

Türkiye Petrol Rafinerileri A.Ş.

**Consolidated financial statements at
31 December 2014 together with the independent
auditor's report**

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

Independent auditors' report on the consolidated financial statements

To the Shareholders of Türkiye Petrol Rafinerileri A.Ş;

We have audited the accompanying consolidated balance sheet of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ"- "the Company") and its subsidiaries (together "the Group") as at 31 December 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's responsibility for the financial statements

The Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 2 March 2015.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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



Ethem Kutucu, SMMM
Partner

2 March 2015
Istanbul, Turkey

Türkiye Petrol Rafinerileri A.Ş.

**Consolidated financial statements
for the period 1 January - 31 December 2014**

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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 statements of financial position as at 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Assets	Notes	31 December 2014	31 December 2013
Current assets		6.991.378	9.764.538
Cash and cash equivalents	4	3.898.396	3.663.114
Trade receivables	6	169.835	1.956.634
Due from related parties	6, 31	7.383	343.355
Trade receivables from third parties		162.452	1.613.279
Other receivables	7	30.866	38.933
Other receivables from third parties		30.866	38.933
Derivative Instruments	20	64.606	-
Inventories	8	2.370.534	3.456.300
Prepaid expenses	14	124.031	198.693
Current income tax assets	29	1.235	1.330
Other current assets	15	331.875	449.534
Non-current assets		14.941.182	11.374.849
Financial Investments	9	4.000	4.000
Investments accounted by equity method	10	726.494	804.168
Investment properties	11	4.621	4.621
Property, plant and equipment	12	10.663.393	8.321.563
Intangible assets	13	60.569	39.367
Other intangible assets		60.569	39.367
Prepaid expenses	14	260.314	405.292
Deferred tax assets	29	2.623.134	1.330.197
Other non-current assets	15	598.657	465.641
Total assets		21.932.560	21.139.387
Liabilities			
Current liabilities		8.561.001	10.396.466
Short-term financial liabilities	5	40.248	909.587
Current portion of long term financial liabilities	5	737.056	165.084
Trade payables	6	5.610.001	6.793.651
Due to related parties	6, 31	67.849	40.555
Trade payables, third parties		5.542.152	6.753.096
Liabilities for employee benefits	18	93.297	65.524
Other payables	19	10.282	9.563
Other payables to third parties		10.282	9.563
Derivative Instruments	20	68	-
Deferred income	16	17.366	10.656
Current income tax liabilities	29	5.147	6.178
Provisions	17	108.824	363.747
Provisions for employee benefits		6.870	4.097
Other provisions		101.954	359.650
Other current liabilities	15	1.938.712	2.072.476
Non-current liabilities		7.158.929	5.604.407
Long-term financial liabilities	5	6.977.706	5.447.345
Provisions	17	176.023	152.003
Provisions for employee benefits		176.023	152.003
Other non-current liabilities	15	4.709	5.059
Derivative Instruments	20	491	-
Equity		6.212.630	5.138.514
Share capital	23	250.419	250.419
Adjustment to share capital	23	1.344.243	1.344.243
Share premiums/discounts		172	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		(11.186)	(2.672)
Actuarial gain/(loss) arising from defined benefit plans		(11.186)	(2.672)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		65.867	57.039
Hedging gains/(losses)		(447)	-
Currency translation differences		12.058	9.375
Revaluation and reclassification gains/(losses)		54.256	47.664
Restricted reserves	23	163.401	221.417
Retained earnings		2.884.837	2.025.761
Net income		1.458.963	1.197.223
Total equity attributable to equity holders of the parent		6.156.718	5.093.602
Non-controlling interests		55.914	44.912
Total equity and liabilities		21.932.560	21.139.387

The consolidated financial statements for the year ended 31 December 2014 have been approved by the Board of Directors on 2 March 2015 and signed by İbrahim Yelmenoğlu, Assistant General Manager and Deniz Köseoğlu, Financial Reporting Manager.

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

GÖNEY BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Maslak Mahallesi Esat Büyükdere Caddesi No:27
Daire:54-57-59 Kat:2-3-4 Sarıyer/İSTANBUL
Ticaret Sicil No:479920
Mersis No:0-4350-3032-6000017

(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 profit or loss and other comprehensive income for the year ended 31 December 2014

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

	Notes	Audited	
		1 January - 31 December 2014	1 January - 31 December 2013
Revenue (net)	24	39.722.712	41.078.427
Cost of sales (-)	24	(38.459.914)	(39.605.121)
Gross profit		1.262.798	1.473.306
General administrative expenses (-)	25	(545.943)	(494.754)
Marketing, selling and distribution expenses (-)	25	(169.639)	(186.542)
Research and development expenses (-)	25	(16.220)	(18.428)
Other operating income	26	173.845	165.919
Other operating expenses (-)	26	(269.098)	(898.310)
Operating profit		435.743	41.191
Income/(expense) from investment activities	27	(319)	1.318
Income/(loss) from investments accounted by equity method	10	(16.380)	80.546
Operating profit before financial income/(expense)		419.044	123.055
Financial income	28	498.917	1.005.707
Financial expense (-)	28	(734.300)	(1.115.713)
Profit before tax from continued operations		183.661	13.049
Tax income	29	1.286.460	1.186.141
Taxes on income (-)		(5.147)	(6.178)
Deferred tax income		1.291.607	1.192.319
Net income from continued operations		1.470.121	1.199.190
Other comprehensive income:			
Items not to be reclassified to profit or loss			
Actuarial gain/(loss) arising from defined benefit plans		(8.670)	4.369
Tax effect of other comprehensive income / (loss) not to be reclassified to profit or loss		(10.390)	5.432
- Deferred tax income/(expense)		1.720	(1.063)
		1.720	(1.063)
Items to be reclassified to profit or loss			
Revaluation gains of available-for-sale investments		8.828	9.485
Changes in currency translation differences		7.094	5.506
Gains/losses on cash flow hedge		2.683	4.254
		(559)	-
Tax effect of other comprehensive income / (loss) to be reclassified to profit or loss		(390)	(275)
- Deferred tax income/(expense)		(390)	(275)
Other comprehensive income/(expense) after taxation		158	13.854
Total comprehensive income		1.470.279	1.213.044
Distribution of income for the period:			
Non-controlling interests		11.158	1.967
Attributable to equity holders of the parent		1.458.963	1.197.223
Distribution of total comprehensive income:			
Non-controlling interests		11.002	2.000
Attributable to equity holders of the parent		1.459.277	1.211.044
Earnings per share with nominal value Kr 1 each (Kr)	30	5,83	4,78

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

(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 changes in equity for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

	Share capital	Adjustment to share capital	Share premiums/ discounts	Actuarial gain/(loss) arising from defined benefit plans	Accumulated other comprehensive income/(expense) reclassified to profit or loss	Accumulated other comprehensive income/(expense) to be reclassified to profit or loss				Retained earnings		Equity holders of the parent	Non-controlling interests	Total equity
						Gains/ losses on hedging	Currency translation differences	Revaluation gains/ (losses)	Restricted reserves	Accumulated profit	Profit for the period			
1 January 2013	250.419	1.344.243	172	(7.008)	-	-	5.121	42.433	223.321	1.523.852	1.464.119	4.846.672	42.912	4.889.584
Transfers	-	-	-	-	-	-	-	-	(1.904)	1.466.023	(1.464.119)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(964.114)	-	(964.114)	-	(964.114)
- Net profit for period	-	-	-	-	-	-	-	-	-	1.197.223	1.197.223	1.197.223	1.967	1.199.190
- Other comprehensive income	-	-	-	4.336	-	4.254	4.254	5.231	-	-	-	13.821	33	13.854
Total comprehensive income	-	-	-	4.336	-	4.254	4.254	5.231	-	-	1.197.223	1.211.044	2.000	1.213.044
31 December 2013	250.419	1.344.243	172	(2.672)	-	9.375	47.664	47.664	221.417	2.025.761	1.197.223	5.093.602	44.912	5.138.514
1 January 2014	250.419	1.344.243	172	(2.672)	-	9.375	47.664	47.664	221.417	2.025.761	1.197.223	5.093.602	44.912	5.138.514
Transfers	-	-	-	-	-	-	-	-	(58.016)	1.255.239	(1.197.223)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(396.163)	-	(396.163)	-	(396.163)
- Net profit for period	-	-	-	-	-	-	-	-	-	1.458.963	1.458.963	1.458.963	11.158	1.470.121
- Other comprehensive income	-	-	-	(8.514)	(447)	2.683	6.592	6.592	-	-	-	314	(156)	158
Total comprehensive income	-	-	-	(8.514)	(447)	2.683	6.592	6.592	-	-	1.458.963	1.459.277	11.002	1.470.279
31 December 2014	250.419	1.344.243	172	(11.186)	(447)	12.058	54.256	54.256	163.401	2.884.837	1.458.963	6.156.716	55.914	6.212.630

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

(3)

GÖNEY BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ
MUTFAK A.Ş.

