

FEAR NOT,



ANNUAL REPORT 2016

FEAR NOT,

is how our national anthem begins...

That's why we shouldn't be daunted by challenges,
Even when we face difficult times.
We have the courage passed down to us by our ancestors.

As Turkey's biggest company,
It is our duty to empower our nation,
As long as we share one heart.

**Because Tüpraş belongs to our nation,
Representing the core value and the heart of Turkey.**

We are outlining this past challenging year with the first line of the Independence March,
a precious gift from Mehmet Akif Ersoy to Turkey.

FOR THE CRIMSON BANNER



...will ripple above us forever.

The crescent and the star will continue to rise with our country.

Everything we've earned on this land,

Is our investment in the future.

Because when it comes to our country,

The rest is merely detail.



INVESTMENT AMOUNT FOR THE LAST 11 YEARS **US\$ 5.7 BILLION**

**PROUDLY
RIPPLING**



**...ships will arrive at ports, trains will reach terminals.
We will cross the mountains and seas,
So that Turkey can move forward.**

**We will reach the biggest goals of Turkey,
Without swerving off the road to success.**



2016 TOTAL DIESEL PRODUCTION **9.4 MILLION TONS**

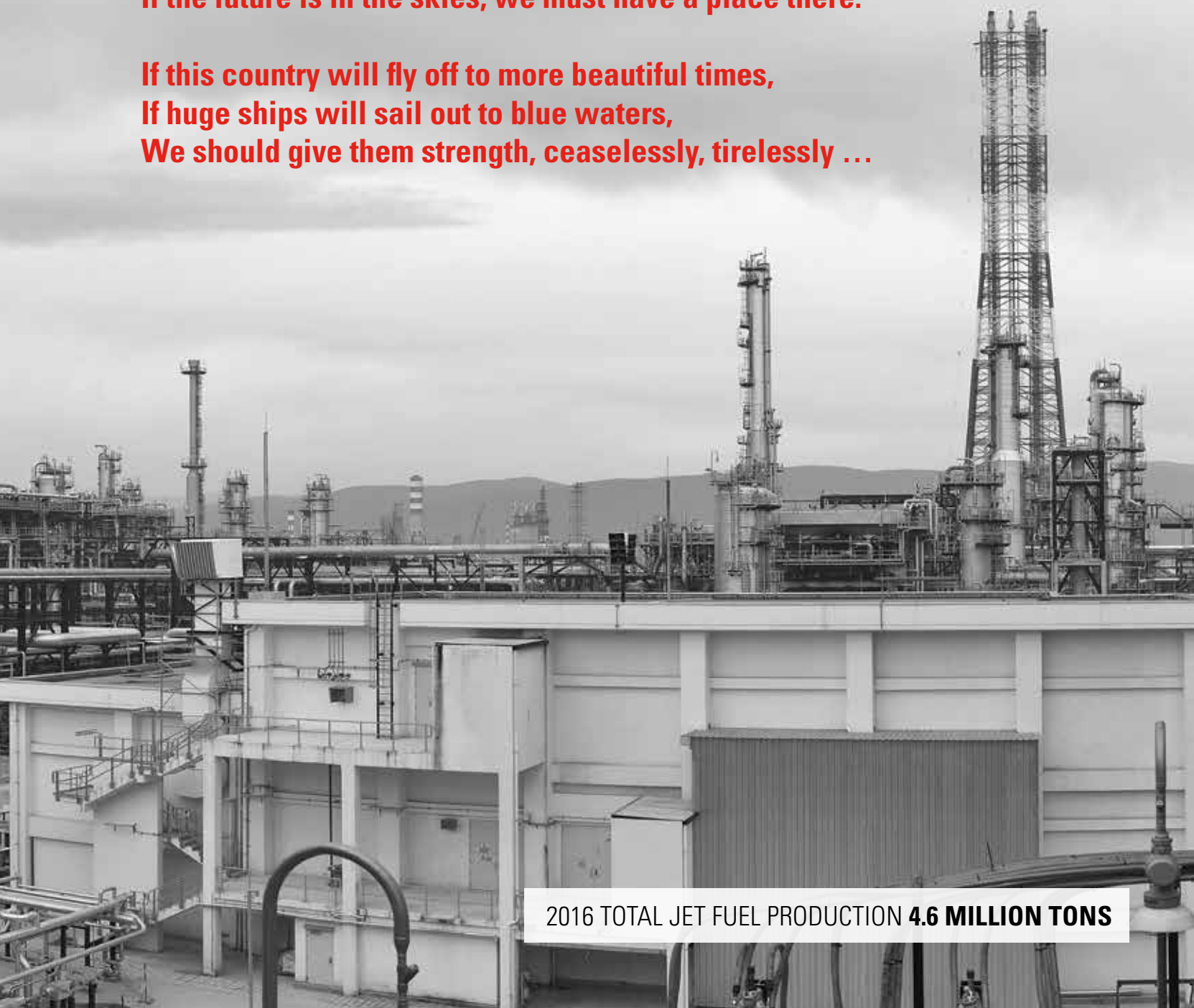
**IN THIS
GLORIOUS
DAWN**





**...we must have a glorious name, a strong reputation.
If the future is in the skies, we must have a place there.**

**If this country will fly off to more beautiful times,
If huge ships will sail out to blue waters,
We should give them strength, ceaselessly, tirelessly ...**



2016 TOTAL JET FUEL PRODUCTION **4.6 MILLION TONS**



**SHALL
NOT FADE**

...the fire in us

Burns with patriotism throughout the seasons, years, days, and hours...

**We exist so that chimneys continue to fume across our country.
We will work at full capacity,
relentlessly, vigorously.**



2016 TOTAL PRODUCTION 27.9 MILLION TONS

NATIONAL ANTHEM OF THE REPUBLIC OF TURKEY

Fear not, For the crimson banner that proudly ripples in this glorious dawn, shall not fade,
Before the last fiery hearth that is ablaze within my homeland is extinguished.
For that is the star of my people, and it will forever shine;
It is mine; and solely belongs to my valiant nation.

Frown not, I beseech you, oh thou coy crescent!
Smile upon my heroic nation! Why the anger, why the rage?
Our blood which we shed for you shall not be worthy otherwise;
For freedom is the absolute right of my God-worshipping nation!

I have been free since the beginning and forever shall be so.
What madman shall put me in chains! I defy the very idea!
I'm like the roaring flood; trampling my banks and overcoming my body,
I'll tear apart mountains, exceed the expanses and still gush out!

The horizons of the west may be bound with walls of steel,
But my borders are guarded by the mighty bosom of a believer.
Bellow out, do not be afraid! And think: how can this fiery faith ever be extinguished,
By that battered, single-fanged monster you call "civilization"?

My friend! Leave not my homeland to the hands of villainous men!
Render your chest as armour and your body as bulwark! Halt this disgraceful assault!
For soon shall come the joyous days of divine promise;
Who knows? Perhaps tomorrow? Perhaps even sooner!

View not the soil you tread on as mere earth - recognize it!
And think about the shroudless thousands who lie so nobly beneath you.
You're the glorious son of a martyr - take shame, grieve not your ancestors!
Unhand not, even when you're promised worlds, this heavenly homeland.

Who would not sacrifice their life for this paradise of a country?
Martyrs would burst forth should one simply squeeze the soil! Martyrs!
May God take my life, my loved ones, and all possessions from me if He will,
But let Him not deprive me of my one true homeland in the world.

Oh glorious God, the sole wish of my pain-stricken heart is that,
No heathen's hand should ever touch the bosom of my sacred Temples.
These adhans and their testimonies are the foundations of my religion,
And may their noble sound prevail thunderously across my eternal homeland.

For only then, shall my fatigued tombstone, if there is one, prostrate a thousand times in ecstasy,
And tears of blood shall, oh Lord, spill out from my every wound,
And my lifeless body shall burst forth from the earth like an eternal spirit,
Perhaps only then, shall I peacefully ascend and at long last reach the heavens.

So ripple and wave like the bright dawning sky, oh thou glorious crescent,
So that our every last drop of blood may finally be blessed and worthy!
Neither you nor my kin shall ever be extinguished!
For freedom is the absolute right of my ever-free flag;
For independence is the absolute right of my God-worshipping nation!

MEHMET AKİF ERSOY

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TÜPRAŞ AT A GLANCE

1

İZMİT REFINERY

Capacity: **11 million tons/year**
Nelson Complexity: **14.5**
Storage Capacity: **3.03 million m³**

2

KÖRFEZ OPET TERMINAL

Storage Capacity: **45,450 m³**

3

DİTAŞ

1 Crude Oil Tanker: **164,859 DWT**
1 Crude Oil/Product Tanker: **51,532 DWT**
7 Product Tanker: **90,534 DWT**

4

MARMARA OPET TERMINAL

Storage Capacity: **721,000 m³**

4

3

1

2

KIRIKKALE REFINERY

Capacity: **5 million tons/year**
Nelson Complexity: **6.32**
Storage Capacity: **1.41 million m³**

İZMİR REFINERY

Capacity: **11 million tons/year**
Nelson Complexity: **7.66**
Storage Capacity: **2.51 million m³**

ANTALYA OPET TERMINAL

Storage Capacity: **19,392 m³**

MERSİN OPET TERMINAL

Storage Capacity: **240,000 m³**

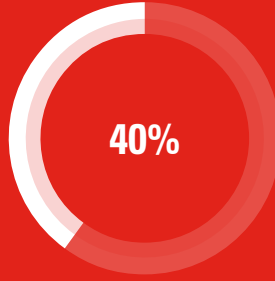
DİTAŞ



Tüpraş holds **79.98%** of Ditaş shares
1 Crude Oil Tanker: **164,859 DWT**
1 Crude Oil/Product Tanker: **51,532 DWT**
7 Product Tankers: **90,534 DWT**

Carries out shipping operations of crude oil and petroleum products domestically and internationally

OPET



Tüpraş holds **40%** of Opet shares
Filling Stations: **1,504**
Storage Capacity: **1.1 million m³**

Trading of petroleum products, lubricants, bunker fuel, jet fuel operations

GIRESUN OPET TERMİNAL

Storage Capacity: **43,130 m³**

BATMAN REFINERY

Capacity: **1.1 million tons/year**
Nelson Complexity: **1.83**
Storage Capacity: **253,000 m³**

KEY INDICATORS

EXCLUDING INDUSTRIAL PRODUCTS, THE MARKET SHARE OF TUPRAŞ'S PRODUCT PORTFOLIO WAS 60%.

OPERATIONAL PERFORMANCE INDICATORS-REFINING (THOUSAND TONS)

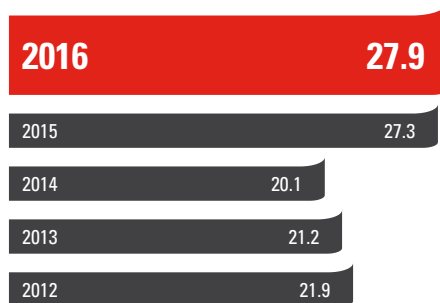
	2012	2013	2014	2015	2016
Processed Crude Oil	22,118	21,568	20,044	27,559	28,348
Production	21,867	21,175	20,101	27,268	27,928
Sales	25,441	24,083	22,194	28,739	30,255
Product Export	5,860	4,844	5,333	6,494	5,491
Product Import	4,387	3,805	2,920	2,999	3,749

TUPRAŞ REFINING PRODUCTION (THOUSAND TONS)

PRODUCTS	2015	2016	CHANGE (%)
LPG	904	976	8.0
Gasoline/Naphtha	5,823	6,078	4.4
Jet Fuel/Kerosene	5,126	4,565	-10.9
Diesel	8,219	9,361	13.9
Middle Distillate	13,345	13,927	4.4
Fuel Oil	2,907	1,979	-31.9
Bitumen	2,876	3,436	19.5
Lube Oil	133	126	-5.5
ASRFO/Vacuum Dip.	106	75	-28.9
Petroleum Coke	473	682	45.0
Other	701	649	-7.4
TOTAL	27,268	27,928	2.42

**PRODUCTION (MILLION TONS)**

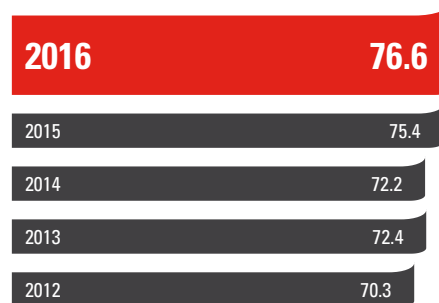
Total production volume reached **27.9 million tons** with full capacity utilization in 2016.

2% INCREASE**JET FUEL (MILLION TONS)**

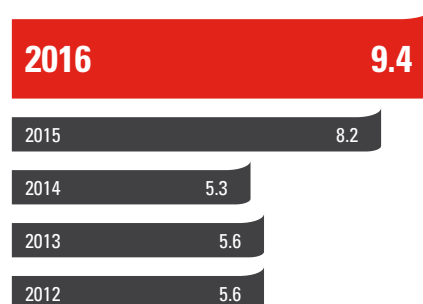
Since the demand was affected by the decline in tourism sector, Tüpraş's total jet fuel production amounted **4.6 million tons** in 2016.

11% DECREASE**WHITE PRODUCT YIELDS (THOUSAND TONS)**

Despite the high capacity utilization, white product yield rose by **1.1%** thanks to the effective usage of conversion units and the Fuel Oil Residuum Upgrading Facility.

1.1% INCREASE**DIESEL (MILLION TONS)**

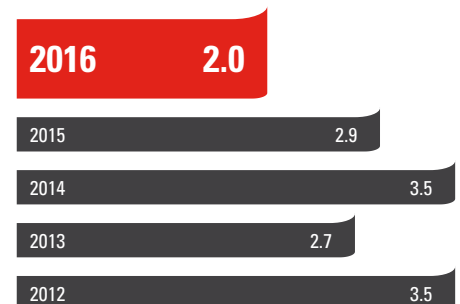
In order to meet the strong demand, entire increase in distillate production is utilized on diesel, and diesel production increased by 14% to **9.4 million tons**.

14% INCREASE**GASOLINE & NAPHTHA (MILLION TONS)**

Tüpraş's total gasoline and naphtha production increased by 4% to **6.1 million tons** in 2016.

4% INCREASE**FUEL OIL (MILLION TONS)**

Due to the commissioning of the Fuel Oil Residuum Upgrading Facility and strong bitumen demand, fuel oil production fell by 32% to **2.0 million tons**.

32% DECREASE

KEY INDICATORS

DIESEL MARKET SHARE OF TUPRAŞ AMOUNTED TO 48%.

CAPACITY UTILIZATION IN 2016

CAPACITY UTILIZATION (%)	CRUDE OIL*	SEMI-FINISHED PRODUCTS*	TOTAL
1 st Quarter	94.5	5.2	99.7
2 nd Quarter	96.8	5.2	102.0
3 rd Quarter	104.7	4.3	109.1
4 th Quarter	107.5	3.1	110.6

(*) Calculated based on the design capacity of 28.1 million tons.

SAFETY SCORES	2012	2013	2014	2015	2016
Accident Frequency Rate	1.5	1.1	1.6	2.5	1.9
Accident Severity Rate	289	26	308	315	354

WATER RECYCLING	2012	2013	2014	2015	2016
Recycled Water (million m ³)	9.9	11.0	12.0	17.2	20.0
Recycled Water/Consumption (%)*	32.2	36.3	40.7	40.1	39.1
Recycled Water/Consumed Water (%)**	47.6	56.9	67.4	67.0	64.1

GREENHOUSE GAS EMISSION SAVINGS (CO ₂ EMISSIONS-THOUSAND TONS)	2012	2013	2014	2015	2016
Greenhouse Gas Emissions Prevented	348.2	186.0	126.4	71.7	77.7

*The ratio of the total water recycling to the sum of "total recycled water" and "total consumption".

** The ratio of total water recycling to total water consumption. GRI-EN 10



FINANCIAL PERFORMANCE

FINANCIAL INDICATORS (US\$ MILLION)	2012	2013	2014	2015	2016
Net Sales	23,677	21,595	18,165	13,571	11,547
Operating Profit	631	22	199	1,012	781
Profit before Tax	753	7	84	819	644
Profit after Tax	817	629	667	938	594
EBITDA	715	560	338	1,397	1,125
Net Debt	551	1,340	1,663	2,370	1,729
Return on Equity (ROE) (%)	32	24	26	35	22
Debt Leverage Ratio (%)	17	36	38	45	43
Net Working Capital	595	(296)	(677)	(53)	286
Investment Expenditures (Refining)	974	1,201	959	344	213

EARNINGS PER SHARE

TL	2012	2013	2014	2015	2016
Earnings per Share	5.9	4.8	5.8	10.2	7.16
Gross Dividend per Share	3.9	1.6	-	6.5	6.22
Net Dividend per Share	3.3	1.3	-	5.5	5.29

KEY INDICATORS

TÜPRAŞ SUPPLIES 37 DIFFERENT PETROLEUM PRODUCTS ACROSS TURKEY.

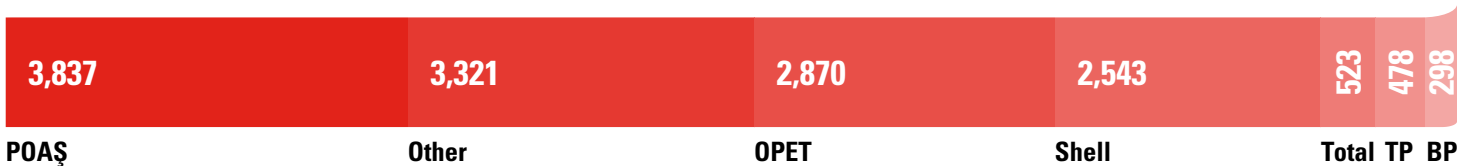
TOTAL SALES

30,255 THOUSAND TONS



SALES TO DISTRIBUTION COMPANIES

13,871 THOUSAND TONS



**NET SALES (US\$ MILLION)**

Despite 17% decline in crude oil and product prices, Tüpraş recorded net sales of **US\$ 11,547 million** in 2016, thanks to increase in sales volume.

US\$ **11,547** MILLION

2016 11,547

2015 13,571

2014 18,155

2013 21,595

2012 23,677

INVESTMENT EXPENDITURES (US\$ MILLION)

Tüpraş continued its projects for cost reductions in 2016 and had **US\$ 213 million** of investment expenditures in Refining.

US\$ **213** MILLION

2016 213

2015 344

2014 959

2013 1,201

2012 974

OPERATING PROFIT (US\$ MILLION)

Tüpraş reached an operating profit of **US\$ 781 million** in 2016 with its strong refining performance in the 4th quarter.

US\$ **781** MILLION

2016 781

2015 1,012

2014 199

2013 22

2012 631

PROFIT AFTER TAX (US\$ MILLION)

Tüpraş's profit after tax was **US\$ 594 million** in 2016.

US\$ **594** MILLION

2016 594

2015 938

2014 667

2013 629

2012 817

RETURN ON EQUITY (ROE) (%)

Tüpraş's return on equity (ROE) was **22%** in 2016.

22%

2016 22

2015 35

2014 26

2013 24

2012 32

EARNINGS PER SHARE (TL)

Tüpraş's earnings per share was **TL 7.16** in 2016.

TL **7.16**

2016 7.16

2015 10.2

2014 5.8

2013 4.8

2012 5.9

2016 DEVELOPMENTS

AFTER THE COMMISSIONING OF THE RUP FACILITY, SUPPLEMENTARY INVESTMENTS, SUCH AS THE WAGON MAINTENANCE WORKSHOP, EXPANDING THE TANKER FLEET AND RAW WATER SUPPLY, GAINED MOMENTUM.

THE WAGON MAINTENANCE AND REPAIR WORKSHOP AT KIRIKKALE REFINERY WAS COMMISSIONED.

The Wagon Maintenance and Repair Workshop at Kırıkkale Refinery, the first private and the most comprehensive such workshop in Turkey, received Entity in Charge of Maintenance - ECM certification on September 29, 2016. Currently, Tpraş conducts rail transport operations with a fleet of 490 freight wagons. Additionally, the Company gained an important position in the freight rail industry after obtaining the Rail Transportation of Hazardous Materials Permit and completing the registration process for Tpraş Wagons in 2016. Upon completion of the liberalization process, Tpraş plans to commence freight rail operations with its own wagons and locomotives, thereby becoming a Freight Train Operator.

The Kırıkkale Wagon Maintenance and Repair Workshop is widely known as one of the few facilities of this kind in Europe and is rated by an independent inspection agency. The workshop will undertake maintenance on tank wagons under the most comprehensive certification in this area. Built at Kırıkkale Refinery with a covered space of 2,800 m², the Wagon Maintenance and Repair Workshop will undertake maintenance and repair work on wagons owned by the Company in line with European standards (TSI, VPI, GCU). Tpraş is the only company which can provide maintenance services under five different standards (VPI, GCU, RID, TSI ve TCDD) in Europe.

TPRAŞ REPRESENTS TURKEY AT THE EUROPEAN BUSINESS AWARDS FOR THE ENVIRONMENT - TURKISH NATIONAL PROGRAM.

In the 2015-2016 period, Tpraş won first prize with its project called Municipal Domestic Wastewater Treatment for Reuse as Process Water in Industry in the "Process" category; as a result, the Company represented Turkey at the European Business Awards for the Environment.

Since November 2014, Tpraş has implemented the project Municipal Domestic Wastewater Treatment for Reuse as Process Water in Industry, which aims to supply water for refineries by treating wastewater-instead of using natural resources-for the dual purpose of protecting natural resources and ensuring environmental sustainability.

Tpraş uses large amounts of water, as a fire extinguisher in emergency situations as well as process water in various stages of production. Thanks to this project, the Company can meet all water needs of İzmit Refinery by treating municipal domestic wastewater.

The project helps ensure sustainable use of water resources and conserve biodiversity, and therefore is very important in terms of protecting the ecosystem.

Tpraş implements many resource efficiency projects to ensure efficient and effective use of natural resources, improve operating conditions and reduce raw water consumption. As a result, the Company saves approximately 1,250 m³ of raw water per hour. This amount corresponds to the water consumption of a town with a population of 130,000.

The Krfez Domestic Wastewater Treatment Facility, which was developed in collaboration with Kocaeli Metropolitan Municipality's Water and Sewerage Administration and completed with a capital investment of TL 55 million, aims to supply process water via wastewater treatment. The facility was commissioned at İzmit Refinery in two stages, in November 2014 and May 2015.

As Turkey's leading energy company, Tpraş plans to continue developing and implementing pioneering projects that protect and advance its operating regions in the belief that the enterprise can only grow together with the community it serves.



TÜPRAŞ ADDED TWO PRODUCT TANKERS TO ITS FLEET AND PLACED AN ORDER FOR FOUR NEW TANKERS.

In February 2016, the Company purchased two product tankers, which were previously time chartered; the 10,901-DWT T. Caroline Tanker and the 11,544-DWT T. Nevbahar Tanker.

In February 2016, Tüpraş signed a contract with Hyundai shipyard for two 158,000 DWT Suezmax tankers; subsequently, construction of these tankers began. The Company also made an agreement for the construction of a 15,000 DWT asphalt carrier and a 16,000 DWT product carrier.

EBRD SUPPORTS TÜPRAŞ'S EFFICIENCY PROGRAM.

The European Bank for Reconstruction and Development (EBRD) extended a US\$ 150 million loan to Tüpraş to support the Company's energy and water efficiency projects. EBRD's eight-year unsecured loan with a grace period of three years will be used to finance a comprehensive US\$ 232-million modernization program at the Company's İzmir and Kırıkkale refineries during the period 2016-2018. The upgrades include on-site thermal power plants, waste heat recovery system, flue gas treatment and catalytic cracking units. These improvements will help lower energy usage at these two refineries, reduce CO₂ emissions by 270,000 tons per year and thereby bolster the Company's sustainability efforts and competitiveness.

TECHNICAL SAFETY EFFORTS WERE EXECUTED IN 2016 IN COLLABORATION WITH SGS AND DUPONT.

As part of process safety efforts, Shell Global Solutions (SGS) conducted audits on 22 process safety topics at İzmit Refinery over a 10-day period. Subsequently, SGS prepared comparative analyses based on international best practices for each of these topics. Action plans were developed in response. Additionally, SGS performed a five-day Goal Zero Safety Culture Assessment at İzmir Refinery and developed the action plans.

Under the Process Safety Management System and Cultural Change initiative carried out jointly with DuPont Sustainable Solutions (DSS), MOC-P (Management of Change-Personnel), Contractor Safety Management, Motivation and Awareness, Operating Procedures, Tüpraş Safety Management System Auditing, and Emergency Management programs commenced in 2016.

During the year, DuPont Sustainable Solutions (DSS) also started a coaching program aimed at the managers of İzmit Refinery. Teams led by DuPont consultants underwent training on a wide range of topics. These included process safety leadership; process safety information systems; process hazard analysis; mechanical integrity and quality assurance; high-risk business procedures; and accident investigations.

TÜPRAŞ OBTAINED THE FIRST AUTHORIZED ECONOMIC OPERATOR CERTIFICATION IN KOCAELİ.

On April 13, 2016, the Eastern Marmara Regional Directorate of Customs and Trade granted the first Authorized Economic Operator certificate to Tüpraş in Kocaeli. The Authorized Economic Operator Certification program was initiated under the "Easy Trade, Great Turkey" program and in line with the "Easiest and Safest Trade" mission of the Ministry of Customs and Trade.

Authorized Economic Operator (AEO) status is granted to trustworthy companies that comply with customs requirements, keep proper and traceable records, maintain financial solvency in addition to having appropriate security and safety standards and auto-control systems in place. While AEO status provides convenience and benefits in international customs operations, it also comes with specified responsibilities. AEO certification helps companies save time and costs while reducing the overall customs workload.

MILESTONES IN TUPRAŞ HISTORY

AT THE INDUSTRIAL ENERGY EFFICIENCY PROJECT COMPETITION (SEVAP), BATMAN REFINERY WON FIRST PRIZE IN THE SEVAP-2 CATEGORY.

1950s

1955

- Turkey's first oil refinery, Batman Refinery, was commissioned.

1960s

1961

- İzmit Refinery (İpraş), with a 1 million tons/year capacity, was commissioned.

1970s

1971

- İzmit Refinery's First Expansion Project was completed and its crude oil processing capacity rose to 5.5 million tons/year.

1972

- İzmir Refinery, with a 3 million tons/year refining capacity, was commissioned.

1974

- Turkey's only base oil production facility was commissioned as part of İzmir Refinery.
- Deniz İşletmeciliği ve Tankerciliği A.Ş. (DITAŞ) was established in March 1974.

1980s

1982

- The İzmit Refinery's Second Expansion Project was completed, with the crude oil processing capacity rising to 11.5 million tons/year.

1983

- İpraş and the three other refineries were united under Tüpraş.
- İpraş's 29% share in Ditaş was acquired by Tüpraş.

1986

- The 5 million tons/year capacity Kırıkkale Refinery was commissioned.

1987

- The İzmir Refinery Expansion Project was completed, with the refining capacity rising to 10 million tons/year.

1989-2003

- The Long Term Investment Plan was launched.

1990s

1990

- Tüpraş was handed over to the Privatization Administration.
- Management planning embraced the simulation approach.
- Production planning started to follow the optimization model.

1991

- Some 2.5% of Tüpraş shares were offered to the public and began trading on the ISE.

1993

- The Hydrocracker Complex was commissioned at the Kırıkkale Refinery.
- The Hydrocracker Complex was commissioned at the İzmir Refinery.

1997

- The Hydrocracker and CCR complexes were commissioned at the İzmit Refinery.

1998

- Automatic Pricing Mechanism commenced.

1999

- Free float rose to 3.58%.
- Marmara earthquake caused a fire at Tüpraş on August 17th.



2000s

2000

- Following the second international public offering, 34% of Tüpraş shares began trading on the İstanbul and London Stock Exchanges.

2001

- The Petkim Yarımca Complex was acquired by Tüpraş.
- The İzmir Refinery's CCR Reformer and Isomerization units were commissioned.

2002

- The İzmit Refinery's Isomerization Unit was commissioned.
- In October 2002, 79.98% of Ditaş shares were purchased for US\$ 16.5 million.

2003

- Supply Option Study was launched.

2004

- All refineries obtained quality and environment certifications.

2005

- The Petroleum Market Law became effective.
- Free float rose to 49%.
- The Koç-Shell Joint Venture Group won the tender for the block sale of 51% of the state-owned Tüpraş shares.
- The İzmir Refinery's Diesel Desulphurization Unit was commissioned.
- 100% import liberalization began.
- Laboratory accreditation was obtained.
- Refinery licenses were renewed.

2006

- On January 26, shares were transferred to Koç Holding A.Ş.
- Some 40% of Opet's shares were acquired from Aygaz A.Ş.
- The Operational Excellence Program was launched.
- New logo and corporate identity study was concluded.

2007

- The İzmit Refinery's CCR Reformer and Diesel Desulphurization Unit were commissioned.
- Intranet Portal was launched.
- National Marker Application was launched.
- RUP investment decision was made.
- SAP System was initiated. The Company released its corporate responsibility report (GRI) in compliance with international standards.
- Installation of flue gas measurement devices (CEMS) was completed.
- Energy management units were established.
- Tüpraş's Corporate Governance Rating was set at 7.91.
- A transportation agreement was signed with Turkish Railways (TCDD).
- The Health Safety and Environment Policy were released and the management declared its commitment.
- The Tüpraş Recognition, Appreciation and Award scheme was launched.

2008

- The Kırıkkale Refinery's Diesel Desulphurization and CCR Reformer units were commissioned.
- The İzmir Refinery's Gasoline Specifications Improvement Investment was commissioned.
- All refineries became ready to sell diesel at Euro V standards.
- The tanker Sevgi joined the Ditaş fleet.
- Railway Transportation has been carried out.
- Production at the Petrochemical Plant was terminated and Residuum Upgrading Project was initiated.
- Advanced Process Control applications were started.
- OSAR-Risk Assessment Table was launched.

