

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

Türkiye Petrol Rafinerileri A.Ş.

**1 January– 30 September 2016 condensed interim
consolidated financial statements**

Türkiye Petrol Rafinerileri A.Ş.

Convenience translation of the condensed interim consolidated financial statements for the period of
1 January- 30 September 2016

Table of contents

	<u>Page</u>
Consolidated interim statement of financial position	1
Consolidated interim statements of profit or loss and other comprehensive income	2
Consolidated interim statements of changes in shareholder's equity	3
Consolidated interim statements of cash flows	4
Notes to the condensed consolidated financial statements	5 - 50
Note 1 Organization of the Group and nature of operations	5-6
Note 2 Basis of presentation of consolidated financial statements	7-15
Note 3 Business combinations	15
Note 4 Cash and cash equivalents	16-17
Note 5 Financial liabilities	17-19
Note 6 Trade receivables and payables	20-21
Note 7 Other receivables and payables	21
Note 8 Inventories	22
Note 9 Financial investments	22
Note 10 Investments accounted by equity method	22-23
Note 11 Investment property	23
Note 12 Property, plant and equipment (net)	24-25
Note 13 Intangible assets (net)	25
Note 14 Prepaid expenses	26
Note 15 Other assets and liabilities	26-27
Note 16 Deferred income	28
Note 17 Provisions	28-31
Note 18 Liabilities for employee benefits	31
Note 19 Other payables	31
Note 20 Derivative instruments	32-33
Note 21 Government grants	33-34
Note 22 Commitments and contingent assets and liabilities	35-36
Note 23 Equity	36-37
Note 24 Sales and cost of sales	38
Note 25 Marketing expenses, research and development expenses and general administrative expenses	39
Note 26 Operating income / (expenses)	40
Note 27 Income from investment activities	40
Note 28 Financial income / (expenses)	41
Note 29 Tax assets and liabilities	41-43
Note 30 Earnings per share	43
Note 31 Related party transactions	43-46
Note 32 Financial instruments and financial risk management	47-50
Note 33 Subsequent events	50

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statements of financial position as at 30 September 2016
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

Assets	Notes	Unaudited 30 September 2016	Audited 31 December 2015
Current assets		13.367.090	8.674.981
Cash and cash equivalents	4	7.326.601	3.027.546
Trade receivables	6	2.208.088	2.539.832
Due from related parties	6, 31	334.871	658.673
Trade receivables from third parties		1.873.217	1.881.159
Other receivables	7	36.583	25.815
Other receivables from third parties		36.583	25.815
Derivative Instruments	20	16.892	18.845
Inventories	8	2.918.390	2.102.161
Prepaid expenses	14	135.747	132.093
Current income tax assets	29	95.202	4.317
Other current assets	15	629.587	824.372
Non-current assets		17.150.771	16.795.135
Financial investments	9	4.000	4.000
Investments accounted by equity method	10	851.107	762.217
Investment properties	11	4.621	4.621
Property, plant and equipment	12	11.575.007	11.479.744
Intangible assets	13	50.331	59.409
Other intangible assets		50.331	59.409
Derivative Instruments	20	219.034	250.027
Prepaid expenses	14	254.911	179.695
Deferred tax assets	29	3.206.441	3.202.503
Other non-current assets	15	985.319	852.919
Total assets		30.517.861	25.470.116
Liabilities			
Current liabilities		13.239.573	8.828.240
Short-term financial liabilities	5	640.233	94.023
Current portion of long term financial liabilities	5	2.711.041	1.777.358
Trade payables	6	5.880.263	3.878.036
Due to related parties	6, 31	59.029	80.273
Trade payables, third parties		5.821.234	3.797.763
Liabilities for employee benefits	18	38.566	70.129
Other payables	19	11.000	14.288
Other payables to third parties		11.000	14.288
Derivative Instruments	20	182.341	40.379
Deferred income	16	2.176	23.111
Current income tax liabilities	29	152.702	133.346
Provisions	17	132.309	70.604
Provisions for employee benefits		56.877	7.952
Other provisions		75.432	62.652
Other current liabilities	15	3.488.942	2.726.966
Non-current liabilities		9.472.978	8.273.427
Long-term financial liabilities	5	9.220.623	8.048.039
Provisions	17	197.872	193.973
Provisions for employee benefits		197.872	193.973
Deferred income	16	2.367	2.560
Derivative Instruments	20	50.652	27.244
Other non-current liabilities	15	1.464	1.611
Total liabilities		22.712.551	17.101.667
Equity		7.805.310	8.368.449
Share capital	23	250.419	250.419
Adjustment to share capital	23	1.344.243	1.344.243
Share premiums/discounts		172	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		(3.622)	(3.622)
Gains/ losses on revaluation and remeasurement		(3.622)	(3.622)
Actuarial gain/(loss) arising from defined benefit plans		(3.622)	(3.622)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(547.299)	(410.631)
Hedging gains/(losses)		(647.859)	(510.448)
Cash flow hedge gains/(losses)		(647.859)	(510.448)
Currency translation differences		18.299	17.556
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		82.261	82.261
Restricted reserves	23	331.337	163.401
Retained earnings		5.363.804	4.410.959
Net income		990.299	2.550.168
Total equity attributable to equity holders of the parent		7.729.353	8.305.109
Non-controlling interests		75.957	63.340
Total equity and liabilities		30.517.861	25.470.116

The condensed consolidated financial statements for the period ended 30 September 2016 have been approved by the Board of Directors on 31 October 2016.

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of comprehensive income for the nine month interim period ended 30 September 2016

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

	Notes	Unaudited		Unaudited	
		1 January - 30 September 2016	1 July - 30 September I 2016	1 January - 30 September 2015	1 July- 30 September 2015
Revenue (net)	24	24.095.452	9.450.882	27.994.812	10.445.504
Cost of sales	24	(22.045.598)	(8.533.401)	(25.157.894)	(9.232.818)
Gross profit (loss)		2.049.854	917.481	2.836.918	1.212.686
General administrative expenses	25	(529.290)	(183.689)	(446.637)	(174.269)
Marketing expenses	25	(151.591)	(55.797)	(130.820)	(51.840)
Research and development expenses	25	(20.593)	(7.129)	(17.073)	(4.880)
Other operating income	26	99.846	(56)	103.358	40.125
Other operating expenses	26	(77.688)	(67.041)	(778.111)	(427.732)
Operating profit (loss)		1.370.538	603.769	1.567.635	594.090
Income from investment activities	27	-	10	769	557
Expense from investment activities	27	(126)	-	-	-
Income (loss) from investments accounted by equity method	10	130.147	61.476	41.259	31.882
Operating profit (loss) before financial income (expense)		1.500.559	665.255	1.609.663	626.529
Financial income	28	328.715	197.164	1.002.239	508.224
Financial expense	28	(780.951)	(308.649)	(1.433.523)	(636.718)
Profit (loss) before tax from continued operations		1.048.323	553.770	1.178.379	498.035
Tax income (expense)		(44.460)	31.968	563.675	252.478
Taxes on income		(103.118)	(54.677)	(12.790)	(6.947)
Deferred tax income (expense)	29	58.658	86.645	576.465	259.425
Net profit (loss) from continued operations		1.003.863	585.738	1.742.054	750.513
Other comprehensive income:					
Items to be reclassified to profit or loss		(137.615)	(85.512)	(734.511)	(511.213)
Changes in currency translation		743	773	7.358	3.981
Gains (losses) on hedging		(171.878)	(106.990)	(927.338)	(643.994)
Tax effect of other comprehensive income to be reclassified to profit or loss		33.520	20.705	185.469	128.800
Deferred tax (expense) income		33.520	20.705	185.469	128.800
Other comprehensive income (expense)		(137.615)	(85.512)	(734.511)	(511.213)
Total comprehensive income (expense)		866.248	500.226	1.007.543	239.300
Distribution of income (loss) for the period:					
Non-controlling interests		13.564	4.868	6.799	490
Attributable to equity holders of the parent		990.299	580.870	1.735.255	750.023
Distribution of total comprehensive income					
Non-controlling interests		12.617	4.173	6.542	340
Attributable to equity holders of the parent		853.631	496.053	1.001.001	238.960
Earnings (loss) per share from continued operations					
Earnings per share with nominal value Kr 1 each (Kr)	30	3,95	2,32	6,93	3,00