Maslak Mahallesi, Kılıç Büyükdere Caddesi No:27
Daire:5/4-5/5 Kat:3-4 Sarıyer/İSTANBUL
Ticaret Sicil No:479920
Mersis No:0-4350-3032-6000017

(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 cash flows for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

	Notes	1 January - 31 December 2014	Audited 1 January - 31 December 2013
A. Cash flows from operating activities		2.432.547	2.549.122
Profit/(loss) before taxation		1.470.121	1.199.190
Adjustment for reconciliation of profit/(loss) before taxation		(296.511)	243.118
- Adjustment for depreciation and amortisation expense	12,13	258.123	240.281
- Adjustments for stock impairment	8	90.204	(2.621)
- Adjustment for provisions	17	101.242	358.005
- Adjustment for interest income and expense	28	157.114	76.385
- Adjustment for unrealized foreign currency translation differences		(2.683)	(4.254)
- Adjustment for fair value gain or loss		(64.606)	-
- Adjustment for income of investments accounted by equity method	10	16.380	(80.546)
- Adjustment for tax income/expenses		(1.286.460)	(1.186.141)
- Adjustment for (gain) / loss on sales of property, plant and equipment, net	27	319	(1.318)
- Adjustment for other items related with cash flow of investment or financial activities	28	438.328	841.277
- Other adjustments		(4.472)	2.050
Changes in working capital		1.607.179	1.183.228
- Adjustment for increase/decrease in inventories		995.562	(329.437)
- Adjustment for increase/decrease in trade receivables		1.791.340	124.820
- Adjustment for increase/decrease in other receivables related with operations		(7.290)	(125.898)
- Adjustment for increase/decrease in trade payables		(1.183.719)	1.729.489
- Adjustment for increase/decrease in other payables related with operations		11.286	(215.746)
Cash flows from operating activities		2.780.789	2.625.536
- Tax payments/returns		(6.083)	(39.899)
- Payments for penalty	17	(309.011)	-
- Other cash inflow/outflow		(33.148)	(36.515)
B. Cash flows from investing activities		(2.187.284)	(2.158.810)
Cash inflows from the sale of property, plant and equipment and intangible assets		343	3.180
Cash outflows from the purchase of property, plant and equipment and intangible assets		(2.257.627)	(2.254.754)
Cash inflows from the sale of other long-term assets		-	12.764
Dividends received	10	70.000	80.000
C. Cash flows from financing activities		(124.410)	(71.205)
Cash inflows from financial liabilities		421.841	970.714
Dividends paid		(396.163)	(964.114)
Interest received		136.237	191.906
Interest paid		(286.325)	(269.711)
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		120.853	319.107
D. Impact of foreign currency translation differences on cash and cash equivalents		2.683	4.254
Net increase/decrease in cash and cash equivalents		123.536	323.361
E. Cash and cash equivalents at beginning of period		3.087.870	2.764.509
Cash and cash equivalents at end of period	4	3.211.406	3.087.870

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the year ended 31 December 2014
(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 December 2014, the shares quoted on the BİST are 49% of the total shares. As at 31 December 2014, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

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

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

(*) Körfez, a subsidiary of the Group, which has been established in June 2009 has not been included in the scope of consolidation in the consolidated financial statements for the year ended 31 December 2014 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 December 2014 total assets of Körfez is TL 8.559 thousand and net income of Körfez is TL 3.044 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	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 total number of employees of the Group as at 31 December 2014 is 5.067 (31 December 2013 – 4.986).

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

The 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 consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the consolidated financial statements of the Group.

(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.

Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

IFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to IFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

TAS 39 Financial Instruments: Recognition and Measurement (Amended) - Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS. This amendment does not have any impact on the financial position or performance of the Group.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle". The changes are effective for annual reporting periods beginning on or after 1 July 2014.

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

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Notes to the consolidated financial statements for the year ended 31 December 2014
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2. Basis of presentation of consolidated financial statements (continued)

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

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

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39),
- Or
- Using the equity method.

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after

1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

2.1.3 Financial statements of joint ventures operating in foreign countries

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

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Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

2.1.4 Basis of consolidation

- a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the year ended 31 December 2014 and include financial statements of Tüpraş and its Subsidiaries.
- b) At 31 December 2014, 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 2013.

	31 December 2014		31 December 2013	
	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

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 subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the year, respectively.

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

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Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 31 December 2014 and 31 December 2013.

	31 December 2014		31 December 2013	
	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 Gıda ve İhtiyaç Maddeleri Turizm Sanayi İç ve Dış Ticaret A.Ş. (in liquidation)(*)(**)	-	-	50,00	39,99
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(*)	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.

(**) Opet Gıda ve İhtiyaç Maddeleri Turizm Sanayi İç ve Dış Ticaret A.Ş. merged with Opet Petrolcülük on February 12, 2014.

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 December 2014 comparatively with the consolidated statement of financial position as of 31 December 2013, presented the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2014 comparatively with the consolidated financial statements for the year ended 31 December 2013.

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Notes to the consolidated financial statements for the year ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

2.2.2 Offsetting

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

2.2.3 Convenience translation into English of consolidated financial statements

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

2.3. Summary of significant accounting policies

The significant accounting policies followed in the preparation of the consolidated financial statements are summarized below:

2.3.1 Cash and cash equivalents

The cash and cash equivalents are carried at cost in the consolidated balance sheet at cost. Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of three months or less (Note 4).

2.3.2 Trade receivables and provision for impairment

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost.

A credit risk provision for trade receivables is established when there is objective evidence that the Group is not able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 6).

2.3.3 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel, Board of Directors members and Koç Group companies including their family members and companies controlled by or affiliated with them are considered and referred to as related parties (Note 31).

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Notes to the consolidated financial statements for the year ended 31 December 2014
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2. Basis of presentation of consolidated financial statements (continued)

2.3.4 Inventories

Inventories are valued at the lower of acquisition cost or net realisable value. The cost components of inventories include materials, conversion costs and other costs that are necessary to bring the inventories to their present location and condition. The cost of inventories is determined on the weighted average cost basis. As during the production process more than one product is produced from single raw material inputted, the costs of conversion of each product are not separately identifiable. In order to allocate the costs of conversion between the products on a rational and consistent basis, the approach used by the Company for the allocation is based on the relative sales prices of each product.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8).

2.3.5 Spare parts and material stocks

Spare parts and material stocks are valued at the lower of cost or net realisable value. The cost elements of spare parts and material stocks include materials and other costs that are necessary to bring them to their present location and condition. The cost of spare parts and material stocks is determined on the weighted average cost basis. The Group has provided provision for the slow-moving spare parts (Note 15).

2.3.6 Financial investments

All investment securities are recognized at cost including acquisition charges associated with the investment. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in macro-economic environment are classified as "available-for-sale investments". These investments are included in non-current assets unless management has not intended to realize gain from asset in short term or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The Group management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such classification on a regular basis.

At every balance sheet date, the Group assesses whether there is objective evidence that a financial asset on a group of financial assets is impaired. For financial instruments classified as available for sale a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator of impairment. If such evidence exists for an available for sale financial asset, cumulative net loss recorded by decreasing the fair value gain on the financial asset previously recorded as "financial asset fair value reserve" within equity. The amount of impairment exceeding the fair value reserve is recorded as expense in the statement of comprehensive income for the year.

The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are deferred in the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the statement of comprehensive income.

When the financial asset is not traded in an active market and fair value of the asset cannot be measured reliably, the fair value of the financial asset is identified by using valuation techniques. These valuation techniques include the use of recent transactions under market conditions or by considering other similar investment instruments and discounted cash flows performed by considering the specific conditions of the company invested in.

Other financial assets in which the Group has an interest below 20%, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably, are carried at cost, if applicable, less any provision for diminution in value. Available-for-sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 9).

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Notes to the consolidated financial statements for the year ended 31 December 2014
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2. Basis of presentation of consolidated financial statements (continued)

2.3.7 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Historical costs include the costs directly related to the acquisition of property plant and equipment. Costs incurred after the acquisition can be added to the net book value of the assets or can be booked as another asset if and only if it is probable that the future economic benefits will flow to the Group and cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of comprehensive income for the period. Depreciation is provided using the straight line method based on the estimated useful lives of gross book value of assets (Note 12).

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life
Land and land improvements	3-50 years
Buildings	5-50 years
Machinery and equipment	3-50 years
Motor vehicles	4-25 years
Furniture and fixtures	2-50 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of asset net selling price or value in use. Net selling price is calculated by deducting the selling costs from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to derive from the asset. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate.

2.3.8 Intangible assets

Intangible assets include rights and software and development costs (Note 13).

a) Rights and software

Rights and software are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful lives of such assets not exceeding 5 years.

b) Development costs

The accounting policy of development costs are explained in Note 2.3.24.

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

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

2.3.9 Investment property

Lands held for the purposes of long-term rental yields, for capital appreciation or both rather than land held in the production or supply of goods or services, for administrative purposes and for sale in the ordinary course of business, are classified as "investment property". Investment properties are carried at cost and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less costs to sell (Note 11).

2.3.10 Impairment of assets

The Group reviews all tangible and intangible assets except goodwill for indicators of impairment at every balance sheet date. If any indication of impairment exists, carrying value of the asset is compared with its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment exists when carrying value of the asset or cash generating unit that the asset belongs to is higher than the recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognized as income in the consolidated financial statements. The reversal of the impairment is recognized in the comprehensive income statement. Net book value of goodwill is evaluated annually and impairment is recorded when necessary considering a significant or prolonged decline.

2.3.11 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings.

The Company compares borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project (RUP) with functional currency equivalent borrowing's interests and capitalizes borrowing costs by using cumulative approach in its financial statements (Note 12).

Other borrowing costs are charged to the consolidated statement of comprehensive income when they are incurred.

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

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

2.3.12 Operating leases

The Group as the lessee

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognized on a straight-line basis over the lease term.

2.3.13 Deferred taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated statement of income, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Government incentives enabling reduced corporate tax payments are considered within the scope IAS-12 "Income Taxes" and the deferred tax asset is recognized at the rate of the earned tax benefit under the condition that benefitting from this advantage by earning taxable income in the future is highly probable.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities in the consolidated financial statements (Note 29).

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

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

2.3.14 Employment termination benefits

Long-term employee benefits / Retirement pay liability

a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds (Note 17). All actuarial gains and losses are recognized in the other comprehensive income statement.

b) Defined contribution plans

The Company pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

2.3.15 Seniority incentive bonus provision

The Group has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. Seniority incentive bonus provision represents the present value at the date of the consolidated balance sheet of the estimated total reserve of the probable future obligations (Note 17).

2.3.16 Transactions in foreign currency

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the consolidated statement of comprehensive income except the ones that are capitalised (Note 2.3.11).

2.3.17 Revenue recognition

Revenue is based on the invoiced amount of products sold and services given. Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realised. Net sales represent the invoiced value of goods sold less sales returns and commission and exclude related taxes. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

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

2.3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions, as of the balance sheet date, are recorded with the best estimate of management in order to provide for the estimated obligation and are discounted, if they are material for the consolidated financial statements.

