Türkiye Petrol Rafinerileri A.Ş.

Consolidated financial statements at 31 December 2015 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 Board of Directors 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 2015 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 2015 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 12 February 2016.

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 2015 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

Seda Akkuş Tecer, SMMM
Partner

12 February 2016
Istanbul, Turkey

Türkiye Petrol Rafinerileri A.Ş.

Consolidated financial statements
for the period 1 January - 31 December 2015

Table of contents

(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 2015
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

		Audited	
Assets	**Notes**	**31 December 2014**	31 December 2013
Current assets		**8.674.981**	6.991.378
Cash and cash equivalents	4	**3.027.546**	3.898.396
Trade receivables	6	**2.539.832**	169.835
Due from related parties	6, 31	**658.673**	7.383
Trade receivables from third parties		**1.881.159**	162.452
Other receivables	7	**25.815**	30.866
Other receivables from third parties		**25.815**	30.866
Derivative Instruments	20	**18.845**	64.606
Inventories	8	**2.102.161**	2.370.534
Prepaid expenses	14	**132.093**	124.031
Current income tax assets	29	**4.317**	1.235
Other current assets	15	**824.372**	331.875
Non-current assets		**16.795.135**	14.941.182
Financial investments	9	**4.000**	4.000
Investments accounted by equity method	10	**762.217**	726.494
Investment properties	11	**4.621**	4.621
Property, plant and equipment	12	**11.479.744**	10.663.393
Intangible assets	13	**59.409**	60.569
Other intangible assets		**59.409**	60.569
Derivative Instruments	20	**250.027**	-
Prepaid expenses	14	**179.695**	260.314
Deferred tax assets	29	**3.202.503**	2.623.134
Other non-current assets	15	**852.919**	598.657
Total assets		**25.470.116**	21.932.560
Liabilities			
Current liabilities		**8.828.240**	8.561.001
Short-term financial liabilities	5	**94.023**	40.248
Current portion of long term financial liabilities	5	**1.777.358**	737.056
Trade payables	6	**3.878.036**	5.610.001
Due to related parties	6, 31	**80.273**	67.849
Trade payables, third parties		**3.797.763**	5.542.152
Liabilities for employee benefits	18	**70.129**	93.297
Other payables	19	**14.288**	10.282
Other payables to third parties		**14.288**	10.282
Derivative Instruments	20	**40.379**	68
Deferred income	16	**23.111**	18.701
Current income tax liabilities	29	**133.346**	5.147
Provisions	17	**70.604**	108.824
Provisions for employee benefits		**7.952**	6.870
Other provisions		**62.652**	101.954
Other current liabilities	15	**2.726.966**	1.937.377
Non-current liabilities		**8.273.427**	7.158.929
Long-term financial liabilities	5	**8.048.039**	6.977.706
Provisions	17	**193.973**	176.023
Provisions for employee benefits		**193.973**	176.023
Deferred income	16	**2.560**	2.648
Derivative Instruments	20	**27.244**	491
Other non-current liabilities	15	**1.611**	2.061
Equity		**8.368.449**	6.212.630
Share capital	23	**250.419**	250.419
Adjustment to share capital	23	**1.344.243**	1.344.243
Share premiums/discounts		**172**	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		**(3.622)**	(11.186)
Actuarial gain/(loss) arising from defined benefit plans		**(3.622)**	(11.186)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		**(410.631)**	65.867
Hedging gains/(losses)		**(510.448)**	(447)
Currency translation differences		**17.556**	12.058
Revaluation and reclassification gains/(losses)		**82.261**	54.256
Restricted reserves	23	**163.401**	163.401
Retained earnings		**4.410.959**	2.884.837
Net income		**2.550.168**	1.458.963
Total equity attributable to equity holders of the parent		**8.305.109**	6.156.716
Non-controlling interests		**63.340**	55.914
Total equity and liabilities		**25.470.116**	21.932.560

The consolidated financial statements for the year ended 31 December 2015 have been approved by the Board of Directors on 12 February 2016.

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015

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

		Audited	
	Notes	**1 January - 31 December 2015**	1 January - 31 December 2014
Revenue (net)	24	**36.893.328**	39.722.712
Cost of sales (-)	24	**(32.718.264)**	(38.459.914)
Gross profit		**4.175.064**	1.262.798
General administrative expenses (-)	25	**(661.458)**	(545.943)
Marketing, selling and distribution expenses (-)	25	**(192.855)**	(169.639)
Research and development expenses (-)	25	**(22.764)**	(16.220)
Other operating income	26	**142.681**	173.845
Other operating expenses (-)	26	**(688.900)**	(269.098)
Operating profit		**2.751.768**	435.743
Income/(expense) from investment activities	27	**2.560**	(319)
Income/(loss) from investments accounted by equity method	10	**70.080**	(16.380)
Operating profit before financial income/(expense)		**2.824.408**	419.044
Financial income	28	**862.715**	498.917
Financial expense (-)	28	**(1.461.751)**	(734.300)
Profit before tax from continued operations		**2.225.372**	183.661
Tax income	29	**338.555**	1.286.460
Taxes on income (-)		**(133.346)**	(5.147)
Deferred tax income		**471.901**	1.291.607
Net income from continued operations		**2.563.927**	1.470.121
Other comprehensive income:			
Items not to be reclassified to profit or loss		**7.632**	(8.670)
Actuarial gain/(loss) arising from defined benefit plans		**9.414**	(10.390)
Tax effect of other comprehensive income / (loss) not to be reclassified to profit or loss		**(1.782)**	1.720
- Deferred tax income/(expense)		**(1.782)**	1.720
Items to be reclassified to profit or loss		**(476.853)**	8.828
Revaluation gains of available-for-sale investments		**29.479**	7.094
Changes in currency translation differences		**5.498**	2.683
Gains/losses on hedging		**(637.390)**	(559)
Tax effect of other comprehensive income / (loss) to be reclassified to profit or loss		**125.560**	(390)
- Deferred tax income/(expense)		**125.560**	(390)
Other comprehensive income/(expense) after taxation		**(469.221)**	158
Total comprehensive income		**2.094.706**	1.470.279
Distribution of income for the period:			
Non-controlling interests		**13.759**	11.158
Attributable to equity holders of the parent		**2.550.168**	1.458.963
Distribution of total comprehensive income:			
Non-controlling interests		**13.472**	11.002
Attributable to equity holders of the parent		**2.081.234**	1.459.277
Earnings per share with nominal value Kr 1 each (Kr)	30	**10,18**	5,83

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of changes in equity for the year ended 31 December 2015

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

				Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss	Accumulated other comprehensive income/(expense) to be reclassified to profit or loss				Retained earnings				
	Share capital	Adjustment to share capital	Share premiums/ discounts	Actuarial gain/(loss) arising from defined benefit plans	Gains/ losses on hedging	Currency translation differences	Revaluation gains/ (losses)	Restricted reserves	Accumulated profit	Profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
1 January 2014	250.419	1.344.243	172	(2.672)	-	9.375	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	11.158	1.470.121
- Other comprehensive income	-	-	-	(8.514)	(447)	2.683	6.592	-	-	-	314	(156)	158
Total comprehensive income	-	-	-	(8.514)	(447)	2.683	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	163.401	2.884.837	1.458.963	6.156.716	55.914	6.212.630
1 January 2014	**250.419**	**1.344.243**	**172**	**(11.186)**	**(447)**	**12.058**	**54.256**	**163.401**	**2.884.837**	**1.458.963**	**6.156.716**	**55.914**	**6.212.630**
Effects of adjustments on prior periods	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**67.159**	**-**	**67.159**	**-**	**67.159**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.458.963**	**(1.458.963)**	**-**	**-**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6.046)**	**(6.046)**
- Net profit for period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2.550.168**	**2.550.168**	**13.759**	**2.563.927**
- Other comprehensive income	**-**	**-**	**-**	**7.564**	**(510.001)**	**5.498**	**28.005**	**-**	-	**-**	**(468.934)**	**(287)**	**(469.221)**
Total comprehensive income	**-**	**-**	**-**	**7.564**	**(510.001)**	**5.498**	**28.005**	**-**	-	**2.550.168**	**2.081.234**	**13.472**	**2.094.706**
31 December 2015	**250.419**	**1.344.243**	**172**	**(3.622)**	**(510.448)**	**17.556**	**82.261**	**163.401**	**4.410.959**	**2.550.168**	**8.305.109**	**63.340**	**8.368.449**

