustments for stock impairment	8	-	(102.114)
Adjustment for provisions	17	89.701	63.816
Adjustment for interest (income) and expense	28	112.051	292.021
Adjustment for unrealized foreign currency translation differences	28	(55.001)	(124.874)
Adjustment for fair value (gain) or loss		55.476	(105.330)
Adjustment for income of investments accounted by equity method	10	(184.980)	(130.147)
Adjustment for tax expenses(income)		381.126	44.460
Adjustment for (gain) / loss on sales of property, plant and equipment	27	11.550	126
Adjustment for other items related with cash flow of investment or financial activities	28	358.230	227.733
Other adjustments for reconciliation of profit/(loss)		31.167	4.496
Changes in working capital		(143.011)	2.510.376
Adjustment for decrease/(increase) in trade receivables		(2.352.739)	328.143
Adjustment for decrease/(increase) in other receivables related with operations		(588.269)	70.127
Adjustment for decrease/(increase) in assets of derivative instruments		1.432	32.946
Adjustment for decrease/(increase) in inventories		(847.734)	(714.115)
Adjustment for increase/(decrease) in trade payables		2.545.983	2.006.912
Adjustment for increase/(decrease) in other payables related with operations		779.533	620.993
Adjustment for decrease/(increase) in liabilities of derivative instruments		318.783	165.370
Cash flows from operating activities		4.423.144	4.090.649
Tax returns/(payments)		(314.278)	(135.991)
Other cash inflow/(outflow)		(51.074)	204.700
Cash flows from investing activities		(633.011)	(547.914)
Cash outflows in subsidiaries regarding additional share purchases		(2.500)	-
Cash inflows from the sales of property, plant and equipment and intangible assets		3.072	309
Cash outflows from the purchase of property, plant and equipment and intangible assets		(703.583)	(590.223)
Dividends received	10	70.000	42.000
Cash flows from financing activities		(1.911.106)	437.549
Cash inflows from financial liabilities	5	33.024.695	24.908.318
Cash outflows from financial liabilities	5	(33.240.818)	(22.615.274)
Cash inflows from derivative instruments		26.242	22.312
Cash outflows from derivative instruments		(104.620)	(38.600)
Dividends paid		(1.557.107)	(1.627.725)
Interest paid		(450.863)	(420.002)
Interest received		391.365	208.520
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		1.513.675	4.048.993
Impact of foreign currency translation differences on cash and cash equivalents		55.001	124.874
Net increase/(decrease) in cash and cash equivalents		1.568.676	4.173.867
Cash and cash equivalents at beginning of period		5.022.402	2.199.168
Cash and cash equivalents at end of period	4	6.591.078	6.373.035

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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”) since 1991. As at 30 September 2017, the shares quoted on the BIST are 49% of the total shares. As of 30 September 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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	Crude oil and petroleum products transportation 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 September 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 September 2017 total assets of Körfez is TRY 8.614 thousand and net period loss of Körfez is TRY 1.564 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
Opet Trade Singapore (In liquidation) (*)	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 September 2017 is 5.461 (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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 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.

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(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 September 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 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- **Annual improvements 2014–2016**; effective from annual periods beginning on or after 1 January 2017. These amendments impact 3 standards:
 - 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.
 - 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.
 - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

b) Standards, amendments and interpretations effective after 1 October 2017

- 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.
- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, 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

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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)

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.
- 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 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.

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(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)

- 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.
- IFRIC 23, ‘Uncertainty over income tax treatments’, effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

- a) The condensed consolidated financial statements for the interim period ended 30 September 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.
- b) At 30 September 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.

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

	30 September 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 (%)
Subsidiary				
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.

- 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 September 2017 and 31 December 2016:

	30 September 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
Opet Trade Singapore (In liquidation) (*) (**)	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.

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 30 September 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 September 2017 are presented comparatively with the consolidated financial statements for the interim period ended 30 September 2016.

The amount TRY 466.989 thousand under “Cash flows from financing activities” on the statement of the cash flow as of 30 September 2016 were classified to “Cash flows from operations”.

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 September 2017, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 September 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 September 2017.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2017

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

4. Cash and cash equivalents

	30 September 2017	31 December 2016
Cash at banks		
Revenue share (blocked)	1.141.469	1.002.012
Time deposit	6.554.558	5.016.257
Demand deposits	36.520	6.145
Time deposit interest accruals	30.219	26.307
Total	7.762.766	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 government debt securities interest rate and overnight interest rate as at 30 September 2017 and 31 December 2016 (Note 15).

Time deposits and other cash and cash equivalents

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

30 September 2017

	Effective rate of interest %	Less than 1 month	1 - 3 months	Total
TRY	14,28	3.176.096	-	3.176.096
USD	4,23	2.337.754	9.100	2.346.854
EUR	2,34	1.004.486	26.933	1.031.419
GBP	1,40	189	-	189
Time deposit		6.518.525	36.033	6.554.558

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 September 2017 and 30 September 2016 are as follows:

	30 September 2017	30 September 2016
Cash and cash equivalents	7.762.766	7.326.601
Less: blocked deposits (revenue share)	(1.141.469)	(953.512)
Less: Time deposit interest accruals	(30.219)	(54)
Cash and cash equivalents	6.591.078	6.373.035

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5. Financial liabilities

	30 September 2017	31 December 2016
Short-term financial liabilities		
Short-term bank borrowings	221.664	385.162
Interest accruals of bank borrowings	-	362
Total	221.664	385.524
Short-term portion of long-term bank borrowings:		
Short-term portion of long-term bank borrowings	1.757.631	1.265.535
Bonds issued	2.486.470	200.000
Interest accruals of bank borrowings	121.766	81.435
Interest accruals of bonds issued	42.782	25.464
Total	4.408.649	1.572.434
Long-term financial liabilities:		
Long-term bank borrowings	7.536.532	7.712.045
Bonds issued	-	2.463.440
Interest accruals of bank borrowings	-	822
Total	7.536.532	10.176.307
Total financial liabilities	12.166.845	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.