2.3.19 Commitments, contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 22).

2.3.20 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as liability in the consolidated financial statements in the period they are declared as a part of profit distribution.

2.3.21 Earnings per share

Earnings per share for each class of shares disclosed in the consolidated statement of comprehensive income is determined by dividing the consolidated net income for the year attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period.

2.3.22 Segment reporting

According to TFRS 11 "Joint Arrangements" standard, accounting for joint ventures in the consolidated financial statements by the equity method is mandatory. The amendment has been implemented retrospectively by the Group. Opet Petrolcülük A.Ş. is accounted by the equity method and petroleum distribution division is excluded from segment reporting scope. Since only refining segment remained within the consolidation scope, segment reporting is not presented effective January 1, 2013.

As of December 31, 2014, sales revenue from two customers amounting to TL 11.057.743 thousand, which is more than 10% of total sales of the Company's sales, consists of oil sales. (December 31 2013 – TL 9.863.219 thousand)

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

2.3.26 Business combinations and goodwill

Business combinations are accounted for using the acquisition method in accordance with TFRS 3. The cost of a business combination, before January 1, 2011, is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. In business combinations, the acquirer recognizes identifiable assets, intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. Goodwill recognised in business combinations is tested for impairment annually or more often under when circumstances indicating impairment risk.

The excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

Revised TFRS 3 "Business Combinations" effective as at 1 January 2011 has been applied to Business combinations occurring after 1 January 2011. The main difference of revised TFRS 3 is to account for transaction costs of a purchase in comprehensive income statement. There has been no business combination in 2014 which requires the application of revised TFRS 3.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of combination. The Group considered the significant position of Opet in the domestic market and the synergy expected from its cooperation with Tüpraş as the main reason leading to generation of goodwill related to the Opet acquisition dated 28 December 2006. Therefore, the Group management evaluated Opet, its subsidiaries and its joint ventures as one cash-generating unit.

2.3.27 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

Fair value of forward exchange contracts evaluated by fair value and correlated with income statement is determined by compare of original forward rate calculation with market interest rate which is prevalent for remainder part of contract and prevalent forward rate at period ends. Derivative financial instruments are booked according to their fair value is positive or negative, respectively asset and liability. (Note 20).

Classified as asset/liability correlated with income statement and evaluating by fair value of financial derivative instruments' differences are reflected to income statement.

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

2.5. Significant accounting evaluations, assumptions and estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

a) *Provision for employment termination benefits:*

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee benefits disclosure (Note 17).

b) *Economic useful lives:*

Tangible assets, investment property and intangible assets, except for goodwill, have been depreciated and amortized by using estimated useful lives. Estimated useful lives determined by management have been disclosed in Note 2.3.7 and Note 2.3.8.

c) *Goodwill impairment tests:*

As explained in Note 2.3.10, the Group performs impairment tests on goodwill annually, or more often under circumstances indicating impairment risk. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on specific expectations and assumptions. The Group has not identified any impairment on the goodwill amount as at 31 December 2014 and 2013, as a result of these tests. The goodwill arising from the purchase of Opet shares were classified on the investment account in the financial statements.

d) *Deferred tax asset:*

Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all temporary differences. For the year ended December 31, 2014, since the assumptions related to the Group's future taxable profit generation are considered adequate, deferred tax asset is recognized (Note 29).

3. Business combinations

No business combinations occurred during the year 2014.

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4. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash at banks		
Revenue share (blocked)	676.881	566.744
Time deposit	3.180.801	3.043.234
Demand deposits	30.605	44.636
Interest income accruals	10.109	8.500
Total	3.898.396	3.663.114

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 December 2014 and 31 December 2013 (Note 15).

Time deposits and other cash and cash equivalents

As at 31 December 2014 and 31 December 2013, the maturity and the currency information of the time deposits, is as follows:

31 December 2014

	Less than 1 month	1 - 3 months	Total
TL	1.816.266	-	1.816.266
USD	1.054.841	274.414	1.329.255
EUR	34.477	564	35.041
GBP	239	-	239
Time deposit	2.905.823	274.978	3.180.801

31 December 2013

	Less than 1 month	1 - 3 months	Total
TL	40.890	-	40.890
USD	2.973.808	23.619	2.997.427
EUR	3.254	1.478	4.732
GBP	185	-	185
Time deposit	3.018.137	25.097	3.043.234

Effective interest rate of TL time deposits is 11,28%, effective interest rate of USD time deposits is 2,44%, effective interest rate of EUR time deposits is 1,65% and effective interest rate of GBP time deposits is 1,65% (31 December 2013 - TL 6,38%, USD 3,04% ,EUR 2,10% and GBP 2,10%)

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4. Cash and cash equivalents (continued)

Cash and cash equivalents included in the consolidated statements of cash flows for the years ended 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Cash and cash equivalents	3.898.396	3.663.114
Blocked deposits (Revenue share)	(676.881)	(566.744)
Less: Time deposit interest accruals	(10.109)	(8.500)
Cash and cash equivalents for cash flow purposes	3.211.406	3.087.870

5. Financial liabilities

	31 December 2014	31 December 2013
Short term financial liabilities:		
Short-term bank borrowings	40.248	904.163
Interest accruals	-	5.424
Total	40.248	909.587
Current portion of long-term bank borrowings:		
Current portion of long-term bank borrowings	707.211	149.298
Interest accruals of bank borrowings	18.992	5.802
Interest accruals of bonds issued	10.853	9.984
Total	737.056	165.084
Long-term financial liabilities:		
Long-term bank borrowings	5.354.476	3.953.335
Bonds issued (*)	1.623.230	1.494.010
Total	6.977.706	5.447.345
Total financial liabilities	7.755.010	6.522.016

(*) 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 700.000 thousand with an interest rate of 4,125% and maturity of 2 May 2018.

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5. Financial liabilities (continued)

Foreign currency balances and interest rates for the short and long-term financial liabilities as at 31 December 2014 and 31 December 2013 are as follows:

	Effective interest rate (%)	31 December 2014	
		Original currency	Thousand TL
Short term financial liabilities:			
TL borrowings (*)	-	40.247.808	40.248
			40.248
Current portion of long-term financial liabilities:			
USD borrowings	2,39	195.450.402	453.230
EUR borrowings	1,98	16.593.295	46.805
TL borrowings	12,39	207.176.471	207.176
			707.211
Interest expense accruals			29.845
Total short-term financial liabilities			777.304
Long-term financial liabilities:			
USD borrowings	2,32	1.880.608.765	4.360.943
USD bonds issued	4,17	700.000.000	1.623.230
EUR borrowings	2,84	58.392.764	164.709
TL borrowings	11,42	828.823.529	828.824
			6.977.706
Interest expense accruals			-
Total long-term financial liabilities			6.977.706

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 40.248 thousand as of 31 December 2014 (31 December 2013 - TL 85.219 thousand).

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5. Financial liabilities (continued)

		31 December 2013	
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
EUR borrowings	4,18	37.100.000	108.944
TL borrowings	8,33	795.219.165	795.219
			904.163
Current portion of long-term financial liabilities:			
USD borrowings	2,02	57.588.516	122.913
EUR borrowings	0,99	7.878.151	23.134
TL borrowings	7,49	3.251.152	3.251
			149.298
Interest expense accruals			21.210
Total short-term financial liabilities			1.074.671
Long-term financial liabilities:			
USD borrowings	2,39	1.834.184.024	3.914.699
USD bonds issued	4,17	700.000.000	1.494.010
EUR borrowings	1,11	12.986.059	38.134
TL borrowings	7,49	502.304	502
			5.447.345
Interest expense accruals			-
Total long - term financial liabilities			5.447.345

As at 31 December 2014 and 31 December 2013, the redemption schedule of long-term bank borrowings is as follows:

	31 December 2014	31 December 2013
2015	-	409.676
2016	1.489.233	619.674
2017	840.452	596.621
2018	2.343.280	2.071.729
2019	477.335	356.637
2020 and after	1.827.406	1.393.008
	6.977.706	5.447.345

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5. Financial liabilities (continued)

The redemption schedule of borrowings according to their contractual repricing dates is as follows:

	31 December 2014	31 December 2013
1-90 days	338.682	972.491
91-365 days	4.170.531	3.430.383
1-5 years	2.861.834	1.777.068
Over 5 years	383.963	342.074
	7.755.010	6.522.016

(*) Total amount of bonds issued USD 700.000 thousand equivalent to TL 1.623.230 thousand with fixed interest will be paid in 2018, presented in 1-5 years, in the table above (31 December 2013- TL 1.494.010 thousand, between 1-5 years).