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of cash flows for the year ended 31 December 2015

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

		Audited	
	Notes	**1 January - 31 December 2015**	1 January - 31 December 2014
A. Cash flows from operating activities		**125.246**	2.435.230
Profit/(loss)		**2.563.927**	1.470.121
Adjustment for reconciliation of profit/(loss)		**1.520.377**	(293.828)
- Adjustment for depreciation and amortisation expense	12, 13	**486.013**	258.123
- Adjustments for stock impairment	8	**11.910**	90.204
- Adjustment for provisions	17	**83.933**	101.242
- Adjustment for interest income and expense	28	**348.864**	157.114
- Adjustment for fair value gain or loss		**69.121**	(64.606)
- Adjustment for income of investments accounted by equity method	10	**(70.080)**	16.380
- Adjustment for tax income/expenses		**(338.555)**	(1.286.460)
- Adjustment for (gain)/loss on sales of property, plant and equipment	27	**(2.560)**	319
- Adjustment for other items related with cash flow of investment or financial activities	28	**924.395**	438.328
-Other adjustments for reconciliation of profit/(loss)		**7.336**	(4.472)
Changes in working capital		**(3.855.384)**	1.607.179
- Adjustment for increase/decrease in inventories		**256.463**	995.562
- Adjustment for increase/decrease in trade receivables		**(2.377.053)**	1.791.340
- Adjustment for increase/decrease in other receivables related with operations		**(704.551)**	(7.290)
- Adjustment for increase/decrease in trade payables		**(1.730.771)**	(1.183.719)
- Adjustment for increase/decrease in other payables related with operations		**700.528**	11.286
Cash flows from operating activities		**228.920**	2.783.472
- Tax payments/returns		**(8.229)**	(6.083)
- Payments for penalty	17	**(54.998)**	(309.011)
- Other cash inflow/outflow		**(40.447)**	(33.148)
B. Cash flows from investing activities		**(888.504)**	(2.187.284)
Cash inflows from the sales of property, plant and equipment and intangible assets		**2.962**	343
Cash outflows from the purchase of property, plant and equipment and intangible assets		**(961.466)**	(2.257.627)
Dividends received	10	**70.000**	70.000
C. Cash flows from financing activities		**(248.980)**	(124.410)
Cash inflows from financial liabilities		**37.123**	421.841
Dividends paid		**(6.046)**	(396.163)
Interest received		**189.509**	136.237
Interest paid		**(469.566)**	(286.325)
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		**(1.012.238)**	123.536
D. Impact of foreign currency translation differences on cash and cash equivalents		**-**	-
Net increase/decrease in cash and cash equivalents		**(1.012.238)**	123.536
E. Cash and cash equivalents at beginning of period		**3.211.406**	3.087.870
Cash and cash equivalents at end of period	4	**2.199.168**	3.211.406

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

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

1. Organization and nature of operations of the Group

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

- To provide and refine crude oil, to import and export petroleum products when necessary, and to establish and operate domestic and foreign refineries for this purpose,

- To establish and operate factories and facilities in petrochemical and other related industries,

- To provide the necessary raw and supplementary materials and process, produce or trade these materials in order to obtain petrochemical and other related products,

- To package the products produced during various phases of production and to establish a packaging industry for this purpose, to evaluate and/or to sell waste, by products and substandard products, to establish and operate the necessary facilities for the destruction of the waste products,

- To establish and operate facilities and plants related with all kinds of energy and energy related industries within the framework of the laws and regulations. To obtain, use and trade all kinds of equipment, materials and chemical substances for this purpose,

- To purchase, sell, import, export, store, market and distribute (wholesale, retail, foreign and domestic) all kinds of petroleum products, LPG and natural gas, to establish marketing and distributing companies or similar partnerships with legal entities or real persons or to acquire, transfer or sell the shares of partnerships, when necessary.

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

The Company is registered at the Capital Markets Board ("CMB") of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. ("BİST") (previously known as Istanbul Stock Exchange ("ISE")) since 1991. As at 31 December 2015, the shares quoted on the BİST are 49% of the total shares. As of 31 December 2015, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

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

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

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

1. Organization and nature of operations of the Group (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 2015 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 2015, total assets of Körfez is TL 8.171 thousand and loss of Körfez is TL 414 thousand.

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

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

The total number of employees of the Group as at 31 December 2015 is 5.131 (31 December 2014 – 5.067).

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

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

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

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

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. 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 January 1, 2015 are as follows:

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. The amendment did not have a significant impact on the consolidated financial statements of the Group.

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

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. 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. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. 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.

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

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of TAS 39 (or TFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements 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.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

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 January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

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 January 1, 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 January 1, 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.

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

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

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

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 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.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

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

The amendments are effective for annual periods beginning on or after January 1, 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.

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

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

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

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group

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.

(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 2015, 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 2014.

	31 December 2015		31 December 2014	
	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.

(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 2015 and 31 December 2014.

	31 December 2015		31 December 2014	
	Direct and indirect voting rights possessed by the Company (%)	**Proportion of effective interest (%)**	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Investments accounted by equity method				
Opet	**50,00**	**40,00**	50,00	40,00
Opet International Limited	**50,00**	**40,00**	50,00	40,00
Opet Trade B.V.(*)	**50,00**	**40,00**	50,00	40,00
Opet Trade Singapore (In liquidation) (*)(**)	**50,00**	**40,00**	50,00	40,00
THY Opet Havacılık Yakıtları A.Ş.(*)	**25,00**	**20,00**	25,00	20,00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	**25,00**	**20,00**	25,00	20,00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	**25,00**	**20,00**	25,00	20,00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	**16,65**	**13,32**	16,65	13,32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(*)	**12,50**	**10,00**	12,50	10,00
Opet Aygaz Gayrimenkul A.Ş.(*)	**25,00**	**20,00**	25,00	20,00

(*) Related companies are consolidated or accounted by equity method in Opet's financial statements.
(**) The company discontinued its activities as of 15 July 2015.

d) Other investments in which the Group has interest below 20%, or over which the Group does not exercise a significant influence, or which are immaterial, are classified as available-for-sale. Available-for-sale investments that do not have a quoted market price in active markets and whose fair value cannot be measured reliably are carried at cost less any provision for diminution in value (Note 9).

e) The non-controlling shareholders' share of the net assets and results for the period for the subsidiaries are classified separately in the consolidated statement of financial position and statements of comprehensive income as non-controlling interest.

2.2. 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 2015 comparatively with the consolidated statement of financial position as of 31 December 2014, 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 2015 comparatively with the consolidated financial statements for the year ended 31 December 2014.

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).

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 indented 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).

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

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.

Expected useful life of machinery, equipment and devices are estimated as 35 years on average and expected useful life of land improvements are estimated as 25 years based on technical analysis performed in scope of capitalization of Residuum Upgrade Project (RUP).

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.

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 on 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.

Borrowing costs, which can be related to its purchase, construction or production when it comes to assets requiring a significant period of time to be ready for use and sales, are included in cost of asset until the related asset is made available for use or sales.

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

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).

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.

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, 2015, sales revenue from two customers amounting to TL 10.776.744 thousand, which is more than 10% of total sales of the Company's sales, consists of oil sales. (December 31, 2014 – TL 11.057.743 thousand)

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

2.3.23 Statement of cash flow

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.3.24 Research and development costs

Research expenditures are recognized as an expense when they are incurred.

Intangible assets arising from in-house development activities (or the improvement phase of an intergroup project) are recognized when all of the following conditions are met:

- existence of the technical feasibility of completing the intangible asset so that it will be available for use or sale,
- existence of the intention to complete the intangible asset and use or sell it,
- existence of the ability to use or sell the intangible asset,
- reliability of how the intangible asset will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset,
- existence of the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognized as an expense as incurred. Development costs previously recognized as an expense are not capitalized as an asset in a subsequent period.

2.3.25 Government grants

Government grants, Investment and research and development incentives are accounted at the fair values on accrual basis when the Group's incentive applications are approved by related authorities. Government incentives enabling reduced corporate tax payments are considered within the scope IAS-12 "Income Taxes" (Not 2.3.13).

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 2015 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, commodity derivate and interest rate swap and cross currency 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.

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

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

Cash flow hedge

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "hedge reserves". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.4. Changes in accounting policies, accounting estimates and errors

Significant changes in accounting policies based on new application of TAS/TFRS are applied retrospectively or prospectively based on the transition clauses. If there are no transition clauses, the changes in accounting policies, optional changes in accounting policies and correction of significant accounting errors are applied retrospectively and prior period financial statements are restated.