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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 September 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 September 2017 and 31 December 2016 are as follows:

		30 September 2017	
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	1,97	3.500.000	12.432
TRY borrowings (*)	-	209.232.165	209.232
Interest accruals			-
Total short-term financial liabilities			221.664
Short-term portion of long-term financial liabilities:			
USD borrowings	3,54	322.976.126	1.147.243
USD bonds issued	4,17	700.000.000	2.486.469
EUR borrowings	3,26	9.220.636	38.657
TRY borrowings	12,90	571.732.026	571.732
			4.244.101
Interest accruals			164.548
Short-term portion of total long-term borrowings			4.408.649
Long-term financial liabilities:			
USD borrowings	3,18	1.593.153.435	5.659.041
EUR borrowings	2,05	289.416.023	1.213.347
TRY borrowings	12,57	664.143.791	664.144
			7.536.532
Interest accruals			-
Total long-term financial liabilities			7.536.532

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY 209.232 thousand as of 30 September 2017 (31 December 2016 - TRY 190.645 thousand).

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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 September 2017 and 31 December 2016, the redemption schedule of long-term bank borrowings is as follows:

	30 September 2017	31 December 2016
2018	890.600	4.544.096
2019	1.748.361	1.358.333
2020	1.573.093	1.443.351
2021	1.284.442	1.092.287
2022 and after	2.040.036	1.738.240
Total	7.536.532	10.176.307

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5. Financial liabilities (Continued)

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

	2017	2016
1 January	12.134.265	9.919.420
New financial borrowings	33.024.695	24.908.318
Principal payments	(33.240.818)	(22.615.274)
Changes in interest accruals	56.465	75.861
Changes in foreign exchange rates	192.238	283.572
30 September	12.166.845	12.571.897

6. Trade receivables and payables

Short-term trade receivables:

	30 September 2017	31 December 2016
Trade receivables	3.935.782	2.433.602
Due from related parties (Note 31)	1.602.382	751.824
Doubtful trade receivables	2.646	2.676
Other trade receivables	10	9
Less: Unearned credit finance income	(30.423)	(5.153)
Less: Provision for doubtful receivables	(2.646)	(2.676)
Total short-term trade receivables (net)	5.507.751	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 September 2017, Tüpraş has offsetted TRY 574.459 thousand (31 December 2016 - TRY 1.625.766 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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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 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Group 1	3.984	1.783
Group 2	952.176	3.063
Group 3	4.305.461	2.070.505
Group 4	200.424	1.040.014
Total	5.462.045	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 September 2017 and 31 December 2016 is as follows:

	30 September 2017	31 December 2016
Up to 3 months	43.291	62.386
3 to 12 months	2.415	2.531
Total	45.706	64.917

The Group has guarantees received amounting to TRY 37.499 (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 September 2017 and 2016 is as follows:

	2017	2016
1 January	2.676	2.593
Charge for the period	-	98
Payments during the period	(30)	(15)
30 September	2.646	2.676

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6. Trade receivables and payables (Continued)

Short-term trade payables:

	30 September 2017	31 December 2016
Trade payables	9.491.645	6.910.572
Due to related parties (Note 31)	52.927	88.017
Less: Unrealised credit finance charges		
Trade payables	(18.816)	(10.746)
Total	9.525.756	6.987.843

7. Other receivables and payables

Other short-term receivables:

	30 September 2017	31 December 2016
Advances and guarantees given	45.157	10.280
Receivable from personnel	10.137	7.723
Receivable from insurance recoveries	7.592	7.623
Other doubtful receivables	304	304
Less: Provision for other doubtful receivables	(304)	(304)
Total	62.886	25.626

8. Inventories

	30 September 2017	31 December 2016
Raw materials and supplies	1.260.428	1.084.842
Work-in-progress	1.027.930	795.792
Finished goods	898.950	919.756
Trade goods	67.632	50.669
Goods in transit	1.182.900	743.851
Other	18.333	13.529
	4.456.173	3.608.439
Less: Provision for impairment in inventories	-	-
Total	4.456.173	3.608.439

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8. Inventories (Continued)

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

	2017	2016
1 January	-	102.114
Charge for the period	-	-
Cancellations within the period	-	(102.114)
30 September	-	-

9. Financial Investments

Financial investments available-for-sale

	30 September 2017		31 December 2016	
	Participation share (%)	Amount	Participation share (%)	Amount
Körfez Ulaştırma A.Ş.	100,00	6.500	100,00	4.000
		6.500		4.000

10. Investments accounted for using the equity method

	30 September 2017		31 December 2016	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	1.039.354	40,00	923.994
		1.039.354		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 September 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	184.980	130.147
Dividend payment	(70.000)	(42.000)
Currency translation differences	380	743
30 September	1.039.354	851.107

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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 September 2017		31 December 2016	
Current assets	3.709.298		3.039.266	
Non-current assets	2.472.146		2.301.201	
Total assets	6.181.444		5.340.467	
Short term liabilities	2.910.741		2.399.461	
Long term liabilities	1.145.000		1.103.703	
Equity	2.125.703		1.837.303	
Total liabilities	6.181.444		5.340.467	

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Sales (net)	20.610.176	7.744.363	14.457.963	5.420.888
Gross profit	1.115.507	398.560	853.127	346.945
Operating profit	560.917	201.478	453.705	215.622
Net income for period	462.450	165.233	325.367	153.689

11. Investment property

As of 30 September 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).