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project and utilization of the loans started in accordance with the agreements in 2011 and continued in 2012-2014. According to financing package, the loan amounting to USD 1.111,8 million which was insured by CESCE and the loan amounting to USD 624,3 million which was insured by SACE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan amounting to USD 359 million has 7 years to maturity and there will be no principal payment in first four years. The loan amounts of CESCE and SACE has been decreased respectively to USD 1.078,5 million and USD 597,4 million with letter on 24 October 2013 and these amounts have been valid as of 26 November 2013. Tüpraş has used loan amounting to USD 1.984,5 million as of 31 December 2014 to finance loan insurance payments and capital expenditures (31 December 2013 - USD 1.742,8 million)

6. Trade receivables and payables

Short-term trade receivables:

	31 December 2014	31 December 2013
Trade receivables	162.968	1.618.353
Due from related parties (Note 31)	7.383	343.355
Doubtful trade receivables	2.593	2.593
Other trade receivables	28	11
Less: Unearned credit finance income	(544)	(5.085)
Less: Provision for doubtful receivables	(2.593)	(2.593)
Total short-term trade receivables (net)	169.835	1.956.634

As at 31 December 2014, Tüpraş has offsetted TL 2.276.683 thousand (31 December 2013 - TL 1.609.499 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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6. Trade receivables and payables (continued)

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are renegotiated under four groups. The details of credit quality of such trade receivables as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Group 1	1.308	2.159
Group 2	429	2.348
Group 3	60.869	1.371.374
Group 4	34.020	25.177
	96.626	1.401.058

Group 1 - New customers (less than three months)

Group 2 - State owned enterprises

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

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

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

Aging of overdue receivables that are past due but not impaired as at 31 December 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Up to 3 months	56.040	458.042
3 to 12 months	17.169	97.534
	73.209	555.576

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

Movement of the provision for doubtful receivables for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	2.593	17
Charge for the period	-	2.576
31 December	2.593	2.593

Short-term trade payables:

	31 December 2014	31 December 2013
Trade payables	5.542.547	6.753.560
Due to related parties (Note 31)	67.849	40.555
Less: Unrealised credit finance charges	(395)	(464)
Total short-term trade payables (net)	5.610.001	6.793.651

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7. Other receivables and payables

Other short-term receivables:

	31 December 2014	31 December 2013
Advances and guarantees given	20.339	26.588
Receivable from personnel	7.203	6.116
Receivable from insurance recoveries	3.324	6.229
Other doubtful receivables	645	645
Less: Provision for other doubtful receivables	(645)	(645)
	30.866	38.933

8. Inventories

	31 December 2014	31 December 2013
Raw materials and supplies	567.290	572.796
Work-in-progress	485.648	719.379
Finished goods	691.302	1.105.603
Trade goods	24.229	17.462
Goods in transit	681.325	1.030.203
Other	10.944	10.857
	2.460.738	3.456.300
Less: Provision for impairment in inventories	(90.204)	-
	2.370.534	3.456.300

As of December 31, 2014, stock impairment amounting to TL 88.949 thousand comes from finished goods and TL 1.255 thousand comes from trade goods and recognized under cost of goods sold account. Movement of the provision for inventories for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	-	2.621
Charge for the period	90.204	-
Cancellations within the period	-	(2.621)
31 December	90.204	-

9. Financial investments

Long term financial investments

	31 December 2014		31 December 2013	
	Participation share (%)	Amount	Participation share (%)	Amount
Körfez Hava Ulaştırma A.Ş.	100,00	4.000	100,00	4.000
		4.000		4.000

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10. Investments accounted by equity method

	31 December 2014		31 December 2013	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	726.494	40,00	804.168
		726.494		804.168

The goodwill amounting to TL 189.073 thousand arising from the purchase of Opet shares on December 28, 2006 were classified on the investment account in the financial statements.

The movement in the investments accounted by equity method during the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	804.168	793.862
Shares in current year profit of investments accounted by equity method	(16.380)	80.546
Financial assets revaluation fund of investments accounted by equity method	7.094	5.506
Dividend payment of investments accounted by equity method	(70.000)	(80.000)
Currency translation differences of investments accounted by equity method	2.683	4.254
Actuarial gains/losses form investments accounted by equity method	(1.071)	-
31 December	726.494	804.168

Consolidated summary financial statements of investments accounted by equity method are as follows:

	31 December 2014	31 December 2013
Current assets	2.267.632	2.534.055
Non-current assets	1.840.536	1.623.590
Total assets	4.108.168	4.157.645
Short term liabilities	1.810.634	2.018.685
Long term liabilities	942.950	599.715
Equity	1.354.584	1.539.245
Total liabilities	4.108.168	4.157.645

	1 January - 31 December 2014	1 January - 31 December 2013
Sales	20.831.159	17.845.630
Gross profit	656.677	906.748
Operating profit	86.062	361.558
Net income for period	(40.949)	201.365

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10. Investments accounted by equity method (continued)

Goodwill impairment test

The Group considers the significant position of Opet in the domestic market and the synergy expected from its cooperation with Tüpraş and Opet as the main source of generation of goodwill. Therefore, the Group management evaluated Opet, its subsidiaries and its joint ventures as a single cash generating unit and goodwill is allocated on Opet.

The recoverable amount of the cash generating unit is determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include post tax cash flow projections denominated in USD and are based on the financial budgets approved by Opet management covering a 10 year period. The Group considers analysis covering a period longer than five years is more appropriate as to evaluation of operating results and prospective assumptions in the sector and therefore impairment test is based on ten years budget. The cash flows for the periods beyond 10 years are extrapolated using the long term growth rate of 2%. During fair value calculations, the value denominated in USD is converted to TL by using the USD currency rate on the balance sheet date. Therefore, the fair value model is affected by fluctuations in the foreign currency market. As of 31 December 2014, fair value of Opet is TL 2.897 million. (With Group's effective interest, TL 1.159 million.) As of 31 December 2014, had the USD rate strengthened/weakened by 1%, with all other variables held constant, the fair value would be affected by TL 11.587 thousand.

Other key assumptions used in the fair value calculation model are stated below:

Gross margin	4,2% - 5,7%
Discount rate	9,8%

The budgeted gross margin has been determined by Opet management based on past performance of the company and expected market growth rate. The discount rate used is the post-tax discount rate and includes company specific risks. An increase/decrease of 1% on the post-tax discount rate used in the discounted cash flow calculations (10,8% or 8,8% instead of 9,8%), would lead to a decrease by TL 268.933 thousand / increase by TL 355,581 thousand in the fair value as at 31 December 2014.

As a result of the tests performed by using the assumptions above, no impairment on goodwill has been identified as at 31 December 2014. Since the asset's fair value less cost to sell is higher than its carrying amount, the Group management did not calculate the asset's value-in-use.

11. Investment property

At 31 December 2014, investment property represents the land amounting to TL 4.621 thousand (31 December 2013 - 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 2013 – TL 38.117 thousand).

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12. Property, plant and equipment

	1 January 2014	Additions	Transfers	Disposals	31 December 2014
Cost:					
Land	46.147	-	2.715	-	48.862
Land improvements	1.531.714	-	127.370	(2.165)	1.656.919
Buildings	377.543	-	66.621	(42)	444.122
Machinery and equipment	5.448.935	44	244.953	(1.333)	5.692.599
Motor vehicles	365.446	89.094	62.352	(39)	516.853
Furniture and fixtures	69.486	206	13.066	(1.803)	80.955
Construction in progress	4.939.958	2.532.403	(550.387)	-	6.921.974
Other tangible assets	1.367	-	-	-	1.367
	12.780.596	2.621.747	(33.310)	(5.382)	15.363.651
Accumulated depreciation:					
Land improvements	(935.561)	(64.967)	-	1.832	(998.696)
Buildings	(152.117)	(8.371)	-	27	(160.461)
Machinery and equipment	(3.237.724)	(145.068)	-	1.044	(3.381.748)
Motor vehicles	(95.330)	(17.189)	-	39	(112.480)
Furniture and fixtures	(37.199)	(10.260)	-	1.778	(45.681)
Other tangible assets	(1.102)	(90)	-	-	(1.192)
	(4.459.033)	(245.945)	-	4.720	(4.700.258)
Net book value	8.321.563				10.663.393
	1 January 2013	Additions	Transfers	Disposals	31 December 2013
Cost:					
Land	46.083	-	64	-	46.147
Land improvements	1.450.279	-	83.821	(2.386)	1.531.714
Buildings	354.779	-	23.946	(1.182)	377.543
Machinery and equipment	5.367.432	15	87.075	(5.587)	5.448.935
Motor vehicles	366.312	2.357	6.617	(9.840)	365.446
Furniture and fixtures	58.611	250	11.111	(486)	69.486
Construction in progress	2.447.971	2.714.268	(222.281)	-	4.939.958
Other tangible assets	1.248	119	-	-	1.367
	10.092.715	2.717.009	(9.647)	(19.481)	12.780.596
Accumulated depreciation:					
Land improvements	(878.158)	(59.757)	-	2.354	(935.561)
Buildings	(144.785)	(8.514)	-	1.182	(152.117)
Machinery and equipment	(3.106.948)	(136.363)	-	5.587	(3.237.724)
Motor vehicles	(88.546)	(14.843)	-	8.059	(95.330)
Furniture and fixtures	(27.153)	(10.489)	-	443	(37.199)
Other tangible assets	(1.010)	(92)	-	-	(1.102)
	(4.246.600)	(230.058)	-	17.625	(4.459.033)
Net book value	5.846.115				8.321.563

The Company compared borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project with functional currency equivalent borrowing's interests and capitalized TL 1.079.536 thousand borrowing cost in construction in progress by using cumulative approach in its financial statements for the year ended 31 December 2014 (31 December 2013 – TL 593.829 thousand).

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12. Property, plant and equipment (continued)

Total depreciation expense amounting to TL 245.945 thousand (31 December 2013 - TL 230.058 thousand) in the consolidated statement of comprehensive income for the year ended 31 December 2014 has been allocated to cost of goods sold amounting to TL 216.923 thousand (31 December 2013 - TL 211.117 thousand), to marketing, sales and distribution expenses amounting to TL 3 thousand (31 December 2013 - TL 4 thousand), to general administration expenses amounting to TL 16.906 thousand (31 December 2013 - TL 13.943 thousand) and to other expenses amounting to TL 12.113 thousand (31 December 2013 - TL 4.994 thousand).

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the year ended 31 December 2014 is as follows:

	1 January 2014	Additions	Transfers	Disposals	31 December 2014
Cost:					
Rights and software	34.892	70	14.978	(7)	49.933
Development expenses	35.764	-	18.332	-	54.096
Other intangible assets	-	-	-	-	-
	70.656	70	33.310	(7)	104.029
Accumulated amortisation:					
Rights and software	(21.920)	(3.523)	-	7	(25.436)
Development expenses	(9.369)	(8.655)	-	-	(18.024)
Other intangible assets	-	-	-	-	-
	(31.289)	(12.178)	-	7	(43.460)
Net book value	39.367				60.569

The movements of intangible assets and related accumulated amortisation for the year ended 31 December 2013 is as follows:

	1 January 2013	Additions	Transfers	Disposals	31 December 2013
Cost:					
Rights and software	32.371	45	2.481	(5)	34.892
Development expenses	28.598	-	7.166	-	35.764
Other intangible assets	18	-	-	(18)	-
	60.987	45	9.647	(23)	70.656
Accumulated amortisation:					
Rights and software	(17.546)	(4.379)	-	5	(21.920)
Development expenses	(3.525)	(5.844)	-	-	(9.369)
Other intangible assets	(12)	-	-	12	-
	(21.083)	(10.223)	-	17	(31.289)
Net book value	39.904				39.367

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

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13. Intangible assets (continued)

Total amortisation expenses amounting to TL 12.178 thousand (31 December 2013 - TL 10.223 thousand) in the consolidated statement of comprehensive income for the year ended 31 December 2014 have been allocated to the cost of goods sold amounting to TL 6 thousand (31 December 2013 - TL 7 thousand) and to general administration expenses amounting to TL 12.172 thousand (31 December 2013 - TL 10.216 thousand).