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.

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

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

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 2015 and 2014, 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, 2015, 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 2015.

4. Cash and cash equivalents

	31 December 2015	31 December 2014
Cash at banks		
Revenue share (blocked)	**823.645**	676.881
Time deposit	**2.151.632**	3.180.801
Demand deposits	**47.536**	30.605
Interest income accruals	**4.733**	10.109
Total	**3.027.546**	3.898.396

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 2015 and 31 December 2014 (Note 15).

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

4. Cash and cash equivalents (continued)

Time deposits and other cash and cash equivalents

As at 31 December 2015 and 31 December 2014, the maturity and the currency information of the time deposits, is as follows:

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

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

Effective interest rate of TL time deposits is 13,75%, effective interest rate of USD time deposits is 2,28%, effective interest rate of EUR time deposits is 1,40% and effective interest rate of GBP time deposits is 1,40% (31 December 2014 - TL 11,28%, USD 2,44% ,EUR 1,65% and GBP 1,65%)

Cash and cash equivalents included in the consolidated statements of cash flows for the years ended 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Cash and cash equivalents	**3.027.546**	3.898.396
Blocked deposits (Revenue share)	**(823.645)**	(676.881)
Less: Time deposit interest accruals	**(4.733)**	(10.109)
Cash and cash equivalents for cash flow purposes	**2.199.168**	3.211.406

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

5. Financial liabilities

	31 December 2015	31 December 2014
Short term financial liabilities:		
Short-term bank borrowings	**94.017**	40.248
Interest accruals	**6**	-
Total	**94.023**	40.248
Current portion of long-term bank borrowings:		
Current portion of long-term bank borrowings	**1.684.088**	707.211
Interest accruals of bank borrowings	**70.783**	18.992
Interest accruals of bonds issued	**22.487**	10.853
Total	**1.777.358**	737.056
Long-term financial liabilities:		
Long-term bank borrowings	**5.812.719**	5.354.476
Bonds issued (*)	**2.235.320**	1.623.230
Total	**8.048.039**	6.977.706
Total financial liabilities	**9.919.420**	7.755.010

(*) As explained in material disclosures dated 26 September, 17 October, 18 October, 30 October and 2 November 2012, Tüpraş issued bonds to foreign investors and release of these bonds were realized on 2 November 2012. Total amount of these issued bonds is USD 700 million with an interest rate of 4,125% and maturity of 2 May 2018. As explained by Tüpraş in material disclosure dated 18 December, 2014, 31 December 2014, 16 January 2015 and 19 January, 2015, permission for issuance of bonds to qualified investors was granted to the Company by the Capital Markets to an amount not exceeding TL 1 billion and the sale transaction of bonds with a nominal value of TL 200 million, 728-day term, 6 month coupon payments, fixed interest and principal payment at maturity, was completed on 19 January 2015.

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

5. Financial liabilities (continued)

Foreign currency balances and interest rates for the short and long-term financial liabilities as at 31 December 2015 and 31 December 2014 are as follows:

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

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 90.673 thousand as of 31 December 2015 (31 December 2014 - TL 40.248 thousand).

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

5. Financial liabilities (continued)

			31 December 2014
	Effective interest rate (%)	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

As at 31 December 2015 and 31 December 2014, the redemption schedule of long-term bank borrowings is as follows:

	31 December 2015	31 December 2014
2016	**-**	1.489.233
2017	**2.180.509**	840.452
2018	**2.944.591**	2.343.280
2019	**602.960**	477.335
2020 and after	**2.319.979**	1.827.406
	8.048.039	6.977.706

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

5. Financial liabilities (continued)

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

	31 December 2015	31 December 2014
1-90 days	**301.400**	338.682
91-365 days	**5.280.120**	4.170.531
1-5 years	**3.928.189**	2.861.834
Over 5 years	**409.711**	383.963
	9.919.420	7.755.010

(*) Total amount of bonds issued USD 700.000 thousand equivalent to TL 2.035.320 thousand with fixed interest will be paid in 2018, presented in 1-5 years, in the table above (31 December 2014- TL 1.623.230 thousand, between1-5 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 2012-2015. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in first four years. As of December 31, 2015 for credit insurance payments and capital expenditures amounting to a total of USD 1.998 million were used (31 December 2014 – USD 1.984,5 million). On October 15, 2015, the date of first loan back payment, USD 148 million is paid and outstanding loan amount as of December 31, 2015 is USD 1.850 million.

6. Trade receivables and payables

Short-term trade receivables:

	31 December 2015	31 December 2014
Trade receivables	**1.888.743**	162.968
Due from related parties (Note 31)	**658.673**	7.383
Doubtful trade receivables	**2.593**	2.593
Other trade receivables	**16**	28
Less: Unearned credit finance income	**(7.600)**	(544)
Less: Provision for doubtful receivables	**(2.593)**	(2.593)
Total short-term trade receivables (net)	**2.539.832**	169.835

As at 31 December 2015, Tüpraş has offsetted TL 778.111 thousand (31 December 2014 - TL 2.276.683 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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

6. Trade receivables and payables (continued)

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are renegotiated under four groups. The details of credit quality of such trade receivables as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Group 1	**245**	1.308
Group 2	**285.691**	429
Group 3	**1.273.775**	60.869
Group 4	**970.364**	34.020
	2.530.075	96.626

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 2015 and 31 December 2014 is as follows:

	31 December 2015	31 December 2014
Up to 3 months	**9.354**	56.040
3 to 12 months	**403**	17.169
	9.757	73.209

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 2015 and 2014 is as follows:

	2015	2014
1 January	**2.593**	2.593
Charge for the period	**-**	-
31 December	**2.593**	2.593

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

6. Trade receivables and payables (continued)

Short term trade payables

	31 December 2015	31 December 2014
Trade payables	**3.799.352**	5.542.547
Due to related parties (Note 31)	**80.273**	67.849
Less: Unrealised credit finance charges	**(1.589)**	(395)
Total short-term trade payables (net)	**3.878.036**	5.610.001

7. Other receivables and payables

Other short-term receivables:

	31 December 2015	31 December 2014
Advances and guarantees given	**16.267**	20.339
Receivable from personnel	**6.941**	7.203
Receivable from insurance recoveries	**2.607**	3.324
Other doubtful receivables	**738**	645
Less: Provision for other doubtful receivables	**(738)**	(645)
	25.815	30.866

8. Inventories

	31 December 2015	31 December 2014
Raw materials and supplies	**939.327**	567.290
Work-in-progress	**545.730**	485.648
Finished goods	**526.884**	691.302
Trade goods	**12.074**	24.229
Goods in transit	**169.266**	681.325
Other	**10.994**	10.944
	2.204.275	2.460.738
Less: Provision for impairment in inventories	**(102.114)**	(90.204)
	2.102.161	2.370.534

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

8. Inventories (continued)

As of December 31, 2015, stock impairment amounting to TL 36.535 thousand comes from finished goods (31 December 2014 – TL 88.949 thousand), TL 2.233 thousand comes from trade goods (31 December 2014 – TL 1.255 thousand), TL 63.346 thousand comes from work-in-progress (31 December 2014 – None) and recognized under cost of goods sold account. Movement of the provision for inventories for the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
1 January	**90.204**	-
Charge for the period	**102.114**	90.204
Cancellations within the period	**(90.204)**	-
31 December	**102.114**	90.204

9. Financial investments

Long term financial investments

	31 December 2015		31 December 2014	
	Participation share (%)	**Amount**	Participation share (%)	Amount
Körfez Hava Ulaştırma A.Ş.	**100,00**	**4.000**	100,00	4.000
		4.000		4.000

10. Investments accounted by equity method

	31 December 2015		31 December 2014	
	Participation share (%)	**Amount**	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	**40,00**	**762.217**	40,00	726.494
		762.217		726.494

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.