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12. Property, plant and equipment

	1 January 2017	Additions	Transfers	Disposals	30 September 2017
Cost:					
Land	48.844	-	-	(29)	48.815
Land improvements	3.687.757	-	12.945	(121.329)	3.579.373
Buildings	744.592	-	3.378	(7.230)	740.740
Machinery and equipment	11.420.284	259	45.791	(85.321)	11.381.013
Motor vehicles	749.479	233.074	552	(929)	982.176
Furniture and fixtures	114.397	840	8.021	(1.479)	121.779
Construction in progress	649.948	452.799	(78.466)	-	1.024.281
Other tangible assets	1.488	93	-	-	1.581
	17.416.789	687.065	(7.779)	(216.317)	17.879.758
Accumulated depreciation:					
Land improvements	(1.272.244)	(113.001)	-	118.738	(1.266.507)
Buildings	(188.970)	(11.744)	-	7.219	(193.495)
Machinery and equipment	(3.972.568)	(250.574)	-	73.761	(4.149.381)
Motor vehicles	(171.865)	(26.556)	-	569	(197.852)
Furniture and fixtures	(68.301)	(11.773)	-	1.408	(78.666)
Other tangible assets	(1.365)	(44)	-	-	(1.409)
	(5.675.313)	(413.692)	-	201.695	(5.887.310)
Net book value	11.741.476				11.992.448
	1 January 2016	Additions	Transfers	Disposals	30 September 2016
Cost:					
Land	48.844	-	-	-	48.844
Land improvements	3.525.298	-	99.442	(30)	3.624.710
Buildings	695.372	-	8.620	-	703.992
Machinery and equipment	11.149.479	84	200.220	(3.441)	11.346.342
Motor vehicles	619.383	123.177	1.403	(285)	743.678
Furniture and fixtures	105.955	511	7.549	(1.529)	112.486
Construction in progress	499.904	369.071	(321.854)	-	547.121
Other tangible assets	1.488	-	-	-	1.488
	16.645.723	492.843	(4.620)	(5.285)	17.128.661
Accumulated depreciation:					
Land improvements	(1.129.120)	(107.769)	-	30	(1.236.859)
Buildings	(174.083)	(11.158)	-	-	(185.241)
Machinery and equipment	(3.664.377)	(236.748)	-	3.104	(3.898.021)
Motor vehicles	(139.883)	(25.444)	-	254	(165.073)
Furniture and fixtures	(57.230)	(11.342)	-	1.462	(67.110)
Other tangible assets	(1.286)	(64)	-	-	(1.350)
	(5.165.979)	(392.525)	-	4.850	(5.553.654)
Net book value	11.479.744				11.575.007

Total depreciation expense amounting to TRY 413.692 thousand (30 September 2016 - TRY 392.525 thousand) in the consolidated statement of comprehensive income for the period ended 30 September 2017 has been allocated to cost of goods sold amounting to TRY 393.684 thousand (30 September 2016 - TRY 363.344 thousand), to marketing, sales and distribution expenses amounting to TRY 3 thousand (30 September 2016 - TRY 2 thousand), to general administration expenses amounting to TRY 20.005 thousand (30 September 2016 - TRY 29.179 thousand).

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13. Intangible assets

Other intangible assets:

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

	1 January 2017	Additions	Transfers	Disposals	30 September 2017
Cost:					
Rights and software	64.330	230	3.100	(343)	67.317
Development expenses	68.403	-	4.679	-	73.082
	132.733	230	7.779	(343)	140.399
Accumulated amortisation:					
Rights and software	(36.449)	(4.946)	-	343	(41.052)
Development expenses	(41.178)	(9.099)	-	-	(50.277)
	(77.627)	(14.045)	-	343	(91.329)
Net book value	55.106				49.070

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

	1 January 2016	Additions	Transfers	Disposals	30 September 2016
Cost:					
Rights and software	57.087	-	3.124	-	60.211
Development expenses	61.981	-	1.496	-	63.477
	119.068	-	4.620	-	123.688
Accumulated amortisation:					
Rights and software	(30.418)	(4.759)	-	-	(35.177)
Development expenses	(29.241)	(8.939)	-	-	(38.180)
	(59.659)	(13.698)	-	-	(73.357)
Net book value	59.409				50.331

Total amortisation expenses amounting to TRY 14.045 thousand (30 September 2016 - TRY 13.698 thousand) in the consolidated statement of comprehensive income for the period ended 30 September 2017 have been allocated to the cost of goods sold amounting to TRY 8 thousand (30 September 2016 – TRY 10 thousand), and to general administration expenses amounting to TRY 14.037 thousand (30 September 2016 - TRY 13.688 thousand).