14. Prepaid expenses

Short term prepaid expenses:

	31 December 2014	31 December 2013
Prepaid insurance and other expense	34.970	47.351
Prepaid investment loan insurance expenses (*)	26.013	-
Advances given	29.391	20.904
Taxes and funds to be offsetted	33.657	130.438
	124.031	198.693

Long term prepaid expenses:

	31 December 2014	31 December 2013
Prepaid investment loan insurance expenses (*)	141.406	167.419
Advances given to related parties for property, plant and equipment (Note 31)	75.720	134.928
Advances given to third parties for property, plant and equipment	41.530	90.408
Prepaid other expenses	1.658	12.537
	260.314	405.292

(*) 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 December 2014	31 December 2013
Deferred Value Added Tax ("VAT")	245.986	321.027
Deferred Special Consumption Tax ("SCT")	73.203	123.050
Other current assets	12.686	5.457
	331.875	449.534

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15. Other assets and liabilities (continued)

Other non-current assets:

	31 December 2014	31 December 2013
Spare parts and materials	625.131	495.283
Other	2.338	770
Provision for spare parts and materials	(28.812)	(30.412)
	598.657	465.641

Other short-term liabilities:

	31 December 2014	31 December 2013
SCT payable	826.276	970.807
VAT payable	66.543	38.692
Deferred VAT	245.986	321.027
Deferred SCT	73.203	123.050
Revenue share	679.543	569.013
Other taxes and liabilities	36.112	41.656
Other	11.049	8.231
	1.938.712	2.072.476

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

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

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

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

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

As a result of these regulations, the revenue share amounting to TL 679.543 thousand accumulated as at 31 December 2014 (31 December 2013 – TL 569.013 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TL 676.881 thousand that is (31 December 2013 - TL 566.744 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).

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15. Other assets and liabilities (continued)

Other long-term liabilities:

	31 December 2014	31 December 2013
Deferred revenue	2.648	2.544
Other	2.061	2.515
Total	4.709	5.059

16. Deferred income

	31 December 2014	31 December 2013
Advances taken	17.366	10.656
Total	17.366	10.656

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	31 December 2014	31 December 2013
Seniority incentive bonus provision	4.679	2.601
Personnel bonus accruals	2.191	1.496
Total	6.870	4.097

Long term employee benefits:

	31 December 2014	31 December 2013
Provision for employment termination benefits	132.587	114.551
Provision for unused vacation	37.265	31.727
Seniority incentive bonus provision	6.171	5.725
Total	176.023	152.003

Seniority incentive bonus provision:

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

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

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17. Provisions (continued)

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

	2014	2013
1 January	8.326	7.737
Charge for the period	5.736	6.389
Payments during the period	(3.212)	(5.800)
31 December	10.850	8.326

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 3.438,22 (31 December 2013 - TL 3.254,44) for each year of service as at 31 December 2014.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

	31 December 2014	31 December 2013
Discount rate (%)	3,50%	4,78%
Turnover rate to estimate probability of retirement (%)	99,52%	99,53%

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 3.438,22, which is effective as at 31 December 2014, has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2013 - TL 3.254,44).

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

	2014	2013
1 January	114.551	113.316
Interest expense	10.940	8.499
Actuarial (gain) / loss	9.319	(5.432)
Increase during the period	7.284	11.950
Payments during the period	(9.507)	(13.782)
31 December	132.587	114.551

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17. Provisions (continued)

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2014 and 2013 is below:

Sensitivity level	31 December 2014 Net discount rate		31 December 2013 Net discount rate	
	Increase of 100 base points	Decrease of 100 base points	Increase of 100 base points	Decrease of 100 base points
Rate	4,50%	2,50%	5,78%	3,78%
Change in employee benefits liability	(7.049)	8.590	(5.119)	5.818

Provision for unused vacation:

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

	2014	2013
1 January	31.727	27.710
Charge for the period	7.658	6.720
Payments during the period	(2.120)	(2.703)
31 December	37.265	31.727

Other short term provisions:

	31 December 2014	31 December 2013
Short-term provisions:		
Provision for Competition Authority penalty	-	309.011
Provision for tax penalty	54.998	-
Provision of pending claims and lawsuits	13.743	12.305
EMRA participation share	14.635	13.989
Other	18.578	24.345
Total short-term provisions	101.954	359.650

Competition Authority Penalty

The investigation started against Tüpraş and OPET Petrolcülük A.Ş. by the resolution of the authority dated July 4, 2012 and numbered 12-36/1040-M(2) for the identification of a possible breach of Article 4 and Article 6 of the Law No. 4054 on the Protection of Competition, communicated to Tüpraş by the Competition Authority ("CA") through the letter dated July 11, 2012, was concluded with the announcement made on the Competition Authority's website on January 17, 2014. The announcement made of the Competition Authority, on 17th of January 2014, the Ankara Administrative Court had been of its decision for judicial review, numbered 14-03/60-24, on the same date that the Company has abused its market dominant position, in breach of article 6 of Law 4054, The Protection of Competition Act, through its pricing and contractual arrangements and that for this reason as made provision for in article 16, paragraph 3, for competition inhibiting contracts, concerned action and abuse of market position, the monetary penalty is calculated based on the Company's revenues for the year 2013 as given in Regulations Concerning Penalties, article 5, paragraph 1, and a penalty of 1% of the revenues of the given year was decided, totaling TL 412,015 thousand. Tüpraş paid TL 309,011 thousand at a rate of three quarters of TL 412,015 thousand on May 23, 2014 in accordance with Article 17 of the Law of Misdemeanor numbered 5326, and Tüpraş filed a lawsuit to the Council of State for the cancellation of the administrative fine and the related regulation.

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17. Provisions (continued)

Tax Penalty

As a result of the tax inspection on the Company started by the Ministry of Finance Tax Inspection Board, the "Tax Inspection Reports and Tax and Penalty Notices" prepared with regard to the issues criticized by the tax inspectors, mentioned in the material disclosure dated July 24, 2013, were communicated to the Company on January 8, 2015, regarding the Tax and Penalty Notices for which a total principle tax of TL 65,6 million and a tax penalty of TL 94,4 million was claimed, a settlement was reached as a result of the discussions held with the Central Reconciliation Committee on February 26, 2015 within the scope of the settlement provisions of the Tax Procedure Law for the Company to pay a total of TL 54.998 thousand for the amounts imposed including interest, and the legal process regarding the dispute was concluded. In its financial statements dated December 31, 2014, the Company recognized the provision amounting to TL 54.998 thousand in the short-term provisions.

Movement of the short-term provisions for the years ended 31 December 2014 and 2013 is as follows:

	Provision for pending claims and lawsuits	EMRA participation share	Competition Authority penalty	Provision for tax penalty	Other	Total
1 January 2014	12.305	13.989	309.011	-	24.345	359.650
Charges for the period, net	1.566	18.827	-	54.998	(5.767)	69.624
Payments during the period	(128)	(18.181)	(309.011)	-	-	(327.320)
31 December 2014	13.743	14.635	-	54.998	18.578	101.954
1 January 2013	12.193	12.426	-	-	24.814	49.433
Charges for the period, net	167	14.875	309.011	-	394	324.447
Payments during the period	(55)	(13.312)	-	-	(863)	(14.230)
31 December 2013	12.305	13.989	309.011	-	24.345	359.650

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 December 2014	31 December 2013
Due to the personnel	79.677	53.416
Social security withholdings payment	13.620	12.108
Total	93.297	65.524

19. Other payables

	31 December 2014	31 December 2013
Deposits and guarantees received	10.282	9.563
	10.282	9.563

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20. Derivative instruments

	31 December 2014			31 December 2013		
	Contract amount	Fair values		Contract amount	Fair values	
Assets		Liabilities	Assets		Liabilities	
<i>Cash flow hedge</i>						
Interest rate swap	1.159.450	-	68	-	-	-
<i>Derivatives held for trading</i>						
Currency forwards	1.646.419	64.606	-	-	-	-
Short term derivative financial instruments						
		64.606	68		-	-
<i>Cash flow hedge</i>						
Interest rate swap	1.159.450	-	491	-	-	-
Long term derivative financial instruments						
		-	491		-	-
Total derivative financial instruments						
		64.606	559		-	-

Forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TL 1.709.110 thousand in exchange for a purchase of USD 710.000 thousand and which will expire on December 31, 2015.

Interest rate swap consists of exchange of floating rate installment payments of Tüpraş's long term borrowings amounting to USD 500.000 thousand with fixed rate installment payments for cash flow hedging.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project 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 December 31, 2014, Company's expenditures within scope of R&D center amounted to TL 11.893 thousand (December 31 2013 - TL 11.607 thousand), within scope of TEYDEB amounted to TL 3.742 thousand (December 31 2013 - TL 7.187 thousand), in total, the Company has TL 15.635 thousand expenditures in the scope of incentive (December 31 2013 - TL 18.794 thousand) and TL 16.199 thousand expenditures are not in the scope of incentive (December 31 2013 - TL 18.064 thousand). As of December 31 2014, TL 3.411 thousand (December 31 2013 - TL 3.815 thousand) is recorded as incentive income out of total R&D expenditures amounted to TL 31.834 thousand (December 31 2013- 36.858 thousand).