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of changes in equity for the three month interim period ended 30 September 2016
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

	Accumulated other comprehensive income (expense) not to be reclassified to profit or loss			Accumulated other comprehensive income (expense) to be reclassified to profit or loss				Retained earnings					Total Equity	
	Share capital	Adjustment to share capital	Share premiums (discounts)	Actuarial gains (losses) arising from defined benefit plans	Gains (losses) on revaluation and remeasurement	Gains (losses) on hedging	Cash flow hedge gains (losses)	Currency translation differences	Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss	Restricted reserves	Accumulated profit	Profit for the period		Equity holders of the parent
Unaudited														
1 January 2015	250.419	1.344.243	172	(11.186)		(447)	12.058	54.256	163.401	2.884.837	1.458.963	6.156.716	55.914	6.212.630
Adjustments to previous period effects	-	-	-	-	-	-	-	-	-	67.159	-	67.159	-	67.159
Transfers	-	-	-	-	-	-	-	-	-	1.458.963	(1.458.963)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	(6.046)	(6.046)
- Net profit for period	-	-	-	-	-	-	-	-	-	-	1.735.255	1.735.255	6.799	1.742.054
- Other comprehensive income	-	-	-	-	-	-	(741.612)	7.358	-	-	-	(734.254)	(257)	(734.511)
Total comprehensive income	-	-	-	-	-	-	(741.612)	7.358	-	-	1.735.255	1.001.001	6.542	1.007.543
30 September 2015	250.419	1.344.243	172	(11.186)		(742.059)	19.416	54.256	163.401	4.410.959	1.735.255	7.224.876	56.070	7.281.286
Unaudited														
1 January 2016	250.419	1.344.243	172	(3.622)		(510.448)	17.556	82.261	163.401	4.410.959	2.550.168	8.305.109	63.340	8.368.449
Adjustments to previous period effects	-	-	-	-	-	-	-	-	-	198.338	-	198.338	-	198.338
Transfers	-	-	-	-	-	-	-	-	167.936	2.382.232	(2.550.168)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(1.627.725)	-	(1.627.725)	-	(1.627.725)
- Net profit for period	-	-	-	-	-	-	-	-	-	-	990.299	990.299	13.564	1.003.863
- Other comprehensive income	-	-	-	-	-	-	(137.411)	743	-	-	-	(136.668)	(947)	(137.615)
Total comprehensive income	-	-	-	-	-	-	(137.411)	743	-	-	990.299	853.631	12.617	866.248
30 September 2016	250.419	1.344.243	172	(3.622)		(647.859)	18.299	82.261	331.337	5.363.804	990.299	7.729.353	75.957	7.805.310

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

Türkiye Petrol Rafinerileri A.Ş.

Consolidated statement of cash flows for the nine month interim period ended 30 September 2016
(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Unaudited	
		1 January - 30 September 2016	1 January - 30 September 2015
Cash flows from operating activities		3.692.369	(1.675.592)
Profit (loss)		1.003.863	1.742.054
Adjustment for reconciliation of profit (loss)		307.737	125.803
Adjustment for depreciation and amortisation expense	12, 13	406.223	317.159
Adjustments for impairment (cancelation)		(102.114)	(90.204)
Adjustments for stock impairment (cancelation)	8	(102.114)	(90.204)
Adjustment for provisions	17	63.816	65.421
Adjustment for interest (income) and expense	28	267.456	267.749
Adjustment for unrealized foreign currency translation		(124.874)	(467.652)
Adjustment for fair value loss (gain)		82.843	(418.192)
Adjustment for retained income of investments accounted by equity method	10	(130.147)	(41.259)
Adjustment for tax expenses (income)		44.460	(563.675)
Adjustment for loss (gain) on sales of property, plant and equipment	27	126	(769)
Adjustment for other items related with cash flow of investment or financial activities	28	(202.625)	1.046.148
Other adjustments for reconciliation of profit (loss)		2.573	11.077
Changes in working capital		2.312.060	(3.453.975)
Adjustment for decrease (increase) in trade receivables		328.143	(2.992.130)
Adjustment for decrease (increase) in other receivables related with operations		148.997	(475.302)
Adjustment for decrease (increase) in inventories		(714.115)	(261.928)
Adjustment for increase (decrease) in trade payables		2.006.912	(812.736)
Adjustment for increase (decrease) in other payables related with operations		542.123	1.088.121
Cash flows from operating activities		3.623.660	(1.586.118)
Tax returns (payment)		(135.991)	(5.828)
Other cash inflow (outflow)		204.700	(83.646)
Cash flows from investing activities		(547.914)	(654.472)
Cash inflows from the sales of property, plant and equipment and intangible assets		309	1.046
Cash outflows from the purchase of property, plant and equipment and intangible assets		(590.223)	(725.518)
Dividends received	10	42.000	70.000
Cash flows from financing activities		904.538	351.772
Cash inflows from financial liabilities		24.908.319	16.173.865
Cash outflows from financial liabilities		(22.201.275)	(15.667.646)
Dividends paid		(1.627.725)	(6.046)
Interest paid		(383.301)	(269.582)
Interest received		208.520	121.181
Net increase (decrease) in cash and cash equivalents before the effect of foreign currency translation		4.048.993	(1.978.292)
Impact of foreign currency translation on cash and cash equivalents		124.874	467.652
Net increase (decrease) in cash and cash equivalents		4.173.867	(1.510.640)
Cash and cash equivalents at beginning of period		2.199.168	3.211.406
Cash and cash equivalents at end of period	4	6.373.035	1.700.766

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

1. Organization and nature of operations of the Group

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

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

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

The Company is registered at the Capital Markets Board (“CMB”) of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. (“BİST”) (previously known as Istanbul Stock Exchange (“ISE”)) since 1991. As at 30 September 2016, the shares quoted on the BİST are 49% of the total shares. As of 30 September 2016, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

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

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

(*) Körfez, a subsidiary of the Group, has not been included in the scope of consolidation in the consolidated financial statements for the period ended 30 September 2016 on the grounds of materiality of its stand alone and total financial statements as to amount and composition, and accounted for as financial asset available-for-sale. As of 30 September 2016 total assets of Körfez is TL 6.510 thousand and net period loss of Körfez is TL 1.341 thousand.

(**) Bakırköy, Karaköy and Çengelköy, subsidiaries of the Group, which have been established in January 2016; Pendik and Tuzla, which have been established in July 2016, have been included in the scope of consolidation in the consolidated financial statements for the interim period ended 30 September 2016.

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

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

The total number of employees of the Group as at 30 September 2016 is 5.241 (31 December 2015 – 5.131).

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

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

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 2015.

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 consolidated financial statements are presented in TL, 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 September 30, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016
(continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

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

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Group.

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Group.

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

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

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

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

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

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Group and did not have an impact on the financial position or performance of the Group.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

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

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

The amendment did not have significant OR [any impact] on the financial position or performance of the Group.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

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

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

TFRS 9 Financial Instruments – Classification and measurement

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

TFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 9 Financial Instruments - Final standard (2014)

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

IFRS 16 Leases

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

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

2.1.3 Financial statements of joint ventures operating in foreign countries

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

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

2.1.4 Basis of consolidation

- The condensed consolidated financial statements for the interim period ended 30 September 2016 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2015 and include financial statements of Tüpraş, and its Subsidiaries.
- At 30 September 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries and Joint Ventures apart from Bakırköy, Karaköy and Çengelköy, which have been established in January 2016; Pendik and Tuzla, which have been established in July 2016, that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2015.

