(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish-see Note 2.2.3)

Türkiye Petrol Rafinerileri A.Ş.

1 January– 31 March 2017 condensed interim consolidated financial statements

Türkiye Petrol Rafinerileri A.Ş.

Convenience translation of the condensed interim consolidated financial statements for the period of 1 January- 31 March 2017

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(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of financial position as at 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Assets	Notes	Unaudited 31 March 2017	Audited 31 December 2016
Current assets		**16.479.095**	13.667.060
Cash and cash equivalents	4	**7.339.917**	6.050.721
Trade receivables	6	**3.933.012**	3.180.282
Due from related parties	6, 31	**1.222.611**	751.824
Trade receivables from third parties		**2.710.401**	2.428.458
Other receivables	7	**25.557**	25.626
Other receivables from third parties		**25.557**	25.626
Derivative Instruments	20	**37.536**	34.731
Inventories	8	**4.399.175**	3.608.439
Prepaid expenses	14	**67.648**	97.903
Current income tax assets	29	**223**	95.928
Other current assets	15	**676.027**	573.430
Non-current assets		**17.563.137**	17.551.120
Financial investments	9	**4.000**	4.000
Investments accounted by equity method	10	**912.305**	923.994
Investment properties	11	**4.621**	4.621
Property, plant and equipment	12	**11.727.915**	11.741.476
Intangible assets	13	**53.289**	55.106
Other intangible assets		**53.289**	55.106
Derivative Instruments	20	**397.663**	368.882
Prepaid expenses	14	**280.037**	238.352
Deferred tax assets	29	**3.181.569**	3.227.031
Other non-current assets	15	**1.001.738**	987.658
Total assets		**34.042.232**	31.218.180
Liabilities			
Current liabilities		**15.701.737**	12.660.262
Short-term financial liabilities	5	**831.516**	385.524
Current portion of long term financial liabilities	5	**1.445.531**	1.572.434
Trade payables	6	**7.915.029**	6.987.843
Due to related parties	6, 31	**49.309**	88.017
Trade payables, third parties		**7.865.720**	6.899.826
Liabilities for employee benefits	18	**44.688**	92.442
Other payables	19	**1.569.423**	27.953
Other payables to related parties	19, 31	**794.365**	18.546
Other payables to third parties		**775.058**	9.407
Derivative Instruments	20	**42.260**	29.454
Deferred income	16	**3.341**	15.417
Current income tax liabilities	29	**112.268**	141.217
Provisions	17	**114.316**	65.056
Provisions for employee benefits		**41.619**	13.571
Other provisions		**72.697**	51.485
Other current liabilities	15	**3.623.365**	3.342.922
Non-current liabilities		**10.930.365**	10.390.885
Long-term financial liabilities	5	**10.719.589**	10.176.307
Provisions	17	**202.730**	207.415
Provisions for employee benefits		**202.730**	207.415
Deferred income	16	**4.276**	3.992
Derivative Instruments	20	**2.435**	1.782
Other non-current liabilities	15	**1.335**	1.389
Total liabilities		**26.632.102**	23.051.147
Equity		**7.410.130**	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		**(7.986)**	(7.986)
Actuarial gains/(losses) arising from defined benefit plans		**(7.986)**	(7.986)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		**(1.061.669)**	(986.870)
Currency translation differences		**24.378**	23.192
Hedging gains/(losses)		**(1.208.710)**	(1.132.725)
Cash flow hedge gains/(losses)		**(1.208.710)**	(1.132.725)
Share of other comprehensive income of investments accounted using equity method that will be reclassified to profit or loss		**122.663**	122.663
Restricted reserves	23	**279.668**	331.337
Retained earnings		**5.651.805**	5.363.804
Net income/expense		**868.824**	1.793.267
Total equity attributable to equity holders of the parent		**7.325.304**	8.088.386
Non-controlling interests		**84.826**	78.647
Total equity and liabilities		**34.042.232**	31.218.180

The condensed consolidated financial statements for the period ended 31 March 2017 have been approved by the Board of Directors on 4 May 2017.

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

(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish-see Note 2.2.3)

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of profit or loss and other comprehensive income for the three month interim period ended 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Unaudited	
	Notes	**1 January - 31 March 2017**	1 January - 31 March 2016
Revenue (net)	24	**12.369.639**	6.191.416
Cost of sales	24	**(10.761.171)**	(5.784.185)
Gross profit (loss)		**1.608.468**	407.231
General administrative expenses	25	**(178.864)**	(177.669)
Marketing expenses	25	**(55.817)**	(41.810)
Research and development expenses	25	**(4.817)**	(7.183)
Other operating income	26	**55.232**	99.194
Other operating expenses	26	**(112.133)**	(5.946)
Operating profit (loss)		**1.312.069**	273.817
Income from investment activities	27	**926**	-
Expense from investment activities	27	-	(201)
Income (loss) from investments accounted by equity method	10	**57.125**	14.733
Operating profit (loss) before financial income (expense)		**1.370.120**	288.349
Financial income	28	**162.361**	181.555
Financial expense	28	**(480.752)**	(374.003)
Profit (loss) before tax from continued operations		**1.051.729**	95.901
Tax income (expense)		**(175.970)**	(12.787)
Taxes on income (expense)		**(112.268)**	(3.545)
Deferred tax income (expense)	29	**(63.702)**	(9.242)
Net profit (loss) from continued operations		**875.759**	83.114
Other comprehensive income:			
Items to be reclassified as profit or loss		**(75.555)**	82.503
Currency translation differences		**1.186**	(483)
Gains (losses) on hedging		**(94.981)**	107.703
Tax effect of other comprehensive income to be reclassified to profit or loss		**18.240**	(24.717)
Deferred tax (expense) income		**18.240**	(24.717)
Other comprehensive income (expense)		**(75.555)**	82.503
Total comprehensive income (expense)		**800.204**	165.617
Distribution of income (loss) for the period:			
Non-controlling interests		**6.935**	4.202
Attributable to equity holders of the parent		**868.824**	78.912
Distribution of total comprehensive income			
Non-controlling interests		**6.179**	4.007
Attributable to equity holders of the parent		**794.025**	161.610
Earnings (loss) per share from continued operations			
Earnings per share with nominal value kr. 1 each (kr.)	30	**3,47**	0,32

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

(Convenience translation of condensed interim consolidated financial statements originally issued in Turkish-see Note 2.2.3)

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of changes in equity for the three month interim period ended 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

				Accumulated other comprehensive income (expense) not to be reclassified to profit or loss	Accumulated other comprehensive income (expense) to be reclassified to profit or loss				Retained earnings				
				Gains (losses) on revaluation and remeasurement	Hedging gains losses								
	Share capital	Adjustment to share capital	Adjustment to share capital	Actuarial gains (losses) arising from defined benefit plans	Cash flow hedge gains/ (losses)	Currency translation differences	Shares of other comprensive income of investments accounted using equity method which will be classified to profit loss	Restricted reserves	Retained earnings	Net income/ expense	Equity holders of the parent	Non-controlling interests	Total equity
Unaudited													
1 January 2016	250.419	1.344.243	172	(3.622)	(510.448)	17.556	82.261	163.401	4.410.959	2.550.168	8.305.109	63.340	8.368.449
Transfers	-	-	-	-	-	-	-	-	2.550.168	(2.550.168)	-	-	-
- Net profit for period	-	-	-	-	-	-	-	-	-	78.912	78.912	4.202	83.114
- Other comprehensive income	-	-	-	-	83.181	(483)	-	-	-	-	82.698	(195)	82.503
Total comprehensive income	-	-	-	-	83.181	(483)	-	-	-	78.912	161.610	4.007	165.617
31 March 2016	250.419	1.344.243	172	(3.622)	(427.267)	17.073	82.261	163.401	6.961.127	78.912	8.466.719	67.347	8.534.066
Unaudited													
1 January 2017	**250.419**	**1.344.243**	**172**	**(7.986)**	**(1.132.725)**	**23.192**	**122.663**	**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 profit for period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**868.824**	**868.824**	**6.935**	**875.759**
- Other comprehensive income	**-**	**-**	**-**	**-**	**(75.985)**	**1.186**	**-**	**-**	**-**	**-**	**(74.799)**	**(756)**	**(75.555)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(75.985)**	**1.186**	**-**	**-**	**-**	**868.824**	**794.025**	**6.179**	**800.204**
31 March 2017	**250.419**	**1.344.243**	**-**	**(7.986)**	**(1.208.710)**	**24.378**	**122.663**	**279.668**	**5.651.805**	**868.824**	**7.325.304**	**84.826**	**7.410.130**

