CONVENIENCE TRANSLATION OF
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

1 JANUARY - 31 MARCH 2018 CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

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

Assets	Notes	Unaudited 31 March 2018	Audited 31 December 2017
Current assets		**20.311.172**	20.366.024
Cash and cash equivalents	4	**6.716.597**	8.802.069
Trade receivables	6	**5.495.351**	5.027.033
Due from related parties	6, 31	**1.755.940**	1.399.601
Trade receivables from third parties		**3.739.411**	3.627.432
Other receivables	7	**95.708**	84.267
Other receivables from third parties		**95.708**	84.267
Derivative instruments	20	**462.106**	346.909
Inventories	8	**6.716.365**	5.291.090
Prepaid expenses	14	**45.006**	62.397
Other current assets	15	**780.039**	752.259
Non-current assets		**17.873.327**	17.796.955
Financial investments	9	**-**	9.000
Investments accounted for using the equity method	10	**1.075.232**	1.134.364
Investment properties	11	**4.621**	4.621
Property, plant and equipment	12	**12.283.981**	12.303.437
Intangible assets	13	**62.403**	65.187
Other intangible assets		**62.403**	65.187
Derivative instruments	20	**130.120**	100.560
Prepaid expenses	14	**202.303**	99.276
Deferred tax assets	29	**3.019.067**	3.067.871
Other non-current assets	15	**1.095.600**	1.012.639
Total assets		**38.184.499**	38.162.979
Liabilities			
Current liabilities		**21.068.892**	17.675.669
Short-term financial liabilities	5	**433.920**	340.875
Current portion of long term financial liabilities	5	**5.943.452**	4.932.839
Trade payables	6	**8.661.336**	8.213.166
Due to related parties	6, 31	**69.442**	115.456
Trade payables, third parties		**8.591.894**	8.097.710
Liabilities for employee benefits	18	**81.289**	119.833
Other payables	19	**1.693.818**	36.797
Due to related parties	19, 31	**8.616**	23.463
Other payables to third parties		**1.685.202**	13.334
Derivative instruments	20	**143.398**	177.137
Deferred income	16	**3.694**	20.428
Current income tax liabilities	29	**4.522**	21.296
Provisions	17	**125.788**	89.924
Provisions for employee benefits		**26.688**	12.629
Other provisions		**99.100**	77.295
Other current liabilities	15	**3.977.675**	3.723.374
Non-current liabilities		**9.774.157**	10.009.649
Long-term financial liabilities	5	**9.544.275**	9.777.270
Provisions	17	**219.767**	223.734
Provisions for employee benefits		**219.767**	223.734
Deferred income	16	**3.951**	4.112
Derivative Instruments	20	**5.050**	3.364
Other non-current liabilities	15	**1.114**	1.169
Total liabilities		**30.843.049**	27.685.318
Equity		**7.341.450**	10.477.661
Share capital	23	**250.419**	250.419
Adjustment to share capital	23	**1.344.243**	1.344.243
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		**(3.361)**	(3.361)
Gains/ losses on revaluation and remeasurement		**(2.211)**	(2.211)
Actuarial gain/(loss) arising from defined benefit plans		**(2.211)**	(2.211)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		**(1.150)**	(1.150)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		**(1.073.669)**	(960.973)
Hedging gains/(losses)		**(1.256.825)**	(1.141.847)
Cash flow hedge gains/(losses)		**(1.256.825)**	(1.141.847)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		**183.156**	180.874
Restricted reserves	23	**597.086**	279.668
Retained earnings		**5.739.481**	5.651.805
Net income		**378.436**	3.811.546
Total equity attributable to equity holders of the parent		**7.232.635**	10.373.347
Non-controlling interests		**108.815**	104.314
Total equity and liabilities		**38.184.499**	38.162.979

The condensed interim consolidated financial statements for the period ended 31 March 2018 have been approved by the Board of Directors on 9 May 2018.

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

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

	Notes	Unaudited **1 January - 31 March 2018**	Unaudited 1 January - 31 March 2017
Revenue	24	**13.421.408**	12.369.639
Cost of sales	24	**(12.352.218)**	(10.761.171)
Gross profit / (loss)		**1.069.190**	1.608.468
General administrative expenses	25	**(195.886)**	(178.864)
Marketing, selling and distribution expenses	25	**(67.165)**	(55.817)
Research and development expenses	25	**(4.910)**	(4.817)
Other operating income	26	**106.040**	55.232
Other operating expenses	26	**(217.081)**	(112.133)
Operating profit / (loss)		**690.188**	1.312.069
Income from investment activities	27	**-**	926
Expense from investment activities	27	**(6.383)**	-
Income/(loss) from investments accounted by equity method	10	**58.586**	57.125
Operating profit before financial income / (expense)		**742.391**	1.370.120
Financial income	28	**653.816**	162.361
Financial expense	28	**(924.397)**	(480.752)
Profit / (loss) before tax from continued operations		**471.810**	1.051.729
Tax income / (expense)		**(85.023)**	(175.970)
Taxes on income (-)		**(5.118)**	(112.268)
Deferred tax income / (expense)	29	**(79.905)**	(63.702)
Net profit (loss) from continued operations		**386.787**	875.759
Other comprehensive income:			
Items to be reclassified to profit or loss		**(116.546)**	(75.555)
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		**2.282**	1.186
Gain/(loss) from translation of foreign currency of investments using equity method		**2.282**	1.186
Income/(expense) relating to avoidance of risk of cash flow		**(149.929)**	(94.981)
Income/(loss) of avoidance of risk of cash flow		**(149.929)**	(94.981)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		**31.101**	18.240
Deferred tax income/(expense)		**31.101**	18.240
Other comprehensive income/(expense)		**(116.546)**	(75.555)
Total comprehensive income		**270.241**	800.204
Distribution of income for the period:			
Non-controlling interests		**8.351**	6.935
Attributable to equity holders of the parent		**378.436**	868.824
Distribution of total comprehensive income			
Non-controlling interests		**4.501**	6.179
Attributable to equity holders of the parent		**265.740**	794.025
Earnings (loss) per share from continued operations			
Earnings per share with nominal value kr. 1 each (kr.)	30	**1,51**	3,47

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

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

				Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		Accumulated other comprehensive income/(expense) to be reclassified to profit or loss							
				Gains/losses on revaluation and remeasurement		Hedge gains/(losses)			Retained earnings				
	Share capital	**Adjustment to share capital**	**Share premiums (discounts)**	**Actuarial gains/loss arising from defined benefit plans**	**Share of other comprehensive income accounted for investment using equity method that will not be classified to profit loss**	**Cash flow hedge gains/(losses)**	**Share of other comprehensive income of investments accounted for using equity method which will be reclassified to profit or loss**	**Restricted reseeves**	**Retained earnings**	**Net income/expense**	**Equity holders of the parent**	**Non-controlling interests**	**Total equity**
Unaudited													
1 January 2017	250.419	1.344.243	172	(6.124)	(1.862)	(1.132.725)	145.855	331.337	5.363.804	1.793.267	8.088.386	78.647	8.167.033
Transfers	-	-	-	-	- -	-	-	-	1.793.267	(1.793.267)	-	-	-
Dividends paid	-	-	(172)	-	-	-	-	(51.669)	(1.505.266)	-	(1.557.107)	-	(1.557.107)
- Net income for the period	-	-	-	-	-	-	-	-	-	868.824	868.824	6.935	875.759
- Net income for the period	-	-	-	-	-	(75.985)	1.186	-	-	-	(74.799)	(756)	(75.555)
Total comprehensive income	-	-	-	-	-	(75.985)	1.186	-	-	868.824	794.025	6.179	800.204
					-								
31 March2017	250.419	1.344.243	-	(6.124)	(1.862)	(1.208.710)	147.041	279.668	5.651.805	868.824	7.325.304	84.826	7.410.130
													-
Unaudited													
1 January 2018	**250.419**	**1.344.243**	**-**	**(2.211)**	**(1.150)**	**(1.141.847)**	**180.874**	**279.668**	**5.651.805**	**3.811.546**	**10.373.347**	**104.314**	**10.477.661**
Transfers	-	-	-	-	-	-	-	**317.418**	**3.494.128**	**(3.811.546)**	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	**(3.406.452)**	-	**(3.406.452)**	-	**(3.406.452)**
- Net income for the period	-	-	-	-	-	-	-	-	-	**378.436**	**378.436**	**8.351**	**386.787**
- Net income for the period	-	-	-	-	-	**(114.978)**	**2.282**	-	-	-	**(112.696)**	**(3.850)**	**(116.546)**
Total comprehensive income	-	-	-	-	-	**(114.978)**	**2.282**	-	-	**378.436**	**265.740**	**4.501**	**270.241**
31 March 2018	**250.419**	**1.344.243**	**-**	**(2.211)**	**(1.150)**	**(1.256.825)**	**183.156**	**597.086**	**5.739.481**	**378.436**	**7.232.635**	**108.815**	**7.341.450**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH INTERIM PERIOD ENDED 31 MARCH 2018