2009

- The İzmit Refinery's Gasoline Specifications Improvement Investment was commissioned.
- The tanker Gönül joined the Ditaş fleet.
- All gasoline products marketed in Turkey were improved in line with Euro V specifications.
- Working environments were improved.
- Customer orders started being received via the portal.
- Contractor management system was activated.
- Customer Relationship Management System was launched.
- Winter diesel production was initiated.

MILESTONES IN TPRAŞ HISTORY

TWO NEW PRODUCT TANKERS, T.CAROLINE AND T.NEVBAHAR, WERE ADDED TO DİTAŞ'S FLEET.

2010

- R&D Center was opened.
- Ethical values were revised.
- Master's degree programs were launched jointly with universities.
- Tpraş was registered to the REACH statute.
- CE Certification was obtained for bitumen products.
- The world's first Cracking Catalyst in the Desulphurization Unit's reactor was implemented .
- Batman Refinery earned a first prize while the İzmir refinery received third prize in the Industrial Energy Efficiency competitions.
- Refineries launched the Waste Management Program via SAP.

2011

- The loan agreement was signed for the Fuel Oil Residuum Upgrading Project.
- İzmir and İzmit kerosene sweetening units were commissioned.
- İzmir and Batman Refineries were granted first prizes in the Industrial Energy Efficiency competitions.
- Tpraş's educational film on occupational health and safety came in second in a worldwide competition.
- The Corporate Governance Rating was updated as 8.62.

2012

- Tpraş issued 5.5-year bonds worth US\$ 700 million on the international market.
- İzmit Refinery commissioned its C3/C4 Splitter and Selective Hydro generation units.
- The tanker T.Suna joined the fleet on November 23, 2012.
- The tanker T-Leyla began transporting in December 2012.
- Batman Refinery placed first at the competition for Industrial Energy Efficiency.
- The Corporate Governance Rating was upgraded to 9.10.
- İzmir Refinery commissioned its Caustic Neutralization Unit.
- İzmir Refinery inaugurated the U-920 Gas Turbine and Waste Heat Boiler.
- Kırıkkale Refinery commissioned new bitumen tanks.
- Batman Refinery renewed its bitumen tanks.

2013

- Batman Refinery won first prize in the Industrial Energy Efficiency competition.
- Tpraş's Corporate Governance Rating was upgraded to 9.34.
- ISO 50001:2011 Energy Management System Certification was obtained.
- ISO/IEC 27001:2005 Information Security Management Systems Certification was obtained.
- New bitumen tanks were commissioned at the İzmit and Batman refineries.
- The Aegean Region Chamber of Industry presented the "Environmental Best Practice Award" to İzmir Refinery for the Base Oil Complex Burner Modernization Project.
- The heat integration project was commissioned at the CCR and Benfree Units of Kırıkkale Refinery.



2014

- İzmit Refinery's RUP Facility was completed.
- T.Esra, designed to carry heavy petroleum products such as bitumen, one of the world's two largest tankers of its kind, was inaugurated on January 24, 2014 and joined the fleet. Construction of the T. Aylin tanker, inaugurated on June 24, 2014, reached its final phase.
- The Batman Refinery won first prize in the category of Energy Efficient Industrial Facility at the Industrial Energy Efficiency Competition.
- The simulation program, developed after the R&D project titled "Monitoring, Modeling, Simulation and Optimum Maintenance Planning of Exchanger Pollution to Minimize Energy Waste at the Refinery," was registered as a European Union Trademark (CTM) under the name "HexMon."
- As a result of the assessment carried out in accordance with the new methodology issued by the Capital Markets Board in January 2014, Tüpraş's Corporate Governance Score was graded as 9.31.
- Tüpraş ranked among the top 15 companies on the BIST Sustainability Index, which was launched on November 4, 2014.
- The R&D Center Campus, covering 12,950 m² and comprising a Design Building, a Laboratory Building and a Pilot Facility Testing Building, commenced operations.

2015

- Tüpraş won first prize under the European Business Awards for the Environment (EBAE)'s Turkish National Scheme for its project "Using Membrane Deaerated Cold Boiler Feed Water For Energy Recovery,"
- Inaugurated on June 24, 2014, the T.Aylin tanker was put into service in February 2015 and completed its first voyage in March.
- Tüpraş's corporate governance score rose to 9.44.
- Tüpraş ranked among the top 29 companies included in Borsa İstanbul's Sustainability Index in 2015, when BIST-50 component companies were assessed; BIST-30 component companies were assessed in 2014.
- Tüpraş had first 3 ranks in the "SEVER-2" category at the Industrial Energy Efficiency Competition, with Kırıkkale Refinery winning the first prize, İzmit Refinery winning the second and İzmir Refinery winning the third prize. Batman Refinery won the Special Jury Prize in the "SEVER-3" category at the same competition.
- In response to the patent application for "Diesel Production Method and System," the Turkish Patent Institute issued a patent with examination to Tüpraş, providing protection for a 20-year period.
- The HexMon brand received design mark registration from the Turkish Patent Institute.

2016

- İzmit Refinery's PLT-62 Greywater Treatment Unit, which treats discharge water from ISU Körfez Wastewater Treatment Plant for industrial reuse, started up operations.
- Construction of Kırıkkale Refinery's Wagon Maintenance and Repair Workshop, the most comprehensive workshop of its kind in Turkey, was completed and commenced operations after receiving Entity in Charge of Maintenance - ECM certification on September 29, 2016.
- The Eastern Marmara Regional Directorate of Customs and Trade granted the first Authorized Economic Operator certificate to Tüpraş in Kocaeli.
- At the Industrial Energy Efficiency Project Competition (SEVAP), Batman Refinery won first prize in the SEVAP-2 category; meanwhile, Kırıkkale and İzmit Refineries won second and third place prizes, respectively, in the SEVAP-3 category.
- Tüpraş website renewed and the Tüpraş Supplier Portal was launched.
- Tüpraş's third project in Horizon 2020 program was accepted program with a record high score.
- The European Bank for Reconstruction and Development (EBRD) extended a US\$ 150 million loan to Tüpraş to support the Company's energy and water efficiency efforts.
- Two new product tankers, T.Caroline and T.Nevbahar, were added to Ditaş's fleet.

AWARDS AND ACHIEVEMENTS

WITH NET SALES TOTALING TL 36.8 BILLION, TPRAŞ RANKED SECOND ON THE FORTUNE 500 LIST OF THE LARGEST CORPORATIONS IN TURKEY.

SENER AWARDS

Tpraş participated in the Industrial Energy Efficiency Competition (SENER), held by the Ministry of Energy and Natural Resources, with a total of 11 energy efficiency projects implemented at the Company's İzmit, İzmir, Kırıkkale and Batman Refineries. The competition was organized under the Seventh Energy Efficiency Forum and Fair, which took place January 14-16, 2016. At the SENVER competition:

- Batman Refinery won first prize in the SEVAP-2 category;
- Kırıkkale and İzmit Refineries received second and third place prizes, respectively, in the SEVAP-3 category.

ISO 500

As in previous years, Tpraş once again topped the 2015 list of the "Top 500 Industrial Enterprises," compiled by the İstanbul Chamber of Industry (ISO), with the Company's in sales from production.

FORTUNE 500

With net sales totaling TL 36.8 billion, Tpraş ranked second on the Fortune 500 list of the largest corporations in Turkey.

ICCI 2015 ENERGY AWARDS

Tpraş İzmit Refinery received first prize in the "Energy Efficiency" category at the 2015 ICCI Energy Awards, which were presented in February 2016.

TİM EXPORT AWARDS

With exports totaling US\$ 2,912 million, Tpraş was presented with second prize at the Export Champions Awards, held by the Turkish Exporters Assembly (TİM).

EUROPEAN BUSINESS AWARDS FOR THE ENVIRONMENT

With its project Municipal Domestic Wastewater Treatment for Reuse as Process Water in Industry, Tpraş became finalist in the "Process" category for the 2015-2016 period. The Company received its award and certificates from Mr. Mehmet Özhaseki, the Minister of Environment and Urban Planning, at the national awards ceremony held on June 3, 2016.

CAPITAL 500

Tpraş once again placed first on the 19th edition of the "Top 500 Private Companies in Turkey" list compiled by Capital magazine. Tpraş also ranked first among the most profitable companies and second on the list of top exporters. Tpraş has retained its first place ranking since its privatization in 2006.

NINTH SECTORAL PERFORMANCE AWARDS OF KOCAELİ CHAMBER OF INDUSTRY

At the ninth edition of the Sectoral Performance Awards, organized by Kocaeli Chamber of Industry, Tpraş received the "Large-Scale Enterprise" award in the category petroleum and petroleum products industry.

ŞAHABETTİN BİLGİSU ENVIRONMENT AWARDS

At the 22nd edition of the Şahabettin Bilgisu Environment Awards, organized by Kocaeli Chamber of Industry, Tpraş received the "Environmental Investments Encouragement Award" in the large enterprises/mixed-industry category.

EBSO ENVIRONMENT AWARDS

Tpraş İzmir Refinery submitted five projects for the EBSO Environment Awards, a competition organized by the Aegean Region Chamber of Industry. The refinery won first prize for reducing CO₂ emissions by 210,000 tons and saving 100,000 Gcal of energy per year.

AEGEAN REGION CHAMBER OF INDUSTRY (EBSO) AWARDS FOR SUCCESSFUL INDUSTRIAL ENTERPRISES

The Aegean Region Chamber of Industry (EBSO) announced the list of the top 100 companies among its members according to production-based sales in 2015. On this list, Tpraş ranked first in both production-based sales and exports.





ÖMER M. KOÇ
Chairman

MESSAGE FROM THE CHAIRMAN

IN ADDITION TO ITS REMARKABLE OPERATIONAL AND FINANCIAL SUCCESS OVER THE COURSE OF MANY YEARS, TÜPRAŞ HAS ALSO BECOME ONE OF THE BIST LISTED COMPANIES WITH THE HIGHEST DIVIDEND YIELD.

OPERATING PROFIT

US\$ 781 MILLION

2016 TURNOVER

US\$ 11.5 BILLION

Esteemed Shareholders,

I would like to begin by wishing success to our General Assembly. I would also like to emphasize how proud we are of our Company's operational and financial results as well as and the value we created for our shareholders and the country during this past year, which was a challenging period for the world and our country's economy.

The continued downtrend in global economic growth has further highlighted the structural problems in the economies of many countries. The slowdown in capital flows caused by expectations of the Fed's interest rate hike created additional pressure on the currencies of developing countries. Emerging market currencies fell sharply against the US dollar mainly due to concerns that arose in global markets in the aftermath of the US presidential election and the expectation that Fed could raise interest rates relatively soon. Meanwhile, Turkey's structural economic problems worsened due to the treacherous coup attempt, increase in terror attacks and internal political uncertainty caused by constitutional amendments and the upcoming referendum. These factors accelerated the Turkish lira's depreciation against major currencies. 2016 was a difficult year for Turkey, as tourism revenues declined; economic recovery in the EU, traditionally our biggest export market, did not reach desired levels; the Middle East market contracted due to security problems; and exports to Russia fell significantly.

Unfortunately, the negative consequences of these developments will most likely be felt this year as well.

Looking back at 2016 from the commodity-refining industry's perspective, we see that the first half of the year was extremely difficult for the sector, while the second half was relatively positive, albeit volatile, as the industry experienced some recovery.

The price of crude oil started the year at US\$ 37/bbl and then immediately fell to US\$ 25/bbl in early 2016, due to the economic slowdown in developing countries, the lifting of sanctions on Iran and high oil stocks worldwide. The average oil price stood at US\$ 33/bbl during the first quarter of the year, as OPEC and Russia announced production cuts. Until OPEC's decision to reduce oil production at its November meeting, the price of crude oil hovered between US\$ 40-50/bbl. Subsequently, it climbed to US\$ 53/bbl following OPEC's announcement that it would decrease oil output by 1.2 million barrels/day and closed the year at US\$ 55/bbl as non-OPEC oil producers, Russia in particular, agreed to support OPEC's decision. In 2017, the biggest factor expected to affect crude oil prices is the extent to which OPEC and other oil-producing countries honor their commitment to cut oil production.

MESSAGE FROM THE CHAIRMAN

AIMING TO BECOME THE MOST COMPETITIVE REFINING COMPANY IN THE MEDITERRANEAN AND TO CONTRIBUTE EVEN MORE TO THE TURKISH ECONOMY, TUPRAŞ CONTINUES ITS AGGRESSIVE INVESTMENT PROGRAM.

While low oil prices supported global consumption, the relatively mild winter in the US and the increased number of passenger vehicles in China and India bolstered gasoline demand. Additional demand for naphtha and LPG from the petrochemicals sector was a positive development for the refining industry and supported refining margins in 2016. Despite slow economic activity worldwide, high refinery capacity utilization rates backed by strong demand for light distillates and China's "teapot" refineries caused excess in supply, creating downward pressure on diesel margins although some recovery was seen in the fourth quarter.

The competition in the overall industry and our region has intensified due to increased supply caused by new refinery capacities in Middle East and China and boosted exports of US refineries, achieved by maintaining high capacity utilization rates to exploit advantages such as high gasoline margins and low natural gas prices. Consequently, the Mediterranean Refining Margin, which was US\$ 4.83/bbl in 2015, dropped by US\$ 0.86/bbl to US\$ 3.97/bbl in 2016.

In our region where geopolitical risks became chronic and balances shift quickly, by utilizing the flexibility of processing heavy and high-sulphur crude oil by means of the new Residuum Upgrading Facility, 27.7 million tons of crude oil is successfully procured to achieve the optimal charge composition. Despite declining margins, the refineries reached

full capacity utilization after the RUP Facility became operational. As a result of increased production, our country's middle distillate imports fell by 5.0 million tons, when compared to the period before RUP commenced operations. Meanwhile, gasoline exports, including reformat, increased by 1 million tons, which helped to continue narrow Turkey's current account deficit.

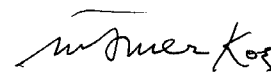
While consumption of petroleum products in Turkey rose by 7.6% in 2016, Tüpraş's domestic sales outperformed this growth. Product sales increased by 5.3% amounting to 30.3 million tons and turnover totaled TL 34.9 billion in 2016. Although the Company was unable to achieve its financial targets in the first half year, due to low margins, it reached most of its year-end targets, thanks to partial recovery in margins during the second half, posting pre-tax profit of TL 1.9 billion.

Aiming to become the most competitive refining company in the Mediterranean and to contribute even more to the Turkish economy, Tüpraş continues its aggressive investment program. Over the past 11 years under Koç Group, Tüpraş's investment spending has amounted to US\$ 5.7 billion. In addition to the US\$ 212.7 million investment in 2016 for projects that will boost energy and operational efficiency, Tüpraş invested another US\$ 78.3 million to expand its marine transport capacity. Tüpraş will continue its investments in 2017 in line with these goals.

We place environmental protection and conservation of natural resources at the forefront of our operations. The energy efficiency projects we implemented between 2008 and 2016 have resulted in CO₂ reductions of 2.1 million tons. Additionally, İzmit Refinery started to supply its process water via treatment of domestic wastewater, thanks to a first-of-its-kind project developed with a capital investment of TL 55 million.

In addition to its remarkable operational and financial success over the course of many years, Tüpraş has also become one of the BIST listed companies with the highest dividend yield. We strongly believe that our operational and financial success will continue in the coming periods. As in previous years, we will continue striving to create significant value for all shareholders, and for Turkey, while supporting the economic, social and cultural development of our country.

We would like to thank all our stakeholders-especially our employees, suppliers and business partners-for their valuable contributions to our success, as well as for their confidence in and loyalty to Tüpraş.



ÖMER M. KOÇ
Chairman



BOARD OF DIRECTORS



ÖMER M. KOÇ
Chairman



ALİ Y. KOÇ
Vice Chairman



RAHMI M. KOÇ
Member



SEMAHAT S. ARSEL
Member



TEMEL KAMİL ATAY
Member



DR. BÜLENT BULGURLU
Member



LEVENT ÇAKIROĞLU
Member



O. TURGAY DURAK
Member



EROL MEMİOĞLU
Member



YAĞIZ EYÜBOĞLU
Member



DR. CENGİZ YAVILIOĞLU
Independent Member



AHMET TURUL
Independent Member



GÖKÇE BAYINDIR
Independent Member



KUTSAN ÇELEBİCAN
Independent Member



OSMAN METE ALTAN
Independent Member

BOARD OF DIRECTORS

ÖMER M. KOÇ Chairman

Ömer M. Koç completed his undergraduate studies at Columbia University in 1985. He worked at Kofisa Trading for one year. After completing his MBA at Columbia University in 1989, he worked at Ramerica International Inc. He joined Koç Group in 1990 and worked at Gazal A.Ş. He held various senior positions at Koç Holding including Finance Coordinator, Vice President and President of Energy Group. He became member of Board of Directors in 2004 and Vice Chairman in May 2008. On February 22, 2016, he was appointed as the Chairman of Koç Holding. He is also Chairman of Turkish Educational Foundation Board of Trustees, Chairman of Koç University Board of Trustees, President of Geyre Foundation and Chairman of Yapı Kredi Kültür Sanat Yayıncılık Board of Directors.

He became a Tüpraş Board Member in 2006 and has served as Chairman of the Company since 2008.

ALİ Y. KOÇ Vice Chairman

Ali Y. Koç graduated from Rice University's Business Administration Faculty and went on to earn an MBA from Harvard University. Between 1990 and 1991, he joined American Express Bank's Management Trainee Program, served as Coordinator at Ramerica International Inc. between 1991 and 1992 and as Analyst at the Morgan Stanley Investment Bank between 1992 and 1994. After being appointed New Business Development Coordinator at Koç Holding in 1997, Mr. Koç held a number of senior positions such as President of the Information Group. He has served as President of Koç Holding's Corporate Communications and Information Group from 2006 to 2010. Since January 2008, he has been on the Board at Koç Holding and he has served as Vice Chairman of the Board of Directors at the Holding since February 2016.

Koç is also the Chairman at various Koç Group companies. Koç also contributes to the country's social and economic development at URAK (International Competition Research Association) as President, 1907 Fenerbahçe Association as Chairman, Endeavor Association and DEİK (Foreign Economic Relations Board) as Board Member. He is also the Vice Chairman of TÜSIAD – Turkish Industry and Business Association and Member of the Global Advisory Council of Bank of America, Harvard University and CFR.

He became a Tüpraş Board Member in 2008 and has served as Vice Chairman of the Company since April 2016.

RAHİMİ M. KOÇ Member

Rahmi M. Koç graduated from Johns Hopkins University's Industrial Management Department and started his professional career in 1958 at the Otokoç Company of the Koç Group. Throughout his career, he has held senior positions at Koç Holding. In 1980, he was appointed President of the Executive Committee and then Chairman of the Board of Directors at Koç Holding. Since 2003, Rahmi M. Koç has served as the Honorary Chairman of Koç Holding. Mr. Koç is also the Deputy Chairman of the Board of Trustees of the Vehbi Koç Foundation, Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of Rahmi M. Koç Museum and Culture Foundation, Chairman of the Board of Directors of VKV American Hospital, Founding Member and Honorary Chairman of the Clean Seas Association (TURMEPA), Honorary Chairman of the High Advisory Council of the Turkish Industry and Business Association (TÜSIAD), Member of the Advisory Council of the Turkish Confederation of Employers' Unions (TİSK).

Mr. Koç has served as a Member of the Board of Directors of Tüpraş since 2008.

SEMAHAT S. ARSEL Member

She started her professional career in 1964 as a Member of the Board of Directors at Koç Holding. She currently is Chairman of the Board of Directors at the Vehbi Koç Foundation, Chairman of the Board of Directors at the Tourism Group, Second Chairman of the Florence Nightingale Foundation and Chairman of Semahat Arsel Nursing Education & Research Center.

The Founder of Koç University's Faculty of Nursing, Ms. Arsel has been on the Board of Tüpraş since 2009.

TEMEL KAMİL ATAY Member

Temel Kamil Atay is a graduate of İstanbul Technical University's Mechanical Engineering Department and Wayne State University's Business Administration Department. He started his professional career as Product Development Engineer at Chrysler Industries in 1965; the following year, he joined Koç Group where he served as CEO of Otoyol Sanayi A.Ş. and CEO of Tofaş Türk Otomobil Fab. A.Ş. Moreover, he has been serving in various executive positions at Koç Holding A.Ş., Vice President of Technical Projects at Koç Holding A.Ş. and President of the Tofaş Group.

Between 2000 and 2001, he was CEO of Koç Holding A.Ş. He has been a Board member at Koç Holding since 1996 and on the Board at Tüpraş since 2006.

DR. BÜLENT BULGURLU Member

After graduating from Ankara University's Faculty of Engineering and Architecture, Dr. Bülent Bulgurlu earned his Ph.D. from Norwegian University of Science and Technology. He began his career in 1972 as a Civil Engineer at Elliot Strømme A/S in Oslo. In 1977, he joined Garanti Construction as Field Engineer, and later served as Engineering, Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager, and General Manager, respectively. In 1996, Dr. Bulgurlu joined Koç Holding, where he served as the President of Tourism & Services Group, President of Tourism and Construction Group, and President of Durable Goods and Construction Group. Dr. Bulgurlu is a Member of the Turkish Industry and Business Association (TÜSIAD), and the Turkish Marine Environment Protection Association (TURMEPA).

Dr. Bülent Bulgurlu has been a Member of the Board of Directors of Tüpraş since 2014, following the years 2007-2012.

LEVENT ÇAKIROĞLU Member

Levent Çakiroğlu graduated from Ankara University, Faculty of Political Sciences, Department of Business Administration. He went on to earn his master's degree at the University of Illinois. Mr. Çakiroğlu began his professional career as an Auditor at the Ministry of Finance in 1988. From 1997 to 1998, he taught as a part-time Instructor at Bilkent University, and served as Vice President of the Financial Crimes Investigation Board at the Ministry of Finance. He joined Koç Holding in 1998 as Financial Coordinator. Subsequently, he worked as the General Manager at Koçtaş (2002-2007) and General Manager at Migros (2007-2008). In 2008, he was appointed General Manager at Arçelik while at the same time serving as President of the Consumer Durables Group at Koç Holding from April 2010. On February 17, 2015, Mr. Çakiroğlu was appointed Deputy Chief Executive Officer at Koç Holding. He has served as CEO since April 2015.

Levent Çakiroğlu has been a Member of the Board of Directors of Tüpraş since March 30, 2016.

O. TURGAY DURAK Member

O. Turgay Durak completed his undergraduate studies in Mechanical Engineering at Northwestern University in the US and his MA from the same university. He started his professional career as Application Engineer at Otosan and was subsequently appointed Project Coordination Manager in 1982 and Project Coordination Department Director in 1984. In 1986, he became Assistant General Manager - Marketing, in

1987 Assistant General Manager - Procurement and in 2000 Chief Assistant General Manager at Ford Otomotiv Sanayi A.Ş. From 2002 until 2007, he served as General Manager of Ford Otomotiv Sanayi A.Ş. and then as President of the Automotive Group of Koç Holding between 2007 and 2009; as Vice CEO at Koç Holding A.Ş. between 2009 and 2010. He served as CEO between 2010 and 2015.

Since April 5, 2010 Mr. Durak has been on the Board of Tüpraş.

EROL MEMİOĞLU **Member**

Erol Memioğlu is a graduate of the Middle East Technical University's Petroleum Engineering Department. He started his business career in 1979 as Senior Engineer at the Turkish Petroleum Corporation (TPAO) and later became Production Manager and President of the Overseas Projects Group. He was appointed Vice President at the Koç Holding A.Ş. Energy Group in 1999, later served as an Executive Board Member at Koç Holding Energy Group from 2003 to 2004; he has served as President of the same Group between May 2004 and April 2016.

He has been a Board member of Tüpraş since 2006.

YAĞIZ EYÜBOĞLU **Member**

Mr. Yağız Eyüboğlu graduated from Boğaziçi University, Department of Economics in 1991; subsequently, he earned his MBA from Koç University in 1996. Mr. Eyüboğlu began his professional career as a Management Trainee at Arçelik A.Ş. in 1991. Starting in 1993, he worked at Koç Holding for more than 10 years, as Senior Internal Auditor, Assistant Financial Coordinator and Financial Coordinator, respectively. Between 2004 and 2009, Mr. Eyüboğlu assumed several roles within the Koç Group, including CFO of Arçelik A.Ş., CEO and Board Member of Beko Elektronik A.Ş., Assistant to the President of Koç Holding Foreign Trade and Tourism Group, and Human Resources Director of Koç Holding. In 2009, he joined Aygaz A.Ş. where he served as CEO until October 2015. Following his assignment to Koç Holding as Deputy President of the Energy Group in October 2015, he has served as the President of the Energy Group at Koç Holding since April 6, 2016. Mr. Yağız Eyüboğlu is also a Board Member at Koç Group's various companies and several non-governmental organizations.

Mr. Eyüboğlu has been a Board Member at Tüpraş since April 4, 2016.

DR. CENGİZ YAVILIOĞLU **Privatization Administration Class C Representative,** **Independent Member**

Born in Çat/Erzurum on August 20, 1970, Mr. Cengiz Yavilioğlu graduated from İstanbul University, Faculty of Political Science, Department of Public Administration in 1992. He then earned his Master's degree from the Institute for Social Sciences at the same university in 1995, and went on to receive his Ph.D. in International Economics from the Faculty of Economics and Administrative Sciences at Cumhuriyet University.

Over the course of his professional career, Mr. Yavilioğlu served as Board Member and Chairman at Türkiye Denizcilik İşletmeleri A.Ş., TEDAŞ Çamlıbel Elektrik Dağıtım A.Ş., Karadeniz Bakır İşletmeleri A.Ş. and Ankara Doğal Elektrik Üretim ve Ticaret A.Ş. He worked as a lecturer at the Police Academy, Faculty of Security Sciences and at Cumhuriyet University, Faculty of Economics and Administrative Sciences. He also attended the visiting researcher program at Regent's University School of Economics in the UK. Mr. Yavilioğlu has published several books and articles.

Mr. Yavilioğlu was elected to the Grand National Assembly from the Justice and Development Party to serve as Member of Parliament for Erzurum for the 24th Parliament of Turkey between 2011 and 2015. He currently serves as the Deputy Minister of Finance.

AHMET TURUL **Independent Member**

Born in Van in 1959, Ahmet Turul graduated from Ankara University, Department of Political Science in 1980.

Between 1980 and 1988, he worked as Assistant Public Accountant and later as Public Accountant at the Ministry of Finance. From 1988 to 1999, he served as Assistant Coordinator of Financial Affairs, and Financial Affairs Coordinator at Koç Holding, and from 1999 to 2002, he was the Vice President of Financial Affairs at Koç Tüketici Finansmanı A.Ş. Mr. Turul served as Vice President of Financial Affairs at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. between 2002 and 2010. Since 2010, he has been a Board Member of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş., and a Board Member of Allianz Yaşam ve Emeklilik A.Ş. since 2013. Additionally, Mr. Turul serves as Board Member and Member of the Non-Life Executive Board at the Insurance Association of Turkey (TSB); Board Member at the Pension Monitoring Center; and Member of the Tax Council on behalf of TSB.

Mr. Ahmet Turul has been an Independent Board Member at Tüpraş since March 31, 2014.

GÖKÇE BAYINDIR **Independent Member**

Born in İstanbul in 1939, Gökçe Bayındır graduated from Robert College, and then from Boğaziçi University, Department of Business Administration in 1965; subsequently, he received his MBA from the same institution. After completing his military service, Mr. Bayındır started his professional career in 1967. He joined Tofaş Oto Ticaret A.Ş. in 1971 where he first worked as Marketing Manager before rising to Assistant General Manager; in 1979, he began serving as General Manager at Tofaş. In 1987, he was appointed Tofaş Group Vice President at Koç Holding, and later held the position of Tofaş Group President before retiring from Koç Group in 2000.

During his time at Koç Group, Mr. Bayındır served as a Board Member at various Group companies, primarily Tofaş Oto Ticaret A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. Mr. Bayındır has been an Independent Board Member at Tüpraş since April 4, 2012.

KUTSAN ÇELEBİCAN **Independent Member**

A graduate of Ankara University, Faculty of Political Sciences, Kutsan Çelebican started his career in 1969 at the Ministry of Finance, Board of Public Auditors, before becoming Assistant General Manager of the Treasury at the same ministry between 1979 and 1982. He later served as Deputy Executive Director at the World Bank (IBRD). Mr. Çelebican joined the Koç Group in 1987 and served as Finance Coordinator, Vice President and President of the Finance Group. He retired from the Koç Group in December 2001 and currently he runs his own business as financial consultant.

Since April 4, 2012, he has served as an Independent Member of the Board at Tüpraş.

OSMAN METE ALTAN **Independent Member**

Osman Mete Altan graduated from Yıldız Technical University, Department of Mechanical Engineering in 1965 and completed his MA at the same university and later earned an MBA from Uludağ University. Between 1966 and 1968, Mr. Altan worked for the American company TUMPANE Co. Inc.; upon completing his military service in 1970, he worked at the Tofaş Automobile Factory, where he became Workshop Engineer, Production Engineer and Assistant General Manager - Production. In 1995, he was appointed General Manager of Otayol A.Ş. and served in this position until his retirement in July 2003.

Since April 4, 2012, he has been an Independent Board Member at Tüpraş.



İBRAHİM YELMENOĞLU
General Manager

MESSAGE FROM THE GENERAL MANAGER

TÜPRAŞ'S ENERGY EFFICIENCY PROJECTS AIM TO MINIMIZE ENERGY CONSUMPTION AND ERADICATE ANY ENERGY WASTE VIA THE USE OF NEW TECHNOLOGIES, AS THE COMPANY TARGETS JOINING THE RANKS OF REFINERIES IN EUROPE WITH THE LOWEST EMISSION LEVELS BY 2017.

TOTAL SALES

**30.3 MILLION
TONS**

CORPORATE GOVERNANCE RATING

9.42

Esteemed Shareholders,

Despite a difficult start for Tüpraş and the industry, we closed the year with success thanks to a rebound in the sector during the second half-year and our exceptional performance. We achieved all our operational and financial goals, despite many unfortunate external developments, once again confirming the well-deserved trust in the Company. Meanwhile, we continued to create lasting value for our shareholders and our country.