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

Consolidated statement of cash flows for the three month interim period ended 31 March 2017
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

		Unaudited	
	Notes	1 January - 31 March 2017	1 January - 31 March 2016
Cash flows from operating activities		**872.904**	545.877
Profit (loss)		**875.759**	83.114
Adjustment for reconciliation of profit (loss)		**574.869**	336.340
Adjustment for depreciation and amortisation expense	12, 13	**142.377**	134.281
Adjustments for impairment (cancelation)		**5.877**	(86.691)
Adjustments for stock impairment (cancelation)	8	**5.877**	(86.691)
Adjustment for provisions	17	**35.491**	33.004
Adjustment for interest (income) and expense	28	**80.059**	63.872
Adjustment for unrealized foreign currency translation	28	**(67.870)**	161.431
Adjustment for fair value loss (gain)		**3.605**	64.814
Adjustment for retained income of investments accounted by equity method	10	**(57.125)**	(14.733)
Adjustment for tax expenses (income)		**175.970**	12.787
Adjustment for loss (gain) on sales of property, plant and equipment	27	**(926)**	201
Adjustment for other items related with cash flow of investment or financial activities	28	**247.285**	(123.896)
Other adjustments for reconciliation of profit (loss)		**10.126**	91.270
Changes in working capital		**(513.568)**	338.589
Adjustment for decrease (increase) in trade receivables		**(756.180)**	589.130
Adjustment for decrease (increase) in other receivables related with operations		**(79.324)**	407.003
Adjustment for decrease (increase) in inventories		**(796.613)**	(36.465)
Adjustment for increase (decrease) in trade payables		**920.510**	(436.321)
Adjustment for increase (decrease) in other payables related with operations		**198.039**	(184.758)
Cash flows from operating activities		**937.060**	758.043
Tax returns (payment)		**(45.512)**	(195.290)
Other cash inflow (outflow)		**(18.644)**	(16.876)
Cash flows from investing activities		**(104.787)**	(179.594)
Cash inflows from the sales of property, plant and equipment and intangible assets		**1.315**	50
Cash outflows from the purchase of property, plant and equipment and intangible assets		**(176.102)**	(221.644)
Dividends received	10	**70.000**	42.000
Cash flows from financing activities		**423.963**	1.364.134
Cash inflows from financial liabilities		**14.097.037**	9.634.332
Cash outflows from financial liabilities		**(13.673.346)**	(8.268.373)
Interest paid		**(99.868)**	(55.358)
Interest received		**100.140**	53.533
Net increase (decrease) in cash and cash equivalents before the effect of foreign currency translation		**1.192.080**	1.730.417
Impact of foreign currency translation on cash and cash equivalents		**67.870**	(161.431)
Net increase (decrease) in cash and cash equivalents		**1.259.950**	1.568.986
Cash and cash equivalents at beginning of period	4	**5.022.402**	2.199.168
Cash and cash equivalents at end of period	4	**6.282.352**	3.768.154

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

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

1. Organization and nature of operations of the Group

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

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

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

The Company is registered at the Capital Markets Board ("CMB") of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. ("BİST") (previously known as Istanbul Stock Exchange ("ISE")) since 1991. As at 31 March 2017, the shares quoted on the BİST are 49% of the total shares. As of 31 March 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.

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

1. Organization and nature of operations of the Group

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

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

(*) Körfez, a subsidiary of the Group, has not been included in the scope of consolidation in the consolidated financial statements for the period ended 31 March 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 31 March 2017 total assets of Körfez is TL 7.133 thousand and net period loss of Körfez is TL 556 thousand.

Joint venture	Country of incorporation	Nature of business
OPET Petrolcülük A.Ş. ("Opet")	Turkey	Petroleum products retail distribution
THY Opet Havacılık Yakıtları A.Ş.	Turkey	Jet fuel supply services
Opet International Limited	United Kingdom	Petroleum products trading
Opet Trade B.V.	Netherlands	Petroleum products trading
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 31 March 2017 is 5.407 (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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

The 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") of Turkey (hereinafter will be referred to as "the CMB Reporting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey.

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

The Company 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 financial instruments that are carried at fair value. These consolidated financial statements are based on the statutory records with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Turkish Financial Reporting Standards.

Functional and presentation currency

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

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 March 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

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

TFRS 15 - Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group

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

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

TFRS 13 Fair Value Measurement

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

IFRS 16 Leases

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

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The 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 IFRS 9 Financial instruments 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 IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

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

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

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

2.1.3 Financial statements of joint ventures operating in foreign countries

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

2.1.4 Basis of consolidation

a) The condensed consolidated financial statements for the interim period ended 31 March 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 31 March 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.

	31 March 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.

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

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

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 31 March 2017 and 31 December 2016:

	31 March 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 (%)
Investments accounted by equity method				
Opet	**50,00**	**40,00**	50,00	40,00
Opet International Limited (*)	**50,00**	**40,00**	50,00	40,00
Opet Trade B.V.(*)	**50,00**	**40,00**	50,00	40,00
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.

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. Basis of presentation of consolidated financial statements (continued)

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 March 2017 comparatively with the consolidated statement of financial position as of 31 December 2016, presented the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 31 March 2017 comparatively with the consolidated financial statements for the interim period ended 31 March 2017.

The classifications made in the comparative financial statements of the Company as of 31 March 2017 are as follows:

- Idle capacity expenses amounting to TL 83.471 thousand shown in other operating expense as of 31 March 2016 were classified under cost of sales.

- Foreign exchange loss from deposits shown in adjustment for reconciliation of profit (loss) and impact of foreign currency translation on cash and cash equivalents accounts on cash flow statement as of 31 March 2016.

2.2.2 Offsetting

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

2.2.3 Convenience translation into English of consolidated financial statements

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

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 31 March 2017, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 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 31 March 2017.

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

4. Cash and cash equivalents

	31 March 2017	31 December 2016
Cash at banks		
Revenue share (blocked)	**1.036.907**	1.002.012
Time deposit	**6.268.720**	5.016.257
Demand deposits	**13.632**	6.145
Interest income accruals	**20.658**	26.307
Total	**7.339.917**	6.050.721

Revenue Share (blocked)

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

Time deposits and other cash and cash equivalents

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

31 March 2017

	Effective interest rate %	**Less than 1 month**	**1 - 3 months**	**Total**
TL	**12,68**	**1.715.082**	**55.000**	**1.770.082**
USD	**3,39**	**4.417.542**	**16.713**	**4.434.255**
EUR	**1,57**	**35.900**	**27.975**	**63.875**
GBP	**1,30**	**508**	**-**	**508**
Time deposit		**6.169.032**	**99.688**	**6.268.720**

31 December 2016

	Effective interest rate %	Less than 1 month	1 - 3 months	Total
TL	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

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

4. Cash and cash equivalents (continued)

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 31 March 2017 and 31 March 2016 are as follows:

	31 March 2017	31 March 2016
Cash and cash equivalents	**7.339.917**	4.638.043
Blocked deposits (Revenue share)	**(1.036.907)**	(861.030)
Less: Time deposit interest accruals	**(20.658)**	(8.859)
Cash and cash equivalents for cash flow purposes	**6.282.352**	3.768.154