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

		Unaudited	
	Notes	**1 January - 31 March 2018**	1 January - 31 March 2017
Cash flows from operating activities		**(618.947)**	872.904
Profit/(loss)		**386.787**	875.759
Adjustment for reconciliation of profit/(loss)		**630.756**	574.869
Adjustment for depreciation and amortisation expense	12, 13	**155.462**	142.377
Adjustments for stock impairment(cancelation)		**2.275**	5.877
Adjustments for stock impairment	8	**2.275**	5.877
Adjustment for provisions	17	**43.136**	35.491
Adjustment for interest (income) and expense	28	**104.756**	80.059
Adjustment for unrealized foreign currency translation differences	28	**(445.696)**	(67.870)
Adjustment for fair value (gain) or loss		**20.291**	3.605
Adjustment for income of investments accounted by equity method	10	**(58.586)**	(57.125)
Adjustment for tax expenses(income)	29	**85.023**	175.970
Adjustment for (gain) / loss on sales of property, plant and equipment	27	**6.383**	(926)
Adjustment for other items related with cash flow of investment or financial activities	28	**710.698**	247.285
Other adjustments for reconciliation of profit/(loss)		**7.014**	10.126
Changes in working capital		**(1.588.481)**	(513.568)
Adjustment for decrease/(increase) in trade receivables		**(475.677)**	(756.180)
Adjustment for decrease/(increase) in other receivables related with operations		**(104.595)**	(79.324)
Adjustment for decrease/(increase) in assets of derivative instruments		**(144.757)**	-
Adjustment for decrease/(increase) in inventories		**(1.427.550)**	(796.613)
Adjustment for increase/(decrease) in trade payables		**457.891**	920.510
Adjustment for increase/(decrease) in other payables related with operations		**138.260**	198.039
Adjustment for decrease/(increase) in liabilities of derivative instruments		**(32.053)**	-
Cash flows from operating activities		**(570.938)**	937.060
Tax returns/(payments)		**(21.892)**	(45.512)
Other cash inflow/(outflow)		**(26.117)**	(18.644)
Cash flows from investing activities		**(122.828)**	(104.787)
Cash inflows from the sales of property, plant and equipment and intangible assets		**552**	1.315
Cash outflows from the purchase of property plant and equipment and intangible assets		**(243.380)**	(176.102)
Dividends received	10	**120.000**	70.000
Cash flows from financing activities		**(1.844.636)**	423.963
Cash inflows from financial liabilities	5	**8.823.513**	14.097.037
Cash outflows from financial liabilities	5	**(8.874.590)**	(13.673.346)
Cash inflows from derivative instruments		**14.054**	-
Cash outflows from derivative instruments		**(68.767)**	-
Dividends paid		**(1.728.721)**	-
Interest paid		**(108.731)**	(99.868)
Interest received		**98.606**	100.140
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		**(2.586.411)**	1.192.080
Impact of foreign currency translation differences on cash and cash equivalents		**445.696**	67.870
Net increase/(decrease) in cash and cash equivalents		**(2.140.715)**	1.259.950
Cash and cash equivalents at beginning of period		**7.592.735**	5.022.402
Cash and cash equivalents at end of period	4	**5.452.020**	6.282.352

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

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

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

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

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

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

The Company is registered at the Capital Markets Board ("CMB") of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. ("BIST") since 1991. As at 31 March 2018, the shares quoted on the BIST are 49% of the total shares. As of 31 March 2018, 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 ("TRY") unless otherwise indicated.)

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

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

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

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

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

The total number of employees of the Group as at 31 March 2018 is 5.816 (31 December 2017 – 5.499).

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

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

In accordance with the Turkish Accounting Standard No: 34 Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

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

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

a. Standards, amendments and interpretations applicable as at 31 March 2018:

- TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and

  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.

- Amendment to TAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

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

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

a. Standards, amendments and interpretations applicable as at 31 March (Continued) :

- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

  - TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
  - TAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- **IFRIC 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2018:

- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

- TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 March 2018: (Continued)

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

- TFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

    - TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
    - TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
    - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
    - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

    - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and

    - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

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

2.1.3 Financial statements of joint ventures operating in foreign countries

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

2.1.4 Principles of consolidation

a) The condensed consolidated financial statements for the interim period ended 31 March 2018 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2017 and include financial statements of Tüpraş, and its Subsidiaries.

b) At 31 March 2018, 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 2017.

	31 March 2018		31 December2017	
	Direct and indirect voting rights possessed by the Company (%)	**Proportion of effective interest (%)**	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Subsidiary				
Ditaş	**79,98**	**79,98**	79,98	79,98
Üsküdar	**79,98**	**79,98**	79,98	79,98
Damla	**79,98**	**79,98**	79,98	79,98
Beykoz	**79,98**	**79,98**	79,98	79,98
Kadıköy	**79,98**	**79,98**	79,98	79,98
Sarıyer	**79,98**	**79,98**	79,98	79,98
Kartal	**79,98**	**79,98**	79,98	79,98
Maltepe	**79,98**	**79,98**	79,98	79,98
Salacak	**79,98**	**79,98**	79,98	79,98
Karşıyaka	**79,98**	**79,98**	79,98	79,98
Bakırköy	**79,98**	**79,98**	79,98	79,98
Karaköy	**79,98**	**79,98**	79,98	79,98
Çengelköy	**79,98**	**79,98**	79,98	79,98
Pendik	**79,98**	**79,98**	79,98	79,98
Tuzla	**79,98**	**79,98**	79,98	79,98
Körfez (*)	**100,00**	**100,00**	100,00	100,00

(*) Körfez has been included in the scope of consolidation in the condensed interim consolidated financial statements for the period ended 31 March 2018 (Note 9).

The statement of financial position and statement of comprehensive income of the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity. Intercompany transactions and balances between the Company and its subsidiary are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiary are eliminated from equity and income for the year, respectively.

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

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

2.1.4 Principles of consolidation (Continued)

c) Joint ventures are companies in which the Group has joint control. Joint control is the contractually agreed sharing of control. The control, exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's interest in joint ventures is accounted for with equity method. Investments accounted by equity method are presented in consolidated statement of financial position with additions or deductions of changes on share of the Group on net assets of the affiliate and with deduction of provisions for the decline in the value. The changes of the amount, not reflected on income or loss of the joint venture, on the equity of the joint venture can requisite an adjustment on the net book value of the joint venture in proportion of the Group's share.

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 31 March 2018 and 31 December 2017:

	31 March 2018		31 December 2017	
	Direct and indirect voting rights possessed by the Company (%)	**Proportion of effective interest (%)**	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Joint ventures accounted by equity method				
Opet	**50,00**	**40,00**	50,00	40,00
Opet International Limited (*)	**50,00**	**40,00**	50,00	40,00
Opet Trade B.V.(*)	**50,00**	**40,00**	50,00	40,00
Opet Trade Singapore (In liquidation) (*) (**)	**50,00**	**40,00**	50,00	40,00
THY Opet Havacılık Yakıtları A.Ş.(*)	**25,00**	**20,00**	25,00	20,00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	**25,00**	**20,00**	25,00	20,00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	**25,00**	**20,00**	25,00	20,00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	**16,65**	**13,32**	16,65	13,32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(*)	**12,50**	**10,00**	12,50	10,00
Opet Aygaz Gayrimenkul A.Ş.(*)	**25,00**	**20,00**	25,00	20,00

(*) Related companies are consolidated or accounted by equity method in Opet's financial statements.

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

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

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

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 March 2018 comparatively with the consolidated statement of financial position as of 31 December 2017. Also the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 31 March 2018 are presented comparatively with the consolidated financial statements for the interim period ended 31 March 2017.

2.2.2 Offsetting

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

2.2.3 Seasonality of operations

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

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 31 March 2018, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 31 March 2018 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended 31 December 2017. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2017.

3. Business Combinations

No business combinations occurred during the period 31 March 2018.

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

4. Cash and cash equivalents

	31 March 2018	31 December 2017
Cash at banks		
Revenue share (blocked)	**1.252.925**	1.198.211
Time deposit	**5.445.499**	7.568.764
Demand deposits	**6.521**	23.971
Time deposit interest accruals	**11.652**	11.123
Total	**6.716.597**	8.802.069

Revenue Share (blocked)

As required by the Petroleum Market License Regulation, the revenue share collected from the customers by the Group is held at banks and considered as blocked deposit in the Company’s books. The revenue share was invested as demand deposits with government debt securities interest rate and overnight interest rate as at 31 March 2018 and 31 December 2017 (Note 15).