In 2016, developing countries maintained an average annual economic expansion rate of 4.1%, despite the slowdown in China and India. On the other hand, average GDP growth in advanced economies fell from 2.6% to 1.6%. As a result, global economic growth came in at 3.1% in 2016, down 0.1% from a year earlier. The Turkish economy is expected to post 2.9% growth for the year, despite rising foreign exchange rates, terrorist attacks and the treacherous coup attempt. This projected GDP expansion is the result of ongoing infrastructure investments and healthy growth in the first six months of the year.

In addition to the current state of the global economy, OPEC's production exceeded quotas and markets felt the strong impact of excess supply in 2016. As a result, crude oil prices fluctuated between US\$ 26 and US\$ 50.7 per barrel during the first half of the year. However, as demand grew stronger toward the end of the year and OPEC decided to cut its oil production, the price of crude oil closed 2016 at US\$ 54.9/bbl.

After expanding by 2.1 million barrels/day in 2015, well above the previous five-year average, global oil demand growth dropped to 1.6 million barrels/day in 2016, albeit continuing its uptrend. As a result, world oil-liquid fuel consumption averaged 96.6 million barrels/day for the year. Oil demand growth, driven by low crude oil prices over the past

two years, is expected to continue in the coming period, in line with expected global economic growth.

Fluctuating market conditions had a significant impact on product profitability in 2016. Gasoline margins dipped slightly under its high in 2016, nevertheless remaining strong and supporting refining profitability. Consumption was robust during the first half-year, thanks to the mild winter season, with gasoline margins at US\$ 14.6/bbl on average during the first six months. However, in the second half of the year, gasoline margins dropped to US\$ 11.9/bbl due to high stocks. Meanwhile, diesel and jet fuel margins, continued their decline from the fourth quarter of 2015 into the first quarter of 2016. Despite the modest rebound in the rest of the year, it continued to put downward pressure on refining margins. Even though diesel production surged in line with increased capacity utilization rates worldwide, average diesel margins stood at US\$ 8.6/bbl in the first half-year, 47% below the five-year average, due to weak demand. However, diesel margins climbed to US\$ 10.1/bbl in the second half of 2016, as maintenance shutdowns started in September and agricultural demand increased.

Demand for petroleum products is on the rise in Turkey in parallel with expanding national income and a growing youth population as well as large-scale infrastructure investment and urban transformation projects. In particular, record-high sales of automobiles and light commercial vehicles in the transportation sector, which accounts for a large share in total petroleum product demand, became one of the most important factors that boosted consumption. According to EMRA (Energy Market Regulatory Authority) data, Turkey's diesel consumption jumped 8.5% to 22.3 million tons, while gasoline consumption rose 6.5% to 2.2 million tons in 2016. Total consumption of petroleum products in our country increased 7.6%, climbing to 26.7 million tons.

MESSAGE FROM THE GENERAL MANAGER

TUPRAŞ CONSTANTLY STRIVES TO MINIMIZE THE ENVIRONMENTAL IMPACT OF ITS OPERATIONS AND PRODUCTION PROCESSES. THE COMPANY FULFILLS ITS DUTIES AND RESPONSIBILITIES TO THE ENVIRONMENT.

In 2016, Tüpraş purchased 17 different types of crude oil thanks to the convenient geographic location of Turkey and increased refinery conversion capacity and supply flexibility for crude oil after the commissioning of the RUP facility. Despite maximum capacity utilization, our Company maintained production profitability via high white product yield. In 2016, margins narrowed and regional arbitrage opportunities diminished. Nevertheless, thanks to our robust production, Tüpraş's domestic sales hit a record high, by increasing 11%, which is above the growth in overall demand in Turkey. In addition to record-high domestic sales, Tüpraş, as an active player in global markets, exported 5.5 million tons of products to 27 countries across the globe, through its international buyer network. As a result, our total sales jumped to 30.3 million tons in 2016-the highest level in our Company's history.

Despite oil price fluctuations and the many concerns surrounding emerging markets, Tüpraş refineries maintained maximum profitability during the year. The solid performance of our refineries is thanks to their proximity to primary consumption regions, advantageous location in terms of crude oil supply and reduced unit costs resulting from increased production levels. Tüpraş's operational and financial performance reflected the global oil market recovery in the last quarter of the year as the Company posted operating profit of TL 2.52 billion for fiscal year 2016. By implementing effective risk management strategies, Tüpraş successfully navigated fluctuations in exchange rates and oil prices throughout this challenging year, with our Company recording net profit of TL 1.81 billion.

In the coming period, we plan to focus our efforts on maximizing capacity utilization and increasing white product yield to further improve our operational performance. To this end, we are currently in the process of modernizing the gasoline units to improve

the FCC Unit's productivity and boost the amount of naphtha processed at the CCR Unit by about 40%. Additionally, the crude oil unit modernization project carried out at the İzmir Refinery, which began production at full capacity after the commissioning of the RUP facility, is scheduled for completion in 2017. Thereafter, the İzmir Refinery will reach maximum sustainable capacity while energy efficiency will improve significantly.

Tüpraş's energy efficiency projects aim to minimize energy consumption and eradicate any energy waste via the use of new technologies, as the Company targets joining the ranks of refineries in Europe with the lowest emission levels by 2017. To this end, Tüpraş has reduced its energy intensity index (EII) from 120.9 in 2009 to 101.8 in 2016, through new capital investments and upgrades.

Our Company's achievements and commitment to energy efficiency were once again confirmed with the awards we received at the 2016 "SENER" Industrial Energy Efficiency Competition, organized by the Ministry of Energy and Natural Resources.

Tüpraş constantly strives to minimize the environmental impact of its operations and production processes. The Company fulfills its duties and responsibilities to the environment via continuous improvement efforts and investments. Improvement efforts undertaken in 2016 resulted in a reduction of 77.7 thousand tons in greenhouse gas emissions. The total amount of emission reductions achieved over the past nine years has climbed to 2.1 million tons of CO₂ equivalent. This is equivalent to the amount of carbon dioxide that can be absorbed by forestland with some 200 thousand trees.


Additionally, Tüpraş undertakes investments to supply process water to refineries through the treatment of wastewater. To this end, İzmit Refinery has treated domestic wastewater from Körfez Municipality for

reuse as process water since 2014. Our Company continues its capital investment program to set up this system at other refineries as well.

As a result of the Company's commitment to corporate governance principles and its success in this area, Tüpraş was assigned a Corporate Governance Rating of 9.42 in 2016. Our Company was also once again included in the BIST Sustainability Index in 2016.

Aiming to achieve long-term sustainable success, Tüpraş works constantly to improve itself with new investment projects. In addition to the US\$ 213 million investment in its refineries in 2016, Tüpraş's total investment spending amounted to US\$ 291 million, including the tanker purchases undertaken by the Company's subsidiary Ditaş to expand its fleet. Over the past 11 years since joining Koç Group in 2006, Tüpraş's total investment spending has amounted to US\$ 5.7 billion.

While focusing on operational sustainability, our Company also continues to create maximum value for its investors. Tüpraş ranks among the BIST listed companies with the highest dividend yield. Our Company will continue to pay dividends by taking into account our profitability and cash position in parallel with investment needs, long-term strategies, and investment and financing policies. As in previous years, Tüpraş will continue creating added value for its shareholders, business partners, and our country.



İBRAHİM YELMENOĞLU
General Manager



SENIOR MANAGEMENT



İBRAHİM YELMENOĞLU
General Manager



HASAN TAN
Assistant General Manager
(Crude Oil Supply & Foreign Trade)



DOĞAN KORKMAZ
Assistant General Manager (Financial)



LEVENT ZAĞRA
Assistant General Manager
(Investments & Planning)



ÖZGÜR KAHRAMANLADE
Assistant General Manager (Sales & Marketing)



SERDAR KEMALOĞLU
Assistant General Manager (Technical)



MESUT İLTER
Assistant General Manager (Technical)

His duty term was expired on January 31, 2017.

İBRAHİM YELMENOĞLU**General Manager**

İbrahim Yelmenoğlu graduated from the Faculty of Political Sciences at Ankara University in 1991 and received his MA from the University of Illinois in 2003.

Starting his career in 1987 at the Ministry of Finance, Mr. Yelmenoğlu worked on the Board of Public Auditors in 1992. In 2004, he started work at the Koç Holding Auditors Group and served as Koç Holding A.Ş. Auditors Group Coordinator until 2006. Following the transfer of 51% of Tüpraş's shares to Koç Holding on January 27, 2006, Mr. Yelmenoğlu was appointed Assistant General Manager for Financial Affairs. He was appointed as General Manager as of January 1, 2016.

HASAN TAN**Assistant General Manager****(Crude Oil Supply & Foreign Trade)**

Hasan Tan graduated from the Department of Chemical Engineering at Middle East Technical University and received his MBA from the University of Pennsylvania.

Mr. Tan's career began when he started working in the Foreign Trade Department at Tüpraş as an Engineer in 1990. He later served as Import Supervisor in charge of Diesel and LPG. In 1995, Mr. Tan was appointed Coordinator in charge of crude oil agreements and profitability analyses at the Crude Oil Supply Department and worked as LPG Supply and Sales Manager from 1999 until 2004. Between January 2005 and 2006, Mr. Tan served as Assistant General Manager for Supply at Opet Petrolcülük A.Ş. Following Tüpraş's privatization on January 27, 2006, he was appointed Assistant General Manager for Commercial Affairs.

DOĞAN KORKMAZ**Assistant General Manager****(Financial)**

Doğan Korkmaz graduated from Dokuz Eylül University, Department of Business Administration (English) in 1996 and obtained his MBA degree from Koç University in 2007, and completed the Global Management Program at Oxford University in 2013.

Mr. Korkmaz began his professional career as a Management Trainee at Koç Holding in 1996. The same year, he started working in the Corporate Finance Department at Arçelik; until 2007, he worked at Arçelik as a Strategist in Corporate Finance and Financial Markets, respectively. In 2007, he was appointed Manager of Treasury and Capital Markets. In 2009, he was appointed Director of Finance at the UK-based Beko Plc., a subsidiary of Arçelik. Mr. Korkmaz was appointed Director of Finance at Arçelik in 2012. He has served as Assistant General Manager of Finance at Tüpraş since January 1, 2016.

LEVENT ZAGRA**Assistant General Manager****(Investments & Planning)**

Levent Zağra graduated from Worcester Polytechnic Institute, Department of Mechanical Engineering, and earned his MBA and MS in Manufacturing Systems Engineering from Cornell University.

Mr. Zağra began his professional career at Koç Holding in the Strategic Planning Department in 1996. In 2002, he was appointed as General Manager of Promena Electronic Commerce. Between 2009 and 2016, he served as the Energy Group Coordinator at Koç Holding. He was appointed as Assistant General Manager for Investments and Planning at Tüpraş in April 2016.

ÖZGÜR KAHRAMANZADE**Assistant General Manager****(Sales & Marketing)**

Özgür Kahramanzade holds a Bachelor's degree in Mechanical Engineering from Boğaziçi University. He received his Master's degree in Management from Purdue University, Krannert Business School.

Özgür Kahramanzade began his professional career as a Management Trainee at Beko Elektronik in 1994; in 1997, he began working as a Project Engineer at Koç Holding. He joined Zinerji A.Ş. as Project Officer in 2000; in 2001, he started work as a Project Manager at Koç Holding. In 2005, he was appointed as Director of Marketing, Investments and Group Companies at OPET Petrolcülük, and later as Supply and Technical Assistant General Manager at the same company in 2006. Between December 2010 and April 2016, Mr. Kahramanzade served as General Manager of Entek Elektrik Üretim A.Ş. In April 2016, he was appointed Assistant General Manager responsible for Sales and Marketing at Tüpraş.

SERDAR KEMALOĞLU**Assistant General Manager****(Technical)**

Serdar Kemaloğlu graduated from Middle East Technical University, Department of Chemical Engineering in 1991.

He began his professional career in 1993 as Plant Engineer at Tüpraş İzmit Refinery, where he assumed various roles including Supervisor and Chief Engineer at the Refinery's FCC, Crude Oil, Vacuum, Desulphurization and Hydrocracker Units. Mr. Kemaloğlu participated in efforts to commission the Isomerization Unit in 2002. As the Chief Process Control Engineer at İzmit Refinery, he was actively involved in the implementation of Advanced Process Controls (APC), launched in 2008. After serving as Production Manager at İzmir Refinery, he was appointed as Batman Refinery Manager in June 2013; and between October 2015 and February 2017, he served as Kırıkkale Refinery Manager. Mr. Kemaloğlu was appointed as Technical Assistant General Manager on February 1, 2017.

SECTOR

THANKS TO ITS COMPETITIVE ADVANTAGES SUCH AS STORAGE CAPACITY AND TERMINAL INFRASTRUCTURE, TUPRAŞ WAS ABLE TO MEET THE ENTIRE GASOLINE DEMAND IN TURKEY.

DIESEL CONSUMPTION

22.3 million tons

GASOLINE CONSUMPTION

2.2 million tons

JET FUEL CONSUMPTION

4.4 million tons

TUPRAŞ'S MARKET SHARE IN TURKEY (EXCLUDING INDUSTRIAL PRODUCTS)

60%

TUPRAŞ'S STORAGE CAPACITY (INCLUDING OPET)

67%

As low oil prices supported strong oil demand growth, refinery capacity utilization rates remained high during 2016. China's "teapot" refining capacity, increased oil production at new refineries in the Middle East, the economic slowdown in developing countries, and weakened middle distillate demand were some of the major factors that affected the industry in 2016. Even though light distillates and fuel oil cracks performed better than expected during the year, middle distillate cracks underperformed. In 2016, the price of Dated Brent crude oil started the year at US\$ 36.53/bbl and climbed to US\$ 53/bbl due to continuously increases in weekly US oil rig count, a drop in China's crude oil imports to fill its strategic petroleum reserves, the Brexit effect on developed economies, OPEC's decision to reduce oil output by 1.2 million barrels/day at its November meeting, and non-OPEC oil producers' agreement to cut production by 558,000 barrels/day to support OPEC's decision. During the year, crude oil prices moved between US\$ 52 - US\$ 56 per barrel in line with the Fed's interest-rate decision, expectations for the global economy, and changes in US stocks, closing the year at US\$ 54.94/bbl level.

In 2016, Turkey's economy recorded approximately 3% growth. The country's use of non-standard and unregistered petroleum products has declined as a result of various measures implemented. High growth rates were maintained as in previous years and total diesel consumption, which is directly related to GDP performance, increased 8.5% in 2016 to 22.3 million tons. This rise in diesel demand was largely due to mega investment projects like the Third Airport and the connecting roads of the Third Bridge in Istanbul, the Istanbul-Izmir Highway, and large-scale urban transformation projects. Diesel demand is expected to maintain its uptrend with new and big projects such as the Çanakkale Bridge, which is currently at the beginning stage.

In addition to the favorable impact of economic growth on consumption, the increase in diesel consumption can also be attributed to ÖTV (Special Consumption Tax) exemptions on base oils and other preventive measures to avoid fraudulent activities such as the use of No. 10 oil.

The market share of Tüpraş's product portfolio, excluding industrial products, was 60%, while the domestic market share of its diesel sales, excluding military products, amounted to 48%.

The gasoline consumption in Turkey reversed because of the improved efficiency of gasoline engines which makes them more attractive as well as a rise in the number of cars on the roads, with an upward trend observed over the past four years. Accordingly in 2016, gasoline consumption expanded 7%. Thanks to its competitive advantages such as storage capacity and terminal infrastructure, Tüpraş was able to meet the entire gasoline demand in Turkey.

The tourism industry, and therefore the air transportation industry, suffered a decline as aircraft traffic dropped 0.3% and air passenger traffic fell 4.1% (by 7 million passengers) to about 174 million passengers. As a result, Tüpraş's civilian-grade jet fuel decreased by 197 thousand tons, down 4% on an annualized basis.

In 2016, the asphalt paving industry gained momentum in parallel with infrastructure projects; as a result, bitumen sales increased by 926,000 tons, up 48% to 3.4 million tons.

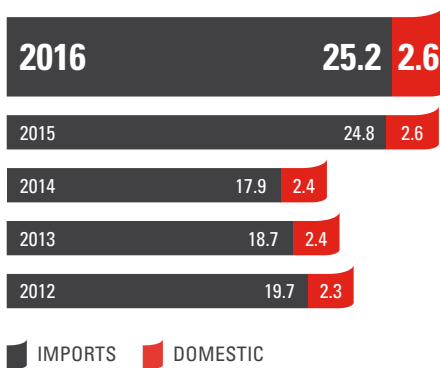
Pursuant to a Communiqué issued by the Energy Market Regulatory Authority (EMRA) in September 2011, 3% bioethanol, which is produced from domestic agricultural products, has been added to gasoline since January 1, 2013.



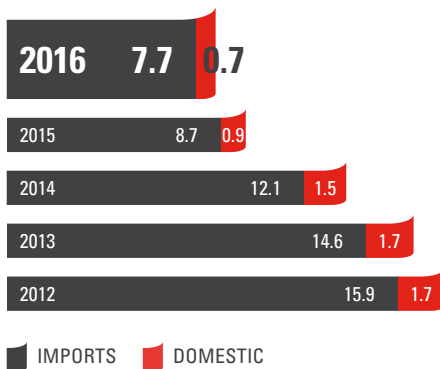
PRODUCTION AND SALES

TUPRAŞ PROCESSED A TOTAL OF 29.6 MILLION TONS OF MATERIAL AND RECORDED A FULL CAPACITY UTILIZATION RATE IN 2016.

CRUDE OIL SUPPLY (MILLION TONS)



CRUDE OIL SUPPLY (US\$ BILLION)



In 2016, gasoline demand remained high in parallel with increased consumption in the US, China and India. On the other hand, diesel and jet fuel demand remained relatively weak due to the economic slowdown in developing countries. In spite of a limited rebound in demand, a surplus occurred in petroleum products, other than gasoline, as global capacity utilization rates rose due to appealing high margins on gasoline. Even though light distillates and fuel oil cracks performed better than expected during the year, middle distillate cracks underperformed. The limited effect that demand recovery had on middle distillate margins, particularly in the last quarter, was mainly due to global refinery maintenance shutdowns, which had been postponed till September, and increased agricultural and heating fuels demand. Refining profits, particularly for refineries with high middle distillate yields, continued to stay low during the year.

In 2016, the price of Dated Brent crude oil started the year at US\$ 36.53/bbl and climbed to US\$ 53/bbl due to weekly increases in the US drilling rig count, a drop in China's crude oil imports to fill its strategic petroleum reserves, the Brexit effect on developed economies, OPEC's decision to reduce oil output by 1.2 million barrels/day at its November meeting, and non-OPEC oil producers' agreement to cut production by 558,000 barrels/day to support OPEC's decision. During the year, crude oil prices moved between US\$ 52 - US\$ 56 per barrel in line with the Fed's interest-rate decision, expectations for the global economy, and changes in US stocks, and thus closed the year at US\$ 54.94/bbl.

Tüpraş optimizes and diversifies its crude oil purchase operations to expand the Company's oil sources, distribute risk along the supply chain and obtain price and freight advantages. Tüpraş makes a large portion of its crude oil purchases via annual contracts with national oil companies. The Company also took advantage of crude oil purchases to increase supply flexibility and additional options for crude oil types with specifications that meet product demand.

During the year, Tüpraş purchased 18 different types of crude oil from 10 countries, with gravities ranging between 19-48 API. The Company's total import costs reached US\$ 9.0 billion, with US\$ 7.7 billion spent on 25.2 million tons of crude oil and the remaining US\$ 1.3 billion on finished and semi-finished products.

Tüpraş imported 3.7 million tons of final products and semi-finished products to be processed in order to cover domestic production gaps and meet seasonal demand peaks. This import transaction included 465 thousand tons of high-sulphur diesel, 1,240 thousand tons of diesel, 203 thousand tons of jet fuel, 1,097 thousand tons of low-sulphur fuel oil and 628 thousand tons of HVGO.

Tüpraş's domestic product prices are directly correlated with CIF Genoa Mediterranean Platts prices since Genoa constitutes the closest market as specified under the Petroleum Market Law. Product prices are determined under conditions of full competition, since imports are completely liberalized



in the domestic market. In this market environment, the operational profitability of refineries is indicated by the product crack margin, which is defined as the difference between world crude oil prices and product prices. In 2016, Tüpraş's net refinery margin was US\$ 6.03 per barrel.

Tüpraş has four refineries that enable overall sales and production optimization; these facilities dominate the Company's main sales regions and result in uninterrupted supply capabilities. Tüpraş has structural advantages that allow its refinery margin to surpass the Mediterranean gross refinery margin.

These structural advantages include:

- Refineries are located at the center of main consumption regions;
- Refinery designs allow the processing of heavy and high-sulphur crude oil;
- Price advantages related to bulk purchases of crude oil and products are achieved;
- Proximity to crude oil supply centers result in the ability to purchase diverse types of crude oil at favorable prices;
- Turkey is a net importer of many products;
- Strong infrastructure and facilities for crude oil and product importation are in place;
- Customers have low storage needs due to direct pipeline connections with domestic clients;
- Refineries have a high export capability.

Tüpraş supplies 37 different petroleum products across Turkey. The customers that the Company sells products to directly include automotive fuel, LPG, bunker fuel, jet fuel, and mineral oil distribution firms licensed by EMRA (Energy Market Regulatory Authority); petrochemical and paint manufacturers that are heavy users of petroleum products; General Directorate of Highways (KGM), municipalities, and contractor firms authorized by these agencies; and the Ministry of National Defense on behalf of the Turkish Armed Forces.

Despite falling refining profits, which were cut by almost half, and refinery shutdowns during the year, Tüpraş processed a total of 29.6 million tons of material-comprised of 28.3 million tons of crude oil and 1.3 million tons of semi-finished products and achieved a record year with full capacity utilization. White product yield rose to 76.6% and the total production amounted to 27.9 million tons, thanks to the Company's effective use of the Residuum Upgrading Facility and the conversion units.

TOTAL SALES (MILLION TONS)

2016	24.8	5.5	30.3
2015	22.2	6.5	28.7
2014	16.9	5.3	22.2
2013	19.2	4.8	24.1
2012	19.6	5.9	25.4

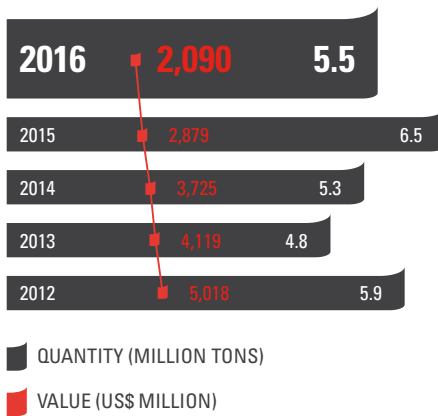
DOMESTIC SALES

EXPORTS

PRODUCTION AND SALES

TÜPRAŞ EXPORTED 5.5 MILLION TONS OF PRODUCTS WORTH US\$ 2.1 BILLION IN 2016.

PRODUCT EXPORT



Thanks to maximum capacity utilization and effective sales strategies, Tüpraş recorded total sales of 30.3 million tons in 2016 - 24.8 million tons sold domestically and 5.5 million tons exported - up 1.5 million tons (5%) over the prior year.

After taking into consideration product crack margins and market demand in developing an optimal production strategy, Tüpraş decided to maximize gasoline, diesel and bitumen production, and domestic sales increased by 2.5 million tons compared to last year. A record is achieved in domestic diesel and bitumen sales, in total sales for gasoline, diesel and bitumen and in overall sales volume.

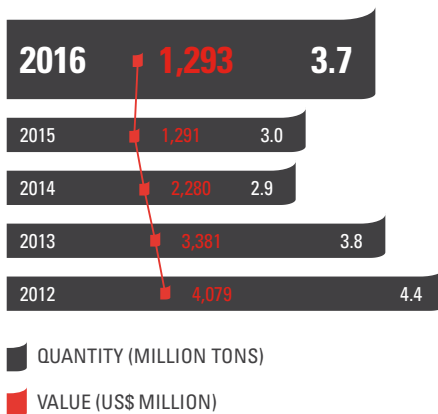
In 2016, Turkish diesel consumption increased by 8.5%, reaching up to 22.3 million tons. Thanks to the increase in production after the Fuel Oil Residuum Upgrading, Tüpraş increased its domestic diesel sales by more than 1.7 million tons (18% increase yoy) and met 48% of the domestic demand.

The air transportation industry suffered a decline due to the decrease in the tourism sector. Aircraft traffic dropped 0.3% and air passenger traffic fell 4.1% (by 7 million passengers) to about 174 million passengers. As a result, Tüpraş's civilian-grade jet fuel sales decreased by 197 thousand tons, down 4% on an annualized basis.

In 2016, the asphalt paving industry gained momentum in parallel with infrastructure projects; as a result, bitumen sales increased by 496 thousand tons, up 17% to 3.4 million tons.

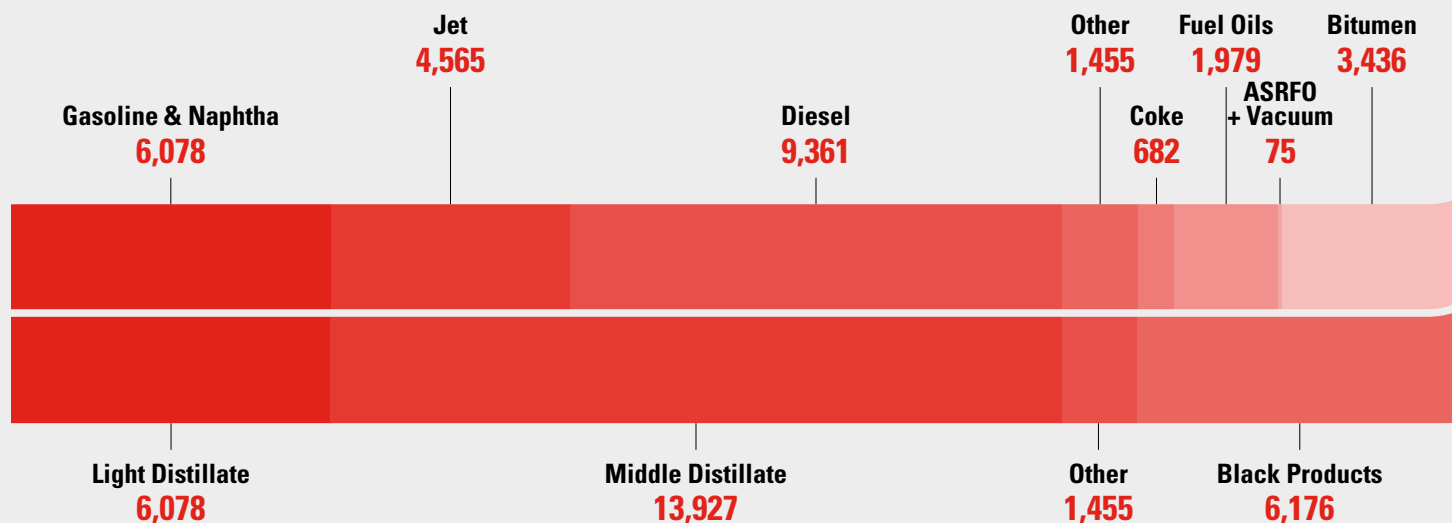
Tüpraş sells its high quality production that is in excess of domestic demand in global markets. In 2016, the Company expanded its export and customer portfolio in parallel with changes in the market environment. When the domestic market shrinks due to economic circumstances and market conditions, the excess supply is exported, allowing production and inventory costs to be kept low and the establishment of a hedge against exchange rate risk. Tüpraş exported 5.5 million tons of products worth US\$ 2.1 billion in 2016. Tüpraş exported 2.9 million tons of gasoline, 1.5 million tons of fuel oil, 194 thousand tons of jet fuel, 159 thousand tons of ASRFO, 648 thousand tons of reformat, 67 thousand tons of diesel, 27 thousand tons of LPG, 9 thousand tons of naphtha and 5 thousand tons of White Spirit.

PRODUCT IMPORT



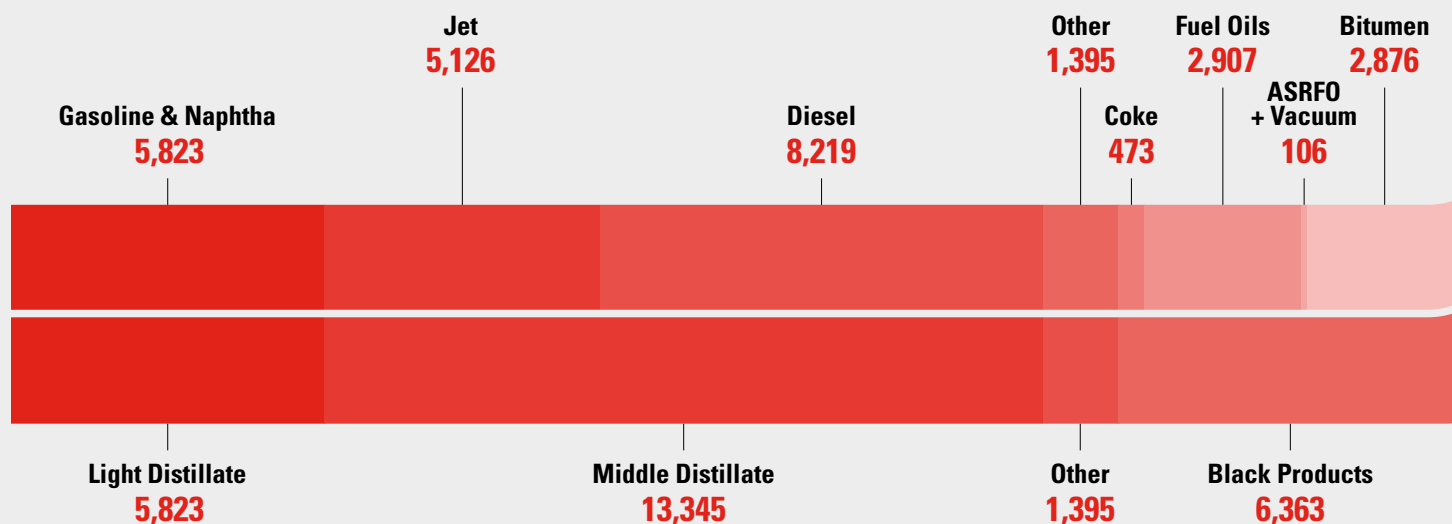
2016 PRODUCTION 27,928 THOUSAND TONS

76.6% WHITE PRODUCTS



2015 PRODUCTION 27,268 THOUSAND TONS

75.4% WHITE PRODUCTS



PRODUCTION AND SALES

WHITE PRODUCT YIELD OF 76.6% IS ACHIEVED AND 27.9 MILLION TONS OF PRODUCTS WERE PRODUCED WITH THE CONTRIBUTION OF THE FUEL OIL CONVERSION UNIT.