5. Financial liabilities

	31 March 2017	31 December 2016
Short term financial liabilities:		
Short-term bank borrowings	**830.937**	385.162
Interest accruals	**579**	362
Total	**831.516**	385.524
Current portion of long-term bank borrowings:		
Current portion of long-term bank borrowings	**1.274.393**	1.265.535
Bonds issued	**-**	200.000
Interest accruals of bank borrowings	**126.574**	81.435
Interest accruals of bonds issued	**44.564**	25.464
Total	**1.445.531**	1.572.434
Long-term financial liabilities:		
Long-term bank borrowings	**8.172.569**	7.712.045
Bonds issued	**2.547.020**	2.463.440
Interest accruals of bank borrowings	**-**	822
Total	**10.719.589**	10.176.307
Total financial liabilities	**12.996.636**	12.134.265

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

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

5. Financial liabilities (continued)

As explained in material disclosure dated 17 March 2016, Tüpraş signed a long term loan facility agreement with a group of lenders, consisting of HSBC (Coordinator), ING (Facility Agent), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A, Intesa Sanpaolo and JPMorgan Chase Bank, N.A. London Branch, to meet our working capital requirements for forthcoming period and extent 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.

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project and further to the agreements the loans amounting to USD 1.998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 31 March 2017 the outstanding amount of the loans is USD 1.555 million (31 December 2016 – USD 1.555 million).

Foreign currency balances and interest rates for the short and long-term financial liabilities as at 31 March 2017 and 31 December 2016 are as follow:

			31 March 2017
	Effective interest rate (%)	**Original balance**	**Thousand TL**
Short term financial liabilities:			
USD borrowings	**0,83**	**132.206.064**	**481.045**
TL borrowings (*)	**8,80**	**322.533.492**	**322.534**
EUR borrowings	**2,89**	**7.000.000**	**27.358**
			830.937
Current portion of long-term financial liabilities:			
USD borrowings	**3,35**	**328.478.832**	**1.195.203**
EUR borrowings	**3,21**	**9.584.273**	**37.458**
TL borrowings	**12,82**	**41.732.026**	**41.732**
			1.274.393
Interest accruals			**171.717**
Total short-term financial liabilities			**2.277.047**
Long-term financial liabilities:			
USD borrowings	**3,12**	**1.594.051.266**	**5.800.115**
USD bonds issued	**4,17**	**700.000.000**	**2.547.020**
EUR borrowings	**2,07**	**293.591.621**	**1.147.444**
TL borrowings	**12,72**	**1.225.009.804**	**1.225.010**
			10.719.589
Interest accruals			**-**
Total long-term financial liabilities			**10.719.589**

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 150.137 thousand as of 31 March 2017 (31 December 2016 - TL 190.645 thousand).

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

5. Financial liabilities (continued)

			31 December 2016
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
EUR borrowings	2,89	7.000.000	25.970
TL borrowings (*)	8,80	359.191.765	359.192
			385.162
Short-term of long-term financial liabilities:			
USD borrowings	3,34	314.914.269	1.108.246
EUR borrowings	3,21	9.584.273	35.557
TL borrowings	12,65	121.732.026	121.732
TL bonds	8,97	200.000.000	200.000
			1.465.535
Interest expense accruals			107.261
Total short-term financial liabilities			1.957.958
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
TL borrowings	12,58	934.470.588	934.471
			10.175.485
Interest expense accruals			822
Total long-term financial liabilities			10.176.307

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

	31 March 2017	31 December 2016
2018	**4.574.194**	4.544.096
2019	**1.712.714**	1.358.333
2020	**1.500.943**	1.443.351
2021	**1.186.018**	1.092.287
2022 and after	**1.745.720**	1.738.240
Total	**10.719.589**	10.176.307

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

6. Trade receivables and payables

Short-term trade receivables:

	31 March 2017	31 December 2016
Trade receivables	**2.718.988**	2.433.602
Due from related parties (Note 31)	**1.222.611**	751.824
Doubtful trade receivables	**2.676**	2.676
Other trade receivables	**16**	9
Less: Unearned credit finance income	**(8.603)**	(5.153)
Less: Provision for doubtful receivables	**(2.676)**	(2.676)
Total short-term trade receivables (net)	**3.933.012**	3.180.282

As at 31 March 2017, Tüpraş has offsetted TL 601.063 thousand (31 December 2016 - TL 1.625.766 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Group 1	**55.444**	1.783
Group 2	**315.450**	3.063
Group 3	**2.973.041**	2.070.505
Group 4	**516.091**	1.040.014
Total	**3.860.026**	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)

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

6. Trade receivables and payables (continued)

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

Aging of overdue receivables that are past due but not impaired as at 31 March 2017 and 31 December 2016 is as follows:

	31 March 2017	31 December 2016
Up to 3 months	**70.629**	62.386
3 to12 months	**2.357**	2.531
Total	**72.986**	64.917

Movement of the provision for doubtful receivables for the years ended 31 March 2017 and 2016 is as follows:

	2017	2016
1 January	**2.676**	2.593
Charge for the period	**-**	-
Collections during the period	**-**	-
31 March	**2.676**	2.593

Short-term trade payables:

	31 March 2017	31 December 2016
Trade payables	**7.869.790**	6.910.572
Due to related parties (Note 31)	**49.309**	88.017
Less:Unrealised credit finance charges	**(4.070)**	(10.746)
Total short-term trade payables (net)	**7.915.029**	6.987.843

7. Other receivables and payables

Other short-term receivables:

	31 March 2017	31 December 2016
Advances and guarantees given	**10.633**	10.280
Receivable from personnel	**7.957**	7.723
Receivable from insurance recoveries	**6.967**	7.623
Other doubtful receivables	**304**	304
Less: Provision for other doubtful receivables	**(304)**	(304)
Total	**25.557**	25.626

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

8. Inventories

	31 March 2017	31 December 2016
Raw materials and supplies	**963.690**	1.084.842
Work-in-progress	**837.906**	795.792
Finished goods	**1.084.208**	919.756
Trade goods	**34.964**	50.669
Goods in transit	**1.469.757**	743.851
Other	**14.527**	13.529
	4.405.052	3.608.439
Less: Provision for impairment in inventories	**(5.877)**	-
Total	**4.399.175**	3.608.439

As of March 31, 2017, stock impairment amounting to TL 4.070 thousand comes from finished goods, TL 1.807 thousand comes from work-in-progress. There is no stock impairment as of 31 December 2016.

Movement of the provision for inventories for the years ended 31 March 2017 and 2016 is as follow:

	2017	2016
1 January	**-**	102.114
Charge for the period	**5.877**	15.423
Cancellations within the period	**-**	(102.114)
31 March	**5.877**	15.423

9. Financial investments

Financial investments available-for-sale:

	31 March 2017		31 December 2016	
	Participation share (%)	**Amount**	Participation share (%)	Amount
Körfez Hava Ulaştırma A.Ş.	**100,00**	**4.000**	100,00	4.000
		4.000		4.000

10. Investments accounted by equity method

	31 March 2017		31 December 2016	
	Participation share (%)	**Amount**	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	**40,00**	**912.305**	40,00	923.994
		912.305		923.994

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

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

10. Investments accounted by equity method (continued)

The movement in the investments accounted by equity method during the period ended 31 March 2017 and 2016 is as follows:

	2017	2016
1 January	**923.994**	762.217
Investments recognized with equity method;		
Shares in current year profit	**57.125**	14.733
Dividend payment	**(70.000)**	(42.000)
Currency translation differences	**1.186**	(483)
31 March	**912.305**	734.467

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

	31 March 2017	31 December 2016
Current assets	**3.027.238**	3.039.266
Non-current assets	**2.377.427**	2.301.201
Total assets	**5.404.665**	5.340.467
Short term liabilities	**2.554.999**	2.399.461
Long term liabilities	**1.041.586**	1.103.703
Equity	**1.808.080**	1.837.303
Total liabilities	**5.404.665**	5.340.467