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

10. Investments accounted by equity method (continued)

The movement in the investments accounted by equity method during the years ended 31 December 2015 and 2014 is as follows:

	2015	2014
1 January	**726.494**	804.168
Investments recognized with equity method;		
Shares in current year profit	**70.080**	(16.380)
Financial assets revaluation fund	**28.005**	7.094
Dividend payment	**(70.000)**	(70.000)
Currency translation differences	**5.498**	2.683
Actuarial gains/losses	**221**	(1.071)
Impact of adjustments related to previous periods	**1.919**	-
31 December	**762.217**	726.494

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

	31 December 2015	31 December 2014
Current assets	**2.173.587**	2.267.632
Non-current assets	**1.993.748**	1.840.536
Total assets	**4.167.335**	4.108.168
Short term liabilities	**1.729.243**	1.810.634
Long term liabilities	**1.005.232**	942.950
Equity	**1.432.860**	1.354.584
Total liabilities	**4.167.335**	4.108.168

	1 January - 31 December 2015	1 January - 31 December 2014
Sales	**18.485.152**	20.831.159
Gross profit	**859.857**	656.677
Operating profit	**338.843**	86.062
Net income for period	**175.201**	(40.949)

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

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 2015, fair value of Opet is TL 4.021 million. (With Group's effective interest, TL 1.608 million.) As of 31 December 2015, had the USD rate strengthened/weakened by 1%, with all other variables held constant, the fair value would be affected by TL 16.085 thousand.

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

Gross margin	4,6% - 5,9%
Discount rate	9,9%

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 (10,9% or 8,9% instead of 9,9%), would lead to a decrease by TL 316.737 thousand / increase by TL 414.661 thousand in the fair value as at 31 December 2015.

As a result of the tests performed by using the assumptions above, no impairment on goodwill has been identified as at 31 December 2015. 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 2015, investment property represents the land amounting to TL 4.621 thousand (31 December 2014 - 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 2014 – TL 38.117 thousand).

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

12. Property, plant and equipment

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost:					
Land	**48.862**	**-**	**-**	**(18)**	**48.844**
Land improvements	**1.656.919**	**-**	**1.868.381**	**(2)**	**3.525.298**
Buildings	**444.122**	**-**	**251.383**	**(133)**	**695.372**
Machinery and equipment	**5.692.599**	**13**	**5.458.498**	**(1.631)**	**11.149.479**
Motor vehicles	**516.853**	**94.527**	**8.437**	**(434)**	**619.383**
Furniture and fixtures	**80.955**	**752**	**26.455**	**(2.207)**	**105.955**
Construction in progress	**6.921.974**	**1.206.169**	**(7.628.239)**	**-**	**499.904**
Other tangible assets	**1.367**	**121**	**-**	**-**	**1.488**
	15.363.651	**1.301.582**	**(15.085)**	**(4.425)**	**16.645.723**
Accumulated depreciation:					
Land improvements	**(998.696)**	**(130.425)**	**-**	**1**	**(1.129.120)**
Buildings	**(160.461)**	**(13.755)**	**-**	**133**	**(174.083)**
Machinery and equipment	**(3.381.748)**	**(284.001)**	**-**	**1.372**	**(3.664.377)**
Motor vehicles	**(112.480)**	**(27.837)**	**-**	**434**	**(139.883)**
Furniture and fixtures	**(45.681)**	**(13.696)**	**-**	**2.147**	**(57.230)**
Other tangible assets	**(1.192)**	**(94)**	**-**	**-**	**(1.286)**
	(4.700.258)	**(469.808)**	**-**	**4.087**	**(5.165.979)**
Net book value	**10.663.393**				**11.479.744**

	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

As of March 1, 2015, Tüpraş terminated capitalization of borrowing costs for the reason that the Company substantially completed investment within the scope of Residuum Upgrading Project. As of December 31, 2015, capitalization of investment expenditures amounting to TL 7.229.540 comes from capitalization of Residuum Upgrading Project as a part of total capitalization of investment expenditures amounting to TL 7.628.239 thousand. Depreciation calculation had been made related to aforementioned capitalization as of 1 March 2015 and TL 186.333 thousand of TL 190.206 thousand depreciation is recognized under cost of sold goods while TL 3.873 thousand of the aforementioned depreciation is recognized under general administrative expenses.

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

12. Property, plant and equipment (continued)

Total depreciation expense amounting to TL 469.808 thousand (31 December 2014 - TL 245.945 thousand) in the consolidated statement of comprehensive income for the period ended 31 December 2015 has been allocated to cost of goods sold amounting to TL 395.134 thousand (31 December 2014 - TL 216.923 thousand), to sales and marketing expenses amounting to TL 3 thousand (31 December 2014 - TL 3 thousand), to general administration expenses amounting to TL 59.969 thousand (31 December 2014 - TL 16.906 thousand), to other expenses amounting to TL 14.702 thousand (31 December 2014 - TL 12.113 thousand).

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the year ended 31 December 2015 is as follows:

	1 January 2015	**Additions**	**Transfers**	**Disposals**	**31 December 2015**
Cost:					
Rights and software	**49.933**	**24**	**7.130**	**-**	**57.087**
Development expenses	**54.096**	**-**	**7.955**	**(70)**	**61.981**
Other intangible assets	**-**	**-**	**-**	**-**	**-**
	104.029	**24**	**15.085**	**(70)**	**119.068**
Accumulated amortisation:					
Rights and software	**(25.436)**	**(4.982)**	**-**	**-**	**(30.418)**
Development expenses	**(18.024)**	**(11.223)**	**-**	**6**	**(29.241)**
Other intangible assets	**-**	**-**	**-**	**-**	**-**
	(43.460)	**(16.205)**	**-**	**6**	**(59.659)**
Net book value	**60.569**				**59.409**

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

Total amortisation expenses amounting to TL 16.205 thousand (31 December 2014 - TL 12.178 thousand) in the consolidated statement of comprehensive income for the period ended 31 December 2015 have been allocated to cost of goods sold amounting to TL 13 thousand (31 December 2014 – TL 6 thousand) and general administration expenses amounting to TL 16.192 thousand (31 December 2014 - TL 12.172 thousand).

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

14. Prepaid expenses

Short term prepaid expenses:

	31 December 2015	31 December 2014
Prepaid insurance and other expense	**47.484**	34.970
Prepaid investment loan insurance expenses (*)	**32.158**	26.013
Advances given	**28.133**	29.391
Taxes and funds to be offsetted	**24.318**	33.657
	132.093	124.031

Long term prepaid expenses:

	31 December 2015	31 December 2014
Prepaid investment loan insurance expenses (*)	**105.400**	141.406
Advances given to third parties for property, plant and equipment	**54.900**	41.530
Advances given to related parties for property, plant and equipment (Note 31)	**17.957**	75.720
Prepaid other expenses	**1.438**	1.658
	179.695	260.314

(*) 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 2015	31 December 2014
Income Accruals (*)	**448.312**	4.554
Deferred Value Added Tax ("VAT")	**289.514**	245.986
Deferred Special Consumption Tax ("SCT")	**75.497**	73.203
Other current assets	**11.049**	8.132
	824.372	331.875

(*) TL 445.148 thousand of revenue recognition at a total amount of TL 448.312 thousand consists of revenue recognition of outstanding commodity derivatives transactions ending on 31 December 2015. The aforementioned transaction was made for 12 million barrels of inventory of Tüpraş which are exposed to commodity price risk. Weighted average price of outstanding commodity derivatives transactions ending on 31 December 2015 is USD 51,67/barrel and a sales liability/obligation of TL1.802.869 exists against a purchase of TL1.357.721 thousand. The aforementioned revenue recognition made as of 31 December 2015 is recognized under cost of goods sold and collected as of 8 January 2016.

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

15. Other assets and liabilities (continued)

Other non-current assets:

	31 December 2015	31 December 2014
Spare parts and materials	**879.473**	625.131
Other	**952**	2.338
Provision for spare parts and materials	**(27.506)**	(28.812)
	852.919	598.657

Other short-term liabilities:

	31 December 2015	31 December 2014
SCT payable	**1.253.987**	826.276
Revenue share	**827.793**	679.543
Deferred VAT	**289.514**	245.986
VAT payable	**239.207**	66.543
Deferred SCT	**75.497**	73.203
Other taxes and liabilities	**37.381**	36.112
Other	**3.587**	9.714
	2.726.966	1.937.377

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 827.793 thousand accumulated as at 31 December 2015 (31 December 2014 – TL 679.543 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TL 823.645 thousand that is (31 December 2014 - TL 676.881 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).