PRODUCTION BY TUPRAŞ REFINERIES (THOUSAND TONS)

PRODUCTS	2015	2016	CHANGE %
LPG	904	976	8.0
Gasoline/Naphtha	5,823	6,078	4.4
Jet Fuel/Kerosene	5,126	4,565	-10.9
Diesel	8,219	9,361	13.9
Middle Distillate	13,345	13,927	4.4
Fuel Oil	2,907	1,979	-31.9
Bitumen	2,876	3,436	19.5
Base Oils	133	126	-5.5
ASRFO/Vacuum	106	75	-28.9
Coke	473	682	45.0
Other	701	649	-7.4
TOTAL PRODUCTION	27,268	27,928	2.42


SALES BY TÜPRAŞ REFINERIES (THOUSAND TONS)

PRODUCTS	2015	2016	CHANGE %
LPG	1,031	1,126	9.2
Naphtha	246	219	-10.9
Gasoline	2,043	2,155	5.5
Jet Fuel/Kerosene	4,804	4,529	-5.7
Diesel	9,170	10,820	18.0
Middle Distillate	13,974	15,349	9.8
Fuel Oil	1,191	1,343	12.8
Bitumen	2,871	3,367	17.3
Base Oils	126	129	1.8
Coke	469	728	55.2
Other	294	348	18.5
TOTAL DOMESTIC SALES	22,245	24,764	11.3
EXPORTS	6,494	5,491	-15.4
TOTAL SALES	28,739	30,255	5.3

İZMİT REFINERY

İZMİT REFINERY IS LOCATED AT THE CENTER OF A CONSUMPTION HUB OF TURKISH PETROLEUM PRODUCTS AND PRODUCES AT EURO-V STANDARDS.

CAPACITY UTILIZATION RATE

107.4%

The İzmit Refinery started production in 1961, with a 1 million tons/year capacity of crude oil processing. As a result of significant capacity augmentation and investments over the years, its design capacity reached 11.5 million tons/year. Following modernization efforts to increase white product productivity, the crude oil processing design capacity was registered at 11.0 million tons/year.

After the Residuum Upgrading Facility started production at full capacity, İzmit Refinery's Nelson Complexity Index rose to 14.5, one of the highest scores in the world.

In 2016, a total of 11.8 million tons of material, including 10.8 million tons of crude oil and semi-finished products, were processed at the RUP Facility at maximum capacity in İzmit Refinery.

REFINING CAPACITY

11.0 million tons

Izmit Refinery is located at the center of a consumption hub that accounts for about 35% of Turkish petroleum products consumption. The refinery is capable of producing at Euro-V standards in compliance with EU norms.

The production of its main petroleum products - LPG, naphtha, gasoline, jet fuel, kerosene, diesel, heating oil, fuel oil and bitumen - amounted to 11.0 million tons. Total domestic sales amounted to 12.3 million tons, while total sales were 14.8 million tons in 2016.

NELSON COMPLEXITY

14.5

The RUP Facility, which converts 4.2 million tons of black products into approximately 3.5 million tons of high-value, environmentally friendly white products at EU standards, including mostly diesel, gasoline and LPG at the İzmit Refinery, was mechanically completed at the end of 2014.

STORAGE CAPACITY

3.03 million m³

NUMBER OF EMPLOYEES (YEAR-END)

1,923



İZMIT REFINERY SALES (MILLION TONS)

2016 14.8

2015 13.6

2014 9.6

2013 10.7

2012 11.6

İZMİR REFINERY

IN 2016, İZMİR REFINERY ACHIEVED SALES OF 10.4 MILLION TONS, 7.3 MILLION TONS OF WHICH WERE SOLD DOMESTICALLY.

CAPACITY UTILIZATION RATE

106.3%

REFINING CAPACITY

11.0 million tons

NELSON COMPLEXITY

7.66

STORAGE CAPACITY

2.51 million m³

NUMBER OF EMPLOYEES (YEAR-END)

1,353

The İzmir Refinery started production in 1972 to meet Turkey's growing petroleum product demand with a 3 million tons/year crude oil processing capacity. It has since undergone major capacity augmentation and unit modernization to achieve a capacity of 10 million tons/year since 1987. In 2007, its crude oil processing capacity was confirmed to be 11 million tons/year, taking into account revisions made in its distillation capacity.

İzmir Refinery has a 7.66 Nelson Complexity. A total of 11.7 million tons of raw material - 11.5 million tons of crude oil, including semi-finished products - was processed at İzmir Refinery.

Its production of main marketable petroleum products -consisting of LPG, naphtha, gasoline, jet fuel, diesel, base oil, heating oil, fuel oil, bitumen, wax, extracts and other products- reached 11.2 million tons. The İzmir Refinery has a 400 thousand tons/year capacity base oil production unit, the only one of its kind in Turkey.

In 2016, İzmir Refinery achieved sales of 10.4 million tons, 7.3 million tons of which were sold domestically.



İZMİR REFINERY SALES (MILLION TONS)

2016 **10.4**

2015 10.4

2014 8.5

2013 8.8

2012 9.4

KIRIKKALE REFINERY

WITH A NELSON COMPLEXITY OF 6.32, THE KIRIKKALE REFINERY HAS TURKEY'S LARGEST ROAD TANKER FILLING CAPACITY.

CAPACITY UTILIZATION RATE

101.3%

REFINING CAPACITY

5.0 million tons

NELSON COMPLEXITY

6.32

STORAGE CAPACITY

1.41 million m³

NUMBER OF EMPLOYEES (YEAR-END)

865

Established in 1986 to meet the petroleum demands of the Ankara, Central Anatolia, Eastern Mediterranean and Eastern Black Sea regions, the Kırıkkale Refinery has become a facility with mid-level complexity by Mediterranean standards with the addition of hydrocracker, isomerization, diesel desulphurization and CCR reformer units.

With a Nelson complexity of 6.32, the Kırıkkale Refinery has Turkey's largest road tanker filling capacity.

Kırıkkale Refinery has an annual 5 million ton crude oil processing capacity; its crude oil supply is realized via BOTAS's Ceyhan Terminal and the Ceyhan-Kırıkkale pipeline.

Following the commissioning of İzmit Residuum Upgrading Facility, in Kırıkkale Refinery as projected, 5.0 million tons of crude oil - a total of 5.1 million tons of material, including semi-finished products - was processed in 2016. The Refinery's capacity utilization rate stood at full capacity

In 2016, 4.8 million tons of petroleum products were produced-including the main products LPG, gasoline, jet fuel, kerosene, diesel, fuel oil and bitumen-in addition to products processed at the RUP facility. Together with refinery transfers, a total of 4.4 million tons of products were sold during the year.



KIRIKKALE REFINERY SALES (MILLION TONS)

2016 **4.4**

2015 4.0

2014 3.6

2013 3.8

2012 3.4

BATMAN REFINERY

IN 2016, BATMAN REFINERY PROCESSED AN ALL-TIME HIGH OF 1 MILLION TONS OF CRUDE OIL.

CAPACITY UTILIZATION RATE

92.5%

Commissioned in 1955 with a crude oil processing capacity of 330 thousand tons, the Batman Refinery was the first refinery founded in Turkey.

Following an initiative to overcome production bottlenecks in 1960 and the commissioning of a new crude oil processing unit in 1972, Batman Refinery's crude oil processing capacity reached 1.1 million tons/year.

The refinery has the advantage of being located near domestic sources of crude oil; however, since it does not have upgrading units, its configuration is simple and its Nelson complexity index is 1.83.

In 2016, Batman Refinery processed an all-time high of 1 million tons of crude oil in bitumen mode.

Thanks to increased demand for bitumen in 2016, Batman Refinery's bitumen sales amounted to 603 thousand tons-an all-time high. Batman Refinery sells products that meet EU standards, with products transferred from the Kırıkkale Refinery. In 2016, the Refinery recorded diesel sales amounting to 151 thousand tons and gasoline sales totaling 18 thousand tons.

Semi-finished products produced at the Batman Refinery and the diesel and gasoline products from Kırıkkale and İzmir refineries are transported by land.

REFINING CAPACITY

1.1 million tons

NELSON COMPLEXITY

1.83

STORAGE CAPACITY

253 thousand m³

NUMBER OF EMPLOYEES (YEAR-END)

463



BATMAN REFINERY SALES (THOUSAND TONS)

2016

758

2015

745

2014

429

2013

808

2012

1,110

DISTRIBUTION

OPET INCREASED ITS MARKET SHARE AND FURTHER BOLSTERED ITS SECOND PLACE POSITION IN THE FUEL DISTRIBUTION MARKET, WHICH EXPANDED BY ABOUT 8% IN 2016.

TOTAL REVENUE

TL 20,534 million

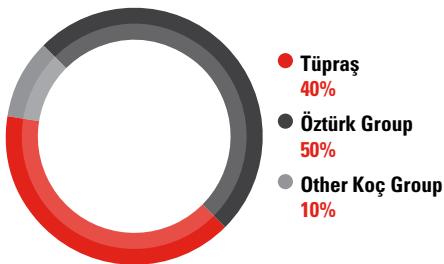
NET PROFIT

TL 399 million

SHARE OF INTERNATIONAL REVENUES

13%

SHAREHOLDER STRUCTURE



Opet is engaged in retail, commercial and industrial sales, storage operations and international trade of petroleum products. The Company manufactures and sells lubricating oil through Opet-Fuchs, its 50/50 joint venture with Fuchs, the German lubricant manufacturer. The Company also distributes and sells jet fuel through THY-Opet, a 50/50 joint venture with Turkish Airlines.

Opet increased its market share and further bolstered its second place position in the fuel distribution market, which expanded by about 8% in 2016.

In 2016, Opet increased its sales volume above market growth through its effective dealer network. By successfully implementing risk management policies, the Company was positively affected by price and exchange rate fluctuations.

Opet's subsidiary THY-Opet provides service to most domestic and international airline companies across 51 airports in Turkey. Due to recent circumstances in 2016, the Company's sales volume fell 7% year-over-year, and jet fuel sales totaled 3.7 million m³.

AWARDS AND ACHIEVEMENTS

Serving customers with more than 1,500 Opet and Sunpet dealers, Opet aims to become the first choice of customers by delivering "Excellent Customer Service". In 2016, the Company undertook numerous efforts to achieve this goal and was widely recognized for its success with many awards.

In 2016, Opet received the following awards:

- Capital Magazine - "Most Admired Company" in the fuel oil sector

- IPSOS and KalDer - "Brand with Highest Customer Loyalty"
- Turkish Reputation Academy - "The Most Reputable Fuel Distribution Brand In Turkey"
- Women to Watch - "Lifetime Achievement Award" to Nurten Öztürk, Board Member and Founder
- Bronze Crystal Apple and Felis Achievement Award to the TV commercial "One Day in Barcelona"
- Felis Achievement Award to the TV commercial "Missed Bus"
- Turkey's "Lovemark in the Fuel Market" for the third year
- Brand Age Magazine - "Arda Turan & Opet", the best pairing
- EuroCloud Awards - 2nd prize in Turkey in the "Machine Learning" category

RESPECT FOR THE ENVIRONMENT AND SOCIETY

Opet makes strategic decisions in line with an advanced sense of responsibility toward all stakeholders and ethical values and applies the same approach to its social responsibility initiatives. Opet regards corporate social responsibility as an integral part of its corporate culture. To date, the Company has implemented several successful initiatives such as "Honoring History," "Green Road," "Model Village," and "Clean Toilets."

OUTLOOK, GOALS AND STRATEGIES FOR 2017

In 2017, Opet aims to grow above the industry average without compromising profitability, while making capital investments needed to achieve this goal and maintaining high levels of customer satisfaction, its top priority.



MARINE TRANSPORT

DİTAŞ TRANSPORTED 9.3 MILLION TONS OF CRUDE OIL AND 5.9 MILLION TONS OF PETROLEUM PRODUCTS IN 2016.

AMOUNT OF CRUDE OIL TRANSPORTED

9.3 million tons

CRUDE PETROLEUM PRODUCTS TRANSPORTED

15.2 million tons

NET SALES

US\$ 151.3 million

Ditaş Marine Operations and Tanker Management Co. ("Ditaş") was founded on March 3, 1974 by the Turkish Petroleum Corporation ("TPAO"), İpraş and the Turkish Naval Foundation to purchase, build or charter marine tankers and use them for the marine transport of crude oil and petroleum products.

Providing tanker management, brokerage/chartering, piloting, tugging, audit and agency services, Ditaş undertakes crude oil transport operations in line with the needs of Tüpraş, and the transport of petroleum products in accordance with the needs of both Tüpraş and other suppliers. Ditaş uses its own tankers in addition to the tankers it charters based on either time or line.

A 29% stake in Ditaş, owned by İpraş, was transferred to Tüpraş in 1983, the year the Company was established. In October 2002, Tüpraş purchased 50.98% of Ditaş shares owned by the Directorate of Privatization Administration and took possession of 79.98% of Ditaş shares in total.

15.2 MILLION TONS OF PRODUCTS TRANSPORTED

Providing operational and cost advantages to Tüpraş with more than 40 years of experience, Ditaş transported 9.3 million tons of crude oil and 5.9 million tons of petroleum products in 2016. Some 95.5% of all crude oil shipments and 49.9% of petroleum product shipments during the year were conducted in line with the needs of Tüpraş refineries. In 2016, Ditaş also provided product transportation services to THY Opet (44.6% of all operations) and other distribution companies (5.5% of all operations).

AGENCY SERVICES

Ditaş charters domestic and foreign tankers to intermediate between ship owners and the exporters and importers of crude oil and petroleum products. Ditaş also provides agency services in ports and straits.

The Company delivers tugging and mooring services at Tüpraş's İzmit and Aliğa ports with 11 tugboats, eight mooring boats, two service boats, and one pilot boat in its fleet. Construction of new vessels, which began in 2014, was completed during the year with three mooring boats, two service boats and two tugboats joining the fleet in 2016.



SUBSIDIARIES

Since 2006, the Company has undergone a phase of restructuring and growth. During the restructuring phase, Ditaş established 14 wholly-owned subsidiaries, which are shown in the subsidiaries chart of Ditaş.

TWO NEW PRODUCT TANKERS ARE ADDED TO THE FLEET

Ditaş operates with one 164,859-DWT crude oil tanker, 51,532 -DWT crude oil product tanker, seven product carriers with a combined capacity of 90,534 DWT, 11 tugboats, seven mooring boats, two service boats and one pilot boat.

In February 2016, the Company purchased two product tankers, which were previously time chartered: T.Caroline Tanker was added to the asset portfolio of Karaköy Tankercilik A.Ş., and T.Nevbahar Tanker was added to the asset portfolio of Çengelköy Tankercilik A.Ş.

NEW TANKER CAPACITY TOTALING 347,000 DWT

In February 2016, the Company signed a contract with Hyundai shipyard for two 158,000 DWT Suezmax tanker; subsequently, construction of these tankers began. The Company also signed an agreement for the construction of a 15,000 DWT asphalt carrier and a 16,000 DWT product carrier.

HIGH QUALITY, SAFE AND ECO-FRIENDLY SERVICES

Ditaş holds the ISO 9001-2008 Quality Management System and ISO 14001-2004 Environmental Management System certifications for its Head Office and vessels. The Company has also been granted International Safety Management (ISM) Code, ISPS Code (International Ship and Port Facility Security Code), and MLC (Maritime Labor Convention) compliance certifications for its vessels.

The Company's İzmit and İzmir Terminals hold ISO 9001-2008 Quality Management System and ISO 14001-2004 Environmental Management System certifications. Furthermore, İzmir Terminal obtained the ISPO (International Standard for Pilot Organizations) certification for pilotage, mooring and tug services; as a result, Ditaş became the first company in Turkey and the 11th company in the world to hold this coveted designation.

Efforts are underway to implement the Tanker Management and Self-Assessment Scheme 2 (TMSA 2), a major credential for tanker management operations that petroleum companies are expected to implement. The vessels operated by Ditaş comply with the OCIMF SIRE (Ship

Inspection Report Program), and are regularly inspected by OCIMF members. Embracing its responsibilities as a good corporate citizen, Ditaş is also member of KalDer (Turkish Quality Association) and TURMEPA (Turkish Marine Environment Protection Association).

Ditaş closely follows all applicable domestic and international laws, rules and regulations, and fulfills all compliance requirements in a timely manner in order to deliver high quality, safe and eco-friendly services. Additionally, the Company provides all training programs required by Law No: 6331 on Occupational Health and Safety and applicable regulations. The company's occupational safety expert and on-site physicians fulfill legal requirements such as risk assessment, emergency action plans and periodic health checks.

107 SHIPS INSPECTED

Since 2009, Ditaş has provided loading master service to ships arriving at Tüpraş's marine terminals in order to enhance safety. In 2010, Ditaş also started to check and report incoming ships' compliance with domestic and international regulations as well as Tüpraş standards.

In 2016, Ditaş inspected 107 ships and provided loading master services to 134 vessels at the İzmit and İzmir Terminals.

MARINE TRANSPORT

IN 2016, DİTAŞ ALSO PROVIDED PRODUCT TRANSPORTATION SERVICES TO TUPRAŞ, THY OPET AND OTHER DISTRIBUTION COMPANIES.

FINANCIAL FIGURES

US\$ MILLION	2012	2013	2014	2015	2016
Net Sales	159.0	103.1	101.7	113.6	151.3
Operating Profit	22.8	25.2	27.3	37.1	40.5
Net Profit	19.7	4.7	24.6	25.0	32.0

TRANSPORTED CRUDE OIL AND PRODUCT

THOUSAND TONS	2012	2013	2014	2015	2016
Crude Oil	14,850	6,435	4,825	6,606	9,332
Products	3,106	3,126	3,526	5,209	5,869

DİTAŞ SHAREHOLDING STRUCTURE

SHAREHOLDERS	NUMBER OF SHARES	PAID-IN CAPITAL (TL)	(%)
Tüpraş	799,800,000	7,998,000	79.98
TSK Güçlendirme Vakfı	200,000,000	2,000,000	20.00
Aygaz-Akpa-Demir Export	200,000	2,000	0.02
TOTAL	1,000,000,000	10,000,000	100.00



DİTAŞ'S SUBSIDIARIES

COMPANY	VESSELS OWNED BY THE COMPANY
Üsküdar Tankercilik A.Ş.	T.Sevgi Tanker
Kadıköy Tankercilik A.Ş.	T.Gönül Tanker
Beykoz Tankercilik A.Ş.	Cumhuriyet Tanker and under construction T.Sadberk Tanker (will be activated in 2017)
T. Damla Denizcilik A.Ş.	Tugboats and Mooring Boats
Sarıyer Tankercilik A.Ş.	T.Suna Tanker
Karşıyaka Tankercilik A.Ş.	T.Leyla Tanker
Kartal Tankercilik A.Ş.	T.Esra Tanker
Maltepe Tankercilik A.Ş.	T.Aylin Tanker
Karaköy Tankercilik A.Ş.	T.Caroline Tanker
Çengelköy Tankercilik A.Ş.	T.Nevbahar Tanker
Bakırköy Tankercilik A.Ş.	under construction T.Semahat Tanker (will be activated in 2017)
Pendik Tankercilik A.Ş.	under construction New Asphalt Tanker (RMK Marine) (will be activated in 2018)
Tuzla Tankercilik A.Ş.	under construction New Product Tanker (will be activated in 2019)

COMPANY	VESSELS CHARTERED BY THE COMPANY
Salacak Tankercilik A.Ş. ^(*)	Elif Tuba Tanker Kaya Tuna Tanker Kuzey Ekim Tanker

^(*) Salacak Tankercilik A.Ş. operates the tankers owned by Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., both of which were established by THY-Opet, under a bareboat charter agreement.

MARINE TRANSPORT

DİTAŞ BECAME THE FIRST COMPANY IN TURKEY AND THE 11TH COMPANY IN THE WORLD TO HOLD ISPO CERTIFICATE.

VESSELS OWNED BY THE COMPANY

DİTAŞ TANKERLERİ	M/T CUMHURİYET	M/T T.SEVGİ	M/T T.GÖNÜL	M/T T.SUNA	M/T T.LEYLA	M/T T.ESRA	M/T T.AYLİN	M/T T.CAROLINE	M/T T.NEVBAHAR
Tanker Type	Crude Oil	Oil/ Chemical	Oil/ Chemical	Oil/ Chemical	Oil/ Chemical	Asphalt/ Chemical	Asphalt/ Chemical	Oil/ Chemical	Oil/ Chemical
Year Built	2001	2008	2009	2012	2011	2014	2015	2009	2009
Slop Tank Capacity (m³)	4,443	406.4	413.4	1,019.36	141.4			417.3	545.8
Cargo Tank Capacity (m³)	173,759	12,247	12,224	52,925	7,209	17,643	17,643	12,224	12,440
DWT (tons)	164,859	10,983	10,873	51,532	6,297	19,968	19,968	10,901	11,544
GRT (tons)	84,476	7,318	7,318	29,754	4,225	15,674	15,674	7,273	8,482
Net Tonnage (tons)	53,710	3,651	3,651	14,116	2,047	4,702	4,702	3,653	3,742
Length (m)	274.18	131.85	131.85	183.31	121.62	156.50	156.50	131.85	130.12

TANKERS UNDER OPERATION

	M/T ELİF TUBA	M/T KAYA TUNA	M/T T.KUZEY EKİM
Tanker Type	Oil/Chemical	Oil/Chemical	Oil/Chemical
Year Built	2007	2007	2009
Slop Tank Capacity (m³)	686.5	688.0	765.0
Cargo Tank Capacity (m³)	13,371	13,367	20,850
DWT (tons)	13,011	13,027	19,993
GRT (tons)	8,539	8,539	12,560
Net Tonnage (tons)	4,117	4,117	6,106
Length (m)	128.6	128.6	149.6



STRATEGY

THE FOCAL POINT OF TUPRAŞ'S STRATEGY IS TO PROVIDE CUSTOMER SATISFACTION AT THE HIGHEST LEVEL AND TO LEAD THE SECTOR WITH INNOVATIVE PRACTICES WHILE MEETING THE NEED FOR PETROLEUM PRODUCTS IN THE COUNTRY.

REFINERY CAPACITY

28.1 million tons

TOTAL INVESTMENT (2006-2016)

US\$ 5.7 billion

Turkey is developing and its energy demand is increasing. The target of the managements should be safely meeting the increasing need for energy and thus constituting an infrastructure for sustainable growth. Thanks to its demographic advantage, Turkey maintains its economic growth, despite global volatility. As energy demand rises in parallel with economic growth, demand for petroleum products is also growing rapidly in line with the increasing number of vehicles. The focal point of Tüpraş's strategy is to provide customer satisfaction at the highest level and to lead the sector with innovative practices while meeting the need for petroleum products in the country.

As of 2015, Tüpraş is the 7th largest refinery company in Europe with its refining capacity of 28.1 million tons. According to the evaluation made by Platts on the basis of profitability, assets and turnover in 2015, Tüpraş ranked 2nd in the "Refining & Marketing" industry in Europe, Middle East and Africa.

After the Residuum Upgrading Facility became operational, capacity utilization rate increased, and therefore logistics safety and reliability became even more important. In line with the goal of achieving efficiency in every aspect of the petroleum industry, the Company continues to improve refining operations and distribution as well as its fleet of petroleum and product carriers, thereby creating higher value for its shareholders.

The target is to uncover Tüpraş's sustainable profitability potential to the maximum extent through increasing the efficiency in all areas and decreasing the costs to the minimum level while carrying the operational excellence to the highest level. Being aware of the ever intensifying competition, Tüpraş

is taking solid steps to further improve its energy efficiency and competitiveness by taking into account the fact that refineries with low crude oil- and energy-input costs, for example those in the US, as well as new refineries in Middle East and China, a net exporter and the driving force of global demand growth, will together accelerate industry consolidation. Tüpraş aims to be positively differentiated from the sector via decreasing its costs and applying "Best Available Technology" (BAT) in operational development.

In Turkey, Euro V specifications came into force as of January 1, 2011. With investments of US\$ 2 billion, Tüpraş refineries have become capable of production with high environmental standards at the same time with the EU.

With the completed EU spec investments, Tüpraş obtained the capability to export high standard products to every part of the world, particularly to the developed Europe and US markets. This situation made a positive impact on Tüpraş's competitive strength in domestic and foreign markets.

Tüpraş places great importance on environmental sensitivity and efficient use of natural resources in all its operations. Accordingly, the Company achieved a "first" in the industry with its project of Residential Greywater Treatment and Reuse in Processing.

Product specifications carried to highest levels in the refining sector obligates the maximization of the availability of each unit in the production process. Besides this, increasing global competition and intensifying environmental standards



necessitate maximum efficiency in energy utilization in the refineries. Tüpraş, which covered important distances in this manner, aims to be in the 1st quartile in the mid-term benchmark analysis made between the refineries, on the basis of operational availability, energy index and operating cost index.

Drawing on the experience of DuPont, a leading company, Tüpraş established a Process Safety Management System that meets the requirements of international regulations. The system enables continuous monitoring of the Process Safety organization and procedures. International consultation aims to achieve excellence in 15 main categories through full compliance with international standards.

Tüpraş aims to achieve effective reporting and continuous improvement in targets by closely monitoring the precursors and post-incident indicators; to systematically reduce the number of accidents through root cause analysis, review of Enterprise Procedures, Process Safety Information, Process Hazard Analysis, Contractor Safety Management, Operational Discipline, Mechanical Integrity, Quality Assurance and other similar efforts; and ensure continuous safety assurance with Internal and International Inspection Programs.

Tüpraş, from the time that it was taken over by the Koç Group, has achieved many operational and financial breakthroughs in its activities. Tüpraş took important steps, such as the acquisition of 40% of the Opet Petrolcülük A.Ş. shares and the modernization and reinforcement of the Ditaş fleet, in order to improve the operational infrastructure and to increase the profitability and the value-add produced.

As costs declined to reasonable levels in the freight transport sector due to the economic crisis, Ditaş completed building two 11 thousand DW Ton product tankers in 2008 and 2009 and added two product tankers, one 51,532 DW Ton the other 6,297 DW Ton, to its fleet in 2012.

In February 2016, Ditaş placed an order with Hyundai shipyard for two 158,000 DWT Suezmax tankers, and subsequently, the construction of these tankers began. The Company also signed a contract for the construction of a 15,000 DWT asphalt carrier and a 16,000 DWT product carrier. Thus, Tüpraş's aim of self-sufficiency in marine transportation is achieved. Ditaş provides tugging and mooring services at Tüpraş's İzmit and Aliğa ports. The construction of new vessels, which began in 2014, was completed, and three mooring boats, two service boats and two tugboats joined the Company's fleet.

The Residuum Upgrading Facility, Tüpraş's most important strategic initiative in the middle time horizon, commenced operations with an opening ceremony on December 15, 2014. The facility started up production at full capacity in May 2015. Thanks to the RUP Facility, all Tüpraş refineries became able to operate at full capacity. Maximum capacity utilization enabled Tüpraş to reduce unit costs while a higher volume of production-based sales significantly contributed to the Company's profitability.

Thanks to the Residuum Upgrading Facility, the production of high-standard products, instead of excessive fuel oil, helped enhance supply and reduce current account deficit of the country while boosting the competitive power and profitability of Tüpraş.

Tüpraş's objective is to have an envied performance in the oil industry and to become a pioneering company that respects the environment and embraces life values. To date, the Company has taken significant steps to achieve this objective. During the ten-year period between 2006-2016, Tüpraş's investment spending amounted to US\$ 5.7 billion, and the Company plans to invest about US\$ 1 billion in the next five years. Tüpraş aims to achieve higher return on equity (ROE) by managing risks effectively and implementing Advanced Process Control (APC) at every stage of production in accordance with the strategies and operational excellence targets defined above.

Tüpraş is aware of the fact that keeping up with intensifying global competition will only be possible by rapidly adapting to changing market conditions. Therefore, the Company's primary objectives are to improve product efficiency and to increase its competitive power by consistently optimizing cost structure. Tüpraş aims to further improve its ability to rapidly adapt to changing market conditions.

Being aware of the fact that global competition will intensify further, particularly in the Middle East and Asia, Tüpraş improved its customer oriented sales strategy in 2016, and the Company will continue to optimize its cost structure through operational excellence to maintain its sales strategy in the coming years.

INVESTMENTS

TÜPRAŞ'S INVESTMENT SPENDINGS TOTALED US\$ 213 MILLION IN 2016.

2016 INVESTMENT SPENDINGS

US\$ 213 million
(US\$ 295 million including Ditaş)

ONGOING INVESTMENT PROJECTS

70

NEW INVESTMENT PROJECTS

128

As the country's leading industrial corporation, Tüpraş continues to make capital investments at full speed to meet the energy demand of fast-developing Turkey. The Company's investment spending over the last 11 years totaled US\$ 5.7 billion.

In addition to the US\$ 213 million investment in its refineries in 2016, Tüpraş's total investment spending amounted to US\$ 291 million, including the tanker purchases undertaken by Ditaş to expand its fleet. During the fiscal year, Tüpraş initiated a total of 128 small- and medium-size capital investment projects that are expected to significantly boost productivity and profitability. The Company also has 70 ongoing projects.

COMPLETED AND ONGOING MAJOR PROJECTS

Kırıkkale New Power Plant Project

As the existing power plant, which provides steam and power to Kırıkkale Refinery, is quite over costing, Tüpraş decided to build a more cost-effective and safer power plant using new technologies. The total cost of the project is US\$ 111.9 million. Mechanical assembly is now complete. The Company plans to commission the new power plant in first quarter 2017.