	30 September 2016		31 December 2015	
	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	-	-
Karaköy	79,98	79,98	-	-
Çengelköy	79,98	79,98	-	-
Pendik	79,98	79,98	-	-
Tuzla	79,98	79,98	-	-

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 30 September 2016 and 31 December 2015:

	30 September 2016		31 December 2015	
	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Investments accounted by equity method				
Opet	50,00	40,00	50,00	40,00
Opet International Limited (*)	50,00	40,00	50,00	40,00
Opet Trade B.V.(*)	50,00	40,00	50,00	40,00
Opet Trade Singapore (In liquidation) (*) (**)	50,00	40,00	50,00	40,00
THY Opet Havacılık Yakıtları A.Ş.(*)	25,00	20,00	25,00	20,00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	25,00	20,00	25,00	20,00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	25,00	20,00	25,00	20,00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	16,65	13,32	16,65	13,32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(*)	12,50	10,00	12,50	10,00
Opet Aygaz Gayrimenkul A.Ş.(*)	25,00	20,00	25,00	20,00

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

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

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

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 30 September 2016 comparatively with the consolidated statement of financial position as of 31 December 2015, presented the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 30 September 2016 comparatively with the consolidated financial statements for the interim period ended 30 September 2016.

The classifications made in the statement of comprehensive income of the Company as of 30 September 2016 are as follows:

- Idle capacity expenses amounting to TL 35.036 thousand shown in other operating expense as of 30 September 2015 were classified under cost of sales.

2.2.2 Offsetting

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

2.2.3 Convenience translation into English of consolidated financial statements

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

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 30 September 2016, have been prepared in compliance with IAS 34, the IFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 September 2016 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 2015. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2015.

3. Business combinations

No business combinations occurred during the period 30 September 2016.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

4. Cash and cash equivalents

	30 September 2016	31 December 2015
Cash at banks		
Revenue share (blocked)	953.512	823.645
Time deposit	6.367.555	2.151.632
Demand deposits	5.480	47.536
Interest income accruals	54	4.733
Total	7.326.601	3.027.546

Revenue Share (blocked)

As required by the Petroleum Market License Regulation, the revenue share collected by the Group is held in banks and evaluated as blocked deposit in the Company's books. The revenue share was invested as demand deposits with overnight interest rate as at 30 September 2016 and 31 December 2015 (Note 15).

Time deposits and other cash and cash equivalents

As at 30 September 2016 and 31 December 2015, the maturity and the currency information of the time deposits, is as follows:

30 September 2016

	Effective interest rate %	Less than 1 month	1 - 3 months	Total
TL	11,69%	3.377.440	217.060	3.594.500
USD	3,20%	2.399.509	24.929	2.424.438
EUR	1,72%	293.471	54.981	348.452
GBP	1,30%	165	-	165
Time deposit		6.070.585	296.970	6.367.555

31 December 2015

	Effective interest rate %	Less than 1 month	1 - 3 months	Total
TL	13,75%	600.110	-	600.110
USD	2,28%	1.510.950	11.543	1.522.493
EUR	1,40%	20.730	8.176	28.906
GBP	1,40%	123	-	123
Time deposit		2.131.913	19.719	2.151.632

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

4. Cash and cash equivalents (continued)

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 30 September 2016 and 30 September 2015 are as follows:

	30 September 2016	30 September 2015
Cash and cash equivalents	7.326.601	2.486.584
Blocked deposits (Revenue share)	(953.512)	(780.495)
Less: Time deposit interest accruals	(54)	(5.323)
Cash and cash equivalents for cash flow purposes	6.373.035	1.700.766

5. Financial liabilities

	30 September 2016	31 December 2015
Short term financial liabilities:		
Short-term bank borrowings	640.079	94.017
Interest accruals	154	6
Total	640.233	94.023
Current portion of long-term bank borrowings:		
Current portion of long-term bank borrowings	2.342.395	1.684.088
Bonds issued	200.000	-
Interest accruals of bank borrowings	129.104	70.783
Interest accruals of bonds issued	39.542	22.487
Total	2.711.041	1.777.358
Long-term financial liabilities:		
Long-term bank borrowings	7.123.157	5.812.719
Bonds issued	2.097.130	2.235.320
Interest accruals of bank borrowings	336	-
Total	9.220.623	8.048.039
Total financial liabilities	12.571.897	9.919.420

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

As explained in material disclosures dated 26 September, 17 October, 18 October, 30 October and 2 November 2012, Tüpraş issued bonds to foreign investors and release of these bonds were realized on 2 November 2012. Total amount of these issued bonds is USD 700 million with an interest rate of 4,125% and maturity of 2 May 2018.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

5. Financial liabilities (continued)

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

Foreign currency balances and interest rates for the short and long-term financial liabilities as at 30 September 2016 and 31 December 2015 are as follows:

		30 September 2016	
	Effective interest rate (%)	Original balance	Thousand TL
Short term financial liabilities:			
EUR borrowings	2,89	7.000.000	23.526
TL borrowings (*)	10,80	616.553.423	616.553
			640.079
Current portion of long-term financial liabilities:			
USD borrowings	3,04	314.914.269	943.451
EUR borrowings	3,21	9.584.272	32.211
TL borrowings	10,93	1.366.732.026	1.366.733
TL bonds issued	8,97	200.000.000	200.000
			2.542.395
Interest accruals			168.800
Total short-term financial liabilities			3.351.274
Long-term financial liabilities:			
USD borrowings	2,89	1.764.352.891	5.285.825
USD bonds issued	4,17	700.000.000	2.097.130
EUR borrowings	2,09	297.981.536	1.001.456
TL borrowings	13,15	835.875.817	835.876
			9.220.287
Interest accruals			336
Total long-term financial liabilities			9.220.623

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 96.504 thousand as of 30 September 2016 (31 December 2015 – 90.673 bin TL).

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

5. Financial liabilities (continued)

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

As at 30 September 2016 and 31 December 2015 the redemption schedule of long-term bank borrowings is as follows:

	30 September 2016	31 December 2015
2017	749.286	2.180.509
2018	3.618.612	2.944.591
2019	1.180.231	602.960
2020	1.251.260	621.157
2021 and after	2.421.234	1.698.822
Total	9.220.623	8.048.039

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project and further to the agreements the loans amounting to USD 1.998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 30 September 2016 the outstanding amount of the loans is USD 1.703 million (31 December 2015 – USD 1.850 million).

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

6. Trade receivables and payables

Short-term trade receivables:

	30 September 2016	31 December 2015
Trade receivables	1.884.316	1.888.743
Due from related parties (Note 31)	334.871	658.673
Doubtful trade receivables	2.676	2.593
Other trade receivables	4	16
Less: Unearned credit finance income	(11.103)	(7.600)
Less: Provision for doubtful receivables	(2.676)	(2.593)
Total short-term trade receivables (net)	2.208.088	2.539.832

As at 30 September 2016, Tüpraş has offsetted TL 1.787.852 thousand (31 December 2015 - TL 778.111 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 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
Group 1	1.886	245
Group 2	495.000	285.691
Group 3	1.489.600	1.273.775
Group 4	133.717	970.364
Total	2.120.203	2.530.075

Group 1 - New customers (less than three months)

Group 2 - State owned enterprises

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

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

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

Aging of overdue receivables that are past due but not impaired as at 30 September 2016 and 31 December 2015 is as follows:

	30 September 2016	31 December 2015
Up to 3 months	86.765	9.354
3 to 12 months	1.120	403
Total	87.885	9.757

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

6. Trade receivables and payables (continued)

Movement of the provision for doubtful receivables for the years ended 30 September 2016 and 2015 is as follows:

	2016	2015
1 January	2.593	2.593
Charge for the period	98	-
Collections during the period	(15)	-
30 September	2.676	2.593

Short-term trade payables:

	30 September 2016	31 December 2015
Trade payables	5.827.508	3.799.352
Due to related parties (Note 31)	59.029	80.273
Less: Unrealised credit finance charges	(6.274)	(1.589)
Total short-term trade payables (net)	5.880.263	3.878.036

7. Other receivables and payables

Other short-term receivables:

	30 September 2016	31 December 2015
Receivable from insurance recoveries	16.807	2.607
Advances and guarantees given	10.663	16.267
Receivable from personnel	9.113	6.941
Other doubtful receivables	737	738
Less: Provision for other doubtful receivables	(737)	(738)
Total	36.583	25.815

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

8. Inventories

	30 September 2016	31 December 2015
Raw materials and supplies	854.244	939.327
Work-in-progress	695.151	545.730
Finished goods	673.049	526.884
Trade goods	11.716	12.074
Goods in transit	670.483	169.266
Other	13.747	10.994
	2.918.390	2.204.275
Less: Provision for impairment in inventories	-	(102.114)
Total	2.918.390	2.102.161

There is no stock impairment as of 30 September 2016. As of December 31, 2015, stock impairment amounting to TL 36.535 thousand comes from finished goods, TL 63.346 thousand comes from work-in-progress, TL 2.233 thousand comes from trade goods and recognized under cost of goods sold account.