Time deposits and other cash and cash equivalents

As at 31 March 2018 and 31 December 2017, the maturity and the currency information of the time deposits, is as follows:

31 March 2018

	Effective rate of interest %	**Less than 1 month**	**1 - 3 months**	**Total**
TRY	**11,26**	**15.173**	**-**	**15.173**
USD	**3,99**	**4.878.201**	**4.655**	**4.882.856**
EUR	**2,14**	**535.415**	**11.372**	**546.787**
GBP	**1,40**	**683**	**-**	**683**
Time deposit		**5.429.472**	**16.027**	**5.445.499**

31 December 2017

	Effective rate of interest %	Less than 1 month	1 - 3 months	Total
TRY	13,94	74.655	1.917	76.572
USD	4,37	6.944.727	17.917	6.962.644
EUR	2,13	499.531	29.463	528.994
GBP	1,40	554	-	554
Time deposit		7.519.467	49.297	7.568.764

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 31 March 2018 and 30 March 2017 are as follows:

	31 March 2018	31 March 2017
Cash and cash equivalents	**6.716.597**	7.339.917
Less: blocked deposits (revenue share)	**(1.252.925)**	(1.036.907)
Less: Time deposit interest accruals	**(11.652)**	(20.658)
Cash and cash equivalents	**5.452.020**	6.282.352

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

5. Financial liabilities

	31 March 2018	31 December 2017
Short-term financial liabilities:		
Short-term bank borrowings	**433.888**	340.875
Interest accruals of bank borrowings	**32**	-
Total	**433.920**	340.875
Short-term portion of long-term bank borrowings:		
Short-term portion of long-term bank borrowings	**2.947.729**	2.156.144
Bonds issued	**2.764.230**	2.640.330
Interest accruals of bank borrowings	**127.280**	93.429
Interest accruals of bonds issued	**104.213**	42.936
Total	**5.943.452**	4.932.839
Long-term financial liabilities:		
Long-term bank borrowings	**6.780.045**	7.136.940
Bonds issued	**2.764.230**	2.640.330
Total	**9.544.275**	9.777.270
Total financial liabilities	**15.921.647**	15.050.984

Tüpraş issued bonds to listed on London stock exchange and release of these bonds were realized on 12 October 2017. Total amount of these issued bonds 700 million USD, with a maturity of 7 years, coupon payment every 6 months and paying principal and coupon at the end of the maturity, with an annual interest rate of 4,125%.

As explained in material disclosure dated 17 March 2016, Tüpraş signed a long term loan facility agreement with a group of lenders, consisting of HSBC (Coordinator), ING (Facility Agent), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A, Intesa Sanpaolo and JPMorgan Chase Bank, N.A. London Branch, to meet the working capital requirements for forthcoming period and extent the weighted-average of debt maturities. The loans amounting to 157,5 million USD and 261,5 million EUR were utilized on 29 March 2016 and the loans have semi-annual interest payments, 5 year maturity with 3 years grace period.

Tüpraş issued bonds to foreign investors and release of these bonds were realized on 2 November 2012. Total amount of these issued bonds is USD700 million with an interest rate of 4,125% and maturity of 5.5 years.

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project ("RUP") and further to the agreements the loans amounting to USD 1.998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 31 March 2018 the outstanding amount of the loans is USD 1.241 million (31 December 2017 – USD 1.239 million).

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

5. Financial liabilities (Continued)

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 31 March 2018 and 31 December 2017 are as follows:

			31 March 2018
	Effective interest rate (%)	**Original currency**	**Thousand TRY**
Short-term financial liabilities:			
USD borrowings	**2,96**	**33.715.164**	**133.138**
TRY borrowings (*)	**16,50**	**300.750.074**	**300.750**
Interest accruals			**32**
Total short-term financial liabilities			**433.920**
Short-term portion of long-term financial liabilities:			
USD borrowings	**3,68**	**359.803.288**	**1.420.827**
USD bonds issued	**4,17**	**700.000.000**	**2.764.230**
EUR borrowings	**2,16**	**62.937.561**	**306.337**
TRY borrowings	**12,71**	**1.220.565.359**	**1.220.565**
			5.711.959
Interest accruals			**231.493**
Short-term portion of total long-term borrowings			**5.943.452**
Long-term financial liabilities:			
USD borrowings	**3,39**	**1.426.191.213**	**5.631.887**
USD bonds issued	**4,55**	**700.000.000**	**2.764.231**
EUR borrowings	**2,07**	**234.978.994**	**1.143.713**
TRY borrowings	**13,85**	**4.444.444**	**4.444**
			9.544.275
Interest accruals			**-**
Total long-term financial liabilities			**9.544.275**

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY 296.350 thousand as of 31 March 2018 (31 December 2017 - TRY 327.673 thousand).

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

5. Financial liabilities (Continued)

			31 December 2017
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
USD borrowings	1,45	3.500.000	13.202
TRY borrowings (*)	-	327.673.483	327.673
Interest accruals			-
Total short-term financial liabilities			340.875
Short-term portion of long-term financial liabilities:			
USD borrowings	3,58	316.227.073	1.192.776
USD bonds issued	4,17	700.000.000	2.640.330
EUR borrowings	3,26	9.220.636	41.636
TRY borrowings	12,48	921.732.026	921.732
			4.796.474
Interest accruals			136.365
Short-term portion of total long-term borrowings			4.932.839
Long-term financial liabilities:			
USD borrowings	3,38	1.460.677.340	5.509.529
USD bonds issued	4,55	700.000.000	2.640.330
EUR borrowings	2,06	291.146.521	1.314.672
TRY borrowings	13,43	312.738.562	312.739
			9.777.270
Interest accruals			-
Total long-term financial liabilities			9.777.270

As at 31 March 2018 and 31 December 2017, the redemption schedule of long-term bank borrowings is as follows:

	31 March 2018	31 December 2017
2019	**1.231.139**	1.867.259
2020	**1.779.963**	1.683.158
2021	**1.448.228**	1.373.304
2022	**1.007.575**	960.727
2023 and after	**4.077.370**	3.892.822
Total	**9.544.275**	9.777.270

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

5. Financial liabilities (Continued)

The movement of borrowings as of 31 March 2018 and 31 March 2017 is as follows:

	2018	2017
1 January	**15.050.984**	12.134.265
New financial borrowings	**8.823.513**	14.097.037
Principal payments	**(8.874.590)**	(13.673.346)
Changes in interest accruals	**95.159**	352.641
Changes in foreign exchange rates	**826.581**	86.039
31 March	**15.921.647**	12.996.636

6. Trade receivables and payables

Short-term trade receivables:

	31 March 2018	31 December 2017
Trade receivables	**3.778.065**	3.658.736
Due from related parties (Note 31)	**1.755.940**	1.399.601
Doubtful trade receivables	**3.096**	3.184
Other trade receivables	**25**	16
Less: Unearned credit finance income	**(38.679)**	(31.320)
Less: Provision for doubtful receivables	**(3.096)**	(3.184)
Total short-term trade receivables (net)	**5.495.351**	5.027.033

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

As at 31 March 2018, Tüpraş has offsetted TRY 1.063.978 thousand (31 December 2017 - TRY 860.788 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are renegotiated under four groups. The details of credit quality of such trade receivables as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Group 1	**17.057**	8.505
Group 2	**833.641**	762.329
Group 3	**4.541.656**	4.152.610
Group 4	**55.623**	65.184
Total	**5.447.977**	4.988.628

Group 1 - New customers (less than three months)
Group 2 - State owned enterprises
Group 3 - Existing customers with no payment defaults in previous periods (have been customers by more than three months)
Group 4 - Customers with previous record of collection delays but from which all receivables due are collected (Excluding Group 1 and 2)

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

6. Trade receivables and payables (Continued)

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

Aging of overdue receivables that are past due but not impaired as at 31 March 2018 and 31 December 2017 is as follows:

	31 March2018	31 December 2017
Up to 3 months	**45.842**	37.224
3 to 12 months	**1.532**	1.181
Total	**47.374**	38.405

The Group has guarantees received amounting to TRY 30.287 (31 December 2017 – TRY 28.587) for trade receivables overdue but not impaired. Major part of receivables without guarantees are from government entities which regularly made sales, any collection risk is not projected.

Movement of the provision for doubtful receivables for the years ended 31 March 2018 and 2017 is as follows:

	2018	2017
1 January	**3.184**	2.676
Charge for the period	**-**	-
Payments during the period	**(88)**	-
31 March	**3.096**	2.676

Short-term trade payables:

	31 March 2018	31 December 2017
Trade payables	**8.609.986**	8.106.081
Due to related parties (Note 31)	**69.442**	115.456
Less:Unrealised credit finance charges	**(18.092)**	(8.371)
Total (net)	**8.661.336**	8.213.166

Tüpraş discounts the short-term trade payables by using six months libor rates.

7. Other receivables and payables

Other short-term receivables:

	31 March 2018	31 December 2017
Advances and guarantees given	**76.291**	66.887
Receivable from personnel	**9.419**	9.141
Receivable from insurance recoveries	**9.998**	8.239
Other doubtful receivables	**355**	360
Less: Provision for other doubtful receivables	**(355)**	(360)
Total	**95.708**	84.267

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

8. Inventories

	31 March 2018	31 December 2017
Raw materials and supplies	**2.121.642**	1.901.787
Work-in-progress	**1.198.261**	1.278.257
Finished goods	**1.679.637**	1.401.057
Trade goods	**209.443**	195.767
Goods in transit	**1.479.146**	487.155
Other	**31.757**	28.313
	6.719.886	5.292.336
Less: Provision for impairment in inventories	**(3.521)**	(1.246)
Total	**6.716.365**	5.291.090

Movement of the provision for inventories for the periods ended 31 March 2018 and 2017 is as follows:

	2018	2017
1 January	**1.246**	-
Charge for the period	**3.521**	5.877
Cancellations within the period	**(1.246)**	-
31 March	**3.521**	5.877

9. Financial Investments

	31 March 2018		31 December 2017	
	Participation share (%)	**Amount**	Participation share (%)	Amount
Körfez Ulaştırma A.Ş.	**-**	**-**	100,00	9.000
		-		9.000

Körfez has been included in the scope of consolidation in the condensed interim consolidated financial statements for the period ended 31 March 2018.