İzmir Refinery U-7000 Crude Oil Unit Revamp Project

This Project aims to operate the existing Crude Oil Unit at maximum sustainable capacity at a wider API range and improve energy efficiency by replacing some of the furnaces and equipment. Construction, equipment assembly and pipe laying work are currently underway. The Company plans to complete the revamp work during the planned maintenance and recommission the unit in 2017. The total cost of the project is US\$ 53 million.

FCC Unit Revamp, Flue Gas Treatment and Energy Recovery at İzmit and İzmir Refineries

This project is designed to increase energy recovery and reactor efficiency at İzmit Refinery's FCC Unit. Basic engineering work is complete and detailed engineering work has commenced. In 2016, Tüpraş started to purchase the main equipment; the Company plans to complete the project in the first quarter of 2019. The total cost of the project is US\$ 50 million.

Meanwhile, Tüpraş completed the engineering work and will start up detailed engineering work in 2017, as part of the US\$ 50.8 million-project carried out for the same purpose at İzmir Refinery FCC Unit.



Flare Gas Recovery Systems

The Flare Gas Recovery Systems, which are designed to recover and reuse flare gases, were set up at three refineries. The systems were set up and commissioned at the Kırıkkale Refinery in August 2015 and at the İzmit and İzmir Refineries in 2016.

New Sulphur Units

After the commissioning of the RUP facility, Tüpraş decided to build new sulphur units at its İzmit, İzmir and Kırıkkale Refineries. With these new units, the refineries can process crude oil with higher sulphur content at maximum capacity. As part of the project, the Company also plans to build ARU and SWS units at its İzmit Refinery. The total cost of the project for three refineries is US\$ 241.8 million; basic engineering work has commenced.

Kırıkkale Refinery's Wagon Maintenance Workshop

The Wagon Maintenance Workshop at Kırıkkale Refinery is the first workshop in Turkey designed in accordance with the International Standards for Wagon Maintenance and Repair. The workshop will serve Tüpraş's fleet of 443 wagons. ECM (Entity in Charge of Maintenance) Certification, which provides evidence of maintenance at international standards, was obtained in 2016. The total cost of the workshop, which can provide

maintenance services under five different European standards (VPI, GCU, RID, TSI and TCDD-Turkish State Railways), was US\$ 4 million, including all equipment. As of year-end 2016, the workshop undertook repair work on 39 wagons and maintenance on 219 wagons.

Capacity Increase at İzmir CCR Platforming Unit

This project aims to expand the capacity of the platforming unit by 40.6% to 225 m³/h so that heavy straight-run naphtha can be processed to increase platformate and hydrogen product yields. The total cost of the project is US\$ 16 million; basic engineering work is currently underway.

Hydrocracker Heat Integration at İzmit Refinery

This US\$ 14.1 million project is designed to boost energy savings and maximize operational availability at the PLT-47 Hydrocracker unit. Detailed engineering work has already started and equipment orders are being placed. The project is scheduled for completion in 2018.

Off-Gas Recovery at İzmit Vacuum Units

The purpose of the project is to treat H₂S-containing gases from vacuum columns for reuse at furnace burner systems. The total cost of the project is US\$ 17.4 million; basic engineering work has commenced.

Crude Oil Furnace Revamp at Batman Refinery

This US\$ 6.6 million project aims to increase efficiency, set up Emergency Shut-Down/Burner Management systems and convert the furnace to natural gas. The Company has scheduled completion of the project during the planned maintenance shutdown in 2017.

Propane Tank Installation at İzmit Refinery

A propane tank with a capacity of 4.950 m³ was installed to utilize the additional production capacity of the RUP facility and to boost propane sales and storage capacity. The US\$ 4.3 million-project was completed at the end of 2016.

New Water Treatment Unit at İzmit Refinery

This US\$ 20.2 million-project, which was completed in 2016, improved the water desalinization system; achieved water savings by increasing the quality of raw water; and boosted the wastewater recovery.

R&D

THE TÜPRAŞ R&D CENTER OPERATES ON A 12,950 M² CAMPUS, CONSISTING OF A DESIGN BUILDING, LABORATORY BUILDING AND A PILOT TESTING FACILITY.

AREA OF R&D CENTER

12,950 m²

TOTAL NUMBER OF PATENT APPLICATION

73

NUMBER OF PUBLICATIONS OF R&D CENTER

173

R&D Center activities are aimed at improving energy efficiency and reducing the amount of energy used in production. Tüpraş accelerated R&D efforts to keep pace with advances in technology while retaining its focus on developing solutions and achieving operational excellence.

In 2016, Tüpraş continued to undertake unique, innovative R&D projects to contribute to energy recovery efforts in Turkey and the world for a healthier environment and a more livable world.

To this end, R&D activities are conducted in eight main areas:

- Project Management
- Intellectual Property Rights
- Product Development
- Modeling and Control
- Process Development and Optimization
- Materials Engineering and Reaction
- Modeling and Characterization
- Laboratory and Pilot Plant Facility

As part of its R&D efforts in 2016, Tüpraş successfully executed a total of 11 projects approved by the Technology and Innovation Funding Programs Directorate (TEYDEB), and filed three new applications. Additionally, the Company is working on five R&D and Innovation projects under the Horizon 2020 program.

CATALYST PILOT PLANT TESTING FACILITY: A FIRST IN TURKEY

The Tüpraş R&D Center operates on a 12,950 m² campus, consisting of a design building, laboratory building and a pilot testing facility.

In 2016, Tüpraş invested in additional systems, facilities and equipment to further improve the laboratory and pilot testing buildings at its R&D Campus. The most important investment was the Catalyst Pilot Plant Testing Facility-the first of its kind in Turkey. In 2016, the Company completed the installation of auxiliary systems and the infrastructure work to improve the functionality of the facility. The pilot tests conducted at this facility will lay the groundwork for R&D research for developing new catalysts, determining optimal use of Tüpraş's existing catalysts, and carrying out studies to improve efficiency.

R&D ADVISORY BOARD

In 2015, Tüpraş formed an R&D Advisory Board to lead the Company's research and development activities on a macro level. The Advisory Board steers Tüpraş's R&D efforts in line with the Company's strategic goals and envisions technology-related innovations over the long term. The R&D Advisory Board is composed of industry representatives, academics and consultants.

TECHNOLOGY AWARDS

The Technology Awards-one of the most prestigious R&D competitions in Turkey-is organized jointly by TÜBİTAK (Scientific and Technological Research Council of Turkey), TTGV (Technology Development Foundation of Turkey), and TÜSİAD (Turkish Industry and Business Association). The competition aims to recognize and promote creative, innovative, and exceptional technology-related products that provide clear competitive advantages. It also presents



awards to process development efforts that are unique and that significantly contribute to the country's overall technological capabilities. Tüpraş, with its Energy Network Monitoring and Decision Support System project, became one of the four finalists in the "Process Development" category in 2016.

ENERGY NETWORK MONITORING AND DECISION SUPPORT SYSTEM

As energy efficiency is the most important factor that affects the operating costs of refineries, it is also the main pillar of competitive advantage. As a result, Tüpraş developed the "Energy Network Monitoring and Decision Support System" project, which aims to improve energy efficiency by monitoring and optimizing energy production at refineries.

The first phase of the project was completed as part of the TEYDEB project "Development of an Optimization Model for Refinery Steam and Power Systems." In this phase, energy production equipment was modeled and an optimization decision support system was developed to improve the efficiency of energy production processes at İzmit Refinery's power plants. With the mixed-integer linear optimization model and software developed, it was possible to operate process equipment of varying capacities and productivity levels with the most cost-effective configuration and without compromising operational safety.

During the second phase of the project, the optimization software developed for power plants was transformed into energy network optimization software by

integrating all equipment that consume power and affect the decision-making system. The real-time power consumption by equipment can now be monitored via the interface developed. Based on this consumption data, optimization studies and scenario analysis for investments can now be conducted online.

The project enables the monitoring of complex energy systems while the optimization program aims to run the system in the most cost-effective manner possible while making effective use of the day-ahead energy market. By operating energy-efficient equipment with the proper loads, fuel consumption and CO₂ emissions were reduced across the Refinery, a significant benefit to the environment.

By using software specially designed and developed for the refinery, the Company saved TL 5 million and reduced CO₂ emissions by 11,355 tons in 2016. Efforts are underway to implement this unique software at the Company's other refineries.

COOPERATION WITH UNIVERSITIES

In line with its R&D strategy, Tüpraş carries out joint projects with universities, research centers and the industry; the know-how developed in such partnerships is crucial to Tüpraş's sustainable success and future.

Tüpraş aims to spread a partnership culture across the Company as well as the industry by sustaining the values shared by the Company and the country. Tüpraş recognizes the relevant departments of

universities as essential stakeholders in its R&D Center. In 2016, Tüpraş collaborated with university groups on a total of 21 projects including TEYDEB, Horizon 2020, and internally-funded projects.

The subsidized and approved national projects carried out in collaboration with universities in 2016 include the following:

Distributed Model Predictive Control of Reaction/Decomposition Feedback Systems

Under this project, carried out in cooperation with Boğaziçi and Koç Universities, three different model predictive control systems-in central and distributed architectures-were designed. Subsequently, in line with the aim of the project, shared and non-shared distributed control architectures were compared for performance to achieve operational improvement in the isomerization unit.

Developing Alternative Fuel Additives from Glycerol Etherification and Determining Fuel Adaptability

The purpose of this project, carried out in cooperation with Koç University, is to produce high-octane glycerol ethers, as an alternative to MTBE gasoline additive, while determining the utility of glycerol ethers as diesel additives. The studies revealed that glycerol, as a byproduct in biodiesel production, can be converted into high added-value products that are more eco-friendly and innovative than currently-used additives.

R&D

AS PART OF ITS R&D EFFORTS IN 2016, TPRAŞ EXECUTED A TOTAL OF 11 PROJECTS APPROVED BY THE TECHNOLOGY AND INNOVATION FUNDING PROGRAMS DIRECTORATE (TEYDEB), AND FILED THREE NEW APPLICATIONS.

Development of a New Type of Polymer Modified Bitumen (PMB) with DARA Fraction Sensitivity Using Waste Polymers

Carried out jointly with İstanbul University, this purpose aims to find a solution to deal with waste polymers, a major environmental problem. The process involves the synthesis of new polymers from waste polymers to produce a new type polymer-modified bitumen/asphalt. The new product will also serve as an alternative to commercial polymers imported for this purpose.

The project was completed at end-2016 and the objective was achieved, with alternative polymer structures formed to be used in bitumen modification. Commercialization of these new structures will be evaluated within the scope of new projects.

Development of High Quality Bitumen/Asphalt Using Refinery By-products - Phase 2

This project, carried out in collaboration with İstanbul University, seeks to improve bitumen performance by using various refinery products in bitumen production. Because bitumen is used as a raw material in asphalt production, this project aims to improve asphalt performance as well. Phase I, which was a TEYDEB project, was completed successfully with positive results obtained from both bitumen and asphalt testing. In light of the positive results obtained, the project advanced to Phase II, with pilot-scale production currently underway.

Production of Light and Middle Distillates through Olefin Oligomerization

In recent years, demand for middle distillates, such as kerosene and diesel, has increased rapidly in Turkey as well as across Europe. Therefore, middle distillate yield must be maximized in refining processes to meet this demand. Executed in collaboration with Koç University and Aygaz, this project aims to boost middle distillate yields at Tpraş and improve LPG quality. To this end, middle distillates were produced from olefins in LPG through catalytic oligomerization process.

EU PROJECTS

Horizon 2020 is the EU Framework Program (FP) that aims to align and bring together all science and technology policies and practices in Europe. The first framework program was inaugurated in 1984; Horizon 2020 is the eighth FP covering the period 2014-2020. Horizon 2020 was developed via international partnerships to shape and direct the future of technology. Currently, it is the most competitive funding program.

Horizon 2020 focuses on market-oriented innovation projects, with funding provided for all project stages, from research to sales.

Tpraş has closely monitored the preparations and budget negotiations for the Horizon 2020 program and formulated its strategy accordingly. As a result, Tpraş became a partner in five Horizon 2020 projects, thus achieving the highest performance in Turkey in terms of participation in EU projects.

Indus3Es: Tpraş joined the Indus3Es Project (Industrial Energy and Environment Efficiency) to find a solution for the recovery of low-quality waste heat through R&D studies. The Indus3Es Project, which officially started on October 1, 2015, targets developing an innovative, compact, and economically competitive absorption heat transformer (AHT) for the recovery and revalorization of low-quality waste heat from industrial processes, which can also be adapted to new conditions. Currently, the project is in the prototype development stage.

SafeASt: Negotiations on Horizon 2020/FTIPilot-1-2015 (Fast Track to Innovation Pilot Call) within the framework of the SafeASt project, of which Tpraş is a partner, were completed successfully. Subsequently, Tpraş and its partners signed the European Commission's grant agreement. The project officially commenced on December 1, 2015. The purpose of the SafeASt Project, which is scheduled to last 24 months, is to develop a new product to measure bottom plate thickness of storage tanks during service by using the Guided Wave method. It aims to provide funding to innovative companies for their close-to-market innovation related activities. Product field trials have already started.

INTEGROIL: The INTEGROIL project (Demonstration of a Decision Support System for a Novel Integrated Solution Aimed at Water Reuse in the Oil & Gas Industry) officially commenced on May 1, 2016. INTEGROIL targets using advanced wastewater treatment technologies in wastewater recovery and



resource conservation in the oil industry and developing new technologies to meet the needs of the industry. To this end, advanced wastewater treatment technologies-including membrane bioreactor, ultrafiltration, nano- and ultra-filtration ceramic membranes, reverse osmosis, ultra DAF (dissolved air flotation), advanced oxidation processes-will be developed and implemented in the oil industry for the treatment of wastewater from petroleum refineries and drilling operations. End user needs have been determined within the scope of the project.

FUDIPO: The purpose of the FUDIPO project (Future Directions of Production Planning and Optimized Energy and Process Industries), which officially started on October 1, 2016, is to develop, validate and implement a large-scale optimization system that can be implemented company-wide by integrating different control levels from different units. An integrated system will be developed through the integration of mathematical models and simulations with tests, which will be conducted at pilot plant facilities and the actual unit. Subsequently, the system will be tested for various industries. The project has 11 partners and will be 45 months in duration.

IPERM: The IPERM project (Guided Wave Monitoring Tool), which started on October 1, 2016 and will last 24 months, aims to develop an innovative monitoring system using the Guided Wave technology to be able to conduct technical controls in areas that are difficult to access. The iPerm system is expected

to create measurable improvement in detecting, evaluating and monitoring line errors while reducing the probability of problems considerably. Additionally, the project will help reduce the cost of scaffolding and safety risks associated with scaffold erection, which is required in conventional methods.

A.SPIRE

An international non-profit association, A.SPIRE was formed to represent the private sector as a partner in the Sustainable Process Industry through Resource and Energy Efficiency (SPIRE) Public-Private Partnership (PPP) launched under the EU Framework Program Horizon 2020. Representing eight industries-including chemicals, iron & steel, engineering, minerals, non-ferrous metals, cement, ceramics and water-the purpose of this alliance is to develop facilitating technologies and best practices for efficient use of resources in the process industry.

Joined by representatives of the European Commission, A.SPIRE members present their opinions on EU strategic plans and help shape the EU's calls for proposals under the SPIRE roadmap. They represent the private sector and conduct gap analysis to ensure that EU launches calls for proposals that meet the needs of the sector.

The A.SPIRE community consists of enterprises that are leaders in their respective industries and they give direction to SPIRE projects. Tüpraş finalized negotiations with A.SPIRE and was accepted as a member in January

2016. Participation in these types of platforms, which guide EU policies and projects, and which are in direct contact with the European Commission as representatives of the private sector, is very important for Turkey. Tüpraş is the first company to represent Turkey on the A.SPIRE platform.

A.SPIRE began its 2016 activities by determining the calls for proposals for the period 2018-2019. Tüpraş takes an active role in the work teams.

A TOTAL OF 73 PATENT APPLICATIONS

In 2016, Tüpraş filed a total of 13 patent applications under its intellectual property rights protection efforts, bringing the total number of patent applications to 73 since the R&D Center began operations. Of this total, 52 were national and 21 were international (Patent Cooperation Treaty - PCT) patents.

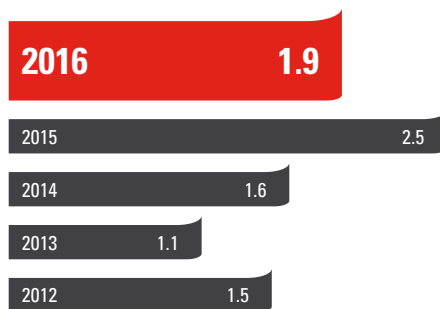
In addition, of the 21 PCT applications, the Company filed seven applications with national patent offices, including five applications in Europe, one in the US, and one application in Canada.

In 2016, the Company published a total of 42 scientific articles in national and international journals. The total number of articles published since the R&D Center began operations has reached 173 to date.

HEALTH AND SAFETY PRACTICES

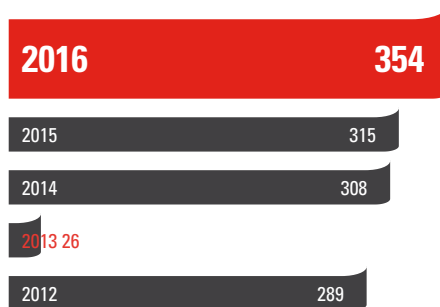
IN 2016, TÜPRAŞ ISSUED SEVEN NEW TECHNICAL SAFETY STANDARDS, AND REVISED 24 EXISTING STANDARDS.

ACCIDENT FREQUENCY RATE



(Number of Accidents x 1,000,000)/(People x Hours)

ACCIDENT SEVERITY RATE



(Work Days Lost x 1,000,000)/(People x Hours)

Tüpraş identifies risk levels in all its operations and aims to eliminate or reduce risks to a level acceptable within internationally accepted standards. To this end, all employees of the Company as well as contractor firms are expected to strictly adhere to Health, Safety and Environment (HSE) standards.

In 2016, Tüpraş issued seven new Technical Safety Standards, and revised twenty four existing standards.

Additionally, the Company identified the "Tüpraş Safety Principles," which will be implemented in parallel with the "10 Essential Rules" that describe the basic working rules at Tüpraş. The Company initiated promotion and training programs on eight of these safety principles at its refineries.

As part of Process Safety efforts, Shell Global Solutions (SGS) conducted audits on twenty two Process Safety topics at İzmit Refinery. Subsequently, SGS prepared comparative analyses based on international best practices for each of these topics and action plans were developed.

Under the Process Safety Management System and Cultural Change project executed jointly with DuPont Sustainable Solutions (DSS), teams led by DuPont consultants underwent training on a wide range of topics. These included process safety leadership, process safety information system, process hazard analysis, mechanical integrity and quality assurance, high-risk business procedures, permit to work (PTW) systems, contractor management, change management, accident investigations, operating procedures, motivation and awareness.

Process Safety Key Performance Indicators (KPIs) were identified in accordance with international standards and practices (e.g. API754, CCPS). Under the 16 KPIs identified, precursors and post-indicators are monitored monthly in order to prevent accidents before they happen and also to learn from past incidents to prevent recurrence.



The Company prepared the safety report required by the Seveso II Directive on the Prevention of Major Industrial Accidents and Mitigating Their Effects, and submitted the report to the Ministry of Labor and Social Security. As part of this study, all refinery equipment was inspected in detail; any equipment that might lead to major accidents was identified on a unit basis using the Dow Fire & Explosion Index. Additionally, Hazard and Operability Studies (HAZOP) are conducted to identify hazards and large-scale operation problems in current units; determine the causes of deviation from normal working conditions and designated designs; and to systematically monitor every stage of the process. In HAZOP studies, process hazards were analyzed in detail to lay out all the possible scenarios, such as fire, explosion, vapor cloud dispersion and content loss.

Fire drills, catastrophe drills, hydrocarbon cloud/toxic gas dispersion drills and spill drills are performed at the refineries in order to reduce and respond to risks in emergency situations.

The Occupational Health and Safety (OHS) System aims to prevent occupational accidents and diseases by adopting a proactive approach. In 2016, Tüpraş identified 14 new precursors and post-indicators and issued them as standards to further improve its OHS performance.

Contractor HSE Specifications were updated in accordance with legal requirements. Color ranges used for evaluating contractor questionnaires were revised. Personal Protective Equipment Standards for Contractors were aligned with the standards applied at Tüpraş. The Company distributed flame-resistant coveralls used by Tüpraş personnel to the employees of contractor firms and made their use mandatory.

In addition, Management of Hazards and Effects (MDE) ensures that priority is given to recognizing and managing risks as well as allocation of resources to critical operations.

In 2015, the Company initiated the following practices to improve OHS and information sharing about Process Safety Incidents:

- Weekly Information Sharing of Accidents;
- Information sharing about incidents and issues at other refineries on a weekly basis;
- “Could we have prevented these accidents?” meetings;
- The “Safety Talks” bulletin, which covers accidents/near-misses experienced at Tüpraş and around the world while providing general information on health and safety.

Behavior-based safety tours are held at the refineries to encourage positive conduct, raise general safety awareness and monitor compliance with safety standards. Tüpraş executives also participate in these tours as part of the “Visible Leadership” practice.

In order to identify health hazards in the work environment and to assess any relevant health risks, Health Risk Assessment (HRA) studies were carried out at all of the refineries. As part of the HRA studies, all area-specific (units, workshops, laboratories, warehouses) risk factors, including chemical, physical, biological, ergonomic and psychological, are evaluated in detail.

QUALITY MANAGEMENT SYSTEMS

AS A RESULT OF THE IMPORTANCE IT PLACES ON STAKEHOLDER SATISFACTION, TUPRAŞ CONTINUED THE EFFICIENT AND COMPREHENSIVE COMPLAINT MANAGEMENT SYSTEM.

TOTAL NUMBER OF STANDARDS

289

NUMBER OF NEW STANDARDS

60

At Tüpraş, all processes are managed by focusing on environment and HR policies under the Integrated Management System, which is based on ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System, and ISO 50001 Energy Management System standards.

In 2016, employees selected from each refinery and various departments of the Company's Head Office performed internal audits on the Integrated Management System and reported their findings related to areas for improvement. Necessary steps and actions were taken based on the findings.

In 2016, BSI conducted external audits on the Integrated Management System at each refinery and the Company's Head Office. No major findings were reported. Validity of ISO 50001 Energy Management System certification was extended until December 3, 2019.

In October 2016, Bureau Veritas conducted an external audit on the ISO 27001 Information Security Management System and extended the certification until December 14, 2019.

Tüpraş's İzmit, İzmir, Kırıkkale and Batman Laboratories successfully passed the TS EN IEC/ISO 17025 audit, the internationally recognized quality management system standard for

laboratory accreditation. The audit was performed by the Turkish Accreditation Agency. Tüpraş laboratories increased the number of analyses included in the accreditation.

CE Marking Audits on EN 12591 (paving grade) and EN 15322 (cut-back) bitumens were conducted at İzmir and Batman refineries, and the term of certification was extended to March 10, 2017.

60 NEW STANDARDS

In 2016, Tüpraş developed 60 new internal standards in order to improve and standardize business processes between the refineries. As a result, the total number of Company standards rose to 289.

As a result of the importance it places on stakeholder satisfaction, Tüpraş continued the efficient and comprehensive complaint management system. All feedback from stakeholders concerning the Company's operations (complaints, satisfaction, wishes, demands) was evaluated and the solutions to these issues were reported back to the stakeholders via this new system.

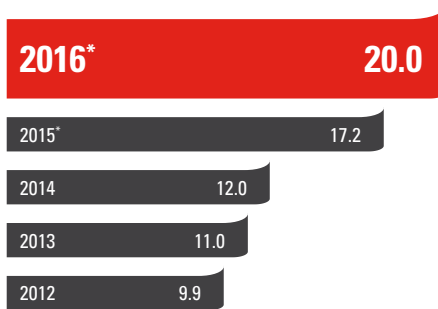
In 2016, Tüpraş applied for ISO 10002 Customer Satisfaction Management System certification; subsequently, BSI conducted a Certification Audit on December 28, 2016.



ENVIRONMENT

TUPRAŞ AIMS TO MINIMIZE THE ENVIRONMENTAL IMPACT OF ITS OPERATIONS.

RECYCLED WATER (MILLION M³)



RECYCLED WATER/TOTAL WATER CONSUMPTION (%)



*40.1% and 39.1% include the amount of greywater at İzmit Refinery.

Tüpraş places great importance on protecting human health and the environment, upholding operational safety, and conferring benefits to society while improving its products and services.

The Company invests in facilities that use advanced technologies for producing eco-friendly products that have a smaller impact on the environment and are compliant with EU specifications.

Tüpraş aims to minimize the environmental impact of its operations and avoid causing harm to its employees, contractors, clients, the wider society, and anyone affected by its business activities. Operating at world standards of environmental protection, Tüpraş recognizes the importance of improving the natural habitat as well as preserving it. The Company continues to develop and support various projects to this end. The Company undertook the following such efforts in 2016:

WORKSHOPS&STUDIES RELATED WITH GHG EMISSION

- Tüpraş participated in the 22nd session of the United Nations Climate Change Conference of the Parties (COP22), which was held on November 7-8, 2016, in Marrakesh, Morocco.
- GHG amount (volume) verification was completed at Tüpraş's İzmit Refinery, which was selected as a pilot facility within the framework of the World Bank-financed project Partnership for Market Readiness (PMR) - GHG Monitoring, Reporting and Verification, carried out by the Ministry of Environment and Urban Planning for the period January-March 2015.
- Tüpraş participated in and offered its opinions at workshops on emissions trading methods and Assessment of Market Based Emission Reduction Policy Options for Turkey, organized under the Partnership for Market Readiness (PMR) project, which is carried out by the Ministry of Environment and Urban Planning.



INITIATIVES FOR WATER AND WASTEWATER RECOVERY

- The capacity of the Water Preparation Unit at Izmit Refinery was increased with the addition of a fifth line, which was commissioned in August 2016. The Water Preparation Unit treats wastewater from Körfez Municipality for reuse as process water.
- The Water Preparation Unit at İzmir Refinery was commissioned in December 2016 to reduce the refinery's raw water intake by about 20%. The project helped improve wastewater recovery as well as raw water quality at the refinery.
- With regard to the Batman Refinery Wastewater Recovery Project, which aims to reduce the refinery's raw water intake by approximately 30%, process selection will be completed and construction works will commence in 2017.
- Feasibility studies were completed for Kırıkkale Refinery's Wastewater Recovery Plant, which targets reducing the refinery's raw water intake by about 20%.

R&D ACTIVITIES

Tüpraş participates in the Integroil Project that is carried out within the scope of Horizon 2020 program. The purpose of the project is to implement advanced wastewater treatment technologies in the "wastewater recycling" and "resource conservation" areas of the petroleum industry, and to develop the latest technologies according to industrial needs. Within this scope, advanced water treatment technologies, and advanced oxidation process for the recycling of the oil refinery waste water and the water from oil drilling will be developed and implemented in accordance with the needs of the industry. Tüpraş is involved in the project as an "implementing partner".

FLARE GAS RECOVERY SYSTEMS

The Flare Gas Recovery Systems, set up at the Izmit and İzmir Refineries, target the recovery of waste gases that would normally be flared so that they can be reused within the refineries' fuel systems.

Environmental Impact Assessment (EIA)s have been completed for projects that are currently in the investment phase with all legal requirements met.

AWARDS

- With its project Municipal Domestic Wastewater Treatment for Reuse as Process Water, Tüpraş became a finalist in the Process Category under the European Business Awards for the Environment (EBAE)'s Turkish National Scheme for the 2015-2016 period.

ENERGY EFFICIENCY

TÜPRAŞ FIRMLY BELIEVES THAT ENERGY EFFICIENCY IS EXTREMELY IMPORTANT FOR THE WORLD'S FUTURE.

ENERGY SAVINGS FOR THE LAST 9 YEARS (US\$ MILLION)

US\$ 416.3 million

DECREASE IN CO₂ EMISSION FOR THE LAST 9 YEARS

2.1 million tons

Tüpraş firmly believes that energy efficiency is extremely important for the world's future and continues to expend significant efforts in this key area. The Company also embraces the view that building corporate culture and policies on energy efficiency and raising employee awareness will bring success.

As per the policies defined under the Energy Management System, Tüpraş is committed to:

- Becoming a pioneering company that has respect for the environment and people; embraces life values; maintains an envied performance in the oil industry; and produces high quality low-cost products that comply with EU norms and all applicable occupational health and safety laws.
- Protecting the environment by reducing its carbon footprint to the lowest level possible.
- Making continuous improvements by closely monitoring new technologies and advancements in increasing energy efficiency.
- Allocating resources to energy efficiency projects.
- Complying with all domestic and international laws, rules and regulations on energy conservation and minimizing resource waste by implementing energy efficiency measures.
- Giving top priority to energy efficiency in the procurement of products and services, new investments and designs, production, and all other processes.
- Improving, monitoring and regularly reviewing energy efficiency efforts and keeping stakeholders informed.

To reach this objective, the Company maintains a close watch on all advanced technology and programs implemented across the world to enhance energy conservation. These efforts continued at full speed during 2016.

OTHER ACTIVITIES/AWARDS/ACHIEVEMENTS IN ENERGY EFFICIENCY IN 2016

At the Industrial Energy Efficiency Competition (SENER 2016), organized by the Ministry of Energy and Natural Resources on January 14-16, 2016, Batman Refinery was presented with first prize in the SEVAP-2 category while Kırıkkale and İzmit Refineries won second and third place prizes, respectively, in the SEVAP-3 category. As a result of the 11 energy efficiency projects submitted to the competition, the Company saved TL 36 million, reduced energy consumption by 37 thousand TEP and cut CO₂ emissions by 128 thousand tons, annually. This amount corresponds to planting 385 thousand trees.

In December 2016, Tüpraş refineries submitted a total of 10 projects to the 2017 Industrial Energy Efficiency Competition (SENER 2017). With these projects, the refineries saved about 18,962 TEP/year and reduced CO₂ emissions by 45,018 tons per annum. At this competition, the İzmit, Kırıkkale and Batman Refineries won awards.