	1 January - 31 March 2017	1 January - 31 March 2016
Sales(net)	**5.897.516**	3.820.320
Gross profit	**338.928**	219.069
Operating profit/loss	**165.501**	87.091
Net income/loss for period	**142.813**	36.833

11. Investment property

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

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

12. Property, plant and equipment

	1 January 2017	Additions	Transfers	Disposals	31 March 2017
Cost:					
Land	**48.844**	**-**	**-**	**-**	**48.844**
Land improvements	**3.687.757**	**-**	**741**	**-**	**3.688.498**
Buildings	**744.592**	**-**	**5**	**-**	**744.597**
Machinery and equipment	**11.420.284**	**9**	**7.450**	**(332)**	**11.427.411**
Motor vehicles	**749.479**	**1.411**	**-**	**(881)**	**750.009**
Furniture and fixtures	**114.397**	**258**	**2.118**	**(70)**	**116.703**
Construction in progress	**649.948**	**125.710**	**(13.082)**	**-**	**762.576**
Other tangible assets	**1.488**	**-**	**-**	**-**	**1.488**
	17.416.789	**127.388**	**(2.768)**	**(1.283)**	**17.540.126**
Accumulated depreciation:					
Land improvements	**(1.272.244)**	**(37.696)**	**-**	**-**	**(1.309.940)**
Buildings	**(188.970)**	**(3.912)**	**-**	**-**	**(192.882)**
Machinery and equipment	**(3.972.568)**	**(83.512)**	**-**	**322**	**(4.055.758)**
Motor vehicles	**(171.865)**	**(8.791)**	**-**	**521**	**(180.135)**
Furniture and fixtures	**(68.301)**	**(3.869)**	**-**	**51**	**(72.119)**
Other tangible assets	**(1.365)**	**(12)**	**-**	**-**	**(1.377)**
	(5.675.313)	**(137.792)**	**-**	**894**	**(5.812.211)**
Net book value	**11.741.476**				**11.727.915**

	1 January 2016	Additions	Transfers	Disposals	31 March 2016
Cost:					
Land	48.844	-	-	-	48.844
Land improvements	3.525.298	-	43.003	-	3.568.301
Buildings	695.372	-	1.761	-	697.133
Machinery and equipment	11.149.479	75	24.907	(628)	11.173.833
Motor vehicles	619.383	91.557	75	(190)	710.825
Furniture and fixtures	105.955	164	1.572	(127)	107.564
Construction in progress	499.904	51.571	(74.172)	-	477.303
Other tangible assets	1.488	-	-	-	1.488
	16.645.723	143.367	(2.854)	(945)	16.785.291
Accumulated depreciation:					
Land improvements	(1.129.120)	(35.754)	-	-	(1.164.874)
Buildings	(174.083)	(3.699)	-	-	(177.782)
Machinery and equipment	(3.664.377)	(78.284)	-	388	(3.742.273)
Motor vehicles	(139.883)	(7.893)	-	190	(147.586)
Furniture and fixtures	(57.230)	(3.845)	-	116	(60.959)
Other tangible assets	(1.286)	(22)	-	-	(1.308)
	(5.165.979)	(129.497)	-	694	(5.294.782)
Net book value	11.479.744				11.490.509

Total depreciation expense amounting to TL 137.792 thousand (31 March 2016 – 129.497 thousand TL) in the consolidated statement of comprehensive income for the period ended 31 March 2017 has been allocated to cost of goods sold amounting to TL 131.172 thousand (31 March 2016 – 120.150 thousand TL) to marketing, sales and distribution expenses amounting to TL 1 thousand (31 March 2016 – 1 thousand TL) to general administration expenses amounting to TL 6.619 thousand (31 March 2016 – 9.346 thousand TL).

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

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 31 March 2017 is as follows:

	1 January 2017	Additions	Transfers	Disposals	31 March 2017
Cost:					
Rights and software	**64.330**	**-**	**427**	**-**	**64.757**
Development expenses	**68.403**	**-**	**2.341**	**-**	**70.744**
	132.733	**-**	**2.768**	**-**	**135.501**
Accumulated amortisation:					
Rights and software	**(36.449)**	**(1.598)**	**-**	**-**	**(38.047)**
Development expenses	**(41.178)**	**(2.987)**	**-**	**-**	**(44.165)**
	(77.627)	**(4.585)**	**-**	**-**	**(82.212)**
Net book value	**55.106**				**53.289**

The movements of intangible assets and related accumulated amortisation for the period ended 31 March 2016 is as follows:

	1 January 2016	Additions	Transfers	Disposals	31 March 2016
Cost:					
Rights and software	57.087	-	2.030	-	59.117
Development expenses	61.981	-	824	-	62.805
	119.068	-	2.854	-	121.922
Accumulated amortisation :					
Rights and software	(30.418)	(1.826)	-	-	(32.244)
Development expenses	(29.241)	(2.958)	-	-	(32.199)
	(59.659)	(4.784)	-	-	(64.443)
Net book value	59.409				57.479

Total amortisation expenses amounting to TL 4.585 thousand (31 March 2016 – 4.784 bin TL) in the consolidated statement of comprehensive income for the period ended 31 March 2017 have been allocated to the cost of goods sold amounting to TL 3 thousand (31 March 2016 – 3 bin TL), and to general administration expenses amounting to TL 4.582 thousand (31 March 2016 – 4.781 bin TL).

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

14. Prepaid expenses

Short term prepaid expenses:

	31 March 2017	31 December 2016
Long term prepaid expenses	**33.175**	41.680
Prepaid investment loan insurance expenses (*)	**26.762**	27.811
Advances given	**7.711**	28.412
Total	**67.648**	97.903

Long term prepaid expenses:

	31 March 2017	31 December 2016
Advances given to third parties for property, plant and equipment	**174.610**	120.883
Prepaid investment loan insurance expenses (*)	**71.296**	77.589
Advances given to related parties for property, plant and equipment (Note 31)	**32.441**	37.454
Prepaid other expenses	**1.690**	2.426
Total	**280.037**	238.352

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

15. Other assets and liabilities

Other current assets:

	31 March 2017	31 December 2016
Deferred Value Added Tax ("VAT")	**436.527**	357.063
Deferred Special Consumption Tax ("SCT")	**82.554**	79.863
Spare parts and material	**67.277**	69.591
Deductible taxes and funds	**59.308**	44.302
Income Accruals	**16.757**	19.348
Other current assets	**13.604**	3.263
Total	**676.027**	573.430

Other non-current assets:

	31 March 2017	31 December2016
Spare parts and materials	**1.022.764**	1.008.993
Other	**1.429**	1.120
Provision for spare parts and materials	**(22.455)**	(22.455)
Total	**1.001.738**	987.658

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

15. Other assets and liabilities (continued)

Other short-term liabilities:

	31 March 2017	31 December 2016
SCT payable	**1.454.058**	1.371.333
Revenue share	**1.041.277**	1.006.511
VAT payable	**512.492**	226.314
Deferred VAT	**436.527**	357.063
Deferred SCT	**82.554**	79.863
Other taxes and liabilities	**58.309**	43.475
Expense accruals (*)	**-**	246.536
Other	**38.148**	11.827
Total	**3.623.365**	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 short-term 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.

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

15. Other assets and liabilities (continued)

As a result of these regulations, the revenue share amounting to TL 1.041.277 thousand accumulated as at 31 March 2017 (31 December 2016 – TL 1.006.511 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TL 1.036.907 thousand that is (31 December 2016 - TL 1.002.012 thousand) blocked in banks as demand deposits related to the calculated revenue share has been classified as Revenue share "Blocked" within "Cash and cash equivalents" (Note 4).