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14. Prepaid expenses

Short term prepaid expenses:

	30 September 2017	31 December 2016
Insurance and other expenses	68.052	41.680
Investment loan insurance expenses (*)	24.630	27.811
Advances given	10.298	28.412
Total	102.980	97.903

Long term prepaid expenses:

	30 September 2017	31 December 2016
Advances given to third parties for property, plant and equipment	125.981	120.883
Prepaid investment loan insurance expenses (*)	59.479	77.589
Advances given to related parties for property, plant and equipment (Note 31)	48.644	37.454
Prepaid other expenses	1.195	2.426
Total	235.299	238.352

(*) The Company made the payment of the investment loans’ insurance expenses related with Residuüm 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 September 2017	31 December 2016
Deferred Value Added Tax (“VAT”)	847.819	357.063
Deferred Special Consumption Tax (“SCT”)	120.481	79.863
Spare parts and material stocks	62.551	69.591
Taxes and funds to be offsetted	59.773	44.302
Income accruals	22.802	19.348
Other current assets	18.893	3.263
Total	1.132.319	573.430

Other non-current assets:

	30 September 2017	31 December 2016
Spare parts and materials	1.015.666	1.008.993
Other	831	1.120
Provision for spare parts and materials	(22.455)	(22.455)
Total	994.042	987.658

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15. Other assets and liabilities (Continued)

Other short-term liabilities:

	30 September 2017	31 December 2016
SCT payable	1.649.489	1.371.333
Revenue share	1.146.318	1.006.511
Deferred VAT	847.819	357.063
VAT payable	423.756	226.314
Deferred SCT	120.481	79.863
Other taxes and liabilities	21.384	43.475
Accrued expenses (*)	-	246.536
Other	18.251	11.827
Total	4.227.498	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.

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15. Other assets and liabilities (Continued)

As a result of these regulations, the revenue share amounting to TRY 1.146.318 thousand accumulated as at 30 September 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 1.141.469 thousand that is (31 December 2016 - TRY 1.002.012 thousand) blocked in banks as demand deposits with government debt securities interest rate and overnight interest rate 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 September 2017	31 December 2016
Participation share	1.226	1.389
Total	1.226	1.389

16. Deferred income

Short-term deferred income

	30 September 2017	31 December 2016
Advances taken	4.879	13.591
Deferred income	1.838	1.826
Total	6.717	15.417

Long-term deferred income

	30 September 2017	31 December 2016
Deferred income	3.797	3.992
Total	3.797	3.992

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	30 September 2017	31 December 2016
Seniority incentive bonus provision	7.730	9.073
Personnel bonus accruals	70.986	4.498
Total	78.716	13.571

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17. Provisions (Continued)

Long term employee benefits:

	30 September 2017	31 December 2016
Provision for employment termination benefits	162.324	159.190
Provision for unused vacation	47.726	44.137
Seniority incentive bonus provision	4.253	4.088
Total	214.303	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	9.507	5.791
Payments during the period	(10.685)	(6.104)
30 September	11.983	12.534

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 4.732,48 (31 December 2016 - TRY 4.297,21) for each year of service as at 30 September 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.

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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 September 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	12.859	11.221
Increase during the period	14.523	18.755
Payments during the period	(24.248)	(22.787)
30 September	162.324	151.736

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	9.401	6.327
Payments during the period	(5.812)	(5.389)
30 September	47.726	42.842

Other short term provisions:

	30 September 2017	31 December 2016
Provisions for pending claims and law suits	15.797	12.523
EMRA participation share	26.933	20.159
Provision for demurrage	14.401	13.787
Other	27.436	5.016
Total	84.567	51.485

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17. Provisions (Continued)

Movement of the short-term provisions for the period ended 30 September 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	16.854	614	22.420	43.411
Payments during the period	(249)	(10.080)	-	-	(10.329)
30 September 2017	15.797	26.933	14.401	27.436	84.567

	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	2.200	13.240	2.153	4.129	21.722
Payments during the period	-	(8.942)	-	-	(8.942)
30 September 2016	15.605	22.181	13.185	24.461	75.432

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 September 2017	31 December 2016
Due to the personnel	35.371	59.016
Social security withholdings payment	36.868	33.426
Total	72.239	92.442

19. Other payables

	30 September 2017	31 December 2016
Deposits and guarantees received	14.578	9.407
Other payables to related parties (Note 31)	10.562	18.546
Total	25.140	27.953

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20. Derivative Instruments

	30 September 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	308.763	308.763	-	5.984	301.972	301.972	1.841	3.791
Cross currency swap	787.204	524.178	297.693	18.400	41.402	27.294	30.797	21.234
<i>Derivatives held for trading</i>								
Currency forwards	3.431.039	3.571.166	16.862	88.600	316.728	316.861	2.093	-
Commodity derivative	3.923.470	4.152.923	5.118	234.571	82.708	87.174	-	4.429
Total			319.673	347.555			34.731	29.454
Short term derivative financial instruments								
<i>Cash flow hedge</i>								
Interest rate swap	1.614.651	1.614.651	-	2.329	1.746.128	1.746.128	4.745	1.782
Cross currency swap	334.828	249.155	82.508	135	952.255	627.640	364.137	-
			82.508	2.464			368.882	1.782
Long term derivative financial instruments								
Total			402.181	350.019			403.613	31.236

As of 30 September 2017, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY 3.429.079 thousand in exchange of USD 924.000 thousand and a purchase obligation of TRY 148.899 thousand in exchange of USD 40.000 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 September 2017, interest rate swap consists of exchange of floating rate installment 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 37.642 thousand (31 December 2016 – EUR 44.285) with fixed rate instalment payments for cash flow hedging.