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

10. Investments accounted for using the equity method

	31 March 2018		31 December 2017	
	Participation share (%)	**Amount**	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	**40,00**	**1.075.232**	40,00	1.134.364
		1.075.232		1.134.364

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

The movement in the investments accounted for using the equity method during the period ended 31 March 2018 and 2017 is as follows:

	2018	2017
1 January	**1.134.364**	923.994
Investments accounted for using the equity method;		
Shares in current year profit	**58.586**	57.125
Dividend payment	**(120.000)**	(70.000)
Currency translation differences	**2.282**	1.186
31 March	**1.075.232**	912.305

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

	31 March 2018	31 December 2017
Current assets	**4.700.791**	3.783.607
Non-current assets	**2.696.029**	2.662.261
Total assets	**7.396.820**	6.445.868
Short term liabilities	**3.776.955**	2.724.380
Long term liabilities	**1.404.468**	1.358.260
Equity	**2.215.397**	2.363.228
Total liabilities	**7.396.820**	6.445.868

	1 January - 31 March 2018	1 January - 31 March 2017
Sales (net)	**8.284.196**	5.897.516
Gross profit	**408.343**	338.928
Operating profit	**198.070**	165.501
Net income for period	**146.464**	142.813

11. Investment property

As of 31 March 2018, investment property represents the land amounting to TRY 4.621 thousand (31 December 2017 - TRY 4.621 thousand). The fair value of the investment property has been determined as TRY 38.117 thousand as a result of fair value assessments (31 December 2017 – TRY 38.117 thousand).

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

12. Property, plant and equipment

The movements of property, plant and equipment and related accumulated amortisation for the period ended 31 March 2018 and 2017 is as follows:

	1 January 2018	**Additions**	**Transfers**	**Disposals**	**31 March 2018**
Cost:					
Land	**48.814**	**-**	**17.700**	**-**	**66.514**
Land improvements	**3.645.079**	**-**	**1.066**	**(3)**	**3.646.142**
Buildings	**771.147**	**-**	**-**	**-**	**771.147**
Machinery and equipment	**12.001.323**	**77**	**2.356**	**(12.430)**	**11.991.326**
Motor vehicles	**1.221.669**	**7.294**	**162**	**-**	**1.229.125**
Furniture and fixtures	**134.130**	**222**	**568**	**(189)**	**134.731**
Construction in progress	**500.802**	**132.452**	**(24.280)**	**-**	**608.974**
Other tangible assets	**2.614**	**112**	**-**	**-**	**2.726**
	18.325.578	**140.157**	**(2.428)**	**(12.622)**	**18.450.685**
Accumulated depreciation:					
Land improvements	**(1.304.166)**	**(38.020)**	**-**	**3**	**(1.342.183)**
Building	**(193.944)**	**(4.087)**	**-**	**-**	**(198.031)**
Machinery and equipment	**(4.235.088)**	**(90.491)**	**-**	**5.506**	**(4.320.073)**
Motor vehicles	**(206.631)**	**(12.984)**	**-**	**1**	**(219.614)**
Furniture and fixtures	**(80.869)**	**(4.598)**	**-**	**177**	**(85.290)**
Other tangible assets	**(1.443)**	**(70)**	**-**	**-**	**(1.513)**
	(6.022.141)	**(150.250)**	**-**	**5.687**	**(6.166.704)**
Net book value	**12.303.437**				**12.283.981**

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

Total depreciation expense amounting to TRY 150.250 thousand (31 March 2017 - TRY 137.792 thousand) in the consolidated statement of comprehensive income for the period ended 31 March 2018 has been allocated to cost of goods sold amounting to TRY 142.432 thousand (31 March 2017 - TRY 131.172 thousand), to marketing, sales and distribution expenses amounting to TRY 1 thousand (31 March 2017 - TRY 1 thousand), to general administration expenses amounting to TRY 7.817 thousand (31 March 2017 - TRY 6.619 thousand).

As of 31 March 2018, there are no mortgage on property, plant and equipment (31 December 2017 - None).

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

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 31 March 2018 is as follows:

	1 January 2018	**Additions**	**Transfers**	**Disposals**	**31 March 2018**
Cost:					
Rights and software	**81.464**	**-**	**15**	**-**	**81.479**
Development expenses	**80.039**	**-**	**2.413**	**-**	**82.452**
	161.503	**-**	**2.428**	**-**	**163.931**
Accumulated amortisation:					
Rights and software	**(43.060)**	**(2.531)**	**-**	**-**	**(45.591)**
Development expenses	**(53.256)**	**(2.681)**	**-**	**-**	**(55.937)**
	(96.316)	**(5.212)**	**-**	**-**	**(101.528)**
Net book value	**65.187**				**62.403**

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

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

Total amortisation expenses amounting to TRY 5.212 thousand (31 March 2017 - TRY 4.585 thousand) in the consolidated statement of comprehensive income for the period ended 31 March 2018 completely have been allocated to the general administration expenses (31 March 2017 – TRY 4.582 thousand in general administration expenses, TRY 3 thousand in cost of goods sold).

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

14. Prepaid expenses

Short term prepaid expenses:

	31 March 2018	31 December 2017
Insurance and other expenses	**31.251**	49.102
Advances given	**13.755**	13.295
Total	**45.006**	62.397

Long term prepaid expenses:

	31 March 2018	31 December 2017
Advances given to related parties for property, plant and equipment (Note 31)	**170.598**	69.191
Advances given to third parties for property, plant and equipment	**30.229**	28.413
Prepaid other expenses	**1.476**	1.672
Total	**202.303**	99.276

15. Other assets and liabilities

Other current assets:

	31 March 2018	31 December 2017
Deferred Value Added Tax ("VAT")	**503.239**	423.200
Taxes and funds to be offsetted	**101.999**	85.251
Deferred Special Consumption Tax ("SCT")	**89.234**	91.647
Spare parts and material stocks	**52.346**	57.566
Income accruals	**20.738**	37.675
Other current assets	**12.483**	56.920
Total	**780.039**	752.259

Other non-current assets:

	31 March 2018	31 December 2017
Spare parts and materials	**1.112.450**	1.030.649
Other	**2.306**	1.146
Provision for spare parts and materials	**(19.156)**	(19.156)
Total	**1.095.600**	1.012.639

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

15. Other assets and liabilities (Continued)

Other short-term liabilities:

	31 March 2018	31 December 2017
SCT payable	**1.580.709**	1.397.584
Revenue share	**1.258.025**	1.202.668
Deferred VAT	**503.239**	423.200
VAT payable	**482.897**	145.109
Expense accrual on commodity hedge	**-**	383.058
Deferred SCT	**89.234**	91.647
Other taxes and liabilities	**42.465**	53.741
Other	**21.106**	26.367
Total	**3.977.675**	3.723.374

As of 31 December 2017, expense accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk (swap transactions and zero-cost transactions). Weighted average price of outstanding commodity derivatives transactions is USD 54,53/barrel for 5.700 thousand crude oil barrel. Weighted average buying price of zero cost derivatives transactions is USD 50,60 /barrel for 5.700 thousand crude oil barrel inventory, weighted average selling price of zero cost derivatives transactions is USD 55,78 /barrel. The expense accruals recognition made as of 31 December 2017 is recognized under cost of goods sold and paid as of 8 January 2018.

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.

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 TRY 1.258.025 thousand accumulated as at 31 March 2018 (31 December 2017 – TRY 1.202.668 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TRY 1.252.925 thousand that is (31 December 2017 - TRY 1.198.211 thousand) blocked in banks as demand deposits with government debt securities interest rate and overnight interest rate related to the calculated revenue share has been classified as Revenue share "Blocked" within "Cash and cash equivalents" (Note 4).

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

15. Other assets and liabilities (Continued)

Other long-term liabilities:

	31 March 2018	31 December 2017
Participation share	**1.114**	1.169
Total	**1.114**	1.169

16. Deferred income

Short-term deferred income:

	31 March 2018	31 December 2017
Advances taken	**1.745**	18.479
Deferred income	**1.949**	1.949
Total	**3.694**	20.428

Long-term deferred income:

	31 March 2018	31 December 2017
Deferred income	**3.951**	4.112
Total	**3.951**	4.112

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	31 March 2018	31 December 2017
Seniority incentive bonus provision	**7.206**	8.024
Personnel bonus accruals	**19.482**	4.605
Total	**26.688**	12.629

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

17. Provisions (Continued)

Long term employee benefits:

	31 March 2018	31 December 2017
Provision for employment termination benefits	**159.439**	167.907
Provision for unused vacation	**53.678**	50.655
Seniority incentive bonus provision	**6.650**	5.172
Total	**219.767**	223.734

Seniority incentive bonus provision:

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

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

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

	2018	2017
1 January	**13.196**	13.161
Charge for the period	**3.126**	1.585
Payments during the period	**(2.466)**	(1.398)
31 March	**13.856**	13.348

Provision for employment termination benefits:

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

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

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

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

17. Provisions (Continued)

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

	31 March 2018	31 December 2017
Discount rate (%)	**4,95%**	4,95%
Turnover rate to estimate probability of retirement (%)	**99,46%**	99,46%

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 5,001.76 which is effective as at 1 January 2018, has been taken into consideration in calculating the provision for employment termination benefits of the joint ventures of the Group, which are registered In Turkey
(31 December 2017: TRY 5,001.76).