ENERGY EFFICIENCY

İZMİR REFINERY WON FIRST PRIZE AT THE EBSO ENVIRONMENT AWARDS, ORGANIZED BY THE AEGEAN REGION CHAMBER OF INDUSTRY.

With five energy efficiency-enhancing projects in 2015, Tüpraş received TL 398 thousand in incentives from the Ministry of Energy and Natural Resources, General Directorate of Renewable Energy. In 2016, İzmir Refinery received a TL 95,000 grant for its CCR Unit Waste Heat Boiler Improvement Project.

Aiming to conserve natural resources, a new water treatment unit was set up at İzmir Refinery to treat Körfez Municipality's wastewater, which was previously discharged into the sea, and to convert it back to raw water. Thanks to the new water treatment unit, the amount of water obtained from Sapanca Lake was reduced by 13.2 million m³ annually.

Mechanical assembly at Kırıkkale Refinery's New Power Plant is scheduled for completion at end-2016. The new power plant will be commissioned progressively in 2017.

İzmir Refinery won first prize at the EBSO Environment Awards, organized by the Aegean Region Chamber of Industry.

İzmir Refinery was presented with first prize in the "Energy Efficiency" category at the 2016 ICCI Energy Awards.

ENERGY EFFICIENCY PROJECTS IN 2016

A total of 18 energy efficiency projects and operational improvements implemented by four Tüpraş refineries in 2016 resulted in total savings of TL 27.63 million and CO₂ reductions of 77 thousand tons. This amount corresponds to planting 188 thousand trees per year. The energy efficiency projects implemented by four refineries over the last nine years have resulted in CO₂ reductions of 2.1 million tons and total savings of US\$ 416.3 million.

Major energy efficiency projects implemented in 2016 include the following:

Energy Integration and Optimization at İzmir Refinery RUP Region and A Region

As part of energy optimization efforts undertaken at İzmir Refinery, alternator, which was causing energy loss, was deactivated whenever possible by using the power plant decision support system. As a result, the Refinery saved TL 5 million and reduced CO₂ emissions by 11,355 tons in 2016. The project commenced in January 2016.

Fuel Gas Savings at İzmir Refinery

Due to operating pressure changes and adjustments at İzmir Refinery's processing units, sweep gases are occasionally sent to the flare header. The Refinery achieved savings by optimizing sweep gases sent to the flare and fuel gas valve operations, which were causing economic loss after start-up. Thanks to these "quick win" interventions, the Refinery saved TL 2.6 million and cut CO₂ emissions by 6 thousand tons in 2016.

Burning Plant-7 Off-Gas in Plant-26 Vacuum Furnace at İzmir Refinery

The Refinery conserved fuel by burning Plant-7 FCC off-gas in the Plant-26 F-101 furnace, instead of sending it to the incinerator to burn. This "quick win" effort helped the Refinery save TL 1.6 million and reduce CO₂ emissions by 3.7 thousand tons in 2016.

Batman Refinery Hot Oil System Replacement Project

This project involved the installation of a new hot oil system with high thermal efficiency to keep the temperature of bitumen storage tanks and related production-sales lines at 140 C. As a result, the Refinery was able to prevent the loss of steam used for heating up bitumen lines and tanks. This project yielded TL 1.2 million in energy savings and CO₂ reductions of 3.2 tons.



ENERGY EFFICIENCY PROJECTS AND CO₂ SAVINGS IN 2016

	NUMBER OF PROJECTS	ENERGY (PETROLEUM EQUIVALENT TONS)	CO ₂ (TONS)
Izmit	8	107,874	25,010
Izmir	4	82,152	26,617
Kırıkkale	3	47,701	22,181
Batman	3	14,231	3,858
TOTAL	18	251,958	77,666

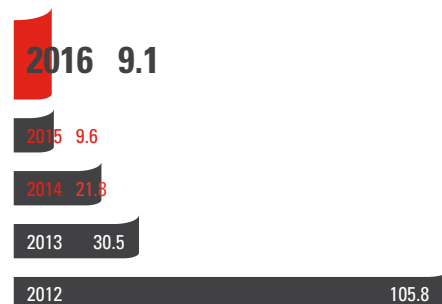
Izmir Refinery FGRS Compressors Project

With the Flare Gas Recovery System set up at Izmir Refinery, flared gases were recovered and reused in the Refinery's fuel system, resulting in significant natural gas cost savings. The Flare Gas Recovery System, which was commissioned in March 2016, yielded TL 6 million in savings in 2016. The system is expected to yield about TL 7.2 million in savings annually.

Fuel and Electricity Savings in Crude Oil and Vacuum Furnaces at Kırıkkale Refinery

By taking into account current and long-term production plans, Kırıkkale Refinery replaced over capacity fans used in Crude Oil and Vacuum Furnaces in accordance with flow rate and power requirements. As a result, the Refinery saved TL 1.1 million and reduced CO₂ emissions by 14 thousand tons.

ENERGY SAVINGS - US\$ MILLION



HUMAN RESOURCES

TÜPRAŞ, TURKEY'S LEADING ENERGY COMPANY, MAKES ITS MOST EXTENSIVE INVESTMENT IN HUMAN RESOURCES IN ACCORDANCE WITH ITS VISION OF BECOMING A WORLD-CLASS REFINING COMPANY.

EMPLOYEE DISTRIBUTION



- Izmit Refinery 1,923
- Izmir Refinery 1,353
- Kırıkkale Refinery 865
- Batman Refinery 463
- Head Office 375

A highly skilled, well-educated and experienced workforce takes from five to ten years to cultivate in the petroleum refining industry; this workforce is crucial for the profitable, efficient and safe operation of refineries, which are of the utmost importance.

Tüpraş, the leading energy company in Turkey, makes its most extensive investment in human resources in accordance with its vision of becoming a world-class refining company.

According to its Human Resources policy, the Company aims to improve its human capital to achieve a sustainable competitive advantage in the global arena by adopting the principles of:

- The Right Person for the Right Job
- Performance and Competency-Based Pay Structure
- Success-Based Evaluation
- Equal Opportunity

Tüpraş's long-term human resource planning focuses on providing the Company with the personnel that will allow the Company to attain its targets in the best manner, increasing managerial capabilities along with improving scientific and operational competences with continuous training and career planning. In this spirit, the human resources processes in Tüpraş are managed diligently in accordance with the company targets.

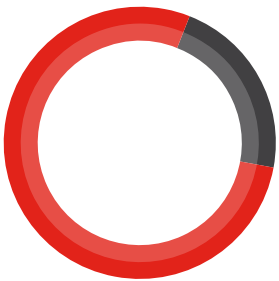
BEING A MEMBER OF THE TUPRAŞ FAMILY

After privatization, Tüpraş set out to improve its human resource management and undergo a structural transformation. As a result, the Company aims to attract a well-qualified workforce and to develop the staff in the most efficient and productive manner possible by providing training programs to improve the professional knowledge and capabilities as well as personal skills of employees.

In line with this approach, Tüpraş initiated the training program "Being a Member of the Tüpraş Family" to ensure that employees fully understand and internalize the corporate values and the key principles of the Company's business culture. These core values and principles were identified under the Mosaic Cultural Development Project and with the participation of employees in November 2015. In 2016, training courses geared towards managers and full-time employees continued under the program, which will be completed in 2018.

In 2016, all books and training materials were prepared for the Refinery Experts Training Program (RAYEP), which was initiated in collaboration with Middle East Technical University, Department of Chemical Engineering to develop employee knowledge, skills and competencies. Efforts related to maintenance and enterprise reliability continue by means of internal resources.

DISTRIBUTION OF EMPLOYEES BY HOURLY/MONTHLY WAGES



- Wage Hourly 3,899
- Wage Monthly 1,080

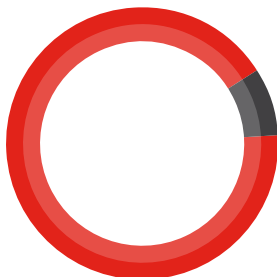


EDUCATION LEVEL OF WHITE COLLAR EMPLOYEES



- University Degree (Technical) 473
- Master's Degree 285
- University Degree (Administrative) 173
- Industrial High School 74
- High School 38
- Associate Degree 26
- Doctorate 7
- Other 4

BREAKDOWN BY GENDER



- Male 4,567
- Female 412

TRAINING FOR EMPLOYEES

	NUMBER OF EMPLOYEES	TOTAL HOURS OF TRAINING	AVERAGE HOURS OF TRAINING PER PERSON
Wage Monthly	1,080	68,836	65
Wage Hourly	3,899	216,042	57
TOTAL	4,979	284,878	59

Tüpraş expanded the scope of talent management efforts in 2016. Critical positions were identified through the relevant modules of the "Success Factors" software; succession plans were established; and employees' potential was determined using the 9-box grid.

The Adaptation Module was implemented to expedite the orientation process for new employees. Additionally, the Company is currently setting up the Development Planning Module, which will be used for measuring and assessing employee competencies and for devising career development plans in a more effective manner.

EMPLOYEE LOYALTY STANDS ABOVE THE COUNTRY AVERAGE

According to the results of the 2016 Employee Loyalty Survey, which is being conducted by an independent firm for many years, employee loyalty increased by 2.5 percentage points over the previous year. As a result of successful HR practices, employee loyalty, and especially among field staff, has improved significantly.

Meanwhile, employee turnover rate (undesirable turnover), an important indicator of employee loyalty, stands at 2%. This percentage is a very successful result when compared with the overall industry, the country and even globally.

EMPLOYEE SUPPORT PROGRAM

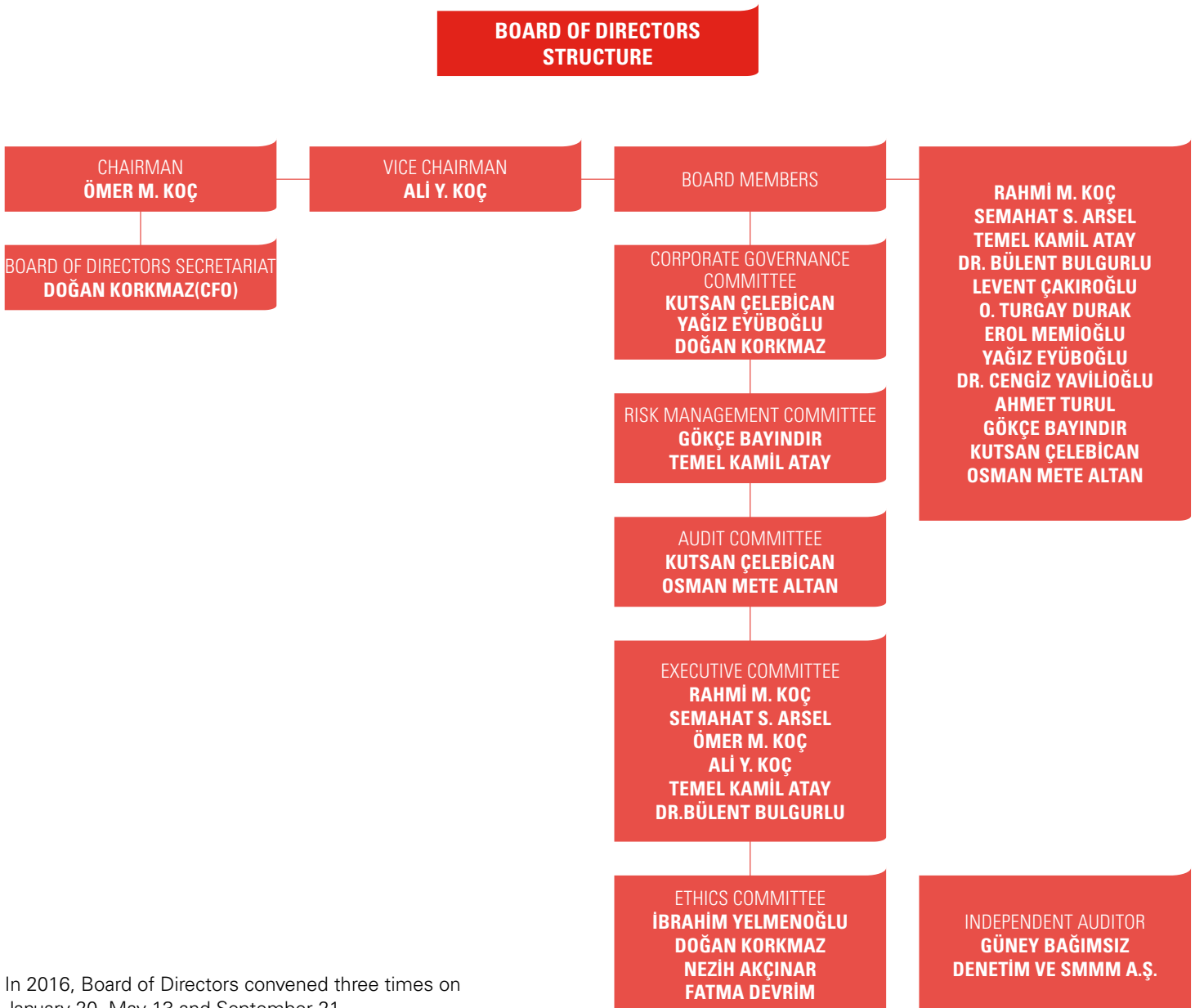
Under the LEAP Employee Support Program, Tüpraş offers professional support in several areas, such as medical and psychological counseling, information and reservation services, through a dedicated line to make life easier for employees and their families.

In 2016, the Company also began offering health screening, training courses and individual psychological support services provided by industrial psychologists at all refineries under the "Support At Work" initiative.

Additionally, Tüpraş included all employees in the supplemental health insurance plan so that employees and their families can receive healthcare services at private facilities at reasonable costs.

HUMAN RESOURCES

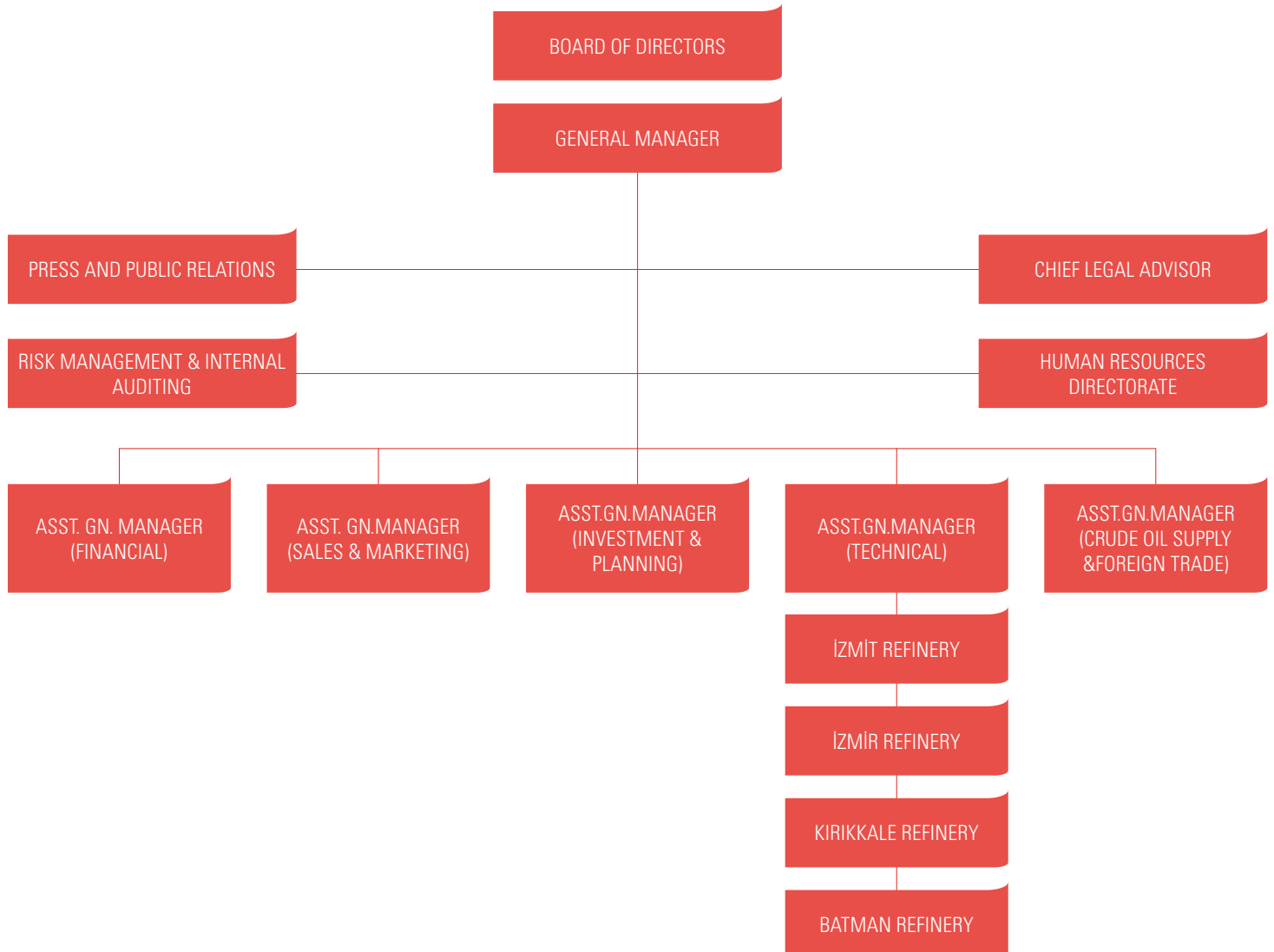
IN LINE WITH ITS GOAL OF IMPROVING HR MANAGEMENT AND ACHIEVING A STRUCTURAL TRANSFORMATION, TUPRAŞ AIMS TO ATTRACT A WELL-QUALIFIED WORKFORCE AND IMPROVE EMPLOYEE EFFICIENCY AND PRODUCTIVITY WHILE PROVIDING EMPLOYEES WITH TRAINING PROGRAMS THAT DEVELOP THEIR PERSONAL SKILLS.



In 2016, Board of Directors convened three times on January 20, May 13 and September 21.



TÜPRAŞ'S ORGANIZATIONAL STRUCTURE



SUSTAINABILITY AND PERFORMANCE INDICATORS

AS TURKEY'S LEADING INDUSTRIAL ENTERPRISE, TÜPRAŞ AIMS TO DEVELOP AND INTEGRATE ITS BUSINESS TARGETS INTO THE MANAGEMENT STRATEGY AND WORK CULTURE OF THE COMPANY WHILE REPORTING ITS OVERALL AND SUSTAINABILITY RELATED PERFORMANCE IN LINE WITH INTERNATIONALLY ACCEPTED CRITERIA.

RECYCLED WATER

20.0 million m³

GREENHOUSE GAS EMISSION REDUCTION (CO₂ EMISSION)

2,1 thousand tons

Tüpraş's main objective is to meet Turkey's demand for petroleum products in a comprehensive and timely manner. Aware of its corporate responsibilities, the Company strives to eliminate any negative social, economic or environmental impacts arising from its operations, while contributing to economic and sociocultural development in its operating regions.

Tüpraş aims to develop and integrate its business targets into the management strategy and work culture of the Company while reporting its overall and sustainability related performance in line with internationally accepted criteria.

Tüpraş targets building an effective, transparent and ethical communications strategy with all parties that could affect and/or be affected by its business activities; integrate social, economic and environmental responsibilities into the corporate strategy; and create sustainable value for Turkey.

The BIST Sustainability Index was created to improve awareness and knowledge about sustainability and sustainable practices among Borsa İstanbul listed companies. In 2014, companies included in the BIST-30 Index were assessed while BIST-50 companies were assessed in 2015. Every year, Borsa İstanbul revises and announces the List of Companies in the BIST Sustainability Index.

Tüpraş was among the 15 companies assessed and included in the BIST 30 Index in 2014. The Company also figured among the 29 companies assessed and included in the BIST 50 Index in 2015 and 2016.

ENVIRONMENTAL MANAGEMENT

Tüpraş aims to become an environmental pioneer for other industries by reducing the negative environmental impacts of its business operations by using the best available and most cost-effective technologies, and undertaking efforts that support its sustainable development approach.

Tüpraş always places human health, workplace safety, and environmental protection at the forefront of its business activities to achieve its goals. The Company's overriding aim is to become an envied, respected and successful company. All Tüpraş personnel strictly and meticulously adhere to Health, Safety and Environmental (HSE) standards.

Integrated management systems-including ISO 14001 Environmental Management System, ISO 9001 Quality Management System, OHSAS 18001 Occupational Health and Safety Management System, ISO 27001 Information Security Management System, and ISO 50001 Energy Management System-are effectively implemented across all Tüpraş refineries.



CLIMATE CHANGE AND EMISSIONS MANAGEMENT

Tüpraş measures the environmental impact of its operations and production processes as it strives to reduce negative impacts to the lowest possible level. Tüpraş does not consider its efforts and investments in fighting climate change a cost-increasing factor, but rather a duty; accordingly, the Company devises relevant projects and implements them rapidly.

Thanks to the improvements achieved in 2016, greenhouse gas emissions decreased by 77.7 thousand tons of CO₂ equivalent, resulting in significant savings to the Company. Over the last 10 years, Tüpraş reduced CO₂ emissions by 2.1 million tons in total.

EFFICIENCY AND ENERGY MANAGEMENT

Demand for all forms of energy is significantly growing in Turkey. Tüpraş's strategy focuses on leading the sector with innovative practices and maximizing customer satisfaction, while meeting the national demand for petroleum products. Tüpraş aims to boost productivity, minimize costs, achieve operational excellence in every area, thus realizing the Company's full potential.

Product specifications carried to highest levels in the refining industry require the maximum availability of each unit in the production process. Additionally, increasing global competition and intensifying environmental standards require maximum efficiency in energy use at the refineries.

Tüpraş's energy efficiency projects are geared toward minimizing energy consumption via the eradication of any energy waste-without compromising quality and performance-and becoming one of the refineries with the lowest emission level. To reach this objective, the Company closely monitors all advanced technology and programs implemented across the world that enhance energy conservation.

Thanks to progress provided with energy efficiency projects, Tüpraş brought its EI (Energy Intensity Index) value down to 100.2 in 2016.

RISK MANAGEMENT

While corporate governance is the philosophical foundation of modern management, the main component of corporate governance is corporate risk management.

In 2016, Tüpraş established a Corporate Risk Management Directorate to create a new Corporate Risk Management System. The overall aim is to ensure operational and business continuity, tackle the underlying causes of uncertainty, manage extraordinary situations successfully, and to protect the Company's reputation. Tüpraş also has Corporate Risk Management guidelines and policies in place.

Tüpraş aims to maximize shareholder value by managing potential deviations from strategic and financial targets.

Tüpraş developed the Corporate Risk Management System to safeguard the existing assets of the Company, create more shareholder value and manage opportunities. The system also serves to communicate risks that have been identified in all functions in line with the risk appetite acceptable to the Board of Directors and the Senior Management across all processes.

The risk types that Tüpraş is exposed to are categorized into seven groups: Hazards and Environmental, Financial, Commercial, Operational Strategic, Legal and Compliance, Reputation.

SUSTAINABILITY AND PERFORMANCE INDICATORS

TUPRAŞ'S ENERGY EFFICIENCY PROJECTS ARE GEARED TOWARD MINIMIZING ENERGY CONSUMPTION VIA THE ERADICATION OF ANY ENERGY WASTE-WITHOUT COMPROMISING QUALITY AND PERFORMANCE-AND BECOMING ONE OF THE REFINERIES WITH THE LOWEST EMISSION LEVEL.

SAFETY PERFORMANCE

	2012	2013	2014	2015	2016
Accident Frequency Rate	1,5	1,1	1,6	2,5	1,9
Accident Severity Rate	289	26	308	315	354

WATER RECYCLING	2012	2013	2014	2015	2016
Recycled Water (million m ³)	9.9	11.0	12.0	17.2	20.0
Recycled Water/Consumption (%)*	32.2	36.3	40.7	40.1	39.1
Recycled Water/Consumed Water (%)**	47.6	56.9	67.4	67.0	64.1

GREENHOUSE GAS EMISSIONS PREVENTION (CO ₂ EMISSIONS-THOUSAND TONS)	2012	2013	2014	2015	2016
	348.2	186.0	126.4	71.7	77.7

OPERATIONAL PERFORMANCE

	2012	2013	2014	2015	2016
Processed Crude Oil (thousand tons)	22,118	21,568	20,044	27,559	28,348
Refining Production (thousand tons)	21,867	21,175	20,101	27,268	27,928
Sales (thousand tons)	25,441	24,083	22,194	28,739	30,255
Export of Products (thousand tons)	5,860	4,844	5,333	6,494	5,491
Import of Products (thousand tons)	4,387	3,805	2,920	2,999	3,749
Total White Product Ratio (%)	70.30	72.36	72.18	75.4	76.6
Capacity Utilization Rate of Crude Oil (%)	78.7	76.8	71.3	98.1	100.9
Capacity Utilization Rate Including Semi Product (%)	81.6	79.1	74.9	102.5	105.3

*The ratio of the total water recycling to the sum of "total recycled water" and "total consumption".

** The ratio of total water recycling to total water consumption. GRI-EN 10



FINANCIAL AND MANAGERIAL PERFORMANCE

	2012	2013	2014	2015	2016
Net Sales (US\$ million)	23,677	21,595	18,165	13,571	11,547
Operating Profit (US\$ million)	631	22	199	1,012	781
Profit before Tax (US\$ million)	753	7	84	819	644
Profit after Tax (US\$ million)	817	629	667	938	594
EBITDA (US\$ million)	715	560	338	1,397	1,125
Net Debt (Cash) (US\$ million)	551	1,340	1,663	2,370	1,729
Return on Equity (ROE) (%)	31.8	24.1	25.9	35.0	22
Net Working Capital (US\$ million)	595	(296)	(677)	(53)	43
Investment Expenditures (US\$ million)	974	1,201	959	344	213
Earnings per Share (TL)	5.85	4.78	5.83	10.18	7.16
Gross Dividend per Share (TL)	3.85	1.58	-	6.5	6.22
Net Dividend per Share (TL)	3.27	1.34	-	5.53	5.29
Taxes and Other Liabilities (TL million)	26,643	28,607	23,433	31,916	37,548
Corporate Governance Rating	9.10	9.34	9.31	9.44	9.42
Fitch Ratings Long-term Foreign Currency Rating	BBB-	BBB-	BBB-	BBB-	BBB-
Fitch Ratings Long-term Local Currency (TL) Rating	BBB-	BBB-	BBB-	BBB-	BBB-
Supply Operations (TL million)	348	386	769	1,573	1,921
Domestic	177	214	305	1,122	1,200
Custom Manufacturing	20	14	20	12	5
Foreign	151	158	444	439	716
Local Procurement Ratio (%)	56.70	59.05	42.21	72.10	62.72
Total Number of Suppliers	1,383	1,595	2,016	2,238	2,266

SUSTAINABILITY AND PERFORMANCE INDICATORS

TUPRAŞ AIMS TO UNDERTAKE EFFORTS THAT SUPPORT ITS SUSTAINABLE PROFITABILITY APPROACH.

ENVIRONMENTAL PERFORMANCE

	2012	2013	2014	2015	2016
Direct Energy Consumption (TJ)	70,622	68,752	66,529	90,313	101,639
Natural Gas	34,784	32,863	32,906	36,005	39,085
Fuel Oil	12,650	10,966	8,811	13,184	15,487
Fuel Gas	20,543	22,285	22,770	38,512	44,265
Coke	2,645	2,638	2,042	2,612	2,802
Indirect Energy Consumption - Electricity (TJ)	464	395	505	483	518
Total Energy Consumption (TJ)	71,086	69,147	67,034	90,796	102,156
Change in Energy Consumption (%)	-0.41	2.73	3.06	-35.45	-12.51
Energy Consumption Per Crude Oil (GJ/Ton)	3.21	3.21	3.34	3.29	3.60
Solomon Energy Intensity Index	105.3	102.3	107.6	102.3	101.8
Number of Energy Efficiency Projects	97	40	22	21	18
Total Energy Efficiency Savings (TJ)	5,255	2,841	1,772	1,031	1,054
Total Energy Efficiency Savings (US\$ million)	105.8	30.5	21.8	9.6	9.1
Greenhouse Gas Emissions Reductions through Energy Efficiency Projects (tons CO ₂ e)	348,173	186,019	126,442	71,744	77,666
Total Water Consumption (million m ³)	20.8	19.4	17.7	20.1	17.5
Total Water Consumption (million m ³)	20.8	19.4	17.8	25.7	31.2
Change in Water Consumption (%)	9.4	-6.7	-8.4	13.0	-10.1
Water Consumption per Product (m ³ /ton)	1.0	0.9	0.9	0.7	0.6
Total Recovered Water (million m ³)	9.9	11.0	12.0	17.2	20.0
Total Recovered Water to Total Consumption Ratio (%)	32.2	36.3	40.7	40.1	39.1
Total Recovered Water to Total Water Consumption Ratio (%)	47.6	56.9	67.4	67.0	64.1
Total Waste Water Discharge (million m ³)	13.1	11.6	10.2	11.3	17.1
Total Amount of Solid Waste (tons)	38,028	27,450	112,664	25,538	41,506
Hazardous Wastes (tons)	22,944	19,411	94,974	14,192	30,971
Non-Hazardous Wastes (tons)	15,084	8,039	17,690	11,346	10,534
Solid Wastes According to Disposal Method					
Recycling (tons)	27,471	21,045	39,724	17,812	27,746
Disposal (tons)	10,577	6,405	72,940	7,726	13,759
Solid Waste Recovery Rate (%)	72.0	76.7	35.3	69.7	66.8
Total Number of Saplings Planted as part of Afforestation Efforts (units)	8,836	6,635	1,460	223	600
Total CO ₂ Emissions Reductions Achieved through Afforestation Efforts (tons CO ₂ e)	2,916	2,191	482	75	200
Total Spending on Environmental Investments and Operating Expenses (TL million)	212	197	179	208	346
Environmental Training (people x hours)	35,719	46,418	15,512	17,787	17,331
Tüpraş Employees	15,138	23,751	3,302	7,438	4,310
Contractors' Employees	14,644	19,727	8,385	10,121	13,021
Stakeholders	5,937	2,940	3,825	228	-



SOCIAL PERFORMANCE

	2012	2013	2014	2015	2016
Total Amount of Training (people x hours)	289,095	167,961	388,696	234,311	284,878
Female	32,125	19,562	31,172	31,140	21,827
Male	256,970	148,399	357,524	203,171	263,051
With Monthly Salary	129,599	68,240	92,571	98,314	68,836
With Hourly Salary	159,496	99,721	296,125	135,997	216,042
Total Amount of Training (average hours of training per employee)	63	36	82	49	59
Female	88	49	80	79	55
Male	61	34	83	46	59
With Monthly Salary	131	65	89	93	65
With Hourly Salary	45	27	81	36	57
Total Hours of OHS Training (people x hours)	75,190	82,533	94,036	104,091	135,951
Tüpraş Employees	28,550	44,775	74,556	63,596	85,609
Employees of Business Partners	46,640	37,758	19,480	40,495	50,342
Accident Frequency Rate (number of accidents x 1,000,000/people x hours)	1.5	1.1	1.6	2.5	1.9
Accident Severity Rate (work days lost x 1,000,000/people x hours)	289	26	308	315	354
Employee Satisfaction (%)	57.0	60.0	56.0	50.0	53.0
Customer Satisfaction (%)	98.0	98.0	98.0	88.8	89.0
Supplier Satisfaction (%)	98.9	97.3	92.9	95.8	88.8
Contractor Satisfaction (%)			82.1	80.4	84.8
Koç Holding Pension Fund Liabilities (TL million)	42.7	48.2	54.9	63.9	77.4
Donations and Sponsorships (TL million)	16.1	25.6	8.9	17.3	24.4
Total Number of Trainees	1,704	1,625	798	1,009	935
Minimum Starting Salary to Minimum Wage Ratio					
With Hourly Salary	2.5	2.6	2.6	2.6	2.0
With Monthly Salary	4.4	4.4	4.2	4.1	3.3

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

SINCE 2008, TÜPRAŞ HAS SERVED AS THE OPERATING SPONSOR OF FIVE FIREFLY MOBILE EDUCATION UNITS OF THE EDUCATIONAL VOLUNTEERS FOUNDATION OF TURKEY (TEGV).