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21. Government grants (continued)

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 December 2014, investment expenditures amounting to TL 6.297.223 thousand (31 December 2013- TL 4.163.798 thousand) has been made and tax advantages amounting to TL 2.888.214 thousand (31 December 2013 – TL 1.579.992 thousand) has been realized to be used in future periods. Moreover, as of 31 December 2014 within the scope of the Strategic Investment the Company offset TL 72.933 thousand from tax base (31 December 2013 - TL 41.082 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.

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

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

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

As of 31 December, 2014 and 2013, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	31 December 2014	31 December 2013
Interest incentive	22.705	169
Social security withholdings incentives	21.138	18.492
Research and development incentives	3.411	3.815
Other	-	5
	47.254	22.481

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

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22. Commitments and contingent assets and liabilities

Guarantees received:	31 December 2014		31 December 2013	
	Original balances:	TL Amount:	Original balances:	TL amount:
Letter of guarantees received		1.957.607		2.181.580
- Letter of guarantees in TL	768.269	768.269	1.061.071	1.061.071
- Letter of guarantees in USD	470.579	1.091.224	489.909	1.045.613
- Letter of guarantees in EUR	32.306	91.126	22.761	66.839
- Letter of guarantees in other currencies	-	6.988	-	8.057
Guarantee notes received		65.955		49.179
- Guarantee notes in TL	62.273	62.273	47.775	47.775
- Guarantee notes in EUR	-	-	478	1.404
- Guarantee notes in other currencies	-	3.682	-	-
Guarantee letters received		165.945		106.715
- Guarantee letters received - TL	50.000	50.000	-	-
- Guarantee letters received - USD	50.000	115.945	50.000	106.715
Commitments received		8.351		9.768
- Commitment in USD	2.350	5.449	3.070	6.552
- Commitment in other currencies	-	2.902	-	3.216
Total guarantees received		2.197.858		2.347.242
Guarantees given:				
Letter of credits given		511.663		1.210.166
- Letter of credits in USD	218.838	507.463	560.357	1.195.970
- Letter of credits in EUR	1.379	3.890	3.537	10.387
- Letter of credits in other currencies	-	310	-	3.809
Letter of guarantees given		306.474		112.201
- Letter of guarantees in TL	259.632	259.632	67.786	67.786
- Letter of guarantees in USD	20.200	46.842	20.810	44.415
Letters of guarantee given to customs offices		1.429.270		522.264
- Letter of guarantees in TL	1.395.422	1.395.422	487.026	487.026
- Letter of guarantees in USD	-	-	-	-
- Letter of guarantees in EUR	12.000	33.848	12.000	35.238
Letters of guarantee given to banks		258.950		222.879
- Letter of guarantees in USD	36.253	84.067	53.383	113.935
- Letter of guarantees in EUR	62.000	174.883	37.100	108.944
Total guarantees given		2.506.357		2.067.510

As at 31 December 2014 and 31 December 2013, 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 December 2014, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 258.950 thousand. (31 December 2013- TL 222.879 thousand)

GÜNEY BAĞIMSIZ DENETİM ve SERBEST MUHASEBECİ
MALİ MÜŞAVİRLİK A.Ş.

Maslak Mahallesi Eski Büyükdere Caddesi No:27
Daire:54-57-59 Kat:2-4 Katman/İSTANBUL
Ticaret Sicil No:479920
Mersis No:0-4350-3032-6000017

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22. Commitments and contingent assets and liabilities (continued)

Collaterals, pledges, mortgages given by the Group as at 31 December 2014 and 31 December 2013 are as follows:

	December 31 2014	December 31 2013
A. CPMs given for companies in the name of its own legal personality	2.247.407	1.844.631
B. CPMs given on behalf of the fully consolidated companies	258.950	222.879
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
	2.506.357	2.067.510

Environmental pollution liability:

The Group is responsible for cleaning environmental pollution that could be caused as a result of its operations. There are no lawsuits against the Group regarding environmental matters as of date of these consolidated financial statements.

The environmental impact of the storage of chemical materials, environmental air quality and emission, collection and quality of waste water, garbage dump, surface and underground water and overall refinery operations have been analyzed by an expert advisor company of the Group. As a result of the evaluation regarding the expenditures to be made the Group management is of the opinion that necessary expenditures have been completed as at 31 December 2014 and 2013.

Requirement to keep the national petroleum stocks:

The storage of the national petroleum stocks is the responsibility of petroleum products and LPG distributor license owners should hold a minimum of twenty days' average reserves at their own or other licensed storages, either together or separately. According to Petroleum Market Law, for continuous supply and prevention of risks in extraordinary circumstances, fulfilment of the liabilities related with petroleum reserves during extraordinary situations according to international agreements, the national petroleum reserves are stored with the amount defined as the net imported amount included in the prior year's average daily usage, with minimum duration of 90 days. Refineries are held responsible for holding the supplementary portion of the national petroleum reserves.

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23. Equity

The Company's shareholders and their shareholding percentages as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	Share (%)	31 December 2013	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 2013 - 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.

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 December 2014, the restricted reserves of the Company (Tüpraş) amount to TL 163.401 thousand (31 December 2013 - TL 221.417 thousand).

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23. Equity (continued)

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 1.675.191 thousand as at 31 December 2014. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 19.460 thousand which are subject to corporate taxation when distributed as dividends.

In the year ended 31 December 2014, the Company committed to make dividend payment in cash amounting to TL 396.163 thousand which is the total amount remained after first and second composition legal reserves deducted from 2013 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 158,2% which corresponds to TL 1,582 gross and TL 1,582 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 158,2%, which corresponds to TL 1,582 gross and TL 1,3447 net cash dividend for the shares with a nominal value of TL 1.00 to other shareholders.

In the year ended 31 December 2013, the Company committed to make dividend payment in cash amounting to TL 964.114 thousand which is the total amount remained after first and second composition legal reserves deducted from 2012 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 385% which corresponds to TL 3,85 gross and TL 3,85 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 385%, which corresponds to TL 3,85 gross and TL 3,2725 net cash dividend for the shares with a nominal value of TL 1.00 to other shareholders.

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24. Revenue and cost of sales

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic revenue	31.608.288	33.293.436
Export revenue	8.164.696	7.836.246
Service revenue	90.779	61.650
Gross revenue	39.863.763	41.191.332
Less: Sales discounts	(120.401)	(95.436)
Less: Sales returns	(20.650)	(17.469)
Sales (net)	39.722.712	41.078.427
Cost of goods sold	(36.200.903)	(38.109.417)
Cost of trade goods sold	(2.197.324)	(1.449.834)
Cost of services	(61.687)	(45.870)
Gross profit	1.262.798	1.473.306

Cost of sales:

	1 January - 31 December 2014	1 January - 31 December 2013
Raw materials	34.580.380	36.606.499
Cost of trade goods sold	2.197.324	1.449.834
Energy expenses	794.905	776.244
Personnel expenses	332.779	309.778
Depreciation and amortization (Note 12-13)	216.929	211.124
Other production expenses	337.597	251.642
Cost of sales	38.459.914	39.605.121

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

General administrative expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	230.141	208.572
Taxes and duties	73.824	81.956
Insurance expenses	45.798	27.330
Outsourced services	45.106	32.281
Lawsuit and consultancy expenses	29.454	14.780
Depreciation and amortisation expenses (Note 12-13)	29.078	24.159
Office expenses	22.740	23.776
Rent expenses	16.827	16.952
Subscription fees	15.456	15.119
Donations	7.191	10.050
Transportation and travel expenses	2.073	2.285
Other	28.255	37.494
Total general administrative expenses	545.943	494.754

Marketing, selling and distribution expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	60.696	55.664
Outsourced services	34.908	30.480
Carriage, storage and insurance expenses	33.348	69.808
Advertising expenses	10.226	1.057
Rent expenses	7.092	5.059
Energy expenses	4.878	5.261
Depreciation and amortisation expenses (Note 12-13)	3	4
Other	18.488	19.209
Total marketing, selling and distribution expenses	169.639	186.542

Research and development expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	13.579	13.985
Outsourced services	1.203	3.600
Lawsuit and consultancy expenses	378	294
Other	1.060	549
Total research and development expenses	16.220	18.428

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26. Other operating income / (expenses)

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating income:		
Credit finance gains	144.854	137.719
Provision no longer required	7.900	-
Foreign exchange gain from trade receivables	6.233	17.102
Rent income	2.741	3.407
Other	12.117	7.691
Total other operating income	173.845	165.919

	1 January - 31 December 2014	1 January - 31 December 2013
Other operating expense:		
Idle capacity expenses		
- Amortisation expenses (Note 12)	(12.113)	(4.994)
- Other idle capacity expenses	(39.167)	(27.024)
Foreign exchange loss from trade payables	(149.016)	(538.316)
Provision for Competition Authority penalty (Note 17)	-	(309.011)
Provision for tax penalty (Note 17)	(54.998)	-
Credit finance charges	(9.093)	(10.273)
Other	(4.711)	(8.692)
Total other operating expense	(269.098)	(898.310)

27. Income/(expense) from investment activities

	1 January - 31 December 2014	1 January - 31 December 2013
Gain on sales of property plant and equipment and intangible assets	(319)	1.318
Total income/(expense) from investment activities	(319)	1.318

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28. Financial income / (expenses)

	1 January – 31 December 2014	1 January – 31 December 2013
Financial income:		
Foreign exchange gains on deposits	296.465	808.789
Interest income on deposits	137.846	196.918
Foreign exchange gains on derivative instruments	64.606	-
Total financial income	498.917	1.005.707
Financial expense:		
Foreign exchange losses on borrowings	(438.328)	(841.277)
Interest expenses	(294.960)	(273.303)
Other	(1.012)	(1.133)
Total financial expense	(734.300)	(1.115.713)

29. Tax assets and liabilities

i) Corporation tax:

	31 December 2014	31 December 2013
Current period corporate tax provision	5.147	6.178
Current year tax assets	(1.235)	(1.330)
Corporation tax provision	3.912	4.848