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20. Derivative Instruments (Continued)

As of 30 September 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 17.714 thousand with TRY currency indexed, fixed interest payments amounting to TRY 65.717 thousand and swap transaction of TRY 65.717 thousand fixed interest payments with total of USD 18.674 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 September 2017. Product crack fixing transactions have been made for gasoline stocks of 2.475 thousand barrels, jet stocks of 8.685 thousand barrel and 13.530 thousand barrel and weighted average fixation margin of these transactions are USD 10,335, 11,007 and 11,794 per barrel, respectively. Swap transactions have been made for 5.400 thousand barrels of crude oil and weighted average fixation margin of these transactions in USD is 54.19 per barrel. Zero cost collar transaction is made for total of 5.400 thousand barrels of crude oil where weighted average purchase price is 50,2 USD/barrel and weighted average sales price is 55,40 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 September 2017, the Company's total R&D expenditures amounting to TRY 5.199 thousand (30 September 2016 - TRY 5.166 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%.

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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 September 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 September 2017	31 December 2016
Social security withholdings incentives	27.272	22.512
Research and development incentives	5.399	5.166
Interest incentive	262	7.915
Total	32.933	35.593

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

22. Commitments and contingent assets and liabilities

	30 September 2017		31 December 2016	
Guarantees received:	Original Currency:	TRY Amount:	Original Currency:	TRY Amount:
Letter of guarantees received		1.268.657		1.679.662
- Letter of guarantees in TRY	796.244	796.244	1.003.107	1.003.107
- Letter of guarantees in USD	106.730	379.117	160.721	565.608
- Letter of guarantees in EUR	21.093	88.430	27.113	100.585
- Letter of guarantees in other currencies	-	4.866	-	10.362
Guarantee notes received		8.605		14.485
- Guarantee notes in TRY	8.605	8.605	14.485	14.485
Guarantee letters received		227.605		225.960
- Guarantee letters received in TRY	50.000	50.000	50.000	50.000
- Guarantee letters received in USD	50.000	177.605	50.000	175.960
Direct debiting limits		179.073		20.000
- TRY direct debiting limits	179.073	179.073	20.000	20.000
Total guarantees received		1.683.940		1.940.107
Guarantees given:				
Letter of credits given		523.068		672.163
- Letter of credits in USD	144.883	514.640	184.253	648.422
- Letter of credits in EUR	1.928	8.085	3.921	14.545
- Letter of credits in other currencies	-	343	-	9.196
Letter of guarantees given		618.453		796.468
- Letter of guarantees in TRY	546.700	546.700	607.798	607.798
- Letter of guarantees in USD	20.200	71.753	53.612	188.670
Letters of guarantee given to customs offices		1.244.431		1.000.185
- Letter of guarantees in TRY	1.236.046	1.236.046	955.666	955.666
- Letter of guarantees in EUR	2.000	8.385	12.000	44.519
Letters of guarantee given to banks		526.108		338.033
- Letter of guarantees in USD	92.826	329.727	47.577	167.433
- Letter of guarantees in EUR	46.842	196.381	45.985	170.600
Total guarantees given		2.912.060		2.806.849

As at 30 September 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 September 2017, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY 487.538 thousand (31 December 2016 - TRY 331.726 thousand) and for derivative financial instruments amounting to TRY 38.570 thousand (31 December 2016 - TRY 6.307 thousand).

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(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 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
A. CPMs given for companies in the name of its own legal personality	2.385.952	2.468.816
- TRY	1.782.746	1.563.464
- USD	586.393	837.092
- EUR	16.470	59.064
- Other	343	9.196
B. CPMs given on behalf of the fully consolidated companies	526.108	338.033
- USD	329.727	167.433
- EUR	196.381	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	2.912.060	2.806.849

23. Equity

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

	30 September 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.

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(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 September 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 5.174.331 thousand as at 30 September 2017. This amount includes inflation adjustment differences of the equity accounts amounting to TRY 1.698.998 thousand and other reserves amounting to TRY 11.984 thousand which are subject to corporate taxation when distributed as dividends.

In the period ended as of 30 September 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.

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(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 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Sales from production	30.360.477	11.626.717	17.792.774	7.559.799
Export revenue	8.162.173	2.069.343	4.406.077	1.436.865
Trade sales	1.276.009	851.811	2.118.694	569.199
Service revenue	172.734	57.952	131.068	29.732
Gross revenue	39.971.393	14.605.823	24.448.613	9.595.595
Less: Sales discounts	(575.182)	(224.382)	(339.231)	(138.500)
Less: Sales returns	(52.150)	(37.698)	(13.930)	(6.213)
Sales (net)	39.344.061	14.343.743	24.095.452	9.450.882
Cost of goods sold	(33.220.823)	(11.870.271)	(19.909.015)	(7.956.517)
Cost of trade goods sold	(1.257.101)	(841.207)	(2.078.035)	(554.401)
Cost of services	(52.644)	(22.331)	(58.548)	(22.483)
Gross profit	4.813.493	1.609.934	2.049.854	917.481

Cost of sales:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Raw materials	30.854.759	11.113.543	18.148.836	7.373.074
Cost of trade goods sold	1.257.101	841.207	2.078.035	554.401
Energy expenses	833.905	278.231	720.013	243.202
Personnel expenses	447.394	153.818	387.849	131.767
Depreciation and amortization (Note 12-13)	393.692	131.564	363.354	121.894
Other production expenses	743.717	215.446	347.511	109.063
Cost of sales	34.530.568	12.733.809	22.045.598	8.533.401