Other long-term liabilities:

	31 March 2017	31 December 2016
Participation share	**1.335**	1.389
Total	**1.335**	1.389

16. Deferred income

Short-term deferred income:

	31 March 2017	31 December 2016
Advances taken	**1.424**	13.591
Deferred income	**1.917**	1.826
Total	**3.341**	15.417

Long-term deferred income:

	31 March 2017	31 December 2016
Deferred income	**4.276**	3.992
Total	**4.276**	3.992

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	31 March 2017	31 December 2016
Seniority incentive bonus provision	**9.393**	9.073
Personnel bonus accruals	**32.226**	4.498
Total	**41.619**	13.571

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

17. Provisions (continued)

Long term employee benefits:

	31 March 2017	31 December 2016
Provision for employment termination benefits	**154.447**	159.190
Provision for unused vacation	**44.328**	44.137
Seniority incentive bonus provision	**3.955**	4.088
Total	**202.730**	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	**1.585**	2.154
Payments during the period	**(1.398)**	(1.636)
31 March	**13.348**	13.365

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL 4.426,16 (31 December 2016 - TL 4.297,21) for each year of service as at 31 March 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.

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

17. Provisions (continued)

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

	31 March 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 TL 4.426,16 which is effective as at 31 March 2017, has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2016- 4.297,21 TL).

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	**4.286**	3.741
Increase during the period	**4.934**	10.061
Payments during the period	**(13.963)**	(12.242)
31 March	**154.447**	146.107

Provision for unused vacation:

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

	2017	2016
1 January	**44.137**	41.904
Charge for the period	**3.474**	4.071
Payments during the period	**(3.283)**	(2.998)
31 March	**44.328**	42.977

Other short term provisions:

	31 March 2017	31 December 2016
Provisions for pending claims and law suits	**12.523**	12.523
EMRA participation share	**25.379**	20.159
Provision for demurrage	**17.660**	13.787
Other	**17.135**	5.016
Total	**72.697**	51.485

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

17. Provisions (continued)

Movement of the short-term provisions for the period ended 31 March 2017 and 2016 are as follow:

	Provision for pending claims	**EMRA participation**	**Provision for demurrage**	**Other**	**Total**
1 January 2017	**12.523**	**20.159**	**13.787**	**5.016**	**51.485**
Charges for the period, net	**-**	**5.220**	**3.873**	**12.119**	**21.212**
Payments during the period	**-**	**-**	**-**	**-**	**-**
31 March 2017	**12.523**	**25.379**	**17.660**	**17.135**	**72.697**
1 January 2016	13.405	17.883	11.032	20.332	62.652
Charges for the period, net	1.622	3.751	1.046	6.558	12.977
Payments during the period	-	-	-	-	-
31 March 2016	15.027	21.634	12.078	26.890	75.629

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

	31 March 2017	31 December 2016
Due to the personnel	**26.177**	59.016
Social security withholdings payment	**18.511**	33.426
Total	**44.688**	92.442

19. Other payables

	31 March 2017	31 December 2016
Dividend payables to related parties (Note 31)	**794.125**	-
Dividend payables to third parties	**762.982**	-
Deposits and guarantees received	**12.076**	9.407
Other liabilities to related parties (Note 31)	**240**	18.546
Total	**1.569.423**	27.953

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

20. Derivative Instruments

				31 March 2017				31 March 2016
				Fair values				Fair values
	Purchase contract amount	**Sale contract amount**	**Assets**	**Liabilities**	Purchase contract amount	Sale contract amount	Assets	Liabilities
Cash flow hedge								
Interest rate swap	**312.862**	**312.862**	**432**	**6.645**	301.972	301.972	1.841	3.791
Cross currency swap	**76.545**	**60.709**	**33.626**	**26.196**	41.402	27.294	30.797	21.234
Derivatives held for trading								
Currency forwards	**182.104**	**181.930**	**211**	**90**	316.728	316.861	2.093	**-**
Commodity derivative	**388.262**	**394.325**	**3.267**	**9.329**	82.708	87.174	-	4.429
Short term derivative financial instruments			**37.536**	**42.260**			34.731	29.454
Cash flow hedge								
Interest rate swap	**1.799.285**	**1.799.285**	**2.331**	**591**	1.746.128	1.746.128	4.745	1.782
Cross currency swap	**1.102.642**	**744.596**	**395.332**	**1.844**	952.255	627.640	364.137	-
Long term derivative financial instruments			**397.663**	**2.435**			368.882	1.782
Total derivative financial instruments			**435.199**	**44.695**			403.613	31.236

As of March 31, 2017, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a purchase obligation of TL 182.104 thousand in exchange of USD 50.000 thousand and which will expire on April 3, 2017. As of December 31, 2016, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TL 316.861 thousand in exchange of USD 90.000 thousand and which will expire on January 3, 2017.

As of March 31, 2017, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD 535.294 thousand (December 31, 2016 - USD 535.294 thousand) and Ditaş's long term borrowings amounting to EUR 42.071 thousand (31 December 2016 – EUR 44.285 thousand) with fixed rate instalment payments for cash flow hedging.

20. Derivative instruments (continued)

As of March 31, 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 and TL currency indexed with fixed interest payment amounting to TL 463.875 thousand (December 31, 2016 – USD 200.000 thousand), swap transaction of long- term borrowings with floating interest rate amounting to USD 82.353 thousand and payments with fixed interest rate amounting to TL 191.059 thousand (December 31, 2016- USD 82.353 thousand), swap transaction of long- term borrowings with fixed interest rate amounting to EUR 19.928 thousand and payments with fixed interest rate amounting to TL 73.932 thousand (December 31, 2016- None) and swap transaction of swap agreements with fixed interest rate amounting to TL 73.932 thousand and payments with fixed interest rate amounting to USD 21.008 thousand (December 31, 2016- None).

Commodity derivative transactions consists of product crack fixing transactions, swap transactions and zero cost collar transactions as of March 31, 2017. Product crack fixing transactions have been made for total gasoline stocks of 1.650 thousand barrels, jet stocks of 2.520 thousand barrels and diesel stocks of 750 thousand barrels and weighted average fixation margin of these transactions is USD 12,033, 9,896 and 11,2 per barrel respectively. Swap transactions have been made for crude oil stocks at a total number of 150 thousand barrels and weighted average fixation margin of these transactions is USD 51,40 per barrel. Zero cost collar transactions have been made for crude oil stocks at a total number of 450 million barrels and weighted average purchase and sales price of these transactions is USD 47 per barrel and USD 55,52 per barrel. Commodity derivative transactions consist of product crack fixing transactions as of December 31, 2016. Product crack fixing transactions have been made for total gasoline stocks of 1.500 thousand barrels and jet stocks of 900 thousand barrel and weighted average fixation margin of these transactions is USD 10,704 and USD 9,683 per barrel, respectively.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project ("TEYDEB") with incentive and the existence of research and development center have enabled the Company to benefit from government incentives (research and development deduction, income tax stoppage incentive, social security premium support and stamp tax exemption) according to Law, no 5746, Supporting Research and Development Activities. In this context, as of March 31, 2017, the Company's R&D expenditures amounted to TL 3.903 thousand (31 March 2016 - TL 882 thousand) is recorded as incentive income.

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of March 31, 2017, investment expenditures amounting to TL 7.969.662 thousand (31 December 2016- TL 7.969.662 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2016 – TL 3.656.588 thousand) has been realized to be used in future periods. As of 31 December 2016, the Company realized revaluation gain amounting to TL 123.724 that is calculated for unused investment incentives in its financial statements.

21. Government grants (continued)

Moreover, as of March 31, 2017 within the scope of the Strategic Investment the Company offset TL 596.016 thousand from tax base (31 December 2016 - TL 517.666 thousand). Besides, the Company benefits from VAT exemption, VAT refund, exemption from customs duty, incentive for employer share of insurance premium and interest incentive within scope of Strategic Investment Incentive.