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

15. Other assets and liabilities (continued)

Other long-term liabilities:

	31 December 2015	31 December 2014
Participation share	**1.611**	2.061
	1.611	2.061

16. Deferred income

Short-term deferred income:

	31 December 2015	31 December 2014
Advances taken	**21.430**	17.366
Deferred income	**1.681**	1.335
Total	**23.111**	18.701

Long-term deferred income:

	31 December 2015	31 December 2014
Deferred income	**2.560**	2.648
Total	**2.560**	2.648

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	31 December 2015	31 December 2014
Seniority incentive bonus provision	**5.325**	4.679
Personnel bonus accruals	**2.627**	2.191
Total	**7.952**	6.870

Long term employee benefits:

	31 December 2015	31 December 2014
Provision for employment termination benefits	**144.547**	132.587
Provision for unused vacation	**41.904**	37.265
Seniority incentive bonus provision	**7.522**	6.171
Total	**193.973**	176.023

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

17 Provisions (continued)

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.

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

	2015	2014
1 January	**10.850**	8.326
Charge for the period	**7.976**	5.736
Payments during the period	**(5.979)**	(3.212)
31 December	**12.847**	10.850

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 3.828,37 (31 December 2014 - TL 3.438,22) for each year of service as at 31 December 2015.

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 2015	31 December 2014
Discount rate (%)	**4,60%**	3,50%
Turnover rate to estimate probability of retirement (%)	**99,52%**	99,52%

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.828,37 which is effective as at 31 December 2015, has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2014 - TL 3.438,22).

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

17. Provisions (continued)

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

	2015	2014
1 January	**132.587**	114.551
Interest expense	**10.820**	10.940
Actuarial (gains) / losses	**(9.194)**	9.319
Increase during the period	**24.615**	7.284
Payments during the period	**(14.281)**	(9.507)
31 December	**144.547**	132.587

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2015 and 2014 is below:

	31 December 2015 Net discount rate		31 December 2014 Net discount rate	
Sensitivity level	**İncrease of 100 base points**	**Decrease of 100 base points**	İncrease of 100 base points	Decrease of 100 base points
Rate	**%5,60**	**%3,60**	%4,50	%2,50
Change in employee benefits liability	**6.606**	**(8.448)**	7.049	(8.590)

Provision for unused vacation:

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

	2015	2014
1 January	**37.265**	31.727
Charge for the period	**8.297**	7.658
Payments during the period	**(3.658)**	(2.120)
31 December	**41.904**	37.265

Other short term provisions:

	31 December 2015	31 December 2014
Short-term provisions:		
Provisions for tax penalty	**-**	54.998
Provisions for pending claims and law suits	**13.405**	13.743
EMRA participation share	**17.883**	14.635
Provision for demurrage	**11.032**	1.870
Other	**20.332**	16.708
Total short-term provisions	**62.652**	101.954

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

17. Provisions (continued)

Tax Penalty

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

Movement of the short-term provisions for the years ended 31 December 2015 and 2014 is as follows:

	Provision for pending claims	EMRA participation share	Competition authority penalty	Provision for tax penalty	Provision for demurrage	Other	Total
1 January 2015	**13.743**	**14.635**	**-**	**54.998**	**1.870**	**16.708**	**101.954**
Charges for the period, net	**(41)**	**19.480**	**-**	**-**	**9.162**	**3.624**	**32.225**
Payments during the period	**(297)**	**(16.232)**	**-**	**(54.998)**	**-**	**-**	**(71.527)**
31 December 2015	**13.405**	**17.883**	**-**	**-**	**11.032**	**20.332**	**62.652**
1 January 2014	12.305	13.989	309.011	-	212	24.133	359.650
Charges for the period, net	1.566	18.827	-	54.998	1.658	(7.425)	69.624
Payments during the period	(128)	(18.181)	(309.011)	-	-	-	(327.320)
31 December 2014	13.743	14.635	-	54.998	1.870	16.708	101.954

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 2015	31 December 2014
Due to the personnel	**54.495**	79.677
Social security withholdings payment	**15.634**	13.620
Total	**70.129**	93.297

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

19. Other payables

	31 December 2015	31 December 2014
Deposits and guarantees received	**14.288**	10.282
	14.288	10.282

20. Derivative instruments

	31 December 2015			31 December 2014		
		Fair values			Fair values	
	Contract amount	**Assets**	**Liabilities**	Contract amount	Assets	Liabilities
Cash flow hedge						
Interest rate swap	**1.947.631**	**-**	**14.838**	1.159.450	-	68
Cross currency swap	**855.177**	**18.845**	**21.026**			
Derivatives held for trading						
Currency forwards	**-**	**-**	**-**	1.646.419	64.606	-
Commodity derivative	**344.900**	**-**	**4.515**	-	-	-
Short term derivative financial instruments		**18.845**	**40.379**	2.805.869	64.606	68
Cash flow hedge						
Interest rate swap	**1.947.631**	**-**	**7.280**	1.159.450	-	491
Cross currency swap	**855.177**	**250.027**	**19.964**	-	-	-
Long term derivative financial instruments		**250.027**	**27.244**		-	491
Total derivative financial instruments		**268.872**	**67.623**		64.606	559

As of December 31, 2014, 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 has expired on December 31, 2015.

As of December 31, 2015, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD 611.765 thousand (December 31, 2014 - USD 500.000 thousand) and Ditaş's long term borrowings amounting to EUR 53.142 thousand (December 31, 2014 – None) with fixed rate instalment payments for cash flow hedging.

As of December 31, 2015, cross currency swap transactions consist of swap transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD 200.000 thousand and TL currency indexed with fixed interest payment amounting to TL 463.875 thousand (December 31, 2014 – None), and swap transaction of long- term borrowings with floating interest rate amounting to USD 94.118 thousand and payments with fixed interest rate amounting to TL 218.353 thousand.

The outstanding commodity derivatives transactions, as of 31 December 2015, have been made for 3,9 million barrels (gasoline) of inventory of Tüpraş which are exposed to commodity price risk. Weighted average price of outstanding commodity derivative transactions (gasoline crack margin) ending on 31 March 2016 is USD 15,21/barrel and a sales liability/obligation of TL172.450 thousand exists against a purchase of TL167.935 thousand.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project ("TEYDEB") with incentive and the existence of research and development center have enabled the Company to benefit from government incentives (research and development deduction, income tax stoppage incentive, social security premium support and stamp tax exemption) according to Law, no 5746, Supporting Research and Development Activities.In this context, as of December 31, 2015, the Company's expenditures within scope of R&D center amounted to TL 10.430 thousand (31 December 2014 - TL 11.893 thousand), within scope of TEYDEB amounted to TL 3.814 thousand (31 December 2014 – TL 4.439 thousand). As of December 31, 2015, TL 3.707 thousand (December 31, 2014 – TL 3.411 thousand) is recorded as incentive income out of total R&D expenditures.

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2015, investment expenditures amounting to TL 7.969.662 thousand (31 December 2014- TL 6.297.223 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2014 – TL 2.888.214 thousand) has been realized to be used in future periods. Moreover, as of 31 December 2015 within the scope of the Strategic Investment the Company offset TL 344.638 thousand from tax base (31 December 2014 - TL 72.933 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).

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

İzmir 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.

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

21. Government grants (continued)

As of 31 December, 2015 and 2014, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	31 December 2015	31 December 2014
Interest incentive	**21.259**	22.705
Social security withholdings incentives	**24.133**	21.138
Research and development incentives	**3.707**	3.411
	49.099	47.254

22. Commitments and contingent assets and liabilities

		31 December 2015		31 December 2014
Guarantees received:	**Original Currency:**	**TL Amount:**	Original Currency:	TL Amount:
Letter of guarantees received		**2.138.941**		1.957.607
-Letter of guarantees in TL	***919.053***	***919.053***	*768.269*	*768.269*
- Letter of guarantees in USD	***374.064***	***1.087.627***	*470.579*	*1.091.224*
- Letter of guarantees in EUR	***37.189***	***118.172***	*32.306*	*91.126*
- Letter of guarantees in other currencies	**-**	***14.089***	-	*6.988*
Guarantee notes received		**24.039**		65.955
- Guarantee notes in TL	***24.039***	***24.039***	*62.273*	*62.273*
- Guarantee notes in other currencies	**-**	**-**	-	*3.682*
Guarantee letters received		**195.380**		165.945
- Guarantee letters received - TL	***50.000***	***50.000***	50.000	50.000
- Guarantee letters received - USD	***50.000***	***145.380***	50.000	115.945
Commitments received		**-**		*8.351*
-Commitment in USD	**-**	**-**	*2.350*	*5.449*
- Commitment in other currencies	**-**	**-**	-	*2.902*
Total guarantees received		**2.358.360**		2.197.858
Guarantees given:				
Letter of credits given		**305.121**		511.663
- Letter of credits in USD	***99.796***	***290.168***	*218.838*	*507.463*
- Letter of credits in EUR	***4.706***	***14.953***	*1.379*	*3.890*
- Letter of credits in other currencies	**-**	**-**	-	*310*
Letter of guarantees given		**459.304**		306.474
- Letter of guarantees in TL	***400.570***	***400.570***	*259.632*	*259.632*
- Letter of guarantees in USD	***20.200***	***58.734***	*20.200*	*46.842*
Letters of guarantee given to customs offices		**1.541.278**		1.429.270
- Letter of guarantees in TL	***1.503.147***	***1.503.147***	*1.395.422*	*1.395.422*
- Letter of guarantees in EUR	***12.000***	***38.131***	*12.000*	*33.848*
Letters of guarantee given to banks		**225.073**		258.950
- Letter of guarantees in USD	***17.474***	***50.807***	*36.253*	*84.067*
- Letter of guarantees in EUR	***54.842***	***174.266***	*62.000*	*174.883*
Total guarantees given		**2.530.776**		2.506.357