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Personnel expenses	264.763	94.473	228.994	73.094
Insurance expenses	62.578	21.048	61.283	16.994
Outsourced services	53.589	24.578	53.064	24.863
Taxes and duties	53.255	20.197	50.425	19.456
Depreciation and amortization expenses (Note 12-13)	34.042	11.506	42.867	14.466
Office expenses	28.248	12.005	22.910	9.217
Subscription fees	17.866	6.328	14.666	5.051
Lawsuit and consultancy expenses	15.899	7.831	14.451	6.538
Rent expenses	12.586	3.148	5.611	1.826
Donations	11.660	3.891	4.619	3.007
Transportation and travel expenses	2.578	870	1.825	548
Other	35.939	18.511	28.575	8.629
Total general administrative expenses	593.003	224.386	529.290	183.689

Marketing, selling and distribution expenses:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Personnel expenses	71.152	25.113	58.307	21.401
Outsourced services	46.950	15.081	37.132	12.931
Carriage, storage and insurance expenses	26.960	13.333	26.856	11.400
Rent expenses	8.528	2.917	7.085	2.416
Energy expenses	8.099	2.620	5.415	2.532
Advertising expenses	1.448	276	845	371
Depreciation and amortisation expenses (Note 12)	3	1	2	1
Other	24.971	9.016	15.949	4.745
Total marketing, selling and distribution expenses	188.111	68.357	151.591	55.797

Research and development expenses:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Personnel expenses	8.132	2.395	16.059	5.216
Lawsuit and consultancy expenses	822	63	483	229
Outsourced services	387	148	91	13
Other	2.981	926	3.960	1.671
Total research and development expenses	12.322	3.532	20.593	7.129

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26. Other operating income/(expenses)

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Other operating income:				
Credit finance gains	148.060	55.327	84.851	25.322
Rent income	2.957	1.126	2.560	812
Foreign exchange gain from trade payables	-	(29.909)	-	(28.673)
Foreign exchange gain from trade receivables	-	-	445	445
Other	19.341	3.834	11.990	2.038
Total other operating income	170.358	30.378	99.846	(56)

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Other operating expense:				
Credit finance charges	(52.746)	(11.808)	(9.686)	(4.366)
Foreign exchange loss from trade payables	(43.754)	(43.754)	(59.658)	(59.658)
Foreign exchange loss from trade receivables	(4.601)	1.137	-	1.124
Other	(9.957)	(77)	(8.344)	(4.141)
Total other operating expense	(111.058)	(54.502)	(77.688)	(67.041)

27. Income/(expense) from investment activities

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Gain/(loss) on sales of property plant and equipment and intangible assets	(11.550)	597	(126)	10
Total income/(expense) from investment activities	(11.550)	597	(126)	10

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28. Financial income/(expenses)

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Financial income:				
Interest income on deposits	395.277	168.124	203.841	88.858
Foreign exchange gains on deposits	55.001	55.001	124.874	124.874
Foreign exchange gains on borrowings	-	-	-	(23.997)
Foreign exchange gains on derivative instruments	-	-	4.112	4.112
Total financial income	450.278	223.125	332.827	193.847
Financial expense:				
Interest expenses	(507.328)	(163.057)	(495.862)	(192.493)
Foreign exchange losses on borrowings	(358.230)	(221.958)	(227.733)	(227.733)
Foreign exchange losses on derivative instruments	(81.341)	6.708	-	62.013
Interest expenses from derivative instruments	(33.370)	(10.611)	(56.717)	(14.444)
Foreign exchange losses on deposits	-	43.977	-	68.898
Other	(2.572)	(742)	(4.751)	(1.573)
Total financial expense	(982.841)	(345.683)	(785.063)	(305.332)

29. Tax assets and liabilities

i) Corporation tax:

	30 September 2017	31 December 2016
Current period corporate tax provision	488.426	141.217
Current year tax assets	(268.989)	(95.928)
Corporation tax provision	219.437	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).

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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 September 2017 and 31 December 2016 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Fair value difference of derivative instruments	63.917	383.690	(12.783)	(76.738)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	227.340	-	(45.468)	-
Prepaid expenses	84.109	105.400	(16.822)	(21.080)
Deferred financial income, (net)	-	5.594	-	(1.119)
Deferred tax liability			(75.073)	(98.937)
Investment incentive income	7.920.819	8.242.254	3.291.948	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	169.740	168.845	33.948	33.769
Provision for unused vacation liability	44.020	42.188	8.804	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
Deferred financial income, (net)	11.607	-	2.321	-
Other	162.515	9.178	32.503	1.836
Deferred tax assets			3.378.710	3.325.968
Deferred tax asset/(liability), net			3.303.637	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.

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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	107.300	58.658
Charge to equity		
- Cash flow hedge reserve	(30.694)	33.520
Investment incentive income	-	(88.240)
30 September	3.303.637	3.206.441

30. Earnings per share

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Profit for the year attributable to shareholders of the Company	3.318.187	992.204	990.299	580.870
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	13,25	3,96	3,95	2,32

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 September 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	2.246.502	3.118.492
Total	2.246.502	3.118.492

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31. Related party transactions (Continued)

b) Due from related parties

	30 September 2017	31 December 2016
Opet Petrolcülük A.Ş. (1)	1.035.629	382.580
THY OPET Havacılık Yakıtları A.Ş. (1)	469.145	299.357
Aygaz A.Ş. (2)	92.625	65.483
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	4.924	4.396
Other (2)	59	8
Total	1.602.382	751.824