Movement of the provision for inventories for the years ended 30 September 2016 and 2015 is as follows:

	2016	2015
1 January	102.114	90.204
Charge for the period	-	-
Cancellations within the period	(102.114)	(90.204)
30 September	-	-

9. Financial investments

Financial investments available-for-sale

	30 September 2016		31 December 2015	
	Participation share (%)	Amount	Participation share (%)	Amount
Körfez Hava Ulaştırma A.Ş.	100,00	4.000	100,00	4.000
		4.000		4.000

10. Investments accounted by equity method

	30 September 2016		31 December 2015	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	851.107	40,00	762.217
		851.107		762.217

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

10. Investments accounted by equity method (continued)

The movement in the investments accounted by equity method during the period ended 30 September 2016 and 2015 is as follows:

	2016	2015
1 January	762.217	726.494
Investments recognized with equity method;		
Shares in current year profit	130.147	43.178
Dividend payment	(42.000)	(70.000)
Currency translation differences	743	7.358
30 September	851.107	707.030

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

	30 September 2016	31 December 2015
Current assets	2.411.867	2.173.587
Non-current assets	2.145.612	1.993.748
Total assets	4.557.479	4.167.335
Short term liabilities	1.821.569	1.729.243
Long term liabilities	1.080.825	1.005.232
Equity	1.655.085	1.432.860
Total liabilities	4.557.479	4.167.335

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Sales(net)	14.457.963	5.420.888	13.918.355	5.230.004
Gross profit	853.127	346.945	651.703	260.724
Operating profit/loss	453.705	215.622	280.520	156.622
Net income/loss for period	325.367	153.689	107.945	84.503

11. Investment property

At 30 September 2016, investment property represents the land amounting to TL 4.621 thousand (31 December 2015 - TL 4.621 thousand). The fair value of the investment property has been determined as TL 38.117 thousand as a result of fair value assessments (31 December 2015 – TL 38.117 thousand).

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

12. Property, plant and equipment

	1 January 2016	Additions	Transfers	Disposals	30 September 2016
Cost:					
Land	48.844	-	-	-	48.844
Land improvements	3.525.298	-	99.442	(30)	3.624.710
Buildings	695.372	-	8.620	-	703.992
Machinery and equipment	11.149.479	84	200.220	(3.441)	11.346.342
Motor vehicles	619.383	123.177	1.403	(285)	743.678
Furniture and fixtures	105.955	511	7.549	(1.529)	112.486
Construction in progress	499.904	369.071	(321.854)	-	547.121
Other tangible assets	1.488	-	-	-	1.488
	16.645.723	492.843	(4.620)	(5.285)	17.128.661
Accumulated depreciation:					
Land improvements	(1.129.120)	(107.769)	-	30	(1.236.859)
Buildings	(174.083)	(11.158)	-	-	(185.241)
Machinery and equipment	(3.664.377)	(236.748)	-	3.104	(3.898.021)
Motor vehicles	(139.883)	(25.444)	-	254	(165.073)
Furniture and fixtures	(57.230)	(11.342)	-	1.462	(67.110)
Other tangible assets	(1.286)	(64)	-	-	(1.350)
	(5.165.979)	(392.525)	-	4.850	(5.553.654)
Net book value	11.479.744				11.575.007

	1 January 2015	Additions	Transfers	Disposals	30 September 2015
Cost:					
Land	48.862	-	-	(18)	48.844
Land improvements	1.656.919	-	256.466	(2)	1.913.383
Buildings	444.122	-	38.230	(133)	482.219
Machinery and equipment	5.692.599	-	160.636	(1.067)	5.852.168
Motor vehicles	516.853	89.212	8.312	(247)	614.130
Furniture and fixtures	80.955	658	9.234	(1.649)	89.198
Construction in progress	6.921.974	979.815	(479.670)	-	7.422.119
Other tangible assets	1.367	122	-	-	1.489
	15.363.651	1.069.807	(6.792)	(3.116)	16.423.550
Accumulated depreciation:					
Land improvements	(998.696)	(56.548)	-	-	(1.055.244)
Buildings	(160.461)	(7.447)	-	133	(167.775)
Machinery and equipment	(3.381.748)	(211.863)	-	885	(3.592.726)
Motor vehicles	(112.480)	(20.657)	-	247	(132.890)
Furniture and fixtures	(45.681)	(8.546)	-	1.638	(52.589)
Other tangible assets	(1.192)	(69)	-	-	(1.261)
	(4.700.258)	(305.130)	-	2.903	(5.002.485)
Net book value	10.663.393				11.421.065

The Company completed its investment within the scope of Residuum Upgrading Project and the investment amounting to TL 7.229.540 thousand was capitalized as of 31 December 2015. The depreciation has started to be recognized in the financial statements as the Company terminated capitalization of borrowing costs at 1 March 2015 and TL 181.337 thousand of TL 165.906 thousand depreciation is recognized under cost of sold goods while TL 15.431 thousand of the aforementioned depreciation is recognized under general administrative expenses as of 30 September 2016.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

12. Property, plant and equipment (continued)

Total depreciation expense amounting to TL 392.525 thousand (30 September 2015 – 305.130 thousand TL) in the consolidated statement of comprehensive income for the period ended 30 September 2016 has been allocated to cost of goods sold amounting to TL 363.344 thousand (30 September 2015 – 262.694 thousand TL) to marketing, sales and distribution expenses amounting to TL 2 thousand (30 September 2015 – 2 thousand TL) to general administration expenses amounting to TL 29.179 thousand (30 September 2015 – 42.434 thousand TL).

13. Intangible assets

Other intangible assets:

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

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

The movements of intangible assets and related accumulated amortisation for the period ended 30 September 2015 is as follows:

	1 January 2015	Additions	Transfers	Disposals	30 September 2015
Cost:					
Rights and software	49.933	-	3.725	-	53.658
Development expenses	54.096	-	3.067	(70)	57.093
	104.029	-	6.792	(70)	110.751
Accumulated amortisation:					
Rights and software	(25.436)	(3.744)	-	-	(29.180)
Development expenses	(18.024)	(8.285)	-	6	(26.303)
	(43.460)	(12.029)	-	6	(55.483)
Net book value	60.569				55.268

Total amortisation expenses amounting to TL 13.698 thousand (30 September 2015 – 12.029 bin TL) in the consolidated statement of comprehensive income for the period ended 30 September 2016 have been allocated to the cost of goods sold amounting to TL 10 thousand (30 September 2015 – 10 bin TL), and to general administration expenses amounting to TL 13.688 thousand (30 September 2015 – 12.019 bin TL).

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

14. Prepaid expenses

Short term prepaid expenses:

	30 September 2016	31 December 2015
Long term prepaid expenses:	52.676	47.484
Prepaid investment loan insurance expenses (*)	28.883	32.158
Advances given	26.857	28.133
Taxes and funds to be offsetted	27.331	24.318
Total	135.747	132.093

Long term prepaid expenses:

	30 September 2016	31 December 2015
Prepaid investment loan insurance expenses (*)	84.109	105.400
Advances given to third parties for property, plant and equipment	131.852	54.894
Advances given to related parties for property, plant and equipment (Note 31)	38.385	17.963
Prepaid other expenses	565	1.438
Total	254.911	179.695

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

15. Other assets and liabilities

Other current assets:

	30 September 2016	31 December 2015
Deferred Value Added Tax ("VAT")	513.831	289.514
Deferred Special Consumption Tax ("SCT")	101.851	75.497
Income Accruals (*)	6.716	448.312
Other current assets	7.189	11.049
Total	629.587	824.372

(*) As of 31 December 2015 TL 445.148 thousand of revenue recognition at a total amount of TL 448.312 thousand consists of revenue recognition of outstanding commodity derivatives transactions ending on 31 December 2015. There is not income accrual from commodity derivatives transactions as of 30 September 2016.