As at 31 December 2015 and 31 December 2014, 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 2015, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 219.671 thousand (31 December 2014- TL 258.950 thousand) and for derivative financial instruments amounting to TL 5.070 thousand (31 December 2014 - None).

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

22. Commitments and contingent assets and liabilities (continued)

Collaterals, pledges, mortgages given by the Group as at 31 December 2015 and 31 December 2014 are as follows:

	December 31 2015	December 31 2014
A. CPMs given for companies in the name of its own legal personality	**2.305.703**	2.247.407
B.CPMs given on behalf of the fully consolidated companies	**225.073**	258.950
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.	**-**	-
	2.530.776	2.506.357

(*) A commission at an amount of TL1.157 thousand is recognized as of 31 December 2015 related to letter of guarantees given in favor of partnerships included in full consolidation (31 December 2014- TL 1.813 thousand).

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 2015 and 2014.

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.

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

23. Equity

The Company's shareholders and their shareholding percentages as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	**Share (%)**	31 December 2014	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 2014 - 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 2015, the restricted reserves of the Company amount to TL 163.401 thousand (31 December 2014 - TL 163.401 thousand).

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 3.472.436 thousand as at 31 December 2015. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 17.211 thousand which are subject to corporate taxation when distributed as dividends.

There is no dividend payment in year ended 31 December 2015 from the profit of 2014.

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.

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

24. Revenue and cost of sales

	1 January - 31 December 2015	1 January - 31 December 2014
Domestic revenue	**29.213.323**	31.608.288
Export revenue	**7.802.431**	8.164.696
Service revenue	**112.307**	90.779
Gross revenue	**37.128.061**	39.863.763
Less: Sales discounts	**(200.140)**	(120.401)
Less: Sales returns	**(34.593)**	(20.650)
Sales (net)	**36.893.328**	39.722.712
Cost of goods sold	**(31.164.596)**	(36.200.903)
Cost of trade goods sold	**(1.521.539)**	(2.197.324)
Cost of services	**(32.129)**	(61.687)
Gross profit	**4.175.064**	1.262.798

Cost of sales:

	1 January - 31 December 2015	1 January - 31 December 2014
Raw materials	**29.007.982**	34.580.380
Cost of trade goods sold	**1.521.539**	2.197.324
Energy expenses	**971.408**	794.905
Personnel expenses	**449.404**	332.779
Depreciation and amortization (Note 12-13)	**395.147**	216.929
Other production expenses	**372.784**	337.597
Cost of sales	**32.718.264**	38.459.914

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

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

General administrative expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	**236.030**	230.141
Taxes and duties	**81.943**	73.824
Insurance expenses	**76.264**	45.798
Depreciation and amortisation expenses (Note 12-13)	**76.161**	29.078
Outsourced services	**61.681**	45.106
Lawsuit and consultancy expenses	**25.869**	29.454
Office expenses	**25.673**	22.740
Subscription fees	**18.910**	15.456
Donations	**15.770**	7.191
Rent expenses	**10.066**	16.827
Transportation and travel expenses	**2.064**	2.073
Other	**31.027**	28.255
Total general administrative expenses	**661.458**	545.943

Marketing, selling and distribution expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	**65.375**	60.696
Carriage, storage and insurance expenses	**48.776**	33.348
Outsourced services	**44.242**	34.908
Rent expenses	**8.736**	7.092
Energy expenses	**2.771**	4.878
Advertising expenses	**1.475**	10.226
Depreciation and amortisation expenses (Note 12-13)	**3**	3
Other	**21.477**	18.488
Total marketing, selling and distribution expenses	**192.855**	169.639

Research and development expenses:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	**18.219**	13.579
Outsourced services	**1.980**	1.203
Lawsuit and consultancy expenses	**338**	378
Other	**2.227**	1.060
Total research and development expenses	**22.764**	16.220

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

26. Other operating income/(expenses)

Other operating income:	1 January - 31 December 2015	1 January - 31 December 2014
Credit finance gains	**127.385**	144.854
Provision no longer required	**-**	7.900
Foreign exchange gain from trade receivables	**3.651**	6.233
Rent income	**3.080**	2.741
Other	**8.565**	12.117
Total other operating income	**142.681**	173.845

Other operating expense:	1 January - 31 December 2015	1 January - 31 December 2014
Idle capacity expenses		
- Amortisation expenses (Note 12-13)	***(14.702)***	*(12.113)*
- Other idle capacity expenses	***(33.983)***	*(39.167)*
Foreign exchange loss from trade payables	**(613.849)**	(149.016)
Provision for tax penalty (Note 17)	**-**	(54.998)
Credit finance charges	**(8.223)**	(9.093)
Other	**(18.143)**	(4.711)
Total other operating expense	**(688.900)**	(269.098)

27. Income/(expense) from investment activities

	1 January - 31 December 2015	1 January – 31 December 2014
Gain on sales of property plant and equipment and intangible assets	**2.560**	(319)
Total income/(expense) from investment activities	**2.560**	(319)

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

28. Financial income/(expenses)

	1 January - 31 December 2015	1 January – 31 December 2014
Financial income:		
Foreign exchange gains on deposits	**419.633**	296.465
Interest income on deposits	**184.133**	137.846
Foreign exchange gains on derivative instruments	**258.949**	64.606
Total financial income	**862.715**	498.917
Financial expense:		
Foreign exchange losses on borrowings	**(924.395)**	(438.328)
Interest expenses	**(532.997)**	(294.960)
Foreign exchange losses on derivative instruments	**(4.350)**	-
Other	**(9)**	(1.012)
Total financial expense	**(1.461.751)**	(734.300)

29. Tax assets and liabilities

i) Corporation tax:

	31 December 2015	31 December 2014
Current period corporate tax provision	**133.346**	5.147
Current year tax assets	**(4.317)**	(1.235)
Corporation tax provision	**129.029**	3.912

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 2015 is 20 % (2014 - 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

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

29. Tax assets and liabilities (continued)

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

	2015	2014
Profit before taxation	**2.225.372**	183.661
Expected tax expense (%20)	**(445.074)**	(36.732)
Investment incentive income	**768.376**	1.308.222
Deductions and exemptions	**57.250**	30.094
Disallowable expenses and differences not subject to taxation	**(41.997)**	(15.124)
Taxation on income	**338.555**	1.286.460

Investment incentive income

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2015, investment expenditures amounting to TL 7.969.662 thousand (31 December 2014 - TL 6.297.223 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2014 – TL 2.888.214 thousand) has been realized to be used in future periods. Moreover, as of 31 December 2015 within the scope of the Strategic Investment the Company offset TL 344.638 thousand from tax base (31 December 2014 – TL 72.933 thousand).