As of 31 December 2016, Tüpraş has offset 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. There is no balance which has been offsetted as of 30 September 2017.

c) Trade payables

	30 September 2017	31 December 2016
Aygaz A.Ş. (2)	16.313	21.635
Opet Petrolcülük A.Ş. (1)	8.301	7.275
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	8.109	12.800
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	6.207	5.723
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	5.244	11.901
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	2.452	2.510
Koç Sistem Bilgi ve İletişim A.Ş. (2)	1.790	10.260
Ark İnşaat A.Ş. (2)	897	9.393
Setur Servis Turistik A.Ş. (2)	278	276
Other (2)	3.336	6.244
Total	52.927	88.017

d) Other payables:

	30 September 2017	31 December 2016
Koç Holding A.Ş. (3)	10.562	18.546
Total	10.562	18.546

e) Advances given for property, plant and equipment:

	30 September 2017	31 December 2016
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	46.037	32.441
Ark İnşaat A.Ş. (2)	2.607	5.013
Total	48.644	37.454

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31. Related party transactions (Continued)

f) Bank loans:

	30 September 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	10.244	-
Total	10.244	-

g) Product and service sales:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Opet Petrolcülük A.Ş. (1)	4.825.039	1.864.821	2.599.678	1.042.762
THY OPET Havacılık Yakıtları A.Ş. (1)	3.985.023	1.600.828	2.725.298	1.054.982
Aygaz A.Ş. (2)	407.437	112.771	222.898	74.808
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	23.685	8.581	18.265	4.668
Opet International Limited (2)	9.340	-	-	-
Other (2)	-	-	4	-
Total	9.250.524	3.587.001	5.566.143	2.177.220

h) Product and service purchases:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Aygaz A.Ş. (2)	352.023	112.612	306.968	120.836
Opet Petrolcülük A.Ş. (1)	89.838	46.116	49.528	20.938
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	79.042	2.681	69.716	5.376
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	48.287	18.258	37.747	12.790
THY OPET Havacılık Yakıtları A.Ş. (1)	31.311	17.994	18.390	17.939
Koç Holding A.Ş. (3) (*)	22.459	13.689	23.939	15.285
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	19.919	9.712	16.042	6.493
Koç Sistem Bilgi ve İletişim A.Ş. (2)	19.702	8.430	17.741	5.563
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	7.304	2.418	6.385	2.246
Other (2)	19.660	7.824	13.251	3.649
Total	689.545	239.734	559.707	211.114

(*) 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 September 2017 and 2016 in connection with insurance policies signed with third party insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş. acting as an intermediary insurance agent.

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31. Related party transactions (Continued)

i) Fixed asset purchases:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Ark İnşaat A.Ş. (2)	32.286	7.981	51.482	24.986
Koç Sistem Bilgi ve İletişim A.Ş. (2)	3.608	1.686	1.195	852
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	-	-	17.902	11.632
Other(2)	518	164	1.589	1.578
Total	36.412	9.831	72.168	39.048

j) 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 8.282 thousand as of period ending on 30 September 2017. (30 September 2016 - TRY 24.011 thousand) and there are no payments made due to redundancy from the work in 2017 (30 September 2016 - TRY 17.200 thousand).

k) Financial expenses paid to related parties:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Yapı Kredi Faktoring A.Ş. (2)	3.254	136	1.182	189
Yapı ve Kredi Bankası A.Ş. (2)	761	-	-	-
Yapı Kredi Nederland (2)	117	49	-	-
Total	4.132	185	1.182	189

l) Time deposit interest income:

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Yapı ve Kredi Bankası A.Ş. (2)	154.453	44.050	94.593	37.860
Total	154.453	44.050	94.593	37.860

m) Donations:

As of 30 September 2017, total donation is amounting to TRY 798 thousand (30 September 2016 - TRY 2.995 thousand).

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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

Tüpraş is exposed to the risk of fluctuations in crack margins arising from the changes in product prices. In order to eliminate the aforementioned risk in crack margins, a hedging policy has been constituted by considering historical product price levels, market expectations and forecasted sales volumes. In accordance with the policy, crack margins are hedged by utilising various derivative instruments. (Note 20)

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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 September 2017 and 31 December 2016:

	30 September 2017		31 December 2016	
	TRY	USD(*)	TRY	USD(*)
Monetary assets	3.484.844	981.066	4.347.693	1.235.421
Monetary liabilities	(16.932.669)	(4.766.946)	(14.585.609)	(4.144.581)
Monetary assets/(liabilities) foreign currency position	(13.447.825)	(3.785.880)	(10.237.916)	(2.909.160)
Non-monetary assets	9.234	2.600	148.748	42.268
Net foreign currency position of derivative financial instruments	4.130.039	1.162.703	1.310.386	372.353
Net foreign currency asset/(liability) position	(9.308.552)	(2.620.577)	(8.778.782)	(2.494.539)
Cash flow hedging (**)	4.605.216	1.296.477	5.130.371	1.457.823
Net foreign currency position after cash flow hedging	(4.703.336)	(1.324.100)	(3.648.411)	(1.036.716)
Inventory in natural hedge scope (***)	4.300.504	1.210.693	3.477.413	988.126
Net foreign currency position after cash flow hedging and natural hedge	(402.832)	(113.407)	(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 1.296.477 thousand (TRY 4.605.216) 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 September 2017, the Group has crude oil and petroleum products inventories amounting to TRY 4.300.504 thousand (31 December 2016 - TRY 3.477.413 thousand) (Note 8).