WITH “WE COLLECT BOOKS FOR CHILDREN” PROJECT

6,920 books

NUMBER OF EMPLOYEES CONTACTED THROUGH THE “INFORMATION MILL SEMINARS”

3,184

Acting as a good corporate citizen, Tüpraş carries out social development projects to improve the quality of life and contribute to sustainable prosperity and development in the regions where it operates.

EDUCATION

Fireflies are on the Road...

Since 2008, Tüpraş has served as the operating sponsor of five Firefly Mobile Education Units of the Educational Volunteers Foundation of Turkey (TEGV).

In collaboration with the Ministry of National Education, TEGV takes Firefly Mobile Education Units-trailers designed as child-friendly spaces-to elementary schools across Turkey, reaching out to children at or near schoolyards.

Firefly Mobile Education Units are of two types: Thematic and Standard. Thematic Mobile Education Units include “Traffic Firefly,” “Dreamer Firefly” and “Scientific Firefly.”

Some of the courses that educate and entertain children include “Knowledge Is My Job,” “Learn and Enjoy Mathematics,” “Learn and Enjoy Science,” “Read and Play,” “Drama Workshop” and “Learn and Enjoy Hygiene.”

In 2016, Firefly Mobile Education Units visited the provinces of Afyonkarahisar, Bilecik, Hatay, Rize, Erzurum and Şanlıurfa.

TEVF’s Batman 50th Year Education Unit Goes to the Fourth İstanbul Children and Youth Art Biennial

With the support of Tüpraş, 12 students from TEGV’s Batman 50th Year Education Unit participated in the Fourth İstanbul Children and Youth Art Biennial.

The students joined the Biennial with their performance project “Regional Folk Dances.” The performance facilitated developing skills and a positive attitude towards arts among participants, learning about new cultures and embracing the concept of coexisting in peace. Performing a modern version of traditional dances, the student performers also enthralled the audience at Ortaköy Afife Jale Theater.

SEK İzmit Theater Club Actors Take to the Stage to Benefit TEGV

SEK İzmit Theater Club actors performed the play “Visit” -written by Friedrich Dürrenmatt, adapted by Sevil Onaran, and directed by Aydın Sigalı-for the benefit of the Community Volunteers Foundation. On January 11, 2016, the actors performed the play for the second time to benefit the Turkish Education Volunteers Foundation.

We Collect Books for Children

Aiming to foster reading habits in children, volunteers from the Batman Refinery collected about 5,000 books from the Head Office and other refineries, and distributed these to elementary schools in Batman that were in need. In addition,



Tüpraş volunteers held book-reading days to encourage young people to read books, helping them develop a life-long reading habit. In 2014, 1,000 books were sent to one elementary school; the following year, 600 books were sent to one high school and one elementary school; and 320 books were sent to one elementary school in 2016. A total of 6,920 books have been donated since the launch of the project in 2013.

MEGEP Project: Advancement of the Vocational Education and Training System

On May 29, 2007, the Ministry of National Education and Tüpraş signed an agreement for training skilled professionals in the area of Chemical Technology, in particular Refining, Processing, and Maintenance-Repairs. In 2016, the following efforts were undertaken as part of this project:

İZMİT REFINERY

Machine Maintenance Department:

Thirteen 12th grade students studying at Körfez Technical Industrial Vocational High School in the Machinery Maintenance Department continued their internship programs at İzmit Refinery. Eighteen 11th graders occasionally visited the Refinery to learn about the field applications of Machinery Maintenance and Refinery Operations in line with their current studies. Additionally, 18 11th grades MEGEP students participated in a personal development program delivered by volunteer coaches, and attended a museum trip.

Refining and Petrochemicals

Department: Eight 11th graders from İzmit Technical Industrial Vocational High School's Refining and Petrochemicals Department occasionally visited the Refinery to learn about the field applications of their current studies. In addition, nine 11th grade MEGEP students participated in a personal development program delivered by volunteer coaches, and attended a museum trip.

İZMİR REFINERY

Under this project, 10 students from Habaş Hamdi Başaran Vocational and Technical Training Center attended one-day training programs on specific dates between October 2016 and April 2017.

KIRIKKALE REFINERY

Eight 11th grade students from the Petrochemicals Department at Bahşılı Hacı Hidayet Doğruer High School received training at Kırıkkale Refinery two days a week. Students had the opportunity to make observations in the field.

Vocational High School Coaching Program Conducted Jointly with the Private Sector Volunteers Association (PSVA) under the MEGEP (Advancement of the Vocational Education and Training System) Project

The Vocational High School Coaching Program, carried out by Koç Holding since 2007 under the Vocational Education: A Crucial Matter for the Nation project, was delegated to PSVA at a press conference

in June 2012. The Program officially launched after the execution of an agreement with the Ministry of National Education in March 2013. Under the Coaching Program, companies are paired with vocational high schools according to their location and area of expertise. Following the student application process, students meet with volunteer coaches for a two-year period to implement the modules.

Tüpraş Continues Support to the April 23rd International Children's Festival Organized by Kocaeli Metropolitan Municipality

Tüpraş was the sponsor of various activities and performances organized under the opening program of the fifth edition of the April 23rd International Children's Festival, Education and Entertainment Fair, held by Kocaeli Metropolitan Municipality April 23-24, 2016. The activity and performance line-up included the children's musical "Wonderful Wings"; "Living Statues," which portrays four different characters; the "Carnival of Venice" performance during the kite festival; and the event package, which consisted of traditional treats such as cotton candy, gum-like candy and sherbet. In 2016, 1,000 children from 41 countries attended the Festival, which Tüpraş has sponsored for five years.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

SINCE THE 2011-2012 ACADEMIC YEAR, TUPRAŞ HAS GIVEN SUPPORT TO KOÇ UNIVERSITY'S SOCIAL SCIENCES HIGH ACHIEVEMENT SCHOLARSHIP PROGRAM IN ORDER TO FOSTER THE DEVELOPMENT AND ADVANCEMENT OF SOCIAL SCIENCES IN TURKEY, THEREBY CONTRIBUTING TO THE COUNTRY'S INTELLECTUAL LIFE.

Tüpraş Provides Scholarships to Eight Students under the Koç University Social Sciences High Achievement Scholarship Program

Since the 2011-2012 academic year, Tüpraş has given support to Koç University's Social Sciences High Achievement Scholarship Program in order to foster the development and advancement of social sciences in Turkey, thereby contributing to the country's intellectual life. To date, four students have completed the Ph.D. program while six students are currently pursuing Ph.D. degrees in Archeology and Art History, International Relations, Psychology, Design, Technology and Society, aided by scholarships from Tüpraş.

Koç University Anatolian Scholarship Program

Koç University's Anatolian Scholarship Program, launched in the 2011-2012 academic year with only 14 students, expanded to 289 student recipients in 2016. The Program aims to provide equal educational opportunities to successful students in need via scholarship awards. In the 2016-2017 academic year, two more students were included in the scholarship program. To date, Tüpraş has provided scholarships to 10 students.

Technical Tours at the Refineries

In 2016, a total of 650 students from various high schools and universities—including Boğaziçi University, Yeditepe University, TSEV, Siemens, Ege University (Chemical Engineering Department), CESS, Gaziemir Air Force Command, Ege University Aliğa Vocational School,

Gazi University (Chemical Engineering Department), Hacettepe University (Chemical Engineering Department), Çankırı University, Sivas Selçuklu Anatolian Technical High School, Ankara Yenimahalle İskitler Anatolian Technical High School (Firefighting Department), and MEGEP-participated in the technical tours conducted at Tüpraş refineries. The tours aim to help attendees learn more about refineries and the refining industry while improving their professional knowledge.

ARTS & CULTURE

IKSV - 20th İstanbul Theater Festival

The 20th İstanbul Theater Festival was organized by the İstanbul Foundation for Culture and Arts (IKSV) under the joint sponsorship of Koç Holding's energy companies Aygaz, Opet and Tüpraş on May 3-28, 2016. The Festival offered a rich and diverse program, which included Turkish and foreign plays, dance performances, and other events.

Young Musicians on the World's Stages

Since 2013, Tüpraş has provided support to the Young Musicians on the World's Stages initiative, which was launched by the world-renowned pianist sisters, Güher and Süher Pekinel, seven years ago. The effort aims to select talented young musicians from conservatories across the country and introduce them to the world's stages.

Currently, scholarships are provided to Veriko Tchumburidze (Violin), Dorukhan Doruk (Cello), Yunus Tuncali (Piano), Doğa Altınok (Violin), Can Çakmur (Piano),

Duygu Eliz Erkut (Ballerina), Görkem Çiçek (Cello), and Tolga Atalay Ün (Piano and Harpsichord), who was accepted into the scholarship program in September 2016. All the scholarship recipients have made impressive progress in their respective fields; Duygu Eliz Erkut and Veriko Tchumburidze in particular were very successful in 2016.

Duygu Eliz Erkut started her classical ballet training at the age of six and was accepted into the program in 2013. She continued her training with Paola Vismara in Milan. In 2014, Duygu Eliz Erkut danced in Bournnonville's famous ballet "Napoli," which was staged at the famed Teatro alla Scala. In addition to performing various roles in Accademia Teatro alla Scala productions, Duygu Eliz Erkut was the first seventh grade student in the academy's history to be invited to perform at Teatro alla Scala; she is also the first Turkish dancer accepted into La Scala in the Academy's 200-year history.

Meanwhile, Georgian Veriko Tchumburidze, who was born in Turkey, won first prize in the 15th International Henryk Wieniawski Violin Competition, one of the world's most prestigious competitions for violinists. She drew enormous attention from the international music community with her extraordinary talent, passionate and devoted performance, and superior concentration. The 15th International Henryk Wieniawski Violin Competition, which was held in four stages between October 8 and 23, 2016, in Pozna, Poland, received 180 applications in total with 50 violinists passing the



preliminary selection. And Veriko, who was discovered by Pekinel sisters at the age of 14, surpassed 50 other contestants to win first prize.

Sponsorship of Aktüel Arkeoloji Magazine

Launched in 2007, Aktüel Arkeoloji Magazine recounts the rich history of Anatolia to its current inhabitants. Tüpraş has served as the publishing sponsor of the periodical since 2010. With an average print run of 60,000 copies per year, Aktüel Arkeoloji Magazine reaches millions of readers through its website and social media, while undertaking efforts to protect Anatolia for future generations with the support of Tüpraş.

We Keep Batman Refinery Alive at RMK

A team of six employees from various departments of Batman Refinery initiated this effort to use decommissioned old equipment, formerly used in refinery processes and that has in effect laid witness to history.

In 2016, the team started a collaboration with RMK Museum to send used equipment and historic objects that reflect period features to the Museum for protection, in effect preserving the history of Batman Refinery for the future.

To date, two locomotives, various handheld and vehicle radios, relays, electrical and instrumentation devices, gas detectors, special vaults, scales, office equipment, and other artifacts have been sent to RMK Museum.

ENVIRONMENT

Izmir Refinery's "Happy Wastes - Separating and Recycling Packaging Waste in Aliğa" Continues Apace

Izmir Refinery launched the "Happy Wastes" effort in 2010 to separate and recycle packaging waste. The seventh edition of the "Happy Wastes Kite Festival," now an annual tradition, was held on May 19, 2016 in Aliğa Cumhuriyet Square as 3,250 colorful kites created for employees and the people of Aliğa filled the sky.

Under the "Happy Wastes" project, Izmir Refinery hosted a total of 80 students from two elementary schools in Aliğa (40 from each school) on May 5 and 11. The Happy Wastes project team provided training to the students of Şehit Bülent Kula and Atatürk Secondary Schools in Aliğa to raise their environmental awareness and instruct them on the importance of separating and recycling packaging waste to protect natural resources.

Batman Refinery's Training Programs on "Waste Recycling, Health, and Environmental Awareness" Continue in 2016

Volunteer employees from Batman Refinery provided training on waste recycling, health, and environmental awareness at eight schools in the villages of Siirt, Bitlis, Batman and Tatvan. In 2016, 1,105 students attended these training sessions with a total of 2,210 hours of instruction. To date, 3,710 students have received training with a total of 7,732 hours of instruction logged.

In response to requests from Trabzon, Samsun and Batman, the team delivered separate training programs to the residents of apartment buildings and residential compounds. In 2016, a total of 489 hours of training was provided to 10 apartment buildings and residential compounds, three hotels, one rehabilitation center and one travel agency. To date, 722 persons have received instruction under this effort while used batteries, waste oil and plastic bottle caps were collected.

"We Collect Plastic Bottle Caps" to Remove All Obstacles

In 2013, Batman Refinery volunteers joined the Plastic Bottle Cap Collection Campaign, which was initiated by the Ministry of Environment and Urban Planning. This campaign differs from other blue cap collection campaigns as it aims to collect all types of plastic caps. Plastic caps collected in 2016 were sent to the Turkish Spinal Cord Injury Association to purchase one battery-powered wheelchair, which was then given to a ninth grade female student at Anatolian High School in Batman.

With a total of 2,150 kilograms of plastic bottle caps collected to date, seven battery-powered and two manual wheelchairs have been purchased and provided to citizens with disabilities to make life easier for them.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

TPRAŞSPOR FOOTBALL CLUB SERVES AS A PLATFORM FOR LOCAL YOUTH WHO SEEK TO PRACTICE SPORTS IN A HEALTHY, ORGANIZED WAY AND TO BECOME PROMINENT FOOTBALL PLAYERS IN THE FUTURE.

“We Collect Waste Vegetable Oil” to Remove All Obstacles

Under this campaign, initiated by volunteer employees from various departments at Batman Refinery, collected waste vegetable oil is sent to a licensed contractor for recycling. The revenue generated from recycling is used to purchase hearing aid devices, wheelchairs and other apparatuses to support people with disabilities.

To this end, Tpraş provided containers, stickers, posters and brochures to the licensed contractor, and published an Environment Bulletin related to the collection of waste vegetable oil. In 2016, about 60 liters of waste vegetable oil was collected and sent to the licensed contractor for recycling.

SPORTS

Defying Disabilities

Founded in 2006, Batman Sports Club for the Disabled has competed in the Turkish Wheelchair Basketball 2nd League since the 2007-2008 season. Since its establishment, the Club has given hundreds of disabled citizens the opportunity to engage in sports. Currently, Batman Sports Club has 36 athletes, 21 of whom are licensed; the institution is well-regarded in Batman for its numerous achievements.

In 2016, the Club’s athletes defied their disabilities through impressive performances to become the Regional Champion in the 2nd League, featuring the Tpraş logo on their jerseys. As in previous years, Batman Sports Club will work hard to join the Wheelchair Basketball 1st League in the coming season.

Batman Tpraşspor Football Club Steers Young People Toward Sports

Established as an independent initiative of a group of Batman Refinery employees in 1995, Tpraşspor Football Club serves as a platform for local youth who seek to practice sports in a healthy, organized way and to become prominent football players in the future. The Club was set up with the awareness that sports activities support physical and mental development while also preventing youth from developing unhealthy habits. Volunteer employees effectively manage relations with the Provincial Directorate of Youth and Sports, Federation of Batman Amateur Sports Clubs, Turkish Football Federation and other sports clubs.

In 2016, Tpraşspor Football Club had a total of 104 athletes-44 licensed and 60 non-licensed, between the ages of 10 and 18 years. The Club’s athletes have won several awards at regional and national competitions organized for the 8-13 and

U-19 age groups. During the year, about 100 students actively trained at the Club; of these, one football player was transferred to the National Team while others joined amateur and professional clubs. Since 2001, the Club has won 16 championships in four branches/categories, including nine championships in the U-19 Youth Category, one in the U-17 Youth Category, two in the U-14 Youth Category and four in the Amateur Category.

We Are Learning Judo with Volunteer Trainers

Aiming to introduce employees and their families to other branches of sports, Tpraş İzmir Refinery organizes judo classes as a recreational activity. Judo helps children develop a sense of responsibility and teamwork, control their negative emotions, and boost concentration. Currently, 15 youth aged 8-16 receive judo instruction from volunteer trainers.

HEALTH

“Our Health Matters” Seminars

Throughout 2016, İzmir Refinery held monthly health seminars on various topics. At these seminars, staff members received information on the diagnosis and treatment of a range of diseases and illnesses. This effort included two seminars on Cardiovascular Health



and Eye Health. In addition, the Refinery conducted “One Hour for Your Family” seminars, which included three informational sessions: “Family Communication Problems and Ways to Solve Them,” aimed at addressing family communication issues caused by the rapid pace of modern life; “Marriage Problems and Adjustment Disorders in Children”; and “Parenting Skills - Setting Limits for Children and Parental Behaviors.” A total of 163 employees participated in these health seminars and informational sessions.

At the “Wednesday Meetings,” which have become a tradition at Batman Refinery, on-site physicians provided information on breast cancer to 110 female employees and the wives of male staff. Additionally, 135 personnel participated in an informational session on cancer.

As part of the HSE - Repeat Courses on Firefighting program, organized weekly at Kırıkkale Refinery, the Workplace Health Unit provided information on Occupational Diseases and Metabolic Syndrome to 865 employees during the year.

A total of 2,132 personnel at the Head Office and İzmir Refinery received training on Occupational Diseases and First Aid under the Periodic OHS Training program. The training included topics such as the Causes of Occupational Diseases, Principles of Disease Prevention and Implementing Health Protection Methods, Biological and Psychosocial Risk Factors and First Aid.

Tüpraş’s Support to Koç Holding’s “I Support Social Gender Equality for My Country” Project

Inspired by Koç Group’s founder Vehbi Koç and his motto “I exist as long as my country exists and prospers.”, the “For My Country” initiative was expanded to promote gender equality under the theme “I Support Social Gender Equality for My Country.”

“For My Country” serves as an umbrella project to spread the concept of social responsibility among Koç Group companies, employees, dealers and suppliers; encourage them to demonstrate a participatory attitude toward social issues; support local development; and to implement initiatives that help improve quality of life.

The concept for the 2015-2017 period was set as “Gender Equality” and the objective is to raise public awareness about the root causes and effects of gender inequality, and to serve as a role model by adopting a more egalitarian attitude in business and social life.

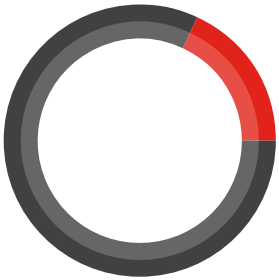
Tüpraş supports the gender equality project. To that end, Mother Child Education Foundation (AÇEV), an affiliated entity in the project, conducted training programs at Kırıkkale, İzmir, İzmit and Batman Refineries. In addition, three project managers, ten project supervisors from the head office and the refineries, and 30 volunteer trainers started to actively participate in the project.

3,184 employees were contacted through the “Information Mill Seminars” organized at the Headquarters and Refineries.

INVESTOR RELATIONS

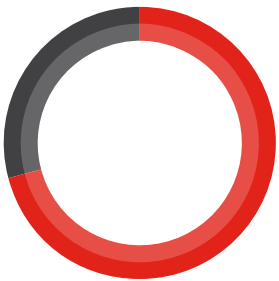
102 MEETINGS WERE HELD WITH INVESTMENT CORPORATIONS WHILE ONE-ON-ONE MEETINGS WERE HELD WITH THE FUND DIRECTORS AND ANALYSTS IN 2016.

DISTRIBUTION OF DOMESTIC/ FOREIGN OWNERSHIP OF TÜPRAŞ SHARES



- Domestic Ownership Share 18%
- Foreign Ownership Share 82%

ANALYST RECOMMENDATIONS



- Buy 22
- Hold 9

Investor Relations Unit makes sure that information that is not considered within the scope of trade secrets but demanded by the public and the shareholders and stakeholders, is available in a prompt, complete and easily accessible manner in line with the Corporate Governance Principles. While providing information, the Investor Relations Unit considers equality, transparency, accountability and responsibility principles. All information including, information about corporate structure and disclosure of material matters, demanded by the shareholders and required by the Capital Markets Board legislation is available on the Company's website (www.tupras.com.tr/InvestorRelations).

Tüpraş Investor Relations works in order to increase the stock value of Tüpraş through corporate governance and investor relations practices in international standards. Within this scope, 102 meetings were held with investment corporations while one-on-one meetings were held with the fund directors and analysts in 2016.

In addition to these meetings, answers in writing or verbally were given to the questions communicated in writing or verbally to the Investor Relations Unit.

As a consequence of these activities, investors were provided with information about Tüpraş while they were also informed about the developments.

GENERAL ASSEMBLY

Company's Shareholders Ordinary General Assembly Meeting regarding 2016, will be held on the Wednesday 29th of March 2017 at 10:00 o'clock at the address: Güney Mahallesi Petrol Caddesi No. 25 Körfez/Kocaeli.

The items on the Agenda of the Ordinary General Assembly, 2016 Financial Statements of 2016 Activity Period, Independent Audit Report, Proposal for Profit Distribution, and the Annual Report and the Corporate Governance Principles Compliance Report in the Annual Report's annex, the detailed Information Note covering the explanations necessary for compliance with the Capital Markets Board regulations, shall be available for the shareholders' review three weeks in prior to the meeting within the legal timeframe, at the Company Headquarters, on the Company's corporate website www.tupras.com.tr, on the Public Disclosure Platform (KAP), and on the Central Registry Agency's, e-manage, e-company and Electronic General Assembly System.

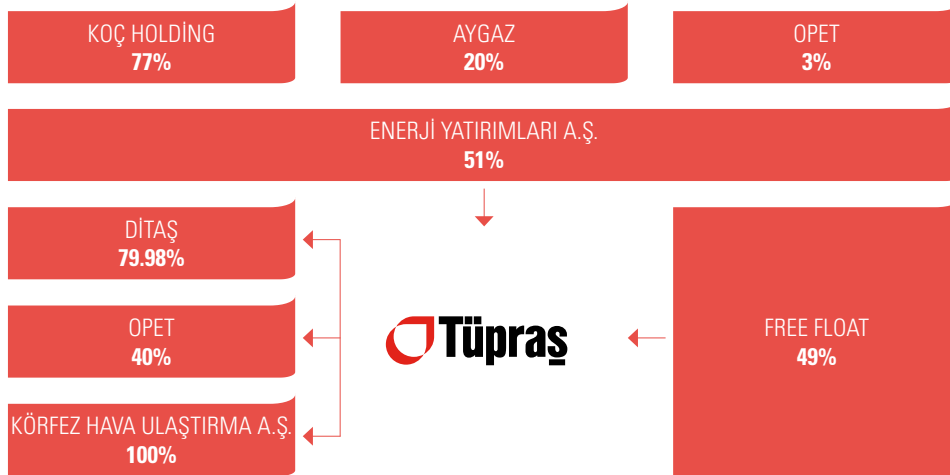
CAPITAL STRUCTURE

The registered capital of Tüpraş is TL 500 million while its issued capital is TL 250.4 million.

GROUP	NAME OF SHAREHOLDER	VALUE (TL)	TYPE	NUMBER OF SHARES
A	Enerji Yatırımları A.Ş.	127,713,792.22	Registered	12,771,379,222
A	Other (Public Float)	122,705,407.77	Registered	12,270,540,777
C	Özelleştirme İ. Bşk. (Privatization Administration)	0.01	Registered	1
TOTAL		250,419,200.00		25,041,920,000



TÜPRAŞ SHAREHOLDING STRUCTURE



THE COMPOSITION OF THE INVESTORS IN TÜPRAŞ

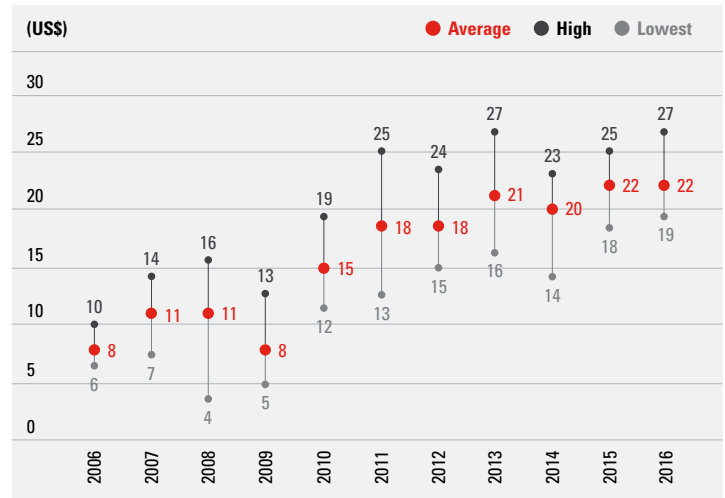
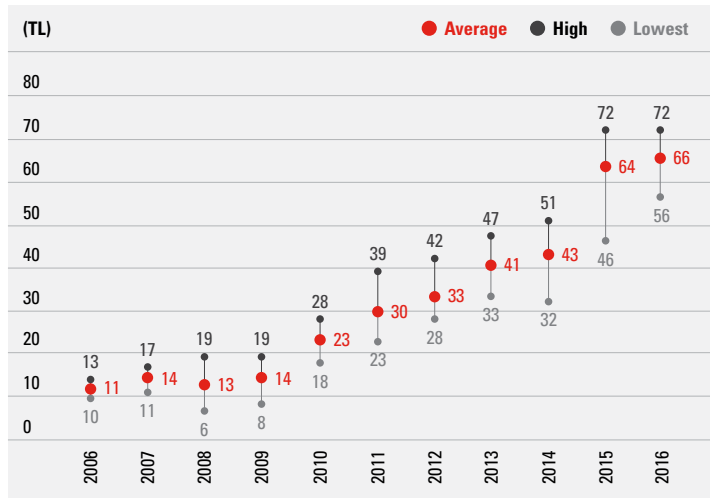
The significant portion of the 49% of the Tüpraş shares, which is traded in BIST (Istanbul Stock Exchange), is included within the portfolio of international corporate investment banks and corporations. As an indicator of the consistency and confidence in Tüpraş shares, the diversity and richness of the investor portfolio is reflected in the stock price. As of 2016 year-end, 81.6% of Tüpraş shares are held by large international investment corporations.

ANALYST ADVICE

Based on the latest reports published in 2016 by 31 investment corporations actively reporting on Tüpraş, it's seen that investment advice is given as 22 Buy, 9 Hold.

TÜPRAŞ STOCK PRICE TREND (2006-2016)

In the graph below, the highest and lowest price is given in TL and US\$ (2006-2016), together with the rising trend of the Tüpraş stock.



INVESTOR RELATIONS

AS OF 2016 YEAR-END, TPRAŞ STOCK PRICE PERFORMANCE WAS 2% HIGHER THAN BORSA İSTANBUL 30 INDEX COMPARED TO THE BEGINNING OF THE YEAR.

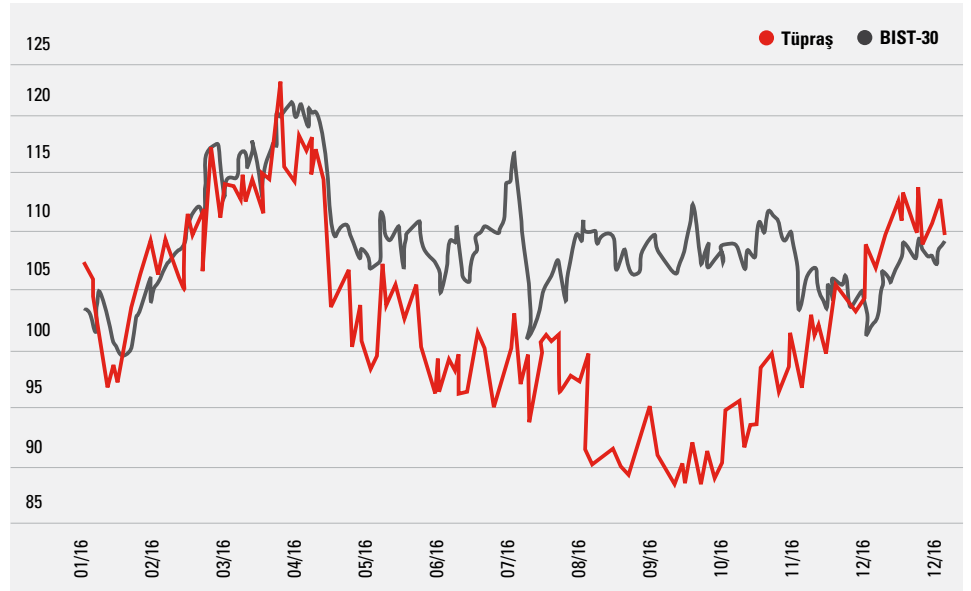
STOCK PERFORMANCE

- As a result of the confidence and consistency in Tpraş, Tpraş stock price reached 70.75 TL/Share as of 2016 year-end, increasing by 11% compared to 2015 year-end.
- As of 2016 year-end, Tpraş stock price performance was 2% higher than the performance of Borsa İstanbul 30 index compared to the beginning of the year.
- As of 2016 year-end, the relative performance, in comparison to the beginning of 2006, of the Tpraş stock increased by 671% after the privatization while the BIST-30 index increased by 189% in the same period. Thus Tpraş's stock performance was higher by 482% compared to BIST-30 Index.