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

The Company received investment incentive on February 23, 2015 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Storage Services of Kırıkkale Refinery Project. Investment benefits are VAT exemption, interest incentive and exemption from customs duty.

The Company received investment incentive on July 24, 2015 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of İzmir 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 exemption from customs duty.

The Company received investment incentive on October 27, 2015 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of Kırıkkale Refinery Project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (70%), rate of contribution to investment (30%) and interest incentive.

The Company received investment incentive on June 20, 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%), interest incentive and exemption from customs duty.

The Company received investment incentive on January 3, 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 exemption from customs duty.

The Company received investment incentive on February 1, 2017 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for the purchasing of the wagons worth TL 75.000 thousand to be used in intercity railroad transportation. Support elements of this investment is to benefit from are, VAT exemption, interest incentive, customs duty exemption, tax discount rate (80%), rate of contribution to investment (40%) and employer's social security premium contribution (7 years).

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

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

21. Government grants (continued)

As of 31 March 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:

	31 March 2017	31 March 2016
Social security withholdings incentives	**8.226**	7.398
Research and development incentives	**3.903**	882
Interest incentive	**171**	3.912
Total	**12.300**	12.192

22. Commitments and contingent assets and liabilities

		31 March 2017		31 December 2016
Guarantees received:	**Original balance:**	**TL equivalent:**	Original balance:	TL equivalent:
Letter of guarantees received		**1.502.179**		1.679.662
- Letter of guarantees in TL	***767.177***	***767.177***	*1.003.107*	*1.003.107*
- Letter of guarantees in USD	***176.408***	***641.877***	*160.721*	*565.608*
- Letter of guarantees in EUR	***21.728***	***84.918***	*27.113*	*100.585*
- Letter of guarantees in other currencies	***-***	***8.207***	*-*	*10.362*
Guarantee notes received		**13.163**		14.485
- Guarantee notes in TL	***13.163***	***13.163***	*14.485*	*14.485*
Guarantee letters received		**231.930**		225.960
- Guarantee letters received in TL	***50.000***	***50.000***	*50.000*	*50.000*
- Guarantee letters received in USD	***50.000***	***181.930***	*50.000*	*175.960*
Total guarantees received		**1.747.272**		1.920.107
Guarantees given:				
Letter of credits given		**461.035**		672.163
- Letter of credits in USD	***123.833***	***450.578***	*184.253*	*648.422*
- Letter of credits in EUR	***2.638***	***10.309***	*3.921*	*14.545*
- Letter of credits in other currencies	***-***	***148***	*-*	*9.196*
Letter of guarantees given		**832.006**		796.468
- Letter of guarantees in TL	***545.078***	***545.078***	*607.798*	*607.798*
- Letter of guarantees in USD	***78.857***	***286.928***	*53.612*	*188.670*
Letters of guarantee given to customs offices		**842.566**		1.000.185
- Letter of guarantees in TL	***795.666***	***795.666***	*955.666*	*955.666*
- Letter of guarantees in EUR	***12.000***	***46.900***	*12.000*	*44.519*
Letters of guarantee given to banks		**341.327**		338.033
- Letter of guarantees in USD	***46.792***	***170.257***	*47.577*	*167.433*
- Letter of guarantees in EUR	***43.771***	***171.070***	*45.985*	*170.600*
Total guarantees given		**2.476.934**		2.806.849

As at 31 March 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 31 March 2017, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 334.683 thousand (31 December 2016- TL 331.726 thousand) and for derivative financial instruments amounting to TL 6.644 thousand (31 December 2016 – TL 6.307 thousand).

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

22. Commitments and contingent assets and liabilities (continued)

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

	31 March 2017	31 December 2016
A. CPMs given for companies in the name of its own legal personality	**2.135.607**	2.468.816
- TL	***1.340.744***	*1.563.464*
- USD	***737.506***	*837.092*
- EUR	***57.209***	*59.064*
- Other	***148***	*9.196*
B. CPMs given on behalf of the fully consolidated companies	**341.327**	338.033
- USD	***170.257***	*167.433*
- EUR	***171.070***	*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	**-**	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	**-**	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C	**-**	-
Total	**2.476.934**	2.806.849

23. Equity

The Company's shareholders and their shareholding percentages as at 31 March 2017 and 31 December 2016 are as follows:

	31 March 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 TL 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.

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 31 March 2017, the restricted reserves of the Company amount to TL 279.668 thousand (31 December 2016 - TL 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 February 1, 2014

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

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

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TL 2.830.104 thousand as at 31 March 2017. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 11.503 thousand which are subject to corporate taxation when distributed as dividends.

In the period ended 31 March 2017, the Company committed to make dividend payment in cash from the distributable profit of 2016 amounting to TL 1.557.107 thousand. The Company paid a cash dividend at the rate of 621,8% which corresponds to TL 6,218 gross and TL 6,218 net cash dividend for the shares with a nominal value of TL 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 committed also a cash dividend at the rate 621,8%, which corresponds to

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

23. Equity (continued)

to TL 6,218 gross and TL 5,2853 net cash dividend for the shares with a nominal value of TL 1.00 to other shareholders and paid all as of 6 April 2017.

In the year ended 31 December 2016, the Company committed to make dividend payment in cash amounting to TL 1.627.725 thousand which is the total amount remained after first and second composition legal reserves deducted from 2015 distributable net profit of the period and a portion of second composition legal reserves. The Company paid the above mentioned dividend. The Company paid a cash dividend at the rate of 650% which corresponds to TL 6,5 gross and TL 6,5 net cash dividend for the shares with a nominal value of TL 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 650%, which corresponds to TL 6,5 gross and TL 5,5250 net cash dividend for the shares with a nominal value of TL 1,00 to other shareholders.

24. Revenue and cost of sales

	1 January - 31 March 2017	1 January - 31 March 2016
Domestic revenue	**8.742.531**	4.697.136
Export revenue	**3.761.267**	1.551.275
Service revenue	**35.519**	26.411
Gross revenue	**12.539.317**	6.274.822
Less: Sales discounts	**(157.871)**	(78.894)
Less: Sales returns	**(11.807)**	(4.512)
Sales (net)	**12.369.639**	6.191.416
Cost of goods sold	**(10.549.674)**	(5.180.020)
Cost of trade goods sold	**(196.191)**	(582.641)
Cost of services	**(15.306)**	(21.524)
Gross profit	**1.608.468**	407.231

Cost of sales:

	1 January - 31 March 2017	1 January - 31 March 2016
Raw materials	**9.749.704**	4.592.420
Cost of trade goods sold	**196.191**	582.641
Energy expenses	**273.744**	239.590
Personnel expenses	**147.527**	136.319
Depreciation and amortization (Note 12-13)	**131.175**	120.153
Other production expenses	**262.830**	113.062
Cost of sales	**10.761.171**	5.784.185

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

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

General administrative expenses:

	1 January - 31 March 2017	1 January - 31 March 2016
Personnel expenses	**81.567**	86.039
Insurance expenses	**18.822**	23.610
Taxes and duties	**16.102**	12.476
Outsourced services	**14.766**	16.259
Office expenses	**6.864**	4.744
Depreciation and amortization expenses (Note 12-13)	**11.201**	14.127
Subscription fees	**5.562**	4.034
Lawsuit and consultancy expenses	**5.328**	3.225
Rent expenses	**2.529**	2.001
Transportation and travel expenses	**820**	655
Donations	**116**	314
Other	**15.187**	10.185
Total general administrative expenses	**178.864**	177.669

Marketing expenses:

	1 January - 31 March 2017	1 January - 31 March 2016
Personnel expenses	**20.847**	18.755
Outsourced services	**16.159**	12.088
Carriage, storage and insurance expenses	**6.570**	2.846
Energy expenses	**2.702**	961
Rent expenses	**2.522**	2.266
Advertising expenses	**276**	190
Depreciation and amortisation expenses (Note 12)	**1**	1
Other	**6.740**	4.703
Total marketing expenses	**55.817**	41.810