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

32. Financial instruments and financial risk management (Continued)

	Foreign exchange position table 30 September 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	71.680	20.121	49	-	-	257.339	73.124	-	-	-
Monetary financial assets (including cash, banks)	3.408.457	665.917	248.752	-	189	4.085.609	875.246	270.883	114	-
Other	9.234	2.174	296	1	268	3.780	1.074	-	-	-
Current assets	3.489.371	688.212	249.097	1	457	4.346.728	949.444	270.883	114	-
Monetary financial assets	4.707	1.325	-	-	-	4.745	1.348	-	-	-
Other	-	-	-	-	-	144.968	27.163	13.309	-	-
Non-current assets	4.707	1.325	-	-	-	149.713	28.511	13.309	-	-
Total assets	3.494.078	689.537	249.097	1	457	4.496.441	977.955	284.192	114	-
Trade payables	5.995.057	1.675.636	9.682	73	2.095	3.841.321	1.056.681	27.213	1.043	17.189
Financial liabilities	3.810.417	1.061.356	9.631	-	-	1.243.661	333.977	18.418	-	-
Other monetary liabilities	252.343	70.788	214	-	-	257.008	72.774	243	-	-
Current liabilities	10.057.817	2.807.780	19.527	73	2.095	5.341.990	1.463.432	45.874	1.043	17.189
Financial liabilities	6.872.388	1.593.154	289.416	-	-	9.241.837	2.314.067	296.011	-	-
Other monetary liabilities	2.464	317	319	-	-	1.782	-	480	-	-
Non-current liabilities	6.874.852	1.593.471	289.735	-	-	9.243.619	2.314.067	296.491	-	-
Total liabilities	16.932.669	4.401.251	309.262	73	2.095	14.585.609	3.777.499	342.365	1.043	17.189
Net asset/(liability) position of off-balance sheet foreign currency derivatives	4.130.039	1.141.796	17.714	-	-	1.310.386	372.353	-	-	-
Total amount of off-balance sheet derivative financial assets	4.196.371	1.160.470	17.714	-	-	1.310.386	372.353	-	-	-
Total amount of off-balance sheet derivative financial liabilities	(66.332)	(18.674)	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(9.308.552)	(2.569.918)	(42.451)	(72)	(1.638)	(8.778.772)	(2.427.191)	(58.173)	(929)	(17.189)
Cash flow hedging	4.605.216	1.296.477	-	-	-	5.130.371	1.457.823	-	-	-
Net foreign currency position after cash flow hedging	(4.703.336)	(1.273.441)	(42.451)	(72)	(1.638)	(3.648.411)	(969.368)	(58.173)	(929)	(17.189)
Net monetary foreign currency asset/(liability) position	(13.447.825)	(3.713.888)	(60.461)	(73)	(1.906)	(10.237.916)	(2.827.781)	(71.482)	(929)	(17.189)
Fair value of derivative instruments used for hedging	361.666	101.818	-	-	-	373.700	106.189	-	-	-

As at 30 September 2017, the Group has TRY 402.832 thousand as net foreign currency deficit after natural hedging (31 December 2016 - TRY 170.998 thousand net foreign currency deficit) (p. 46).

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32. Financial instruments and financial risk management (Continued)

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 30 September 2017 and 31 December 2016.

Statement of foreign currency risk sensitivity				
30 September 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	(1.319.210)	1.319.210	(460.522)	460.522
Amount hedged for USD risk (-)	872.732	(872.732)	-	-
USD net effect	(446.478)	446.478	(460.522)	460.522
10% change in EUR rate:				
Euro net assets/ liabilities	(25.348)	25.348	-	-
Amount hedged for Euro risk (-)	7.426	(7.426)	-	-
EUR net effect	(17.922)	17.922	-	-
TOTAL	(464.400)	464.400	(460.522)	460.522
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.

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32. Financial instruments and financial risk management (Continued)

Export and import

	1 January - 30 September 2017	1 July - 30 September 2017	1 January - 30 September 2016	1 July - 30 September 2016
Export				
USD (equivalent of thousand TRY)	8.162.173	2.069.343	4.406.024	1.436.821
Total	8.162.173	2.069.343	4.406.024	1.436.821
Import				
USD (equivalent of thousand TRY)	29.769.432	10.910.332	18.151.616	6.789.104
Total	29.769.432	10.910.332	18.151.616	6.789.104

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 September 2017 and 31 December 2016 are as follows:

	30 September 2017	31 December 2016
Total financial liabilities (Note 5)	12.166.845	12.134.265
Less: Cash and cash equivalents (Note 4)	(7.762.766)	(6.050.721)
Net financial liabilities	4.404.079	6.083.544
Total shareholders’ equity	10.075.767	8.167.033
Total capital invested	14.479.846	14.250.577
Gearing ratio	%30,42	%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.

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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 September 2017 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Derivative financial assets	-	402.181	.-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	350.019	-

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

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

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33. Subsequent events

With regards of Tüpraş’s Material Event Disclosures on 17th July, 08th August, 04th October 2017, for the issuance of the borrowing instruments or bonds, which are planned to be traded on London Stock Exchange, The book building process for the bond issue from qualified investors outside of Turkey has been completed on 12th October 2017. A US\$700 million 7 year fixed rate bond and a fixed coupon paid per six months, with a maturity date of October 18th, 2024, will be issued with a coupon rate of 4.50%. The bond has been issued as of 18 October 2017 and the proceeds have been transferred to the Company's accounts.

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