Other non-current assets:

	30 September 2016	31 December 2015
Spare parts and materials	1.011.954	879.473
Other	871	952
Provision for spare parts and materials	(27.506)	(27.506)
Total	985.319	852.919

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

15. Other assets and liabilities (continued)

Other non-current assets:

	30 September 2016	31 December 2015
SCT payable	1.440.983	1.253.987
Revenue share	958.040	827.793
Deferred VAT	513.831	289.514
VAT payable	452.307	239.207
Deferred SCT	101.851	75.497
Other taxes and liabilities	17.131	37.381
Other	4.799	3.587
Total	3.488.942	2.726.966

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

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

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

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

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

As a result of these regulations, the revenue share amounting to TL 958.040 thousand accumulated as at 30 September 2016 (31 December 2015 – TL 827.793 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TL 953.512 thousand that is (31 December 2015 - TL 823.645 thousand) blocked in banks as demand deposits related to the calculated revenue share has been classified as Revenue share "Blocked" within "Cash and cash equivalents" (Note 4).

Other long-term liabilities:

	30 September 2016	31 December 2015
Participation share	1.464	1.611
Total	1.464	1.611

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016
(continued)
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

16. Deferred income

Short-term deferred income

	30 September 2016	31 December 2015
Advances taken	749	21.430
Deferred income	1.427	1.681
Total	2.176	23.111

Long-term deferred income

	30 September 2016	31 December 2015
Deferred income	2.367	2.560
Total	2.367	2.560

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	30 September 2016	31 December 2015
Seniority incentive bonus provision	9.240	5.325
Personnel bonus accruals	47.637	2.627
Total	56.877	7.952

Long term employee benefits:

	30 September 2016	31 December 2015
Provision for employment termination benefits	151.736	144.547
Provision for unused vacation	42.842	41.904
Seniority incentive bonus provision	3.294	7.522
Total	197.872	193.973

Seniority incentive bonus provision:

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

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

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

17. Provisions (continued)

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

	2016	2015
1 January	12.847	10.850
Charge for the period	5.791	5.669
Payments during the period	(6.104)	(2.964)
30 September	12.534	13.555

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL 4.297,21 (31 December 2015 - TL 3.828,37) for each year of service as at 30 September 2016.

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

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

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

	30 September 2016	31 December 2015
Discount rate (%)	4,60%	4,60%
Turnover rate to estimate probability of retirement (%)	99,52%	99,52%

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 4.297,21 which is effective as at 30 September 2016, has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2015- 3.828,37 TL).

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

	2016	2015
1 January	144.547	132.587
Interest expense	11.221	8.115
Increase during the period	18.755	17.160
Payments during the period	(22.787)	(13.427)
30 September	151.736	144.435

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

17. Provisions (continued)

Provision for unused vacation:

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

	2016	2015
1 January	41.904	37.265
Charge for the period	6.327	5.750
Payments during the period	(5.389)	(3.046)
30 September	42.842	39.969

Other short term provisions:

	30 September 2016	31 December 2015
Provisions for pending claims and law suits	15.605	13.405
EMRA participation share	22.181	17.883
Provision for demurrage	13.185	11.032
Other	24.461	20.332
Total short-term provisions	75.432	62.652

Movement of the short-term provisions for the period ended 30 September 2016 and 2015 are as follow:

	Provision for pending claims	EMRA participation	Provision for tax penalty	Provision for demurrage	Other	Total
1 January 2016	13.405	17.883	-	11.032	20.332	62.652
Charges for the period, net	2.200	13.240	-	2.153	4.129	21.722
Payments during the period	-	(8.942)	-	-	-	(8.942)
30 September 2016	15.605	22.181	-	13.185	24.461	75.432
1 January 2015	13.743	14.635	54.998	1.658	16.920	101.954
Charges for the period, net	158	15.441	-	12.579	549	28.727
Payments during the period	(297)	(8.914)	(54.998)	-	-	(64.209)
30 September 2015	13.604	21.162	-	14.237	17.469	66.472

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.

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

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements for the nine month interim period ended 30 September 2016 (continued)

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

17. Provisions (continued)

Tax Penalty

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

18. Liabilities for employee benefits

	30 September 2016	31 December 2015
Due to the personnel	19.378	54.495
Social security withholdings payment	19.188	15.634
Total	38.566	70.129

19. Other payables

	30 September 2016	31 December 2015
Deposits and guarantees received	11.000	14.288
Total	11.000	14.288

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

20. Derivative Instruments

	30 September 2016				31 December 2015			
	Purchase contract amount	Exchange contract amount	Fair values		Purchase contract amount	Exchange contract amount	Fair values	
			Assets	Liabilities			Assets	Liabilities
<i>Cash flow hedge</i>								
Interest rate swap	1.874.512	1.874.512	-	14.537	1.947.631	1.947.631	-	14.838
Cross currency swap	863.524	668.581	16.892	22.478	855.177	682.228	18.845	21.026
Commodity derivative	375.147	427.803	-	57.968	-	-	-	-
<i>Derivatives held for trading</i>								
Currency forwards	3.017.183	3.110.029	-	30.391	-	-	-	-
Commodity derivative	2.111.555	2.163.757	-	56.967	172.450	162.217	-	4.515
Short term derivative financial instruments			16.892	182.341			18.845	40.379
<i>Cash flow hedge</i>								
Interest rate swap	1.874.512	1.874.512	-	39.815	1.947.631	1.947.631	-	7.280
Cross currency swap	863.524	668.581	219.034	10.837	855.177	682.228	250.027	19.964
Long term derivative financial instruments			219.034	50.652			250.027	27.244
Total derivative financial instruments			235.926	232.993			268.872	67.623

Forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate purchase obligation of USD 663.000 thousand and EUR 230.000 thousand in exchange for sale of TL 2.843.966 thousand and sale obligation of USD 30.000 thousand and EUR 50.000 thousand in exchange for a purchase of TL 266.073 thousand. The transactions will expire on December 30, 2016.

As of September 30, 2015, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD 573.529 thousand (December 31, 2015 - USD 611.765 thousand) and Ditaş's long term borrowings amounting to EUR 46.499 thousand (December 31, 2015 – EUR 53.142) with fixed rate instalment payments for cash flow hedging.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

20. Derivative instruments (continued)

As of September 30, 2016, cross currency swap transactions consist of swap transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD 200.000 thousand and TL currency indexed with fixed interest payment amounting to TL 463.875 thousand (December 31, 2015 – USD 200.000 thousand), and swap transaction of long- term borrowings with floating interest rate amounting to USD 88.235 thousand and payments with fixed interest rate amounting to TL 204.706 thousand. (December 31, 2015- USD 94.118 thousand).

Commodity derivative transactions consists of product crack fixing transactions, swap transactions and zero cost collar transactions as of September 30, 2016. Product crack fixing transactions have been made for total gasoline stocks of 990 thousand barrels and weighted average fixation margin of these transactions is USD 9,045 per barrel having a maturity of December 31, 2016. Swap transactions have been made for crude oil stocks at a total number of 6.550 million barrels and weighted average fixation margin of these transactions is USD 47,04 per barrel having a maturity of December 31, 2016. Zero cost collar transactions have been made for crude oil stocks at a total number of 5.400 million barrels and weighted average purchase and sales price of these transactions is USD 41,28 per barrel and USD 52,94 per barrel having a maturity of December 31, 2016. Commodity derivative transactions consists of product crack fixing transactions as of December 31, 2015. Weighted average fixation margin of transactions made for gasoline stocks of 3,9 million barrels is USD 15,21 per barrel and it has a maturity of March 31, 2016.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project ("TEYDEB") with incentive and the existence of research and development center have enabled the Company to benefit from government incentives (research and development deduction, income tax stoppage incentive, social security premium support and stamp tax exemption) according to Law, no 5746, Supporting Research and Development Activities. In this context, as of September 30, 2016, the Company's expenditures within scope of R&D center amounted to TL 8.303 thousand (30 September 2015 - TL 6.654 thousand), within scope of TEYDEB amounted to TL 4.088 thousand (30 September 2015 - TL 2.714 thousand). As of September 30, 2016, TL 5.166 thousand (September 30, 2015 – TL 2.431 thousand) is recorded as incentive income out of total R&D expenditures.