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

	2018	2017
1 January	**167.907**	159.190
Interest expense	**4.941**	4.286
Increase during the period	**1.995**	4.934
Payments during the period	**(15.404)**	(13.963)
31 March	**159.439**	154.447

Provision for unused vacation:

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

	2018	2017
1 January	**50.655**	44.137
Charge for the period	**6.261**	3.474
Payments during the period	**(3.238)**	(3.283)
31 March	**53.678**	44.328

Other short term provisions:

	31 March 2018	31 December 2017
Provisions for pending claims and law suits	**17.541**	16.209
EMRA participation share	**29.628**	23.823
Provision for demurrage	**8.881**	11.484
Other	**43.050**	25.779
Total	**99.100**	77.295

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

17. Provisions (Continued)

Movement of the short-term provisions for the period ended 31 March 2018 and 2017 are as follow:

	Provision for pending claims and lawsuits	**EMRA participation share**	**Provision for demurrage**	**Other**	**Total**
1 January 2018	**16.209**	**23.823**	**11.484**	**25.779**	**77.295**
Charges for the period, net	**1.589**	**9.548**	**(1.595)**	**17.271**	**25.805**
Payments during the period	**(257)**	**(3.743)**	**(1.008)**	**-**	**(4.000)**
31 March 2018	**17.541**	**29.628**	**8.881**	**43.050**	**99.100**

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Other	Total
1 January 2017	12.523	20.159	13.787	5.016	51.485
Charges for the period, net	-	5.220	3.873	12.119	21.212
Payments during the period	-	-	-	-	-
31 March 2017	12.523	25.379	17.660	17.135	72.697

EMRA participation share is the participation fee that is paid by the refinery license owners in accordance with the Petroleum Market License Regulation, calculated by multiplying net sales with the participation share rate determined by EMRA.

18. Liabilities for employee benefits

	31 March 2018	31 December 2017
Due to the personnel	**41.471**	80.315
Social security withholdings payment	**39.818**	39.518
Total	**81.289**	119.833

19. Other payables

	31 March 2018	31 December 2017
Dividend payables to related parties (Note 31)	**8.616**	-
Dividend payables to third parties	**1.669.115**	-
Deposits and guarantees received	**16.087**	13.334
Other payables to related parties (Note 31)	**-**	23.463
Total	**1.693.818**	36.797

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

20. Derivative instruments

				31 March 2018				31 December 2017
				Fair values				Fair values
	Purchase contract amount	**Sale contract amount**	**Assets**	**Liabilities**	Purchase contract amount	Sale contract amount	Assets	Liabilities
Cash flow hedge								
Interest rate swap	**345.084**	**345.084**	**7.990**	**646**	328.432	328.432	2.660	690
Cross currency swap	**874.222**	**526.033**	**365.350**	**5.289**	835.180	525.210	339.982	2.206
Commodity derivative	**1.165.748**	**1.165.748**	**1.883**	**114.131**				
Derivatives held for trading								
Currency forwards	**4.211.741**	**4.169.216**	**83.743**	**11.559**	3.264.742	3.330.804	1.137	39.295
Commodity derivative	**1.067.438**	**1.067.438**	**3.140**	**11.773**	1.229.941	1.361.757	3.130	134.946
Short term derivative financial instruments			**462.106**	**143.398**			346.909	177.137
Cash flow hedge								
Interest rate swap	**1.628.425**	**1.628.425**	**25.615**	**590**	1.562.179	1.562.179	9.421	777
Cross currency swap	**327.249**	**223.633**	**104.505**	**4.460**	331.155	238.586	91.139	2.587
Long term derivative financial instruments			**130.120**	**5.050**			100.560	3.364
Total			**592.226**	**148.448**			447.469	180.501

As of 31 March 2018, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY 3.866.756 thousand in exchange of USD 991.000 thousand, a purchase obligation of TRY 591.535 thousand in exchange of USD 150.000 and a sales obligation of TRY 893.995 thousand in exchange of EUR 183.000 thousand. (As of 31 December 2017, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY 2.600.333 thousand in exchange of USD 674.000 thousand.)

As of 31 March 2018, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD 458.824 thousand (31 December 2017: USD 458.824 thousand) and Ditaş's long term borrowings amounting to EUR 33.214 thousand (31 December 2017: EUR 35.428) with fixed rate instalment payments for cash flow hedging.

20. Derivative instruments (Continued)

As of 31 March 2018, cross currency swap transactions consist of swap transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD 200.000 thousand belonging to Tüpraş with TRY currency indexed, fixed interest payments amounting to TRY 463.875 thousand (31 December 2017:
USD 200.000 thousand), swap transaction of long-term borrowings with floating interest rate amounting to USD 70.588 thousand (31 December 2017 USD 70.588 thousand) belonging to Tüpraş with payments of fixed interest rate amounting to TRY 163.765 thousand, swap transactions of foreign currency indexed long term borrowings belonging to Ditaş amounting to EUR 15.500 thousand (31 December 2017 USD 17.714 thousand) with TRY currency indexed, fixed interest payments amounting to TRY 57.503 thousand (31 December 2017 - 65.717 bin TL) and swap transaction of TRY 65.717 thousand (31 December 2017 - TRY 65.717 thousand) fixed interest payments with total of USD16.340 thousand (31 December 2017 – USD 18.674 thousand) with foreign currency indexed fixed interest payments.

Commodity purchase and sales transactions consist of product crack fixing transactions, swap transactions and zero cost collar transactions as of 31 March 2018. Future product crack fixing transactions have been made for the second quarter of 2018 as gasoline stocks of 1.230 thousand barrels, jet stocks of 4.308 thousand barrel and diesel stocks of 4.740 thousand barrel, for the third quarter of 2018 as gasoline stocks of 300 thousand, jet stocks of 3.810 thousand and diesel stocks of 5.022 thousand and for the forth quarter of 2018 as gasoline stocks of 300 thousand, jet stocks of 2.190 thousand and diesel stocks of 2.850 thousand. The weighted average fixation margin of these transactions are USD 10,67, 11,57 and 12,40 per barrel, respectively. Swap transactions have been made for 1.800 thousand barrels of crude oil and weighted average fixation margin of these transactions in USD is 64,34 per barrel. Zero cost collar transaction is made for total of 1.200 thousand barrels of crude oil where weighted average purchase price is 62,75 USD/barrel and weighted average sales price is 66,00 USD/barrel. Commodity purchase and sales transactions consist of product crack fixing transactions and swap transactions as of 31 December 2017. Future product crack fixing transactions have been made for the first quarter of 2018 as gasoline stocks of 510 thousand barrels, jet stocks of 3.255 thousand barrel and diesel stocks of 5.250 thousand barrel, for the second quarter of 2018 as gasoline stocks of 1.125 thousand, jet stocks of 3.330 thousand and diesel stocks of 3.300 thousand and for the third quarter of 2018 as jet stocks of 3.810 thousand and diesel stocks of 5.022 thousand. The weighted average fixation margin of these transactions are USD 10,99, 11,09 and 11,73 per barrel, respectively. Swap transactions have been made for hedging of price risk between purchase and sell periods by the amount 1.029 thousand barrels of crude oil cargo.

21. Government grants

On 2 August 2010, the Company has obtained the Certificate of Research and Development Center. As a result of the implementation of Technology and Innovation Support Programs Administration Project ("TEYDEB") and the existence of the Certificate of Research and Development Center, the Company has benefited from a number of government incentives including research and development expense deduction, income tax stoppage incentive, social security premium support and stamp tax exemption in accordance with Law, no 5746, Supporting Research and Development Activities. . In this context, as of 31 March 2018, the Company's total R&D expenditures amounting to TRY 1.252 thousand (31 March 2017 - TRY 3.903 thousand) were recorded as incentive income.

In the first quarter of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a Large-Scaled Investment Incentive Certificate for Residuum Upgrading Project (RUP). Investment expenditures made within the scope of this certificate are subject to 30% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 50%. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey which became applicable after 19 October 2012. Expenditures made within the scope of Strategic Investment Incentive Certificate are subject to 50% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 90%.

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

21. Government grants (Continued)

On May 29, 2012, the Company received investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for storage and warehouse services of Kırıkkale Refinery project. Support elements of this investment is to benefit from are, VAT exemption and customs tax exemption.

The Company received investment incentive on July 24, 2015 from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of Izmir Refinery Project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (50%), rate of contribution to investment (15%) and customs tax exemption.

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

On June 13, 2014, the Company received 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%), interest incentive and customs tax exemption.

On December 14, 2016, the Company received investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of Izmir Refinery project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (50%), rate of contribution to investment (15%) and customs tax exemption.

On June 26, 2013, the Company received investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for the purchase of wagons to be used for intercity freight transport by railway. Support elements of this investment is to benefit from are, VAT exemption, interest incentive, customs tax exemption, tax discount rate (80%), rate of contribution to investment (40%), insurance premium employer support (7 years).

The Group has benefited from SGK support for insurance premium employer sentiment.