Research and development expenses:

	1 January - 31 March 2017	1 January - 31 March 2016
Personnel expenses	**3.772**	5.877
Outsourced services	**122**	78
Lawsuit and consultancy expenses	**25**	23
Other	**898**	1.205
Total research and development expenses	**4.817**	7.183

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

26. Other operating income/(expenses)

Other operating income:	1 January - 31 March 2017	1 January - 31 March 2016
Credit finance gains	**43.442**	29.354
Rent income	**1.058**	914
Foreign exchange gain from trade payables	**-**	60.989
Other	**10.732**	7.937
Total other operating income	**55.232**	99.194

Other operating expense:	1 January - 31 March 2017	1 January - 31 March 2016
Foreign exchange loss from trade payables	**(80.538)**	-
Credit finance charges	**(22.139)**	(1.533)
Foreign exchange loss from trade receivables	**(4.210)**	(1.245)
Other	**(5.246)**	(3.168)
Total other operating expense	**(112.133)**	(5.946)

27. Income/(expense) from investment activities

	1 January - 31 March 2017	1 January - 31 March 2016
Gains/(losses) on sales of property plant and equipment and intangible assets, net	**926**	(201)
Total income/(expense) from investment activities	**926**	(201)

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

28. Financial income/(expenses)

	1 January - 31 March 2017	1 January - 31 March 2016
Financial income:		
Interest income on deposits	**94.491**	57.659
Foreign exchange gains on deposits	**67.870**	-
Foreign exchange gains on borrowings	**-**	123.896
Total financial income	**162.361**	181.555
Financial expense:		
Foreign exchange losses on borrowings	**(247.285)**	-
Interest expenses	**(174.550)**	(121.531)
Foreign exchange losses on derivative instruments	**(58.907)**	(81.044)
Foreign exchange losses on deposits	**-**	(161.431)
Other	**(10)**	(9.997)
Total financial expense	**(480.752)**	(374.003)

29. Tax assets and liabilities

i) Corporation tax:

	31 March 2017	31 December 2016
Current period corporate tax provision	**112.268**	141.217
Current year tax assets	**(223)**	(95.928)
Corporation tax provision	**112.045**	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).

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

29. Tax assets and liabilities (continued)

Investment incentive income

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 March 2017, investment expenditures amounting to TL 7.969.662 thousand (31 December 2016 - TL 7.969.662 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2016 – TL 3.656.588 thousand) has been realized to be used in future periods. As of 31 March 2017, the Company realized revaluation gain amounting to TL 123.724 thousand that is calculated for unused investment incentives in its financial statements (31 December 2016 – TL 123.724 thousand). Moreover, as of 31 March 2017 within the scope of the Strategic Investment the Company offset TL 596.016 thousand from tax base (31 December 2016 – TL 517.666 thousand).

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

	Cumulative temporary differences		**Deferred tax asset/(liability)**	
	31 March 2017	31 December 2016	**31 March 2017**	31 December 2016
Fair value difference of derivative instruments	**411.256**	383.690	**(82.251)**	(76.738)
Prepaid expenses	**98.058**	105.400	**(19.612)**	(21.080)
Unearned credit finance income, (net)	**-**	5.594	**-**	(1.119)
Deferred tax liability			**(101.863)**	(98.937)
Investment incentive income	**7.969.662**	7.969.662	**3.656.588**	3.656.588
Investment incentive income net-offed by tax base within the scope of Strategic Investment incentive			**(596.016)**	(517.666)
Gains on revaluation of investment			**123.724**	123.724
Difference between the carrying values and tax base of property, plant equipment and intangible assets	**140.626**	52.144	**28.125**	10.429
Employment termination benefits and seniority incentive bonus provision	**163.897**	168.845	**32.780**	33.769
Provision for unused vacation liability	**41.787**	42.188	**8.358**	8.438
Provision for impairment on spare parts	**22.455**	22.455	**4.491**	4.491
Provisions for pending claims and lawsuits	**12.523**	12.523	**2.505**	2.505
Financial losses	**7.678**	9.271	**1.536**	1.854
Impairment on inventories	**5.877**	-	**1.175**	-
Unearned credit finance income, (net)	**4.533**	-	**907**	-
Other	**96.296**	9.173	**19.259**	1.836
Deferred tax assets			**3.283.432**	3.325.968
Deferred tax asset / (liability), net			**3.181.569**	3.227.031

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

29. Tax assets and liabilities (continued)

The movement of deferred taxes is as follows:

	2017	2016
Deferred tax asset / (liability), net		
1 January	**3.227.031**	3.202.503
Charge for the period	**(63.702)**	(9.242)
Charge to equity:		
- Hedging cash flow gains/(losses)	**18.240**	(24.717)
Investment incentive income net-offed	**-**	(88.240)
31 March	**3.181.569**	3.080.304

30. Profit for shares

	1 January - 31 March 2017	1 January - 31 March 2016
Profit for the year attributable to shareholders of the company	**868.824**	78.912
Weighted average number of shares with nominal value of kr. 1 each	**25.041.920.000**	25.041.920.000
Basic and diluted earnings per share in kr.	**3,47**	0,32

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) Companies in which ultimate parent is shareholder
(3) Parent, Ultimate parent (Koç Group Companies)

a) Deposits:

	31 March 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	**3.365.405**	3.118.492
Total	**3.365.405**	3.118.492

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

31. Related party transactions (continued)

b) Due from related parties:

	31 March 2017	31 December 2016
Opet Petrolcülük A.Ş. (1)	**813.736**	382.580
THY OPET Havacılık Yakıtları A.Ş. (1)	**288.142**	299.357
Aygaz A.Ş. (2)	**103.672**	65.483
Opet International Limited (1)	**9.328**	-
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**7.697**	4.396
Other (2)	**36**	8
Total	**1.222.611**	751.824

As of March 31, 2017, Tüpraş has offset TL 50.000 thousand (31 December 2016 - TL 250.000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

c) Due to related parties:

	31 March 2017	31 December 2016
Aygaz A.Ş. (2)	**20.590**	21.635
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**6.315**	10.260
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**5.975**	5.723
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**5.602**	12.800
Opet Petrolcülük A.Ş. (1)	**4.513**	7.275
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	**1.612**	2.510
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	**1.110**	11.901
Setur Servis Turistik A.Ş. (2)	**416**	276
Ark İnşaat A.Ş. (2)	**1**	9.393
Other (2)	**3.175**	6.244
Total	**49.309**	88.017

d) Other payables:

	31 March 2017	31 December 2016
Enerji Yatırımları A.Ş. (1) (*)	**794.125**	-
Koç Holding A.Ş. (3)	**240**	18.546
Total	**794.365**	**18.546**

(*) Includes dividend payables to Enerji Yatırımları A.Ş. as of 31 March 2017.