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residium Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of June 30, 2016, investment expenditures amounting to TL 7.969.662 thousand (31 December 2015- TL 7.969.662 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2015 – TL 3.656.588 thousand) has been realized to be used in future periods. As of 30 September 2016, the Company realized revaluation gain amounting to TL 122.432 that is calculated for unused investment incentives in its financial statements. Moreover, as of September 30, 2016 within the scope of the Strategic Investment the Company offset TL 471.537 thousand from tax base (31 December 2015 - TL 344.638 thousand). Besides, the Company benefits from VAT exemption, VAT refund, exemption from customs duty, incentive for employer share of insurance premium and interest incentive within scope of Strategic Investment Incentive.

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

21. Government grants (continued)

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

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

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

The 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 (60%), rate of contribution to investment (25%) and interest incentive.

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

As of 30 September, 2016 and 2015, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	30 September 2016	30 September 2015
Social security withholdings incentives	22.512	17.893
Interest incentive	7.915	17.065
Research and development incentives	5.166	2.431
Total	35.593	37.389

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

22. Commitments and contingent assets and liabilities

	30 September 2016		31 December 2015	
Guarantees received:	Original currency:	TL Amount:	Original currency:	TL Amount:
Letter of guarantees received		1.596.584		2.138.941
-Letter of guarantees in TL	1.036.009	1.036.009	919.053	919.053
- Letter of guarantees in USD	149.258	447.162	374.064	1.087.627
- Letter of guarantees in EUR	30.112	101.202	37.189	118.172
- Letter of guarantees in other currencies	-	12.211	-	14.089
Guarantee notes received		29.488		24.039
- Guarantee notes in TL	29.488	29.488	24.039	24.039
Guarantee letters received		199.795		195.380
- Guarantee letters received - TL	50.000	50.000	50.000	50.000
- Guarantee letters received - USD	50.000	149.795	50.000	145.380
Total guarantees received		1.825.867		2.358.360
Guarantees given:				
Letter of credits given		450.217		305.121
- Letter of credits in USD	143.916	431.159	99.796	290.168
- Letter of credits in EUR	3.738	12.563	4.706	14.953
- Letter of credits in other currencies	-	6.495	-	-
Letter of guarantees given		1.414.100		459.304
- Letter of guarantees in TL	583.829	583.829	400.570	400.570
- Letter of guarantees in USD	277.136	830.271	20.200	58.734
Letters of guarantee given to customs offices		1.316.796		1.541.278
- Letter of guarantees in TL	1.276.466	1.276.466	1.503.147	1.503.147
- Letter of guarantees in EUR	12.000	40.330	12.000	38.131
Letters of guarantee given to banks		314.128		225.073
- Letter of guarantees in USD	50.783	152.141	17.474	50.807
- Letter of guarantees in EUR	48.199	161.987	54.842	174.266
Total guarantees given		3.495.241		2.530.776

As at 30 September 2016 and 31 December 2015, letter of guarantees received are composed of guarantees from customers and suppliers. Guarantees given are mainly composed of guarantees given to government entities and customs offices. As at 30 September 2016, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 308.415 thousand (31 December 2015- TL 219.671 thousand) and for derivative financial instruments amounting to TL 4.713 thousand (31 December 2015 – TL 5.402 thousand).

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

22. Commitments and contingent assets and liabilities (continued)

Collaterals, pledges, mortgages given by the Group as at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	31 December 2015
A. CPMs given for companies in the name of its own legal personality	3.181.113	2.305.703
- TL	1.860.295	1.903.717
- USD	1.261.430	348.902
- EUR	52.893	53.084
- Other	6.495	-
B. CPMs given on behalf of the fully consolidated companies (*)	314.128	225.073
- USD	152.141	50.807
- EUR	161.987	174.266
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	3.495.241	2.530.776

(*) A commission at an amount of TL1.117 thousand is recognized as of 30 September 2016 related to letter of guarantees given in favor of partnerships included in full consolidation (30 September 2015- TL 1.157 thousand).

23. Equity

The Company's shareholders and their shareholding percentages as at 30 September 2016 and 31 December 2015 are as follows:

	30 September 2016	Share (%)	31 December 2015	Share (%)
Enerji Yatırımları A.Ş.	127.714	51	127.714	51
Publicly owned	122.705	49	122.705	49
Total	250.419	100	250.419	100
Adjustment to share capital	1.344.243		1.344.243	
Total paid-in capital	1.594.662		1.594.662	

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

Registered capital of the Company is TL 500.000 thousand and is divided into 50.000.000.000 shares with a registered nominal value of 1 Kuruş ("Kr") (31 December 2015 - 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.

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)**

23. Equity (continued)

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

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

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under "Restricted Reserves". At 30 September 2016, the restricted reserves of the Company amount to TL 331.337 thousand (31 December 2015 - TL 163.401 thousand).

Dividend distribution

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

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

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

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TL 2.831.396 thousand as at 30 September 2016. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 8.097 thousand which are subject to corporate taxation when distributed as dividends.

It is committed to distribute total balance remaining following the allocation of primary and secondary statutory reserves of distributable net profit of period related to 2015 and TL 1.627.725 thousand from secondary reserves as cash dividend and it has been fully paid off as of 30 September 2016. TL 6,5 of net dividend payment and TL 6,5 of gross dividend payment have been made to a stock at a nominal value of TL 1,00 and at 650% ratio to resident institutions and non-resident partners obtaining premium through a registered office in Turkey or permanent representative and TL 6,5 gross dividend payment and TL 5,5250 net cash dividend payment to a stock at 650% ratio and having a nominal value of TL 1,00 to other shareholders.

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

24. Revenue and cost of sales

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Domestic revenue	19.963.183	8.128.998	22.140.297	8.840.232
Export revenue	4.406.077	1.436.865	5.916.877	1.657.625
Service revenue	79.353	29.732	85.861	24.258
Gross revenue	24.448.613	9.595.595	28.143.035	10.522.115
Less: Sales discounts	(339.231)	(138.500)	(120.119)	(70.940)
Less: Sales returns	(13.930)	(6.213)	(28.104)	(5.671)
Sales (net)	24.095.452	9.450.882	27.994.812	10.445.504
Cost of goods sold	(19.909.015)	(7.956.517)	(23.756.777)	(8.621.067)
Cost of trade goods sold	(2.078.035)	(554.401)	(1.371.860)	(604.541)
Cost of services	(58.548)	(22.483)	(29.257)	(7.210)
Gross profit	2.049.854	917.481	2.836.918	1.212.686

Cost of sales:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Raw materials	18.148.836	7.373.074	22.209.610	8.039.556
Cost of trade goods sold	2.078.035	554.401	1.371.860	604.541
Energy expenses	720.013	243.202	697.452	261.016
Personnel expenses	387.849	131.767	344.677	126.453
Depreciation and amortization (Note 12-13)	363.354	121.894	262.704	106.742
Other production expenses	347.511	109.063	271.591	94.510
Cost of sales	22.045.598	8.533.401	25.157.894	9.232.818

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

General administrative expenses:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Personnel expenses	228.994	73.094	177.195	65.133
Insurance expenses	61.283	16.994	55.375	24.523
Outsourced services	53.064	24.863	31.663	12.725
Taxes and duties	50.425	19.456	48.510	19.007
Depreciation and amortization expenses (Note 12-13)	42.867	14.466	54.453	24.734
Office expenses	22.910	9.217	15.803	5.564
Subscription fees	14.666	5.051	14.396	5.073
Lawsuit and consultancy expenses	14.451	6.538	15.493	4.359
Rent expenses	5.611	1.826	8.989	3.466
Donations	4.619	3.007	1.043	511
Transportation and travel expenses	1.825	548	1.327	407
Other	28.575	8.629	22.390	8.767
Total general administrative expenses	529.290	183.689	446.637	174.269