As of 31 March 2018 and 2017, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	31 March 2018	31 March 2017
Social security withholdings incentives	**11.137**	8.226
Research and development incentives	**1.252**	3.903
Interest incentive	**-**	171
Total	**12.389**	12.300

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

22. Commitments and contıngent assets and liabilities

		31 March 2018		31 December 2017
Guarantees received:	**Original currency:**	**TRY Amount:**	Original currency:	TRY Amount:
Letter of guarantees received		**1.027.542**		1.143.144
- Letter of guarantees in TRY	***611.894***	***611.894***	*744.646*	*744.646*
- Letter of guarantees in USD	***79.238***	***312.903***	*80.221*	*302.585*
- Letter of guarantees in EUR	***20.231***	***98.469***	*20.368*	*91.973*
- Letter of guarantees in other currencies	**-**	***4.276***	-	*3.940*
Guarantee notes received		**2.205**		2.205
- Guarantee notes in TRY	***2.205***	***2.205***	*2.205*	*2.205*
Guarantee letters received		**247.445**		238.595
- Guarantee letters received in TRY	***50.000***	***50.000***	*50.000*	*50.000*
- Guarantee letters received in USD	***50.000***	***197.445***	*50.000*	*188.595*
Direct debiting limits		**265.332**		266.748
- TRY direct debiting limits	***265.332***	***265.332***	*266.748*	*266.748*
Letter of credits received		**90.035**		-
- Letter of credits in USD	***22.800***	***90.035***	-	-
Total guarantees received		**1.542.524**		1.650.692
Guarantees given:				
Letter of credits given		**315.449**		313.853
- Letter of credits in USD	***77.822***	***307.310***	*78.125*	*294.679*
- Letter of credits in EUR	***1.624***	***7.904***	*4.165*	*18.807*
- Letter of credits in other currencies	**-**	***235***	-	*367*
Letter of guarantees given		**797.034**		757.673
- Letter of guarantees in TRY	***717.266***	***717.266***	*681.480*	*681.480*
- Letter of guarantees in USD	***20.200***	***79.768***	*20.200*	*76.193*
Letters of guarantee given to customs offices		**1.644.781**		1.644.077
- Letter of guarantees in TRY	***1.644.781***	***1.644.781***	*1.635.046*	*1.635.046*
- Letter of guarantees in EUR	**-**	**-**	*2.000*	*9.031*
Letters of guarantee given to banks		**736.457**		667.986
- Letter of guarantees in USD	***129.535***	***511.521***	*119.120*	*449.309*
- Letter of guarantees in EUR	***46.214***	***224.936***	*48.428*	*218.677*
Total guarantees given		**3.493.721**		3.383.589

As at 31 March 2018 and 31 December 2017, letter of guarantees received are composed of guarantees from customers and suppliers. Guarantees given are mainly composed of guarantees given to government entities and customs offices. As at 31 March 2018, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY 691.678 thousand (31 December 2017- TRY 626.443 thousand) and for derivative financial instruments amounting to TRY 44.779 thousand
(31 December 2017 – TRY 41.543 thousand).

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

22. Commitments and contıngent assets and liabilities (Continued)

Collaterals, pledges, mortgages given by the Group as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
A. CPMs given for companies in the name of its own legal personality	**2.757.264**	2.715.603
- TRY	***2.362.047***	*2.316.526*
- USD	***387.078***	*370.872*
- EUR	***7.904***	*27.838*
- Other	***235***	*367*
B. CPMs given on behalf of the fully consolidated companies	**736.457**	667.986
- USD	***511.521***	*449.309*
- EUR	***224.936***	*218.677*
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
Total	**3.493.721**	3.383.589

23. Equity

The Company's shareholders and their shareholding percentages as at 31 March 2018 and 31 December 2017 are as follows:

	31 March 2018	**Share (%)**	31 December 2017	Share (%)
Enerji Yatırımları A.Ş.	**127.714**	**51**	127.714	51
Publicly owned	**122.705**	**49**	122.705	49
Total	**250.419**	**100**	250.419	100
Adjustment to share capital	**1.344.243**		1.344.243	
Total paid-in capital	**1.594.662**		1.594.662	

Adjustment to share capital represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the Turkish Financial Reporting Standards.

Registered capital of the Company is TRY 500.000 thousand and is divided into 50.000.000.000 shares with a registered nominal value of 1 Kuruş ("Kr") (31 December 2017 - 1 Kr) each. The authorised and paid-in share capital of the Company comprises 25.041.919.999 Group A shares with a registered nominal value of Kr 1 and one Group C share with privileges belonging to the Privatisation Administration.

23. Equity (Continued)

As per the articles of association of the Company, one member of the Board of Directors should be nominated by the Group C shareholders. Board of Directors' decisions on the supply needs of petroleum products of the Turkish military forces requires the consent of the member representing the Group C shareholders.

Retained earnings, as per the statutory financial statements other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below.

Restricted reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset loss and are not available for any other usage unless the reserve exceeds 50% of paid-in share capital.

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under "Restricted Reserves". At 31 March 2018, the restricted reserves of the Company amount to TRY 597.086 thousand (31 December 2017 - TRY 279.668 thousand).

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

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

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

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TRY 2.432.698 thousand as at 31 March 2018. This amount includes inflation adjustment differences of the equity accounts amounting to TRY 1.698.998 thousand and other reserves amounting to TRY 11.092 thousand which are subject to corporate taxation when distributed as dividends.

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

23. Equity (Continued)

In the period ended as of 31 March 2018, the Company committed to make dividend payment in cash amounting to TRY 3.406.452 thousand which is the total amount remained after first and second composition legal reserves deducted from 2017 distributable net profit of the period and a portion of second composition legal reserves. The Company paid a cash dividend at the rate of 1.360,3% which corresponds to TRY 13,603 gross and TRY 13,.603 net cash dividend for the shares with a nominal value of TRY 1,00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company committed to make dividend payment a cash dividend at the rate of 1.360,3%, which corresponds to TRY 13,613 gross and TRY 11,56255 net cash dividend for the shares with a nominal value of TRY 1,00 to other shareholders, the amount TRY 1.728.721 has been paid as of 29 March 2018, TRY 1.677.731 has been paid as of 2 April 2018.

In the period ended as of 31 December 2017, the Company committed to make dividend payment in cash amounting to TRY 1,557,107 thousand which is the total amount remained after first and second composition legal reserves deducted from 2016 distributable net profit of the period and a portion of second composition legal reserves. The Company paid a cash dividend at the rate of 621.8% which corresponds to TRY 6,218 gross and TRY 6,218 net cash dividend for the shares with a nominal value of TRY1.00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 621.8%, which corresponds to TRY6,218 gross and TRY5,2853 net cash dividend for the shares with a nominal value of TRY 1.00 to other shareholders.

24. Revenue and cost of sales

	1 January - 31 March 2018	1 January - 31 March 2017
Domestic revenue	**11.476.562**	8.778.050
Export revenue	**2.167.875**	3.761.267
Gross revenue	**13.644.437**	12.539.317
Less: Sales discounts	**(213.619)**	(157.871)
Less: Sales returns	**(9.410)**	(11.807)
Sales (net)	**13.421.408**	12.369.639
Cost of goods sold	**(12.352.218)**	(10.761.171)
Gross profit	**1.069.190**	1.608.468

Cost of sales:

	1 January - 31 March 2018	1 January - 31 March 2017
Raw materials	**11.559.743**	9.945.895
Energy expenses	**292.169**	273.744
Personnel expenses	**178.527**	147.527
Depreciation and amortization (Note 12-13)	**142.432**	131.175
Other production expenses	**179.347**	262.830
Cost of sales	**12.352.218**	10.761.171

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

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

General administrative expenses:

	1 January - 31 March 2018	1 January - 31 March 2017
Personnel expenses	**86.785**	81.567
Insurance expenses	**21.918**	18.822
Taxes and duties	**20.900**	16.102
Outsourced services	**15.566**	14.766
Depreciation and amortization (Note 12-13)	**13.029**	11.201
Office expenses	**6.565**	6.864
Subscription fees	**6.362**	5.562
Donations	**5.743**	116
Lawsuit and consultancy expenses	**3.984**	5.328
Rent expenses	**3.532**	2.529
Transportation and travel expenses	**1.365**	820
Other	**10.137**	15.187
Total general administrative expenses	**195.886**	178.864

Marketing expenses:

	1 January - 31 March 2018	1 January - 31 March2017
Personnel expenses	**27.568**	20.847
Outsourced services	**19.891**	16.159
Carriage, storage and insurance expenses	**5.792**	6.570
Rent expenses	**2.966**	2.522
Energy expenses	**2.664**	2.702
Advertising expenses	**324**	276
Depreciation and amortization (Note 12)	**1**	1
Other	**7.959**	6.740
Total marketing expenses	**67.165**	55.817

Research and development expenses:

	1 January - 31 March 2018	1 January - 31 March 2017
Personnel expenses	**3.597**	3.772
Outsourced services	**193**	122
Lawsuit and consultancy expenses	**34**	25
Other	**1.086**	898
Total research and development expenses	**4.910**	4.817

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

26. Other operating income/(expenses)

Other operating income:	**1 January - 31 March 2018**	1 January - 31 March 2017
Credit finance gains	**74.009**	43.442
Foreign exchange gain from trade receivables	**6.119**	-
Rent expenses	**1.665**	1.058
Other	**24.247**	10.732
Total other operating income	**106.040**	55.232