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 2014 is 20 % (2013 - 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

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29. Tax assets and liabilities (continued)

The reconciliation of the income before tax with the calculated corporate tax is as follows:

	2014	2013
Profit before taxation	183.661	13.049
Expected tax expense (%20)	(36.732)	(2.610)
Investment incentive income	1.308.222	1.223.551
Deductions and exemptions	30.094	35.847
Disallowable expenses and differences not subject to taxation	(15.124)	(70.647)
Taxation on income	1.286.460	1.186.141

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, Residium 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 December 2014, investment expenditures amounting to TL 6.297.223 thousand (31 December 2013 - TL 4.163.798 thousand) has been made and tax advantages amounting to TL 2.888.214 thousand (31 December 2013 - TL 1.579.992 thousand) has been realized to be used in future periods. Moreover, as of 31 December 2014 within the scope of the Strategic Investment the Company offset TL 72.933 thousand from tax base (31 December 2013 - TL 41.082 thousand)

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29. Tax assets and liabilities (continued)

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 31 December 2014 and 31 December 2013 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	1.274.666	1.226.381	(254.933)	(245.276)
Gain on derivative instruments	64.606	-	(12.921)	-
Financial assets fair value difference	57.112	46.790	(2.856)	(2.340)
Other	-	14.760	-	(2.952)
Deferred tax liability			(270.710)	(250.568)
Investment incentive income	6.297.223	4.163.798	2.888.214	1.579.992
Investment incentive income net-offed by tax base within the scope of Strategic Investment Incentive			(72.933)	(41.082)
Employment termination benefits and seniority incentive bonus provision	141.395	121.452	28.279	24.290
Impairment on inventories	90.204	-	18.041	-
Provision for unused vacation liability	35.550	30.905	7.110	6.181
Provision for tax penalty	31.302	-	6.260	-
Provision for impairment on spare parts	28.812	30.412	5.762	6.082
Provisions for pending claims and lawsuits	13.743	12.305	2.749	2.461
Fair value difference of derivative financial instruments	559	-	112	-
Unearned credit finance income, (net)	148	4.621	30	924
Other	51.100	9.587	10.220	1.917
Deferred tax assets			2.893.844	1.580.765
Deferred tax asset / (liability), net			2.623.134	1.330.197

The movement of deferred taxes is as follows:

	2014	2013
Deferred tax asset / (liability), net		
1 January	1.330.197	139.216
Charge for the period	1.291.607	1.192.319
Actuarial gain/(losses)	1.720	(1.063)
Financial assets fair value reserve	(502)	(275)
Gains/(losses) on cash flow hedge	112	-
31 December	2.623.134	1.330.197

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30. Earnings per share

	1 January - 31 December 2014	1 January - 31 December 2013
Profit for the year attributable to shareholders of the Company	1.458.963	1.197.223
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	5,83	4,78

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) Ultimate parent

a) Deposits:

	31 December 2014	31 December 2013
Yapı ve Kredi Bankası A.Ş. (2)	2.508.007	2.006.485
Total	2.508.007	2.006.485

b) Due from related parties:

	31 December 2014	31 December 2013
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	2.337	-
THY OPET Havacılık Yakıtları A.Ş. (1)	1.869	50.364
Opet Petrolcülük A.Ş. (1)	1.671	216.148
Aygaz A.Ş. (2)	1.503	75.991
Other (2)	3	852
Total	7.383	343.355

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31. Related party transactions (continued)

c) Due to related parties:

	31 December 2014	31 December 2013
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	13.459	6.761
Aygaz A.Ş. (2)	11.863	8.311
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	10.704	6.882
RAM Sigorta Aracılık Hizmetleri A.Ş. (2) (*)	8.583	4.152
Koç Sistem Bilgi ve İletişim A.Ş. (2)	4.985	4.046
Opet Petrolcülük A.Ş. (1)	4.719	5.171
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	2.596	2.264
Setur Servis Turistik A.Ş. (2)	2.234	188
Other (2)	8.706	2.780
Total	67.849	40.555

(*) Includes paid and accrued insurance premiums in the year ended 31 December 2014 and 2013 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş. acting as an intermediary insurance agency.

d) Advances given for property, plant and equipment:

	31 December 2014	31 December 2013
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	75.720	117.704
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	-	17.224
Total	75.720	134.928

e) Bank borrowings:

	31 December 2014	31 December 2013
Yapı ve Kredi Bankası A.Ş. (2)	22.791	32.519
Total	22.791	32.519

f) Product and service sales:

	1 January - 31 December 2014	1 January - 31 December 2013
THY OPET Havacılık Yakıtları A.Ş. (1)	5.561.385	4.435.677
Opet Petrolcülük A.Ş. (1)	3.635.021	3.516.767
Aygaz A.Ş. (2)	432.032	441.817
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	36.778	29.955
Ram Dış Ticaret A.Ş. (2)	4.782	59.585
Other (2)	1.727	1.743
Total	9.671.725	8.485.544

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31. Related party transactions (continued)

g) Product and service purchases:

	1 January - 31 December 2014	1 January - 31 December 2013
Aygaz A.Ş. (2)	389.392	277.471
THY OPET Havacılık Yakıtları A.Ş. (1)	59.958	58.626
Opet Petrolcülük A.Ş. (1)	57.858	70.327
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	52.206	40.797
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	21.843	8.242
Koç Sistem Bilgi ve İletişim A.Ş. (2)	20.694	17.514
Koç Holding A.Ş. (3)	19.074	10.626
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	7.889	6.557
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	7.159	9
Setair Hava Taşımacılığı ve Hizmetleri A.Ş. (2)	6.527	4.916
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	5.507	9.357
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	1.856	2.143
Other (2)	40.908	74.735
Total	690.871	581.320

h) Fixed asset purchases:

	1 January - 31 December 2014	1 January - 31 December 2013
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	156.442	70.754
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	87.938	-
Koç Sistem Bilgi ve İletişim A.Ş. (2)	48	2.801
Other (2)	733	386
Total	245.161	73.941

i) Remuneration of board of directors and executive management:

	1 January - 31 December 2014	1 January - 31 December 2013
Short term remunerations	57.859	43.355
Total	57.859	43.355

Remuneration of board of directors and executive management for the years ended 31 December 2014 and 2013 includes salaries, bonuses, employer shares of Social Security Institution and Koç Holding Emeklilik Vakfı and board of directors' honorarium expenses paid by the Company.

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31. Related party transactions (continued)

j) Financial expenses paid to related parties:

	1 January - 31 December 2014	1 January - 31 December 2013
Yapı Kredi Faktoring A.Ş. (2)	10.185	17.056
Yapı ve Kredi Bankası A.Ş. (2)	6.479	9.699
Yapı Kredi Bank Netherland (2)	194	-
Total	16.858	26.755

k) Time deposit interest income:

	1 January - 31 December 2014	1 January - 31 December 2013
Yapı ve Kredi Bankası A.Ş. (2)	63.709	99.018
Total	63.709	99.018

l) Donations:

	1 January - 31 December 2014	1 January - 31 December 2013
Koç Üniversitesi (2)	6.580	510
Rahmi Koç Vakfı Müzesi (2)	172	1.335
Vehbi Koç Vakfı (2)	20	4.800
DenizTemiz Derneği (2)	3	3
Total	6.775	6.648

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.

Liquidity risk:

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate fund providers from high quality lenders.

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out open positions.

The table below demonstrates the Group's future cash outflows due to financial liabilities as at 31 December 2014 and 2013. The amounts demonstrated are undiscounted cash flows on agreements and the Group manages its liquidity risk by taking into account its expected undiscounted cash flows.

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32. Financial instruments and financial risk management (continued)

31 December 2014

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year- 5 years	More than 5 years
Total liabilities (non derivative)	15.412.011	16.294.932	7.852.402	781.958	5.728.051	1.932.521
Financial liabilities	6.120.927	6.779.952	199.715	715.000	3.932.716	1.932.521
Bonds & notes issued	1.634.083	1.857.584	-	66.958	1.790.626	-
Trade payables	5.610.001	5.610.396	5.610.396	-	-	-
Other liabilities	2.047.000	2.047.000	2.042.291	-	4.709	-

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year- 5 years	More than 5 years
Derivative instruments (net):	64.047	(56.080)	-	(61.955)	4.319	1.556
Derivative cash inflows	64.606	1.758.344	-	1.658.872	73.130	26.342
Derivative cash outflows	559	1.814.424	-	1.720.827	68.811	24.786

31 December 2013

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year- 5 years	More than 5 years
Total liabilities(non derivative)	15.473.675	16.367.992	9.498.145	608.867	4.293.276	1.967.704
Financial liabilities	5.018.022	5.644.533	834.089	264.231	2.578.509	1.967.704
Bonds & notes issued	1.503.994	1.771.336	-	61.628	1.709.708	-
Trade payables	6.799.037	6.799.501	6.516.493	283.008	-	-
Other liabilities	2.152.622	2.152.622	2.147.563	-	5.059	-

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year- 5 years	More than 5 years
Derivative instruments (net):	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

Cash outflows will be financed through cash inflows generated from sales or through funding.

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32. Financial instruments and financial risk management (continued)

Credit risk:

The Group is subject to credit risk arising from trade receivables related to credit sales, deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customers considered as having a higher risk. Collectability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and are presented in the consolidated financial statements net of adequate doubtful provision.

Major portion of Tüpraş's customers are composed of financially strong companies or government entities. As at 31 December 2014 and 2013, trade receivables from the top 5 customers of the Group constitute 47% and 25% of total receivables, respectively. When these factors are considered together with the insignificant historical default experience for the Group's receivables, the Group management considers the credit risk as low. The Group uses the same risk management principles for the management of financial assets. Investments are made to highly liquid instruments and the banks that the Group deposits its cash and cash equivalents in are selected among the financially strong institutions. As the Group did not have any uncollected, past due, impaired or renegotiated bank deposits, the Group believes that it does not have any impairment risk related to bank deposits.