Marketing expenses:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Personnel expenses	58.307	21.401	48.470	18.298
Outsourced services	37.132	12.931	32.574	11.495
Carriage, storage and insurance expenses	26.856	11.400	26.212	12.987
Rent expenses	7.085	2.416	6.349	2.335
Energy expenses	5.415	2.532	1.918	586
Advertising expenses	845	371	1.350	722
Depreciation and amortisation expenses (Note 12)	2	1	2	1
Other	15.949	4.745	13.945	5.416
Total marketing expenses	151.591	55.797	130.820	51.840

Research and development expenses:

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Personnel expenses	16.059	5.216	13.943	4.416
License expenses	392	-	1.321	-
Lawsuit and consultancy expenses	483	229	157	27
Outsourced services	91	13	973	165
Other	3.568	1.671	679	272
Total research and development expenses	20.593	7.129	17.073	4.880

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

26. Other operating income/(expenses)

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Other operating income:				
Credit finance gains	84.851	25.322	82.804	29.724
Rent income	2.560	812	2.297	954
Foreign exchange gain from trade receivables	445	445	12.002	6.664
Foreign exchange gain from trade payables	-	(28.673)	-	-
Other	11.990	2.038	6.255	2.783
Total other operating income	99.846	(56)	103.358	40.125

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Other operating expense:				
Foreign exchange loss from trade payables	(59.658)	(59.658)	(755.345)	(421.603)
Credit finance charges	(9.686)	(4.366)	(4.726)	(1.794)
Foreign exchange loss from trade receivables	-	1.124	-	-
Other	(8.344)	(4.141)	(18.040)	(4.335)
Total other operating expense	(77.688)	(67.041)	(778.111)	(427.732)

27. Income/(expense) from investment activities

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Gains/(losses) on sales of property plant and equipment and intangible assets, net	(126)	10	769	557
Total income/(expense) from investment activities	(126)	10	769	557

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

28. Financial income/(expenses)

	1 January- 30 September 2016	1 July- 30 September 2016	1 January- 30 September 2015	1 July- 30 September 2015
Financial income:				
Foreign exchange gains on borrowings	-	(16.568)	-	-
Interest income on deposits	203.841	88.858	116.395	55.343
Foreign exchange gains on deposits	124.874	124.874	467.652	233.275
Foreign exchange gains on derivative instruments	-	-	418.192	219.606
Total financial income	328.715	197.164	1.002.239	508.224
Financial expense:				
Interest expenses	(471.297)	(184.453)	(384.144)	(137.316)
Foreign exchange losses on borrowings	(202.625)	(202.625)	(1.046.148)	(498.253)
Foreign exchange losses on derivative instruments	(77.713)	19.144	-	-
Foreign exchange losses on deposits	-	68.898	-	-
Other	(29.316)	(9.613)	(3.231)	(1.149)
Total financial expense	(780.951)	(308.649)	(1.433.523)	(636.718)

29. Tax assets and liabilities

i) Corporation tax:

	30 September 2016	31 December 2015
Current period corporate tax provision	152.702	133.346
Current year tax assets	(95.202)	(4.317)
Corporation tax provision	57.500	129.029

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 2016 is 20 % (2015 - 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

29. Tax assets and liabilities (continued)

Investment incentive income

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 30 September 2016, investment expenditures amounting to TL 7.969.662 thousand (31 December 2015 - TL 7.969.662 thousand) has been made and tax advantages amounting to TL 3.656.588 thousand (31 December 2015 – TL 3.656.588 thousand) has been realized to be used in future periods. As of 30 September 2016, the Company realized revaluation gain amounting to TL 122.432 that is calculated for unused investment incentives in its financial statements. Moreover, as of 30 September 2016 within the scope of the Strategic Investment the Company offset TL 471.537 thousand from tax base (31 December 2015 – TL 344.638 thousand)..

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 30 September 2016 and 31 December 2015 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	647.751	523.313	(129.550)	(104.663)
Fair value difference of derivative instruments	31.745	217.134	(6.349)	(43.427)
Prepaid expenses	112.992	137.557	(22.598)	(27.511)
Financial assets fair value difference	86.591	86.591	(4.330)	(4.330)
Deferred tax liability			(162.827)	(179.931)
Investment incentive income	7.969.662	7.969.662	3.656.588	3.656.588
Investment incentive income net-offed by tax base within the scope of Strategic Investment Incentive			(471.537)	(344.638)
Gains on revaluation of investment			122.432	-
Employment termination benefits and seniority incentive bonus provision	160.954	154.952	32.191	30.990
Impairment on inventories	-	102.114	-	20.423
Provision for unused vacation liability	40.526	39.777	8.105	7.956
Provision for impairment on spare parts	27.506	27.506	5.501	5.501
Provisions for pending claims and lawsuits	15.605	13.405	3.121	2.681
Unearned credit finance income, (net)	4.829	6.011	966	1.202
Financial losses	2.305	-	461	-
Other	57.198	8.639	11.440	1.731
Deferred tax assets			3.369.268	3.382.434
Deferred tax asset / (liability), net			3.206.441	3.202.503

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

29. Tax assets and liabilities (continued)

The movement of deferred taxes is as follows:

	2016	2015
Deferred tax asset / (liability), net		
1 January	3.202.503	2.623.134
Charge for the period	58.658	576.465
Charge to equity		
- Hedging reserve	33.520	185.469
Tax effect of adjustments to previous years	-	(16.310)
Investment incentive income net-offed	(88.240)	-
30 September	3.206.441	3.368.758

30. Profit for shares

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Profit for the year attributable to shareholders of the Company	990.299	580.870	1.735.255	750.023
Weighted average number of shares with nominal value of Kr 1 each	25.041.920.000	25.041.920.000	25.041.920.000	25.041.920.000
Basic and diluted earnings per share in Kr	3,95	2,32	6,93	3,00

31. Related party transactions

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

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

a) Deposits:

	30 September 2016	31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	3.592.188	1.287.266
Total	3.592.188	1.287.266

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31. Related party transactions (continued)**b) Due from related parties:**

	30 September 2016	31 December 2015
Opet Petrolcülük A.Ş. (1)	178.657	309.098
THY OPET Havacılık Yakıtları A.Ş. (1)	99.604	274.819
Aygaz A.Ş. (2)	53.032	70.583
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	3.485	4.162
Other (2)	93	11
Total	334.871	658.673

As of September 30, 2016, Tüpraş has offset TL 565.000 thousand (31 December 2015 - TL 125.000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

c) Due to related parties:

	30 September 2016	31 December 2015
Aygaz A.Ş. (2)	22.770	17.112
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	8.460	5.559
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	5.870	984
Koç Sistem Bilgi ve İletişim A.Ş. (2)	3.198	10.667
Opet Petrolcülük A.Ş. (1)	5.573	5.275
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	2.597	648
Ark İnşaat A.Ş. (2)	2.498	12.656
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	2.371	2.325
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	438	3.510
Setur Servis Turistik A.Ş. (2)	204	536
Koç Holding A.Ş. (3)	-	17.469
Other (2)	5.050	3.532
Total	59.029	80.273

d) Advances given for property, plant and equipment:

	30 September 2016	31 December 2015
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	32.441	17.957
Ark İnşaat A.Ş. (2)	5.944	6
Total	38.385	17.963

e) Bank borrowings:

	30 September 2016	31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	115	-
Total	115	-

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31. Related party transactions (continued)**f) Product and service sales:**

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
THY OPET Havacılık Yakıtları A.Ş. (1)	2.725.298	1.054.982	3.676.315	1.447.682
Opet Petrolcülük A.Ş. (1)	2.599.678	1.042.762	2.553.095	991.321
Aygaz A.Ş. (2)	222.898	74.808	246.564	82.321
Opet-Fuchs Madeni Yağ A.Ş. (1)	18.265	4.668	21.503	6.922
Other (2)	4	-	1.084	87
Total	5.566.143	2.177.220	6.498.561	2.528.333

g) Product and service purchases:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Aygaz A.Ş. (2)	306.968	120.836	300.171	118.857
Opet Petrolcülük A.Ş. (1)	105.681	42.936	66.369	35.572
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	69.716	5.376	82.745	6.912
THY OPET Havacılık Yakıtları A.Ş. (1)	44.241	15.892	51.214	13.190
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	37.747	12.790	34.891	8.995
Koç Holding A.Ş. (3) (*)	23.939	15.285	9.413	4.282
Koç Sistem Bilgi ve İletişim A.Ş. (2)	17.741	5.563	17.297	7.312
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	16.042	6.493	16.287	7.794
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	6.385	2.246	5.482	1.828
Other (2)	13.251	3.649	20.898	8.320
Total	641.711	231.066	604.767	213.062

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

(**) Includes paid and accrued insurance premiums in the periods ended 30 September 2016 and 2015 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agency.