Other operating expense:	**1 January - 31 March 2018**	1 January - 31 March 2017
Credit finance loss	**(187.881)**	(80.538)
Foreign exchange loss from trade payables	**(21.023)**	(22.139)
Foreign exchange loss from trade receivables	**-**	(4.210)
Other	**(8.177)**	(5.246)
Total other operating expense	**(217.081)**	(112.133)

27. Income/(expense) from investment activities

	1 January - 31 March 2018	1 January - 31 March 2017
Gain/(loss) on sales of property plant and equipment and intangible assets	**(6.383)**	926
Total income/(expense) from investment activities	**(6.383)**	926

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

28. Financial income/(expenses)

	1 January - 31 March 2018	1 January - 31 March 2017
Financial income:		
Foreign exchange gains on deposits	**445.696**	67.870
Interest income on deposits	**99.135**	94.491
Foreign exchange gains on derivative instruments	**108.985**	-
Total financial income	**653.816**	162.361
Financial expense:		
Foreign exchange losses on borrowings	**(710.698)**	(247.285)
Interest expenses	**(203.891)**	(174.550)
Foreign exchange losses on derivative instruments	**(8.528)**	(58.907)
Other	**(1.280)**	(10)
Total financial expense	**(924.397)**	(480.752)

29. Tax assets and liabilities

i) Corporation tax:

	31 March 2018	31 December 2017
Current period corporate tax provision	**5.118**	464.902
Prepaid taxes	**(596)**	(443.606)
Current income tax liabilities	**4.522**	21.296

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 2018 is 22 % (2017 - 20%). Corporation tax is payable at a rate of 22% 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 ("TRY") unless otherwise indicated.)

29. Tax assets and liabilities (Continued)

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 31 March 2018 and 31 December 2017 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax	
	31 March 2018	31 December 2017	**31 March 2018**	31 December 2017
Fair value difference of derivative instruments	**441.064**	257.527	**(97.034)**	(56.656)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	**-**	57.569	**-**	(12.665)
Prepaid expenses	**67.183**	72.886	**(14.780)**	(16.035)
Deferred tax liability			**(111.814)**	(85.356)
Investment incentive income	**8.598.952**	8.598.952	**3.063.637**	3.096.940
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	**26.499**	-	**5.697**	-
Employment termination benefits and seniority incentive bonus provision	**159.735**	166.459	**35.142**	36.621
Provision for unused vacation liability	**46.396**	43.425	**10.207**	9.554
Provisions for pending claims and lawsuits	**16.682**	15.227	**3.670**	3.350
Provisions for inventories	**3.521**	1.246	**775**	274
Deferred financial income, (net)	**20.588**	22.949	**4.529**	5.049
Other	**32.848**	6.543	**7.224**	1.439
Deferred tax assets			**3.130.881**	3.153.227
Deferred tax asset, net			**3.019.067**	3.067.871

In the first quarter of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a Large-Scaled Investment Incentive Certificate for Residuum Upgrading Project (RUP). Investment expenditures made within the scope of this certificate are subject to 30% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 50%. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey which became applicable after 19 October 2012. Expenditures made within the scope of Strategic Investment Incentive Certificate are subject to 50% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 90%. The company has performed the revaluation of the unutilized investment incentives for both certificates by using the 9,70% revaluation rate, which was announced for the second provisional tax period of 2017 by the Ministry of Finance. In addition to the government contribution within the scope of Strategic Investment Incentive, the Company benefits from VAT exemption, VAT refund, customs duty exemption, incentive for employer share of insurance premium and interest incentive from this certificate.

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

29. Tax assets and liabilities (Continued)

The movement of deferred taxes is as follows:

	2018	2017
Deferred tax asset/(liability), net		
1 January	**3.067.871**	3.227.031
Charge for the period	**(79.905)**	(63.702)
Charge to equity:		
- Hedging cash flow gains/(losses)	**31.101**	18.240
31 March	**3.019.067**	3.181.569

30. Earnings per share

	1 January - 31 March 2018	1 January - 31 March 2017
Profit for the year attributable to shareholders of the Company	**378.436**	868.824
Weighted average number of shares with nominal value of Kr1 each	**25.041.920.000**	25.041.920.000
Basic and diluted earnings per share in Kr	**1,51**	3,47

31. Related party transactions

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

(1) Joint venture
(2) Koç Holding group companies
(2) Parent, ultimate parent

a) Deposits:

	31 March 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş. (2)	**3.242.533**	4.899.946
Total	**3.242.533**	4.899.946

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

31. Related party transactions (Continued)

b) Due from related parties:

	31 March 2018	31 December 2017
Opet Petrolcülük A.Ş. (1)	**1.164.273**	899.946
THY OPET Havacılık Yakıtları A.Ş. (1)	**467.085**	404.959
Aygaz A.Ş. (2)	**114.153**	88.381
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**10.369**	6.305
Other (2)	**60**	10
Total	**1.755.940**	1.399.601

As of 31 March 2018, Tüpraş has offset TRY 125.000 thousand (31 December 2017 – TRY 100.000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

c) Trade payables:

	31 March 2018	31 December 2017
Opet International Limited (1)	**28.729**	39.259
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**12.371**	14.066
Aygaz A.Ş. (2)	**9.525**	12.785
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**6.071**	13.881
Opet Petrolcülük A.Ş. (1)	**4.434**	8.630
THY OPET Havacılık Yakıtları A.Ş. (1)	**2.631**	4.923
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	**1.536**	3.635
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**1.246**	1.150
Setur Servis Turistik A.Ş. (2)	**122**	1.614
Ark İnşaat A.Ş. (2)	**3**	9.023
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	**-**	835
Other (2)	**2.774**	5.655
Total	**69.442**	115.456

d) Other payables:

	31 March 2018	31 December 2017
Enerji Yatırımları A.Ş. (3)	**8.616**	-
Koç Holding A.Ş. (3)	**-**	23.463
Total	**8.616**	**23.463**

e) Advances given for property, plant and equipment:

	31 March 2018	31 December 2017
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	**166.338**	67.076
Ark İnşaat A.Ş. (2)	**4.260**	2.115
Total	**170.598**	69.191

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

31. Related party transactions (Continued)

f) Banka loans:

	31 March 2018	31 December 2017
Yapı ve Kredi Bankası A.Ş. (2)	**6.739**	-
Total	**6.739**	-

g) Product and service sales:

	1 January - 31 March 2018	1 January - 31 March 2017
Opet Petrolcülük A.Ş. (1)	**2.269.831**	1.404.635
THY OPET Havacılık Yakıtları A.Ş. (1)	**1.679.552**	1.082.929
Aygaz A.Ş. (2)	**131.050**	169.490
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	**13.305**	9.192
Opet International Limited (2)	**-**	9.361
Other (2)	**8**	511
Total	**4.093.746**	2.676.118

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

31. Related party transactions (Continued)

h) Product and service purchases:

	1 January - 31 March 2018	1 January - 31 March 2017
Aygaz A.Ş. (2)	**49.695**	131.404
Opet International Limited (1)	**36.174**	-
Opet Petrolcülük A.Ş. (1)	**19.015**	21.476
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**18.789**	16.234
THY OPET Havacılık Yakıtları A.Ş. (1)	**7.585**	6.745
Koç Holding A.Ş. (3) (*)	**4.485**	4.589
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**2.953**	2.753
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**2.623**	3.799
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	**1.086**	156
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	**551**	5.459
Other (2)	**11.051**	4.682
Total	**154.007**	197.297

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

(**) Includes paid and accrued insurance premiums in the periods ended 31 March 2018 and 2017 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agent.

i) Fixed asset purchases:

	1 January - 31 March 2018	1 January - 31 March 2017
Aygaz A.Ş. (2)	**17.700**	-
Koç Sistem Bilgi ve İletişim A.Ş. (2)	**480**	1.575
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	**245**	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	**239**	12
Ark İnşaat A.Ş. (2)	**-**	10.083
Other (2)	**101**	32
Total	**18.765**	11.702

j) Remuneration of board of directors and executive management:

The senior management of the Company is determined as members and chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TRY 3.630 thousand as of period ending on 31 March 2018. (31 March 2017- TRY 2.938 thousand) and there are no payments made due to redundancy from the work (31 March 2017- None).

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

31. Related party transactions (Continued)

k) Financial expenses paid to related parties:

	1 January - 31 March 2018	1 January - 31 March 2017
Yapı Kredi Faktoring A.Ş. (2)	**390**	2.460
Yapı ve Kredi Bankası A.Ş. (2)	**-**	163
Yapı Kredi Bank Nederland N.V.(2)	**-**	68
Total	**390**	2.691

l) Time deposit interest income:

	1 January - 31 March 2018	1 January - 31 March 2017
Yapı ve Kredi Bankası A.Ş. (2)	**53.288**	50.672
Total	**53.288**	50.672

m) Donations:

As of 31 March 2018, total donation is amounting to TRY 5.673 thousand (31 March 2017- TRY 2 thousand).