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

29. Tax assets and liabilities (continued)

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 31 December 2015 and 31 December 2014 using the enacted tax rates are as follows:

	Cumulative temporary differences			**Deferred tax asset/(liability)**
	31 December 2015	31 December, 2014	**31 December, 2015**	31 December, 2014
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	**523.313**	1.274.666	**(104.663)**	(254.933)
Fair value difference of derivative instruments	**217.134**	64.606	**(43.427)**	(12.921)
Prepaid expenses	**137.557**	-	**(27.511)**	-
Financial assets fair value difference	**86.590**	57.112	**(4.330)**	(2.856)
Deferred tax liability			**(179.931)**	(270.710)
Investment incentive income	**7.969.662**	6.297.223	**3.656.588**	2.888.214
Investment incentive income net-offed by tax base within the scope of Strategic Investment Incentive			**(344.638)**	(72.933)
Employment termination benefits and seniority incentive bonus provision	**154.952**	141.395	**30.990**	28.279
Impairment on inventories	**102.114**	90.204	**20.423**	18.041
Provision for unused vacation liability	**39.777**	35.550	**7.956**	7.110
Provision for tax penalty	**-**	31.302	**-**	6.260
Provision for impairment on spare parts	**27.506**	28.812	**5.501**	5.762
Provisions for pending claims and lawsuits	**13.405**	13.743	**2.681**	2.749
Fair value difference of derivative financial instruments	**-**	559	**-**	112
Unearned credit finance income, (net)	**6.011**	148	**1.202**	30
Other	**8.639**	51.100	**1.731**	10.220
Deferred tax assets			**3.382.434**	2.893.844
Deferred tax asset / (liability), net			**3.202.503**	2.623.134

The movement of deferred taxes is as follows:

	2015	2014
Deferred tax asset / (liability), net		
1 January	**2.623.134**	1.330.197
Charge for the period	**471.901**	1.291.607
Charge to equity		
- Financial assets fair value reserve	**(1.474)**	-
- Hedging reserve	**127.034**	(502)
- Actuarial gain/(losses) on defined benefit plans	**(1.782)**	1.720
Impact of adjustments on previous periods	**(16.310)**	112
31 December	**3.202.503**	2.623.134

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

30. Profit for shares

	1 January - 31 December 2015	1 January - 31 December 2014
Profit for the year attributable to shareholders of the Company	**2.550.168**	1.458.963
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	**10,18**	5,83

31. Related party transactions

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

(1) Joint ventures
(2) Companies in which ultimate parent is shareholder
(3) Ultimate parent

a) Deposits:

	31 December 2015	31 December 2014
Yapı ve Kredi Bankası A.Ş. (2)	**1.287.266**	2.508.007
Total	**1.287.266**	2.508.007

b) Due from related parties:

	31 December 2015	31 December 2014
Opet Petrolcülük A.Ş. (1)	**309.098**	1.671
THY OPET Havacılık Yakıtları A.Ş. (1)	**274.819**	1.869
Aygaz A.Ş. (2)	**70.583**	1.503
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**4.162**	2.337
Other (2)	**11**	3
Total	**658.673**	7.383

As of December 31, 2015, Tüpraş has offset TL125.000 thousand (31 December 2014 - TL 741.425 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

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

31. Related party transactions

c) Due to related parties:

	31 December 2015	31 December 2014
Koç Holding A.Ş. (3)	**17.469**	7.075
Aygaz A.Ş. (2)	**17.112**	11.863
Ark İnşaat A.Ş. (2)	**12.656**	13.459
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**10.667**	4.985
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**5.559**	10.704
Opet Petrolcülük A.Ş. (1)	**5.275**	4.719
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**3.510**	-
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	**2.325**	2.596
RAM Sigorta Aracılık Hizmetleri A.Ş. (2) (*)	**648**	8.583
Setur Servis Turistik A.Ş. (2)	**536**	2.234
Other (2)	**4.516**	1.631
Total	**80.273**	67.849

d) Advances given for property, plant and equipment:

	31 December 2015	31 December 2014
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**17.957**	75.720
Ark İnşaat A.Ş. (2)	**6**	-
Total	**17.963**	75.720

e) Bank borrowings:

	31 December 2015	31 December 2014
Yapı ve Kredi Bankası A.Ş. (2)	**-**	22.791
Total	**-**	22.791

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

31. Related party transactions (continued)

f) Product and service sales,net:

	1 January - 31 December 2015	1 January - 31 December 2014
THY OPET Havacılık Yakıtları A.Ş. (1)	**4.698.599**	5.561.385
Opet Petrolcülük A.Ş. (1)	**3.321.907**	3.635.021
Aygaz A.Ş. (2)	**344.503**	432.032
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**28.301**	36.778
Ram Dış Ticaret A.Ş. (2)	**-**	4.782
Other (2)	**447**	1.727
Total	**8.393.757**	9.671.725

g) Product and service purchases:

	1 January - 31 December 2015	1 January - 31 December 2014
Aygaz A.Ş. (2)	**416.823**	389.392
Opet Petrolcülük A.Ş. (1)	**92.078**	57.858
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	**90.581**	29.525
Ark İnşaat A.Ş. (2)	**83.804**	5.507
THY OPET Havacılık Yakıtları A.Ş. (1)	**77.881**	59.958
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**50.022**	52.206
Koç Holding A.Ş. (3) (*)	**32.153**	19.074
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**28.400**	20.694
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	**22.843**	21.843
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**8.254**	7.889
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**4.935**	7.159
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**2.629**	1.856
Setair Hava Taşımacılığı ve Hizmetleri A.Ş. (2)	**520**	6.527
Other (2)	**11.017**	11.383
Total	**921.940**	690.871

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

(**) Includes paid and accrued insurance premiums in the year ended 31 December 2015 and 2014 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agency.

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

31. Related party transactions (continued)

h) Fixed asset purchases:

	1 January - 31 December 2015	1 January - 31 December 2014
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**97.127**	87.938
Entek Elektrik Üretim A.Ş. (2)	**27.412**	-
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**4.366**	48
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**3.813**	-
Ark İnşaat A.Ş. (2)	**-**	156.442
Other (2)	**1.964**	733
Total	**134.682**	245.161

i) Remuneration of board of directors and executive management:

The senior management of the company is determined as Member and Chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TL 50.755 thousand as of period ending on 31 December 2015. (31 December 2014 – TL 41.223 thousand). TL 13.326 thousand of this amount is related to severance payments and the rest of amount consists of short term benefits (31 December 2014 – None).

j) Financial expenses paid to related parties:

	1 January - 31 December 2015	1 January - 31 December 2014
Yapı Kredi Faktoring A.Ş. (2)	**2.657**	10.185
Yapı ve Kredi Bankası A.Ş. (2)	**5.454**	6.479
Yapı Kredi Bank Netherland (2)	**-**	194
Total	**8.111**	16.858

k) Time deposit interest income:

	1 January - 31 December 2015	1 January - 31 December 2014
Yapı ve Kredi Bankası A.Ş. (2)	**105.981**	63.709
Total	**105.981**	63.709

l) Donations:

As of 31 December 2015, total donation is amounting to TL 14.418 thousand (31 December 2014- TL 6.775 thousand).

32. Financial instruments and financial risk management

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

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 2015 and 2014. 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.

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

32. Financial instruments and financial risk management (continued)

31 December 2015

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)	16.610.450	17.658.865	6.989.072	1.911.863	6.949.607	1.808.323
Financial liabilities	7.661.613	8.494.709	289.289	1.819.131	4.577.966	1.808.323
Bonds & notes issued	2.257.807	2.471.537	8.775	92.732	2.370.030	-
Trade payables	3.878.036	3.879.625	3.879.625	-	-	-
Other liabilities	2.812.994	2.812.994	2.811.383	-	1.611	-

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):	201.249	(69.131)	226	(60.108)	(2.455)	(6.794)
Derivative cash inflows	268.872	1.135.704	1.436	108.937	890.913	134.418
Derivative cash outflows	67.623	1.204.835	1.210	169.045	893.368	141.212

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

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

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

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 2015 and 2014, trade receivables from the top 5 customers of the Group constitute 57% and 47% 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 2015 and 2014 are as follows:

31.12.2015	**Receivables**						
	Trade Receivables		**Other Receivables**				
	Related parties	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**	**Other**
Maximum exposed credit risk as of reporting date	**658.673**	**1.881.159**	**-**	**25.815**	**3.027.546**	**268.872-**	**-**
- Secured portion of the maximum credit risk by guarantees, etc.	**-**	**461.310**	**-**	**-**	**-**	**-**	**-**
A. Net book value of financial asset either are not due or not impaired	**658.673**	**1.871.402**	**-**	**25.815**	**3.027.546**	**268.872**	**-**
B. Net book value of overdue but not impaired financial assets	**-**	**9.757**	**-**	**-**	**-**	**-**	**-**
C. Net book value of the impaired assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Overdue(gross book value)	**-**	**2.593**	**-**	**738**	**-**	**-**	**-**
- Impairment (-)	**-**	**(2.593)**	**-**	**(738)**	**-**	**-**	**-**
- 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	**-**	**-**	**-**	**-**	**-**	**-**	**-**

31.12.2014	Receivables						
	Trade Receivables		Other Receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Derivative instruments	Other
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	-	-	-	-	-	-	-

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

32. Financial instruments and financial risk management (continued)

31.12.2015	**Receivables**		**Bank**	**Derivative**	
	Trade receivables	**Other receivables**	**deposits**	**instruments**	**Other**
Overdue (1-30 days)	**7.770**	**-**	**-**	**-**	**-**
Overdue (1-3 months)	**1.584**	**-**	**-**	**-**	**-**
Overdue (3-12 months)	**403**	**-**	**-**	**-**	**-**
Overdue (1-5 years)	**-**	**-**	**-**	**-**	**-**
Overdue (+5 years)	**-**	**-**	**-**	**-**	**-**

31.12.2014	Receivables		Bank	Derivative	
	Trade receivables	Other receivables	deposits	instruments	Other
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)	-	-	-	-	-

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.