Credit risks of the Group for each financial instrument type as at 31 December 2014 and 2013 are as follows:

31.12.2014	Receivables				Bank deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related parties	Third parties	Related parties	Third parties			
Maximum exposed credit risk as of reporting date	7.383	162.452	-	30.866	3.898.396	64.606	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	111.925	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	7.383	89.243	-	30.866	3.898.396	64.606	-
B. Net book value of overdue but not impaired financial assets	-	73.209	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	2.593	-	645	-	-	-
- Impairment (-)	-	(2.593)	-	(645)	-	-	-
- Secured portion of the net value by guarantees, etc.*	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

31.12.2013	Receivables				Bank deposits	Derivative Instruments	Other
	Trade Receivables		Other Receivables				
	Related parties	Third parties	Related parties	Third parties			
Maximum exposed credit risk as of reporting date	343.355	1.613.279	-	38.933	3.663.114	-	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	919.199	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	343.355	1.057.703	-	38.933	3.663.114	-	-
B. Net book value of overdue but not impaired financial assets	-	555.576	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	2.593	-	645	-	-	-
- Impairment (-)	-	(2.593)	-	(645)	-	-	-
- Secured portion of the net value by guarantees, etc.*	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

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32. Financial instruments and financial risk management (continued)

31 December 2014	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue (1-30 days)	38.813	-	-	-	-
Overdue (1-3 months)	17.228	-	-	-	-
Overdue (3-12 months)	17.168	-	-	-	-
Overdue (1-5 years)	-	-	-	-	-
Overdue (+5 years)	-	-	-	-	-

31 December 2013	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue (1-30 days)	118.272	-	-	-	-
Overdue (1-3 months)	339.770	-	-	-	-
Overdue (3-12 months)	97.534	-	-	-	-
Overdue (1-5 years)	-	-	-	-	-
Overdue (+5 years)	-	-	-	-	-

During the impairment test of financial assets, the Group has considered the indicators regarding uncollectibility of receivables that are due.

Market risk

Tüpraş identifies commodity price, interest rate and currency risk as major components of market risk. Foreign exchange and interest risk are evaluated separately based on portfolio and product.

Commodity price risk

Tüpraş is exposed to risk arising from fluctuations in crude oil prices due to raw material inventory held for production. The Group management manages the risk by regularly reviewing the amount of inventory held.

Tüpraş sets its sales price according to Petroleum Market Law No: 5015 considering the product prices at the Mediterranean market, which is the closest reachable world competitive market and USD currency rates. The changes in prices in the Mediterranean market and USD currency rate are evaluated daily by the Company management and sales prices are updated when prices calculated according to the aforementioned factors differ significantly from current sales prices.

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32. Financial instruments and financial risk management (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by balancing interest rate sensitive assets and liabilities.

The Group's interest rate position as at 31 December 2014 and 2013 is demonstrated below:

	31.12.2014	31.12.2013
Financial instruments with fixed interest rate		
Financial assets		
Time deposits	3.867.791	3.618.478
Financial liabilities	3.602.023	3.073.854
Financial instruments with floating interest rate		
Financial liabilities (*)	4.152.987	3.448.162

(*) As of December 31 2014, there is interest rate swap amounting to USD 500.000 thousand classified as hedging entered for borrowings with floating rate for Tupras' Residuum Upgrading Project.(December 31 2013-None)(Note 20)

As at 31 December 2014, had the interest rate for borrowings denominated in USD strengthened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 628 thousand lower. (31 December 2013 - TL 3.374 thousand). As at 31 December 2014, had the interest rate for borrowings denominated in USD weakened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 628 thousand higher. (31 December 2013 - TL 2.942 thousand). As at 31 December 2014, had the interest rate for borrowings denominated in EURO strengthened/weakened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 544 thousand lower/ higher (31 December 2013 - TL 200 thousand).

As at 31 December 2014, there is not any interest rate risk for borrowings denominated in TL. (As at 31 December 2013, there is not any interest rate risk for borrowings denominated in TL.)

Expected repricing and maturity dates do not differ from the contract dates excluding borrowings; therefore no additional table is presented. The maturity groupings of borrowings at 31 December 2014 and 2013 based on their contractual repricing dates are disclosed in Note 5.

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32. Financial instruments and financial risk management (continued)

Foreign exchange risk

The Group is exposed to foreign exchange risk due to 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 December 2014 and 31 December 2013. Foreign currency denominated assets and liabilities of the Group and related foreign currency position are as follows:

	31 December 2014	31 December 2013
Assets	1.474.548	3.239.877
Liabilities	(10.046.577)	(10.218.215)
Net balance sheet foreign currency position	(8.572.029)	(6.978.338)
Net foreign currency position of derivative financial instruments	1.646.419	-
Net foreign currency position	(6.925.610)	(6.978.338)

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32. Financial instruments and financial risk management (continued)

	Foreign currency position table									
	31 December 2014			31 December 2013						
	TL equivalent (in terms of functional currency)	USD	EUR	GBP	Other	TL equivalent (in terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	9 089	3 919	-	-	-	27 605	12 934	-	-	-
Monetary financial assets (including cash, banks)	1 365 609	573 657	12 450	66	-	3 053 472	1 428 357	1 615	53	-
Other	3 008	1 294	3	-	-	2 217	1 039	-	-	-
Current assets	1 377 706	578 870	12 453	66	-	3 083 294	1 442 330	1 615	53	-
Other	96 842	720	33 133	-	1 715	156 583	1 106	47 281	984	11 926
Non-current assets	96 842	720	33 133	-	1 715	156 583	1 106	47 281	984	11 926
Total assets	1 474 548	579 590	45 586	66	1 715	3 239 877	1 443 436	48 896	1 037	11 926
Trade payables	3 379 589	1 430 395	21 048	685	805	4 496 742	2 088 905	12 386	339	829
Financial liabilities	516 692	202 028	17 090	-	-	274 628	64 871	46 372	-	-
Other monetary liabilities	923	388	-	-	-	2	1	-	-	-
Current liabilities	3 897 204	1 632 821	38 138	685	805	4 771 372	2 153 777	58 758	339	829
Financial liabilities	6 148 882	2 580 609	58 393	-	-	5 446 843	2 534 184	12 986	-	-
Other monetary liabilities	491	212	-	-	-	-	-	-	-	-
Non-current liabilities	6 149 373	2 580 821	58 393	-	-	5 446 843	2 534 184	12 986	-	-
Total liabilities	10 046 577	4 213 642	96 531	685	805	10 218 215	4 687 961	71 744	339	829
Net asset/liability position of off-balance sheet foreign currency derivatives	1 646 419	710 000	-	-	-	-	-	-	-	-
Total amount of off-balance sheet derivative financial assets	1 646 419	710 000	-	-	-	-	-	-	-	-
Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(6 925 610)	(2 924 052)	(50 945)	(619)	910	(6 978 338)	(3 244 525)	(22 848)	698	11 097
Net monetary foreign currency asset/(liability) position	(8 671 879)	(3 636 066)	(84 081)	(619)	(805)	(7 137 138)	(3 246 670)	(70 129)	(286)	(829)
Fair value of derivative instruments	64 606	27 661	-	-	-	-	-	-	-	-

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32. Financial instruments and financial risk management (continued)

The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 31 December 2014, the Group has raw materials and petroleum products amounting to TL 2.263.213 thousand (31 December 2013 - TL 3.375.937 thousand) (Note 8).

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 31 December 2014 and 31 December 2013.

Statement of foreign currency risk sensitivity				
31 December 2014				
	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	(843.167)	843.167	-	-
Amount hedged for USD risk (-) (*)	395.635	(603.196)	-	-
USD net effect	(447.532)	239.971	-	-
10% change in EUR rate:				
Euro net assets/ liabilities	(23.717)	23.717	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(23.717)	23.717	-	-
TOTAL	(471.249)	263.688	-	-
31 December 2013				
	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	(692.937)	692.937	-	-
Amount hedged for USD risk (-) (*)	12.142	(327.601)	-	-
USD net effect	(680.795)	365.336	-	-
10% change in EUR rate:				
Euro net assets/ liabilities	(20.593)	20.593	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(20.593)	20.593	-	-
TOTAL	(701.388)	385.929	-	-

(*) The Company has compared the currency differences arising from the RUP investment loan, which the Company has used, with the interest rates in TL and capitalized the exceeding amount of foreign currency interests in construction in progress account. The impact of the 10% rise or fall in the foreign exchange rates was calculated using the same method and the capitalized foreign exchange losses were classified as the amount hedged against US dollar in the statement of exchange rate sensitivity analysis.

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32. Financial instruments and financial risk management (continued)

Export and import

	1 January - 31 December 2014	1 January - 31 December 2013
Export		
USD (equivalent of thousand TL)	8.162.742	7.833.772
Total	8.162.742	7.833.772
Import		
USD (equivalent of thousand TL)	31.544.417	34.440.960
Total	31.544.417	34.440.960

Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The gearing ratios as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Total financial liabilities (Note 5)	7.755.010	6.522.016
Less: Cash and cash equivalents (Note 4)	(3.898.396)	(3.663.114)
Net financial liabilities	3.856.614	2.858.902
Total shareholders' equity	6.212.630	5.138.514
Total capital invested	10.069.244	7.997.416
Gearing ratio	38,30%	35,75%

Fair value of financial instruments

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

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32. Financial instruments and financial risk management (continued)

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

Financial assets

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

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

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

Financial liabilities

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

Fair value hierarchy table:

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 December 2014 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Derivative financial assets	-	64.606	-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	559	-

As of December 31 2013, there is no financial instrument related to fair value hierarchy table.

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33. Subsequent events

As announced by Tüpraş in material event disclosure on December 18, 2014, December 31, 2014, January 16, 2015 and January 19, 2015, Tüpraş has obtained necessary permissions to issue bonds to qualified investors without public offering in Turkey with a maximum amount of TL1 billion; bond issuance with a nominal value of TL200 million with a maturity of 728 days and fixed coupon payment in every six months completed on 19 January 2015.