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

31. Related party transactions (continued)**h) Fixed asset purchases:**

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Ark İnşaat A.Ş. (2)	51.482	24.986	45.621	15.097
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	17.902	11.632	93.897	-
Koç Sistem Bilgi ve İletişim A.Ş. (2)	1.195	852	-	-
Entek Elektrik Üretim A.Ş. (2)	-	-	27.412	-
Other (2)	1.589	1.578	1.240	489
Total	72.168	39.048	168.170	15.586

i) Remuneration of board of directors and executive management:

The senior management of the company is determined as Member and Chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TL 24.011 thousand as of period ending on 30 September 2016. (30 September 2015 – TL 9.610 thousand). TL 17.200 thousand of this amount is related to severance payments and the rest of amount consists of short term benefits (30 September 2015 – TL 3.326 thousand).

j) Financial expenses paid to related parties:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Yapı ve Kredi Bankası A.Ş. (2)	-	-	4.376	1.544
Yapı Kredi Faktoring A.Ş. (2)	1.182	189	2.463	33
Total	1.182	189	6.839	1.577

k) Time deposit interest income:

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Yapı ve Kredi Bankası A.Ş. (2)	94.593	37.860	70.480	36.334
Total	94.593	37.860	70.480	36.334

l) Donations:

As of 30 September 2016, total donation is amounting to TL 2.995 thousand (30 September 2015- TL 306 thousand).

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

32. Financial instruments and financial risk management

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

Foreign exchange risk

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

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

The table below summarizes the foreign currency position risk of the Group as at 30 September 2016 and 31 December 2015. Foreign currency denominated assets and liabilities of the Group and related foreign currency position are as follows:

	30 September 2016	31 December 2015
Assets	2.954.033	2.144.050
Liabilities	(13.094.107)	(10.446.529)
Net balance sheet foreign currency position	(10.140.074)	(8.302.479)
Net foreign currency position of derivative financial instruments	3.364.874	855.176
Net foreign currency position	(6.775.200)	(7.447.303)

The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 30 September 2016, the Group has raw materials and petroleum products amounting to TL 2.776.013 thousand (31 December 2015 - TL 1.962.440 thousand) (Note 8).

Furthermore, the Group has defined that RUP investment loans amounted USD 1.637.447 thousand (TL 4.639.542 thousand) as hedging instrument against incurred USD/TL spot rate risk due to highly probable forecasted export sales revenues in USD (31 December 2015 – USD 1.709.447 thousand equivalent to TL 4.970.388 thousand), under this scope, beginning from March 1, 2015, has been practicing cash flow hedge accounting. Foreign exchange income/expense related to RUP investment loans are recognized in "Gains/ (losses) on hedging" under shareholders' equity until the cash flow related to hedged item will be realized.

Except from related natural hedge amount and RUP investment loans defined as hedging under the scope of cash flow hedge, as of September 30, 2016, the Group has net foreign currency position amounting to TL 481.340 thousand (31 December 2015 – TL 514.475 thousand, net open position).

Türkiye Petrol Rafinerileri A.Ş.

Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

32. Financial instruments and financial risk management (continued)

Foreign currency position table										
	30 September 2016					31 December 2015				
	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	68.185	22.757	2	-	-	31.286	10.757	3	-	-
Monetary financial assets(including cash, banks)	2.773.721	809.288	103.847	42	-	1.598.597	539.810	9.102	29	-
Other	3.496	939	105	-	327	447.514	153.793	87	16	-
Current assets	2.845.402	832.984	103.954	42	327	2.077.397	704.360	9.192	45	-
Other	108.631	25.431	9.653	-	-	66.653	1.649	18.347	-	3.558
Non-current assets	108.631	25.431	9.653	-	-	66.653	1.649	18.347	-	3.558
Total assets	2.954.033	858.415	113.607	42	327	2.144.050	706.009	27.539	45	3.558
Trade payables	3.431.667	1.118.405	22.958	190	3.143	2.628.025	881.949	19.480	(134)	2.345
Financial liabilities	1.107.106	350.340	17.116	-	-	1.005.108	331.037	13.401	-	-
Other monetary liabilities	130.772	43.327	288	-	-	15.389	5.023	247	-	-
Current liabilities	4.669.545	1.512.072	40.362	190	3.143	3.648.522	1.218.009	33.128	(134)	2.345
Financial liabilities	8.384.747	2.464.465	297.981	-	-	6.790.725	2.285.919	45.376	-	-
Other monetary liabilities	39.815	12.543	666	-	-	7.282	1.939	517	-	-
Non-current liabilities	8.424.562	2.477.008	298.647	-	-	6.798.007	2.287.858	45.893	-	-
Total liabilities	13.094.107	3.989.080	339.009	190	3.143	10.446.529	3.505.867	79.021	(134)	2.345
Net asset/(liability) position of off-balance sheet foreign currency derivatives	3.364.874	921.236	180.000	-	-	855.176	294.117	-	-	-
Total amount of off-balance sheet derivative financial assets	3.364.874	921.236	180.000	-	-	855.176	294.117	-	-	-
Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	(6.775.200)	(2.209.429)	(45.402)	(148)	(2.816)	(7.447.303)	(2.505.741)	(51.482)	179	1.213
Net monetary foreign currency asset/(liability) position	(10.252.201)	(3.157.035)	(235.160)	(148)	(3.143)	(8.816.646)	(2.955.300)	(69.916)	163	(2.345)
Fair value of derivative instruments	172.220	57.485	-	-	-	227.882	78.375	-	-	-

Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

32. Financial instruments and financial risk management (continued)

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 30 September 2016 and 31 December 2015.

Statement of foreign currency risk sensitivity				
30 September 2016				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(945.816)	945.816	(448.053)	448.053
Amount hedged for USD risk (-) (*)	724.046	(724.046)	-	-
USD net effect	(221.770)	221.770	(448.053)	448.053
10% change in EUR rate:				
Euro net assets/ liabilities	(79.033)	79.033	-	-
Amount hedged for Euro risk (-)	60.494	(60.494)	-	-
EUR net effect	(18.539)	18.539	-	-
TOTAL	(240.309)	240.309	(448.053)	448.053
31 December 2015				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(859.283)	859.283	(497.039)	497.039
Amount hedged for USD risk (-) (*)	582.556	(582.556)	-	-
USD net effect	(276.727)	276.727	(497.039)	497.039
10% change in EUR rate:				
Euro net assets/ liabilities	(22.217)	22.217	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(22.217)	22.217	-	-
TOTAL	(298.944)	298.944	(497.039)	497.039

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

Türkiye Petrol Rafinerileri A.Ş.

**Notes to the consolidated financial statements
for the nine month interim period ended 30 September 2016 (continued)**
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

32. Financial instruments and financial risk management (continued)

Export and import

	1 January - 30 September 2016	1 July - 30 September 2016	1 January - 30 September 2015	1 July - 30 September 2015
Export				
USD (equivalent of thousand TL)	4.406.024	1.436.821	5.916.716	1.657.607
Total	4.406.024	1.436.821	5.916.716	1.657.607
Import				
USD (equivalent of thousand TL)	18.151.616	6.789.104	21.358.887	7.688.883
Total	18.151.616	6.789.104	21.358.887	7.688.883

33. Subsequent events

None.