Since fluctuations in crude oil prices may create unexpected and undesirable volatility on net income and cash flows, the Company enters into commodity derivative transactions in order to mitigate this risk. These transactions are accounted in income statement since the conditions of hedge accounting are not met.

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

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 and interest rate swap transactions.

The Group's interest rate position as at 31 December 2015 and 2014 is demonstrated below:

	31.12.2015	31.12.2014
Financial instruments with fixed interest rate		
Financial assets		
Time deposits	**2.980.010**	3.867.791
Financial liabilities	**5.387.579**	3.602.023
Financial instruments with floating interest rate		
Financial liabilities (*)	**4.531.841**	4.152.987

(*) As of December 31 2015, threre is interest rate swap amounting to USD 611.765 thousand classified as hedging entered for borrowings with floating rate for Tupras' Residuum Upgrading Project (December 31 2014- USD 500.000 thousand). Additionally, Ditaş has interest rate swap transaction at an amount of EUR 53.142 thousand classified as hedging in scope of floating rate loans received for tankers of Kartal and Maltepe (Note 20) (31 December 2014 – None) .

As at 31 December 2015, 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 379 thousand lower. (31 December 2014 - TL 628 thousand). As at 31 December 2015, 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 379 thousand higher. (31 December 2014 - TL 628 thousand). As at 31 December 2015, 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 62 thousand lower/ higher (31 December 2014 - TL 544 thousand). As of December 31, 2015 and 2014, there is no interest rate risk for TL bank loans.

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 2015 and 2014 based on their contractual repricing dates are disclosed in Note 5.

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

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 2015 and 31 December 2014. Foreign currency denominated assets and liabilities of the Group and related foreign currency position are as follows:

	31 December 2015	31 December 2014
Assets	**2.144.050**	1.474.548
Liabilities	**(10.446.529)**	(10.046.577)
Net balance sheet foreign currency position	**(8.302.479)**	(8.572.029)
Net foreign currency position of derivative financial instruments	**855.176**	1.646.419
Net foreign currency position	**(7.447.303)**	(6.925.610)

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 2015, the Group has raw materials and petroleum products amounting to TL 1.962.440 thousand (31 December 2014 - TL 2.263.213 thousand) (Note 8).

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

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

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

32. Financial instruments and financial risk management (continued)

Foreign currency position table

	31 December 2015					31 December 2014				
	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	31.286	10.757	3	-	-	9.089	3.919	-	-	-
Monetary financial assets(including cash, banks)	1.598.597	539.810	9.102	29	-	1.365.609	573.657	12.450	66	-
Other	447.514	153.793	87	16	-	3.008	1.294	3	-	-
Current assets	**2.077.397**	**704.360**	**9.192**	**45**	**-**	1.377.706	578.870	12.453	66	-
Other	66.653	1.649	18.347	-	3.558	96.842	720	33.133	-	1.715
Non-current assets	**66.653**	**1.649**	**18.347**	**-**	**3.558**	96.842	720	33.133	-	1.715
Total assets	**2.144.050**	**706.009**	**27.539**	**45**	**3.558**	1.474.548	579.590	45.586	66	1.715
Trade payables	2.628.025	881.949	19.480	(134)	2.345	3.379.589	1.430.395	21.048	685	805
Financial liabilities	1.005.108	331.037	13.401	-	-	516.692	202.028	17.090	-	-
Other monetary liabilities	15.389	5.023	247	-	-	923	398	-	-	-
Current liabilities	**3.648.522**	**1.218.009**	**33.128**	**(134)**	**2.345**	3.897.204	1.632.821	38.138	685	805
Financial liabilities	6.790.725	2.285.919	45.376	-	-	6.148.882	2.580.609	58.393	-	-
Other monetary liabilities	7.282	1.939	517	-	-	491	212	-	-	-
Non-current liabilities	**6.798.007**	**2.287.858**	**45.893**	**-**	**-**	6.149.373	2.580.821	58.393	-	-
Total liabilities	**10.446.529**	**3.505.867**	**79.021**	**(134)**	**2.345**	10.046.577	4.213.642	96.531	685	805
Net asset/(liability) position of off-balance sheet foreign currency derivatives	**855.176**	**294.117**	**-**	**-**	**-**	1.646.419	710.000	-	-	-
Total amount of off-balance sheet derivative financial assets	**855.176**	**294.117**	**-**	**-**	**-**	1.646.419	710.000	**-**	**-**	**-**
Total amount of off-balance sheet derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net foreign currency asset/(liability) position	**(7.447.303)**	**(2.505.741)**	**(51.482)**	**179**	**1.213**	(6.925.610)	(2.924.052)	(50.945)	(619)	910
Net monetary foreign currency asset/(liability) position	**(8.816.646)**	**(2.955.300)**	**(69.916)**	**163**	**(2.345)**	(8.671.879)	(3.636.066)	(84.081)	(619)	(805)
Fair value of derivative instruments	**(26.633)**	**(9.160)**	**-**	**-**	**-**	64.606	27.861	-	-	-

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

32. Financial instruments and financial risk management (continued)

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 31 December 2015 and 31 December 2014.

Statement of foreign currency risk sensitivity				
	31 December 2015			
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
	10% change in USD rate:			
USD net assets/ liabilities	(859.283)	859.283	(582.190)	582.190
Amount hedged for USD risk (-) (*)	582.556	(582.556)	-	-
USD net effect	**(276.727)**	**276.727**	(582.190)	582.190
	10% change in EUR rate:			
Euro net assets/ liabilities	(22.217)	22.217	-	
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	**(22.217)**	**22.217**	**-**	**-**
TOTAL	**(298.944)**	**298.944**	(582.190)	582.190

	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	-	-

(*) As December 31, 2015, the Company accounted RUP investment loans and cross currency swap in scope of cash flow hedge accounting and foreign exchange income/expense arising from these transactions are recognised in equity.10 percent increase and decrease effect of foreign exchange rates are calculated with the same method, Rup investment loan foreign exchange and cross currency transactions are presented as hedged portion in the foreign exchange sensitivity table. As of December 31, 2014, 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 amounts falling under TL interests in construction in progress and recognized amounts above TL interests at income statement. 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. Also, as of December 31, 2014, hedged portion via forwards is classified as the amount hedged against US dollar in the statement of exchange rate sensitivity analysis.

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

32. Financial instruments and financial risk management (continued)

Export and import

	1 January - 31 December 2015	1 January - 31 December 2014
Export		
USD (equivalent of thousand TL)	**7.802.267**	8.162.742
Total	**7.802.267**	8.162.742
Import		
USD (equivalent of thousand TL)	**27.317.980**	31.544.417
Total	**27.317.980**	31.544.417

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 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Total financial liabilities (Note 5)	**9.919.420**	7.755.010
Less: Cash and cash equivalents (Note 4)	**(3.027.546)**	(3.898.396)
Net financial liabilities	**6.891.874**	3.856.614
Total shareholders' equity	**8.368.449**	6.212.630
Total capital invested	**15.260.323**	10.069.244
Gearing ratio	**45,16%**	38,30%

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.

32. Financial instruments and financial risk management (continued)

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

Financial assets

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

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

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

Financial liabilities

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

Fair value hierarchy table:

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 31 December 2015 is as follows:

Financial assets at fair value through profit or loss	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	**-**	**268.872**	**.-**
Financial investments	**-**	**-**	**-**
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	**-**	**67.623**	**-**

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**	**-**

33. Subsequent events

None.