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

31. Related party transactions (continued)

e) Advances given for property, plant and equipment:

	31 March 2017	31 December 2016
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**32.441**	32.441
Ark İnşaat A.Ş. (2)	**-**	5.013
Total	**32.441**	37.454

f) Bank borrowings:

	31 March 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	**15.848**	-
Total	**15.848**	-

g) Product and service sales:

	1 January - 31 March 2017	1 January - 31 March 2016
THY OPET Havacılık Yakıtları A.Ş. (1)	**1.082.929**	724.067
Opet Petrolcülük A.Ş. (1)	**1.404.635**	570.875
Aygaz A.Ş. (2)	**169.490**	71.382
Opet International Limited (2)	**9.361**	-
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**9.192**	6.950
Other (2)	**511**	4
Total	**2.676.118**	1.373.278

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

31. Related party transactions (continued)

h) Product and service purchases:

	1 January - 31 March 2017	1 January - 31 March 2016
Aygaz A.Ş. (2)	**131.404**	85.469
Opet Petrolcülük A.Ş. (1)	**55.969**	24.122
THY OPET Havacılık Yakıtları A.Ş. (1)	**16.652**	13.163
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**16.234**	11.474
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	**5.459**	5.479
Koç Holding A.Ş. (3) (*)	**4.589**	6.422
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**3.799**	4.279
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**2.753**	1.758
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	**156**	3.200
Other (2)	**4.682**	4.590
Total	**241.697**	159.956

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

(**) Includes paid and accrued insurance premiums in the periods ended 31 March 2017 and 2016 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agency.

i) Fixed asset purchases:

	1 January - 31 March 2017	1 January - 31 March 2016
Ark İnşaat A.Ş. (2)	**10.083**	8.791
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**1.575**	14
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**-**	5.775
Other (2)	**44**	5
Total	**11.702**	14.585

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31. Related party transactions (continued)

j) Remuneration of board of directors and executive management:

The senior management of the company is determined as Member and Chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TL 2.938 thousand as of period ending on 31 March 2017 (31 March 2016 – TL 19.110 thousand). There is no severance payment included in this amount (31 March 2016 – TL 17.200 thousand).

k) Financial expenses paid to related parties:

	1 January - 31 March 2017	1 January - 31 March 2016
Yapı Kredi Faktoring A.Ş. (2)	**2.460**	733
Yapı ve Kredi Bankası A.Ş. (2)	**163**	480
Yapı Kredi Nederland (2)	**68**	-
Total	**2.691**	1.213

l) Time deposit interest income:

	1 January - 31 March 2017	1 January - 31 March 2016
Yapı ve Kredi Bankası A.Ş. (2)	**50.672**	28.315
Total	**50.672**	28.315

m) Donations:

As of 31 March 2017, total donation is amounting to TL 2 thousand (31 March 2016- TL 122 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.

Foreign exchange risk

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

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

The table below summarizes the foreign currency position risk of the Group as at 31 March 2017 and 31 December 2016. Foreign currency denominated assets and liabilities of the Group and related foreign currency position are as follows:

		31 March 2017		31 December 2016
	TL Amount	**USD Amount equivalent(*)**	TL Amount	USD Amount equivalent (*)
Assets	**4.611.019**	**1.267.251**	4.496.441	1.277.688
Liabilities	**(14.879.428)**	**(4.089.328)**	(14.585.609)	(4.144.581)
Net balance sheet foreign currency position	**(10.268.409)**	**(2.822.077)**	(10.089.168)	(2.866.892)
Net foreign currency position of derivative financial instruments(**)	**5.952.554**	**1.635.946**	6.440.757	1.830.176
Net balance sheet foreign currency position after derivative instruments	**(4.315.855)**	**(1.186.131)**	(3.648.411)	(1.036.716)
Inventory in natural hedge scope(***)	**4.242.203**	**1.165.889**	3.477.413	988.126
Net foreign currency position after natural hedge	**(73.652)**	**(20.242)**	(170.998)	(48.590)

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

(**) The Group has identified its investment credits amounting to kUSD 1.403.196 (kTL 5.105.669) as hedging instruments against USD/TL 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 (December 31, 2016 – kUSD 1.457.823 (5.130.371 thousand TL), exchange difference income/expenses of investment credits are recognized in "Hedging gains/(losses)" account under shareholder's equity until cash flows of the item which is included in related hedging are realized. The aforementioned amount is included in off-balance derivative instruments net foreign position.

(***) The Group classifies its foreign exchange risk sourcing from net foreign currency financial liabilities and trade payables through reflecting exchange rate changes to sales prices of products. The amount of total crude oil and oil product stocks owned by the Group is kTL 4.242.203 as of March 31, 2017 (December 31, 2016 – kTL 3.477.413) (Note 8).

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32. Financial instruments and financial risk management (continued)

Foreign currency position table

	31 March 2017					31 December 2016				
	TL equivalent (In terms of functional currency)	**USD**	**EUR**	**GBP**	**Other**	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	82.417	22.645	5	-	-	257.339	73.124	-	-	-
Monetary financial assets(including cash, banks)	4.517.635	1.222.898	17.269	113	-	4.085.609	875.246	270.883	114	-
Other	6.836	1.838	35	2	-	3.780	1.074	-	-	-
Current assets	**4.606.888**	**1.247.381**	**17.309**	**115**	**-**	4.346.728	949.444	270.883	114	-
Monetary financial assets	4.131	1.135	-	-	-	4.745	1.348	-	-	-
Other	-	-	-	-	-	144.968	27.163	13.309	-	-
Non-current assets	**4.131**	**1.135**	**-**	**-**	**-**	149.713	28.511	13.309	-	-
Total assets	**4.611.019**	**1.248.516**	**17.309**	**115**	**-**	4.496.441	977.955	284.192	114	-
Trade payables	3.483.513	949.094	6.873	133	2.677	3.841.321	1.056.681	27.213	1.043	17.189
Financial liabilities	1.873.991	496.588	17.170	-	-	1.243.661	333.977	18.418	-	-
Other monetary liabilities	24.910	6.538	286	-	-	257.008	72.774	243	-	-
Current liabilities	**5.382.414**	**1.452.220**	**24.329**	**133**	**2.677**	5.341.990	1.463.432	45.874	1.043	17.189
Financial liabilities	9.494.579	2.294.051	293.592	-	-	9.241.837	2.314.067	296.011	-	-
Other monetary liabilities	2.435	-	623	-	-	1.782	-	480	-	-
Non-current liabilities	**9.497.014**	**2.294.051**	**294.215**	**-**	**-**	9.243.619	2.314.067	296.491	-	-
Total liabilities	**14.879.428**	**3.746.271**	**318.544**	**133**	**2.677**	14.585.609	3.777.499	342.365	1.043	17.189
Net asset/(liability) position of off-balance sheet foreign currency derivatives	**5.952.554**	**1.614.541**	**19.928**	**-**	**-**	6.440.757	1.830.176	-	-	-
Total amount of off-balance sheet derivative financial assets	6.210.924	1.685.549	19.928	-	-	6.440.757	1.830.176	-	-	-
Total amount of off-balance sheet derivative financial liabilities	258.370	71.008	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	**(4.315.855)**	**(883.214)**	**(281.307)**	**(18)**	**(2.677)**	(3.648.411)	(969.368)	(58.173)	(929)	(17.189)
Net monetary foreign currency asset/(liability) position	**(10.275.245)**	**(2.499.593)**	**(301.270)**	**(20)**	**(2.677)**	(10.237.916)	(2.827.781)	(71.482)	(929)	(17.189)
Fair value of derivative instruments	**400.918**	**110.185**	**-**	**-**	**-**	373.700	106.189	-	-	-

The group has net foreign exchange deficit amounting to TL 73.652 thousand (31 December 2016 – TL 170.998 thousand), excluding the related natural hedge amount.

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

32. Financial instruments and financial risk management (continued)

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

	Statement of foreign currency risk sensitivity			
	31 March 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	(909.502)	909.502	(510.567)	510.567
Amount hedged for USD risk (-)	595.111	(595.111)	-	-
USD net effect	**(314.391)**	**314.391**	**(510.567)**	**510.567**
	10% change in EUR rate:			
Euro net assets/ liabilities	(117.745)	117.745	-	-
Amount hedged for Euro risk (-)	7.788	(7.788)	-	-
EUR net effect	**(109.957)**	**109.957**	**-**	**-**
TOTAL	**(424.348)**	**424.348**	**(510.567)**	**510.567**

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

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

32. Financial instruments and financial risk management (continued)

Export and import

	1 January - 31 March 2017	1 January - 31 March 2016
Export		
USD (equivalent of thousand TL)	**3.761.267**	1.551.266
Total	**3.761.267**	1.551.266
Import		
USD (equivalent of thousand TL)	**9.325.608**	4.717.264
Total	**9.325.608**	4.717.264

33. Subsequent events

None.