32. Financial instruments and financial risk management

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

Commodity price risk

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

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

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

Product crack risk

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

Foreign exchange risk

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

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

32. Financial instruments and financial risk management (Continued)

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 31 March 2018 and 31 December 2017:

	31 March 2018		31 December 2017	
	TRY	**USD(*)**	TRY	USD(*)
Monetary assets	**5.652.761**	**1.431.477**	7.648.679	2.027.805
Monetary liabilities	**(21.626.284)**	**(5.476.534)**	(21.286.304)	(5.643.390)
Monetary assets/(liabilities) foreign currency position	**(15.973.523)**	**(4.045.056)**	(13.637.625)	(3.615.585)
Non-monetary assets	**19.360**	**4.903**	11.343	3.007
Net foreign currency position of derivative financial instruments	**5.291.185**	**1.339.914**	4.294.924	1.138.663
Net foreign currency asset/(liability) position	**(10.662.978)**	**(2.700.240)**	(9.331.358)	(2.473.914)
Cash flow hedging (**)	**4.714.987**	**1.194.000**	4.796.118	1.271.539
Net foreign currency position after cash flow hedging	**(5.947.991)**	**(1.506.240)**	(4.535.240)	(1.202.376)
Inventory in natural hedge scope (***)	**6.502.286**	**1.646.607**	5.058.436	1.341.084
Net foreign currency position after cash flow hedging and natural hedge	**554.295**	**140.367**	523.196	138.709

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

(**) The Group has used USD 1.178.049 thousand, which is equivalent to TRY 4.651.998 thousand as a prevention against USD/TRY spot foreign exchange risk (31 December 2017 - USD 1.254.421 thousand / TRY 4.731.551 thousand) and USD 15.951 thousand (31 December 2017 - USD 17.118 thousand), which is equivalent to TRY 62.989 thousand of the derivative transactions (31 December 2017 – 64.567 thousand) the USD / TRY spot rate, which is exposed to USD denominated export revenue, which is highly probable to be realized, is used as a protection against exchange rate risk. Based on the outcome of effectiveness test, group considered that the process in subject is fully effective and used for hedging through cash flow risk. As of 31 March 2018, TRY 1.598.835 thousand (31 December 2017 – 1.477.564 thousand) of foreign exchange loss that arose from investment credits is classified under equity (Hedge Accounting) until hedging of cash flow actualizes, which is no effect on current year income statement (Note: 2.3.26). During the year ended 31 March 2018, the foreign exchange loss amounting to TRY 135.189 thousand corresponding to the export income of the mentioned credits denominated in USD has been transferred to the foreign exchange loss in the income statement from the "Hedging gains/(loses)" account under equity. Moreover, as of 31 March 2018, foreign exchange loss amounting to TRY 256.460 thousand, which was realized in 2017, were added to the "Hedging gains/(loses)" account under equity.

(***) 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 March 2018, the Group has crude oil and petroleum products inventories amounting to TRY 6.502.286 thousand (31 December 2017 - TRY 5.058.436 thousand) (Note 8).

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

32. Financial instruments and financial risk management (Continued)

Foreign exchange position table

	31 March 2018					31 December 2017				
	TRY equivalent (In terms of functional currency)	**USD**	**EUR**	**GBP**	**Other**	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	150.939	38.200	18	-	-	102.783	27.226	19	-	-
Monetary financial assets (including cash, banks)	5.466.631	1.242.641	114.823	-	683	7.528.924	1.851.164	120.909	-	554
Other	19.360	4.863	25	2	21	11.343	2.298	590	2	-
Current assets	**5.636.930**	**1.285.704**	**114.866**	**2**	**704**	7.643.050	1.880.688	121.518	2	554
Monetary financial assets	35.191	6.487	1.967	-	-	16.972	2.498	1.672	-	-
Other	-	-	-	-	-	-	-	-	-	-
Non-current assets	**35.191**	**6.487**	**1.967**	**-**	**-**	16.972	2.498	1.672	-	-
Total assets	**5.672.121**	**1.292.191**	**116.833**	**2**	**704**	7.660.022	1.883.186	123.190	2	554
Trade payables	7.130.616	1.790.929	11.768	163	239	7.297.348	1.916.299	14.705	329	1.191
Financial liabilities	4.818.325	1.142.033	63.392	-	-	3.996.781	1.046.575	10.897	-	-
Other monetary liabilities	132.463	33.384	130	-	-	524.280	138.814	153	-	-
Current liabilities	**12.081.404**	**2.966.346**	**75.290**	**163**	**239**	11.818.409	3.101.688	25.755	329	1.191
Financial liabilities	9.539.830	2.126.191	234.979	-	-	9.464.531	2.160.677	291.146	-	-
Other monetary liabilities	5.050	1.126	124	-	-	3.364	686	172	-	-
Non-current liabilities	**9.544.880**	**2.127.317**	**235.103**	**-**	**-**	9.467.895	2.161.363	291.318	-	-
Total liabilities	**21.626.284**	**5.093.663**	**310.393**	**163**	**239**	21.286.304	5.263.051	317.073	329	1.191
Net asset/(liability) position of off-balance sheet foreign currency derivatives	**5.291.185**	**1.095.248**	**198.500**	**-**	**-**	4.294.924	925.914	177.714	-	-
Total amount of off-balance sheet derivative financial assets	5.355.709	1.703.923	198.500	-	-	4.365.360	944.588	177.714	-	-
Total amount of off-balance sheet derivative financial liabilities	(64.524)	(608.675)	-	-	-	(70.436)	(18.674)	-	-	-
Net foreign currency asset/(liability) position	**(10.662.978)**	**(2.706.224)**	**4.940**	**(161)**	**465**	(9.331.358)	(2.453.951)	(16.169)	(327)	(637)
Cash flow hedging	**4.714.987**	**1.194.000**	**-**	**-**	**-**	4.796.118	1.271.539	-	-	-
Net foreign currency position after cash flow hedging	**(5.947.991)**	**(1.512.224)**	**4.940**	**(161)**	**465**	(4.535.240)	(1.182.412)	(16.169)	(327)	(637)
Net monetary foreign currency asset/(liability) position	**(15.973.523)**	**(3.806.335)**	**(193.585)**	**(163)**	**444**	(13.637.625)	(3.382.163)	(194.473)	(329)	(637)
Fair value of derivative instruments used for hedging	**460.106**	**116.515**	**-**	**-**	**-**	426.328	113.027	-	-	-

As at 31 March 2018, the Group has TRY 554.295 thousand as net foreign currency surplus after natural hedging (31 December 2017- TRY 523.196 thousand net foreign currency surplus) (p. 47).

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

32. Financial instruments and financial risk management (Continued)

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 31 March 2018 and 31 December 2017:

Statement of foreign currency risk sensitivity				
31 March2018				
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change in USD rate:				
USD net assets/ liabilities	(1.503.084)	1.503.084	(571.520)	571.520
Amount hedged for USD risk (-)	850.353	(850.353)	-	-
USD net effect	**(652.731)**	**652.731**	**(571.520)**	**571.520**
10% change in EUR rate:				
Euro net assets/ liabilities	(94.224)	94.224	-	
Amount hedged for Euro risk (-)	96.616	(96.616)	-	-
EUR net effect	**2.392**	**(2.392)**	**-**	**-**
TOTAL	**(650.339)**	**650.339**	**(571.520)**	**571.520**

31 December 2017				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(1.275.718)	1.275.718	(473.155)	473.155
Amount hedged for USD risk (-)	808.651	(808.651)	-	-
USD net effect	(467.067)	467.067	(473.155)	473.155
10% change in EUR rate:				
Euro net assets/ liabilities	(87.814)	87.814	-	
Amount hedged for Euro risk (-)	80.247	(80.247)	-	-
EUR net effect	(7.567)	7.567	-	-
TOTAL	(474.634)	474.634	(473.155)	473.155

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

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

32. Financial instruments and financial risk management (Continued)

Export and import

	1 January - 31 March 2018	1 January - 31 March 2017
Export		
USD (equivalent of thousand TRY)	**2.167.875**	3.761.267
Total	**2.167.875**	3.761.267
Import		
USD (equivalent of thousand TRY)	**10.828.786**	9.325.608
Total	**10.828.786**	9.325.608

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 March 2018 and 31 December 2017 are as follows:

	31 March 2018	31 December 2017
Total financial liabilities (Note 5)	**15.921.647**	15.050.984
Less: Cash and cash equivalents (Note 4)	**(5.463.672)**	(7.603.858)
Net financial liabilities	**10.457.975**	7.447.126
Total shareholders' equity	**7.341.450**	10.477.661
Total capital invested	**17.799.425**	17.924.787
Gearing ratio	**58,75%**	41,55%

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 March 2018 is as follows:

Financial assets at fair value through profit or loss	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	**-**	**592.226**	**-**
Financial investments	-	-	-
Financial assets at fair value through profit or loss			
Derivative financial liabilities	**-**	**148.448**	**-**

Fair value hierarchy table as at 31 December 2017 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Derivative financial assets	-	447.469	-
Financial investments	-	-	-
Financial assets at fair value through profit or loss			
Derivative financial liabilities	-	180.501	-

33. Subsequent events

The issued bond to foreign investors which was realized on 2 November 2012 and has total amount of USD 700 million with an interest rate of 4,125% and maturity of 5,5 years has been paid as of 30 April 2018.

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