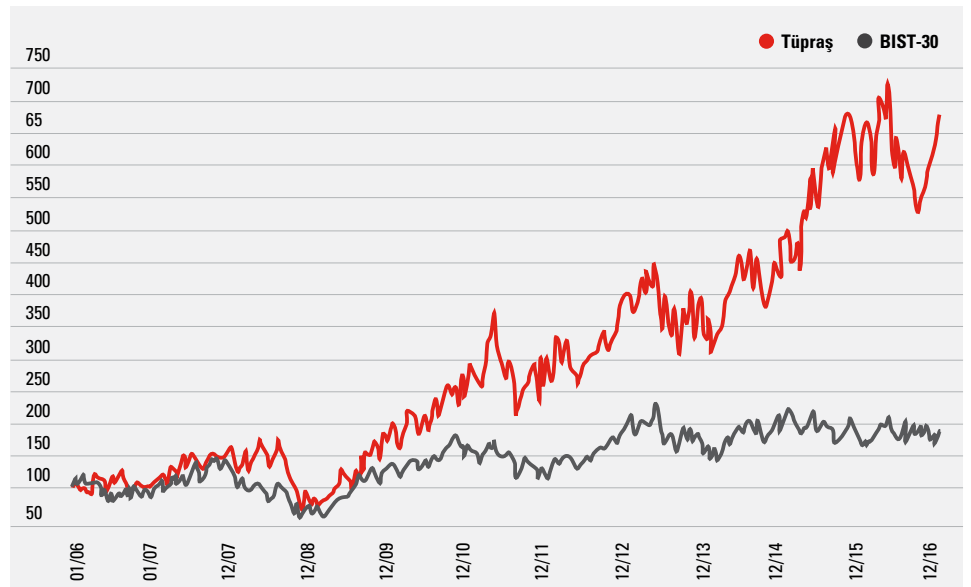
MARKET VALUE GROWTH

- As of 2016 year-end, the relative performance of the Company's market value in comparison to the beginning of 2006, after the privatization, increased by 169% and reached US\$ 5 billion from 1.9 billion within the 11-year period.
- In spite of the rise in the stock market performances during the year, and in spite of Tpraş's performance which was even better than the rise, the TL depreciated about 21% against the US dollar. The market value of Tpraş decreased 9% from US\$ 5.5 billion down to US\$ 5.0 billion by the end of 2016.

TPRAŞ AND BIST-30 RELATIVE SHARE PERFORMANCE IN 2016

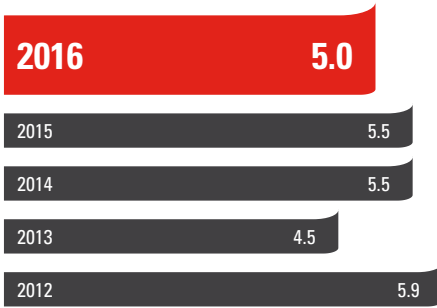


TPRAŞ AND BIST-30 RELATIVE SHARE PERFORMANCE (2006 - 2016)





CHANGES IN MARKET CAPITALIZATION EXCLUDING GROSS DIVIDENDS (US\$ BILLION)



EARNINGS PER SHARE (TL)



PROFIT PER SHARE

Tüpraş's profit per share in 2016 was 7.16 TL/Share. In the graph on the left, the profit per share between 2012 and 2016 is given.

CORPORATE GOVERNANCE

Tüpraş, day by day increases its performance in complying with the Corporate Governance Principles. Our corporate governance rating, which was first determined as 7.91 on the 8th of October 2007, has been upgraded to 9.42 due to the impact of the improvements made over time.

According to the World Corporate Governance Index (DKYE) published on June 1, 2016 by SAHA Kurumsal Yönetim ve Kredi Rating Hizmetleri A.Ş. (SAHA Corporate Governance and Credit Rating Services Inc.), Tüpraş is listed in the 1st group.

As you can see it below in the breakdown of this score, Tüpraş's Corporate Governance Rating at 9.42 indicates that Tüpraş significantly complies with the CMB Corporate Governance Principles and it practices all necessary policies and measures. Furthermore management and internal control mechanisms are effectively established while all corporate governance risks are identified and actively managed.

BIST Sustainability Index is an index listing the companies traded in Borsa İstanbul with top corporate sustainability performances. In 2016, Tüpraş was listed among the top 29 companies in the index according to the evaluation made among the BIST-50 companies.

EVALUATION OF OPERATING PRINCIPLES AND EFFECTIVENESS OF BOARD COMMITTEES

Regarding the structure of the committees established within the framework of the provisions stipulated in the Capital Markets Board's Corporate Governance Communiqué n.II-17.1 issued on the 3rd of January 2014, decision n.2016/12 was taken by the Board of Directors on the 8th of April 2016 to;

Structure the Audit Committee with 2 members and appoint Mr. Kutsan Çelebican as the Committee Chairman, and Mr. Osman Mete Altan as a Member;

Structure the Corporate Governance Committee with 3 members and appoint Mr. Kutsan Çelebican as the Committee Chairman, and Mr. Yağız Eyüboğlu and Mr. Doğan Korkmaz as members, and; Authorize the Corporate Governance Committee to carry out the tasks of the Nomination Committee and Remuneration Committee in accordance with the Communiqué,

Structure the Risk Management Committee with 2 members and appoint Mr. Gökçe Bayındır as the Committee Chairman, and Mr. Temel Kamil Atay as a Member,

Structure the Executive Committee with 6 members, and appoint Mr. Mustafa Rahmi Koç as the Committee Chairman, and Ms. Semahat Sevim Arsel, Mr. Mehmet Ömer Koç, Mr. Yıldırım Ali Koç, Mr. Temel Kamil Atay and Mr. Bülent Bulgurlu as Members,

Structure the Ethic Committee with 4 members, and appoint Mr. İbrahim Yelmenoğlu (CEO) as the Committee Chairman, and Mr. Doğan Korkmaz (Assistant General Manager), Mr. Neziha Akçınar (Human Resources Director), Ms. Fatma Devrim (Competition Expert) as Members.

As per the Corporate Governance Principles, it is obligatory to have the Investor Relations Department function directly under the General Manager or the Assistant General Manager and to appoint this executive as Corporate Governance Committee Member.

Thus, at the Board of Directors meeting held on the 30th of December 2015, a decision was taken to carry out the tasks stipulated in the 11th Article of the Capital Markets Board's Corporate Governance Communiqué n.II-17.1. under the management of Mr. Doğan Korkmaz, the Assistant General Manager in charge of Financial Affairs management, and to appoint Mr. Doğan Korkmaz as Corporate Governance Committee Member.

The bylaws governing the operating principles and areas of the aforementioned committees were reviewed and amended by the Board of Directors on May 4, 2012, and disclosed to the public via the corporate website, www.tupras.com.tr.

In 2016, all Board Committees fulfilled their duties and responsibilities in accordance with the Corporate Governance Principles and their respective bylaws. The Committees convened according to the annual meeting program, as follows:

- In 2016, the Audit Committee held a total of seven meetings on February 11, February 12, March 8, May 4, August 11, September 6 and October 31.
- In 2016, the Corporate Governance Committee held a total of six meetings on January 27, February 19, February 25, March 4, March 8 and December 30.
- In 2016, the Early Detection of Risk Committee held a total of six meetings on February 8, February 15, May 13, July 20, November 10 and December 29.
- In 2016, the Executive Committee held a total of twelve meetings on January 12, February 15, March 25, April 25, May 23, June 23, July 25, August 19, September 23, October 20, November 18 and December 20.

Accordingly:

- The "Audit Committee," which is responsible for ensuring that the accounting and reporting systems run in compliance with applicable laws and

regulations, as well as the public disclosure of financial information and effective execution of independent audits and the internal control system, submitted its opinions and recommendations related to these areas to the Board of Directors.

- The "Corporate Governance Committee," established to oversee and improve the Company's compliance with Corporate Governance Principles and make recommendations to the Board of Directors on further improving the corporate governance practices, oversaw whether the Company fully complied with Corporate Governance Principles and, if not, detected the reasons for noncompliance and the conflicts of interest arising from such noncompliance. In addition, the Committee submitted its recommendations on how to improve corporate governance practices to the Board of Directors, reviewed the "Corporate Governance Compliance Report" before public disclosure to ensure that the information contained in the report was accurate and consistent with the information known to the Committee members, and oversaw the activities of the Investor Relations Department.
- The "Risk Management Committee," which aims to counsel the Board of Directors regarding the early detection and assessment of all kinds of strategic, operational, financial, legal and other risks that may endanger the Company's existence, development and continuation; estimates the impacts and probabilities of these risks; and manages these risks in accordance with the Company's corporate risk-taking profile, oversaw the Company's risk management systems. Furthermore, the committee has given information to the Board of Directors with the reports that must be issued every two months as per the 378th Article of the Turkish Code of Commerce n.6102.



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.
CORPORATE MANAGEMENT COMMITTEE
MEETING DATE: 01.03.2017
SUBJECT: ASSESSMENT OF
CORPORATE GOVERNANCE PRINCIPLES
COMPLIANCE REPORT

SECTION I: DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Tüpraş ("Company") pays utmost attention to comply with the corporate governance principles issued by the Capital Markets Board in four main topics. Being aware of the importance of the confidence and consistency in the eye of its shareholders and investors in particular, Tüpraş is one of the first companies included in the BIST Corporate Index as of October 8, 2007. Accordingly, Tüpraş has adopted the concepts of equality, transparency, accountability and responsibility that are stipulated in the Corporate Governance Principles issued by the Capital Markets Board.

As a result of the evaluation made by the international rating company SAHA Kurumsal Yönetim ve Derecelendirme Hizmetleri A.Ş. (SAHA Corporate Governance and Rating Services Inc.) which has license to make rating in Turkey in accordance with the Capital Markets Board's Corporate Governance Principles, Tüpraş's rating was revised as 94.15 in October 2016. The details of the corporate governance rating is as follows.

Corporate Governance Rating Report is available on the Company website www.tupras.com.tr.

All activities of our Company are carried out in compliance with the legal regulations and the "Corporate Governance Principles" issued by the Capital Markets Board.

Activities Carried Out within the Period for Complying with the Principles

In 2016, full compliance was achieved with great majority of the compulsory principles stipulated within the scope of the Corporate Governance Communiqué (n.II-17.1) in force while compliance was also achieved with most of the non-compulsory principles. Although the aim is to fully comply with the non-compulsory Corporate Governance Principles, full compliance has not yet been achieved due to reasons such as; difficulties in practicing some of the principles, discussions going on about complying with some of the principles both in our country and on international platforms, and incompatibility of some of the principles with the current structure of the market and the Company. Action is taken regarding the principles that are not yet put into practice while the plan is to put these principles into practice after completing the administrative, legal and technical infrastructure procedures in a manner that will contribute to effective management of our Company.

MAIN TOPICS	WEIGHT	OCTOBER 2016 RATING
Shareholders	0.25	95.51
Public Disclosure and Transparency	0.25	92.55
Stakeholders	0.15	97.66
The Board of Directors	0.35	92.80
TOTAL	1.00	94.15

In 2016; compliance with the Capital Markets Board's Corporate Governance Principles and the Capital Markets Law and communiqués issued based on this Law was at the top of the list of activities carried out in the field of corporate governance. At the Ordinary General Assembly held in 2016, the process of determining and publicly disclosing the Independent Member candidates was finalized while the election was completed in accordance with the regulations. Our Board of Directors and the Committees of our Board of Directors were established in accordance with Corporate Governance Communiqué regulations. The Committees established under the Board of Directors continue their activities effectively. With the information document issued for the General Assembly, the issues that must be publicly disclosed as per the Corporate Governance Principles such as; privileged shares, voting rights, résumés of the candidate members of

the Board of Directors', Remuneration Policy for the Board of Directors and Executives, necessary reports that must be issued regarding the related party transactions, and other information that must be disclosed, were presented to the information of the investors 3 weeks before the General Assembly. Furthermore, the corporate website was renewed, and the Annual Report format was reviewed. As a consequence, necessary revisions were made in terms of fully complying with the principles.

Considering the current situation, 4 of the 15 members of the Board of Directors meet the independence criteria specified in the Corporate Governance Principles. In addition to this; Although the member who is the representative of the Privatization Authority does not meet the following criteria "not working fulltime in public institutions and organizations after getting elected as a member", he was attributed as an independent member with the approval of the Capital Markets Board. Relevant committee decision and the résumés of the candidates are included in the committee reports which are available on the Company website.

Reasons for Not Practicing Corporate Governance Principles

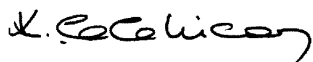
Within the activity period between the 1st of January 2016 and 31st of December 2016, our Company has complied with the "Corporate Governance Principles" issued by the Capital Markets Board - except for a number of principles specified full compliance was achieved with the compulsory principles while compliance non-compulsory principles, which are described below. There are no conflicts of

interest arising from the following issues that cannot be practiced. The Corporate Governance Committee of the Company continues its activities of developing corporate governance practices.

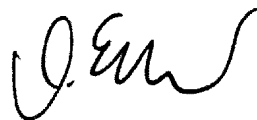
- Regarding the voting right privilege stipulated in principle n.1.4.2; the regulations specified in the Articles of Association are given in section n.2.4. below.
- Regarding the principle n.1.5.2, minority rights are not given to persons who have less than one twentieth of the capital as per the Articles of Association while rights are given to such persons within the framework of the general regulations in the legislation.
- Although there is no provision in the Articles of Association regarding the stakeholders' participation, as stipulated in principle n.3.2.1, in the Company management, models and mechanisms were established to support stakeholders' participation in the Company management, as specified in section n.4.2. of the report. Our Company takes into consideration not only employee, supplier and customer satisfaction surveys, but also considers the opinions and suggestions of social organizations and all other stakeholders.
- Regarding the principle n.4.3.9; our Company has not yet determined a target ratio and timeframe for female members in the Board of Directors. Assessments on this issue continue. Detailed information on this issue is available in section n.5.1. below.
- Regarding the principle n.4.4.7; members of the Board of Directors are not restricted to assume other tasks/ roles outside the Company as explained in section n.5.1. below.

- Regarding the principle n.4.5.5; members are appointed to the committees within the framework of the relevant regulations considering the knowhow and experience of the members of our Board of Directors whilst some members of our Board of Directors are appointed to more than one committee. Members who are appointed to more than one committee, enable communication between the committees working in related issues and increase the possibilities of cooperation.
- Regarding the principle n.4.6.5; payments made to the members of the Board of Directors and executives are publicly disclosed on total basis in parallel to the general practices. Company's Remuneration Policy was printed on paper, and presented to the shareholders' information as a separate agenda item at the General Assembly meeting while shareholders' opinions were received on this issue. As specified in the Remuneration Policy; Payment plans based on the performance of the Company cannot be used in remuneration of the Independent Members of the Board of Directors.

Our Corporate Governance Principles Compliance Report covering 2016 activity period, under four main topics; "Shareholders", "Public Disclosure and Transparency", "Stakeholders" and "The Board of Directors", is available below for your information, including the practicable and impracticable aspects of the mentioned principles.



KUTSAN ÇELEBİCAN
CHAIRMAIN



YAĞIZ EYÜBOĞLU
MEMBER



DOĞAN KORKMAZ
MEMBER

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SECTION II: SHAREHOLDERS

2.1. Investor Relations Department

Investor Relations Department was established in 2000 in order to oversee the process of public offering of the Company shares and privatization of government's shares. Investor Relations Reporting Directorate carries out activities in order to provide current and potential investors with correct, prompt, and consistent information about the Company, to increase the Company's brand-awareness and credibility, to make sure that Corporate Governance Principles are practiced, and to provide bilateral communication between the Board of Directors and Capital Market Participants.

Within this framework, Investor Relations and Reporting Directorate presents a report to the Corporate Governance Committee at least once a year - to be submitted to the Board of Directors - about the activities it carries out. The report regarding 2015 activities, was submitted by the Corporate Governance Committee to the Board of Directors

on the 19th of February 2016, and was assessed by the Board of Directors on the 9th of March 2016.

In 2016, more than 455 meetings were held with national and international, corporate and individual investors, shareholders and analysts about the Company's activity results, performance and other developments within the period. Furthermore, representatives of our Company attended 10 conferences within the scope of conferences and other meetings held in and outside the country to provide information to shareholders and investors.

Teleconference was organized on the date of announcing the results regarding the quarterly financial reports, and moreover, financial reporting and public disclosures required by the legislation regarding the Company was issued in Disclosure of Material Matters format, and announced via Public Disclosure Platform (www.kap.com.tr). General Assembly meetings were held in conformity with the legislation, the Articles of Association and other

internal directives of the Company while documents were issued for shareholders to make use of at the General Assembly meetings. Furthermore, these documents were made available on the Company website for investors' information three weeks prior to the General Assembly.

Via Tüpraş website where utmost attention is paid to cover all up-to-date information about the Company, information was provided to the public and the shareholders as the relations with the rating companies were coordinated. Moreover, at the meetings made throughout the year the Board of Directors was informed about the relative stock performance, benchmarking data, ratio analyses and analyst comments.

Board of Directors was informed about the relative share performance, peer group comparisons, ratio analyses and analyst comments. Investor Relations and Reporting Director has Capital Market Activities Advanced Level License and Corporate Governance Rating Specialists License.

EMPLOYEES WHO ARE RESPONSIBLE FOR STAKEHOLDER RELATIONS ARE LISTED BELOW

NAME/SURNAME	TITLE	E-MAIL ADDRESS	PHONE NUMBER
Doğan Korkmaz	CFO	Dogan.Korkmaz@tupras.com.tr	(262) 316 31 09
Tuncay Önbilgin	Director	Tuncay.Onbilgin@tupras.com.tr	(262) 316 30 85
Deniz Köseoğlu	Financial Reporting Manager	Deniz.Koseoglu@tupras.com.tr	(262) 316 30 86
Deniz Degirmenci	Investor Relations Manager	Deniz.Degirmenci@tupras.com.tr	(262) 316 32 75
Fettane Sayın	Coordinator	Fettane.Sayin@tupras.com.tr	(262) 316 32 72
Mehmet Eder	Coordinator	Mehmet.Eder@tupras.com.tr	(262) 316 32 73
Merve Savaşlioğlu Kan	Coordinator	Merve.Savaslioglu@tupras.com.tr	(262) 316 32 70
Çetin Karaca	Chief	Cetin.Karaca@tupras.com.tr	(262) 316 32 74
Filiz Derman	Chief	Filiz.Derman@tupras.com.tr	(262) 316 32 69

Investor Relations and Reporting Directorate runs under CFO Doğan Korkmaz. CFO, Investor Relations and Reporting Director has Capital Market Activities Advanced Level License and Corporate Governance Rating Specialists License.

2.2. Shareholders' Right to Information

No distinction is made between all shareholders, potential investors and analysts as regards the exercise of their right to information, inspection and all information, except those involving commercial secrets, are shared with shareholders on Information Policy.

In accordance with the communiqué of the Capital Markets Board, the Disclosures of Material Events (DME) made to Public Disclosure Platform, financial statements and other information about the Company is conveyed in electronic medium, with electronic signatures.

Questions addressed to the Investor Relations department were answered (except confidential information and trade secrets) either verbally or in writing after discussing the issue addressed in the question with the top level person.

Appointing a private auditor is an individual right specified in the Tüpraş Articles of Association. However, as per the 438th Article of the Turkish Code of Commerce, every shareholder may request the General Assembly to clarify certain cases through private audit in case this is necessary for using shareholders' rights, even if the right to information or review is used before, and even if it is not on the agenda. Shareholders have not communicated such requests to the Company so far. In addition to the internal audits made at the Company, Company activities are audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member of Ernst & Young Global Limited), the Independent External Audit Company that is approved by the General Assembly.

2.3. General Meetings

General Meetings are organized to provide sufficient information to shareholders and ensure their attendance, as per Turkish Commercial Code, Capital Markets Law, General Assembly Internal Directive and Corporate Governance Principles.

The Ordinary General Meetings are held at the end of every fiscal period, as soon as possible, with a maximum delay of

three months. The Company held its 56th Ordinary General Meeting on April 4, 2016 for the year 2015. Shareholders representing 77.98% of all shares attended the meeting. During the General Meeting, the shareholders used their right to pose questions; apart from the items on the agenda, no other proposals were made.

General Meeting sessions are also open to public. Stakeholders and media can monitor the meetings. General Meetings are supervised by a Government Inspector authorized by the Ministry of Customs and Trade.

Invitations to the General Meeting are issued by the Board of Directors, according to the Turkish Commercial Code, Capital Markets Law and Articles of Association. Meeting date, place and information about the agenda items in line with the decision taken by the Board of Directors to organize a General Assembly, are announced to the shareholders via Disclosure of Material Matters made, in conformity with the procedures within the framework of the general provisions, on the Public Disclosure Platform, and via Electronic General Assembly System (EGKS)

Before the General Meeting, an information sheet is prepared listing all the items on the agenda; it is issued to the public complying with legal processes and legislation. In line with agenda items for the General Meeting, financial statements and reports including the annual report with the audited figures, corporate governance compliance report, profit distribution proposal, independent external auditing reports and legal auditor's report, information sheet for the General Meeting agenda items and other documents providing the basis for the agenda, the final version of Articles of Association and any amendments to the Articles of Association, Information Policy, Remuneration Policy, Profit Distribution Policy, all the CVs of the Board of Directors including independent members, and other documents providing the basis for the agenda are made available to shareholders at the Head Office and branches and via the corporate website, after the publication of the notice for the General Meeting, before three weeks to the General Meeting. While determining the agenda of the Ordinary General Assembly meeting, shareholders have not communicated any issues to the Company's Investor Relations Department in writing, and have not requested any issues to be included on the agenda.

In order to facilitate the attendance to the meetings, our General Assembly meetings are held at the Company Headquarters and in the Electronic General Assembly System. The location of the General Meeting is chosen so as to enable the participation of all shareholders. The agenda items of the General Meeting are written in a clear and unequivocal way and allows for the discussion of each proposal under a separate section. At the latest General Meeting, shareholders made no demands concerning the agenda. During the General Meeting, the agenda items are conveyed to shareholders in an impartial, detailed, clear and comprehensible fashion, shareholders are given the chance to express their opinions and pose questions under equal terms. Questions asked by the shareholders and the audience and members of the press attending the General Assembly Meeting, are evaluated and necessary explanations are made by our Members of the Board of Directors and top executives within the framework of the procedures and principles stipulated in the Turkish Code of Commerce. Questions that are irrelevant to the agenda or require a comprehensive response, which cannot be provided immediately, are answered in writing by the Investor Relations Department within 15 days at the latest. All questions submitted after the General Assembly meeting and the answers to these questions are posted on the website within 30 days after the date of the General Assembly. Questions asked by those who attended the General Assembly Regarding 2015, were answered within this scope.

In the General Meeting, at least one Board member, one auditor, one of the officers responsible for the preparation of the financial statements, as well as one officer informed about the agenda items ready to make explanations was present. In case of the absence of any one of these people, their excuse for absence is presented to the General Meeting.

For those who will be represented by proxy; power of attorney samples are published for the use of the shareholders via newspaper ads and on the website before the General Assembly meeting. Voting methods/procedures that will be applied in the meeting are submitted to the information of the shareholders via newspaper ads and on the website. During the voting of the agenda items, open ballot voting is used in "show of hands method" at our General Assembly meetings.

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After the General Assembly meeting, minutes to the meeting are kept in the Company's minute book and after being translated into English, are uploaded on the Company's website as both in Turkish and English. Minutes to the meeting are publicly announced via Public Disclosure Platform (KAP) and published in the Trade Registry Gazette. Minutes and the list of attendants are available on KAP, EGKS and Tüpraş website. Minutes to the General Assembly, attendance list, agenda and ads are simultaneously submitted to the evaluation of the domestic and foreign investors with an e-mail.

In the Ordinary General Assembly meeting held in 2016, with a separate agenda item, information about the donations and charity made in 2015 was given in the General Assembly the total limit for the donations that will be made in 2016 in line with the donation policy was determined as TL 25 million. In 2016, charitable donations totaled TL 20.3 million.

Some of the shareholders who control the management, members of the Board of Directors, executives who have administrative responsibilities and their spouses and second degree relatives by blood or by marriage, assume roles as members of the Board of Directors in our Company and in some of the other Koç Group companies. In 2016, there was no transaction that had to be declared within the scope of the Principle n.1.3.6. of the Corporate Governance Communiqué.

The 57th Ordinary General Meeting for 2016 will be held on March 29, 2017, at the Company's Head Office.

2.4. Voting Rights and Minority Rights

The voting procedure is announced to the shareholders at the beginning of the General Meeting. The Company avoids practices that make it difficult to exercise voting rights.

No upper limits have been introduced for the voting rights of any shareholders and each shareholder is given the opportunity to exercise his/her voting right in the easiest and most convenient manner. Shareholders, who are eligible to participate in the Company's General Assembly meetings, can attend these meetings by electronic means, as per Article 1527 of the Turkish Commercial Code. The shareholders who are entitled to vote can vote in person, or exercise their voting right via a third party who may or may not be a shareholder.

Shareholders present in Ordinary and Extraordinary General Assembly Meetings exercise their rights to vote in proportion to the nominal value of their total shares. Votes are cast openly in the General Assembly Meetings. However, secret voting shall be exercised upon the request of the shareholders who have minimum one twentieth of the shares represented in the meeting.

As stipulated in the Articles of Association, material decisions concerning spin-offs or sales, acquisitions or lease of assets with significant value can only be taken with the positive vote of Group C (preferential) shares, represented by the Privatization Administration. In this context, at the General Meeting for deciding on issues that might restrict or hinder the supply of petroleum to the Turkish Armed Forces, such as closure or sale of one of the refineries, limitation of activities through establishment of restraint or any reduction corresponding to more than 10% of the capacity, or spin-off or merger and/or liquidation of the Company a positive voters needed. In matters other than those mentioned above, decisions are made by bringing issues debated by the Board of Directors to the General Meeting for discussion and resolution.

Class C shares do not hold any other privileges concerning voting rights, apart from those indicated above.

As per the Turkish Commercial Code and CMB regulations, the Company shows maximum care to ensure the exercise of minority rights. Shareholders representing minority rights constitute the Management with the majority shareholders, through their attendance at the General Meeting. No criticism or complaint about this issue was received by our Company in 2016.

All shareholders including minority or foreign shareholders are treated equally. Board Members, managers, ultimate controlling shareholders and individuals with access to insider information disclose to the public, on their own behalf, the work they carry out within the scope of the field of activity of the Company.

2.5. Dividend Rights

The profit distribution policy of our Company was set within the framework of the Capital Markets Regulations and the provisions of our Articles of Association at the General Assembly held on the 31st of March 2014. There is no privilege in dividend distribution for Group A and Group C shareholders representing the capital.

Profit distribution policy and the annual profit distribution proposal are included to the Annual Report and submitted to the approval of the shareholders at the General Assembly.

Profit Distribution Policy

Our Company distributes dividends in compliance with the Provisions of Turkish Commercial Code, the Capital Markets Regulations, the Tax Regulations and other related regulations and the related provisions of our Company's Articles of Association regarding dividend distribution. In the dividend distribution, in compliance with the Corporate Governance Principles, a balanced and consistent policy is pursued between the shareholders and the Company benefits.

In principle; as far as the related regulations, investment needs and financial situation allow, the entire amount of the "net distributable profit for the period", calculated within the frame of the Capital Markets Regulations, is distributed in cash - taking into consideration the market expectations, long term company strategies, investment and financing policies, profitability and cash position - as long as it is covered from the existing resources in our legal records. The General Assembly or the Board of Directors, if authorized, may decide to distribute dividends with installments in compliance with the regulations of the Capital Markets.

There is no privilege in the Articles of Association regarding the participation to dividend distribution.

The aim is to make the dividend distribution within one month at the latest after the General Assembly meeting. Dividend distribution date is decided by the General Assembly.

As per the Company Articles of Association; in compliance with the Regulations of the Capital Markets, the Board of Directors may distribute advance dividend provided that the authorization is granted by the General Assembly.

2.6. Transfer of Shares

The principles regarding the Transfer of Shares are specified in the 7th Article of our Articles of Association. The Articles of Association does not include any practices or provision that would impede or restrict shareholders who hold publicly traded Group A shares in transferring their shares.

Registered Group C shares can be transferred with the powers vested by Law n.4046 to the Turkish Prime Ministry Privatization Authority, to another government-owned corporation in Turkey vested with the same powers in principle. This transfer will not be subject to the approval of the Board of Directors.

SECTION III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Its Content

The address of the Company's corporate website is www.tupras.com.tr. Company's corporate website is created both in Turkish and in English in order to provide information to international investors. Company's website which is actively used in public disclosure was renewed in

2016. Furthermore, the information given on the website is constantly updated. There is a separate investor relations section on the website in order to provide more inclusive data flow to investors and intermediaries. Thus, all information specified in Article 2.1. of Section II of the Corporate Governance Principles of the Capital Markets Board are available on the website. Principles regarding website management are included in our Information Policy. Furthermore, the website address is also available on the headed papers of the Company.

3.2. Annual Report

Tüpraş annual report is prepared and issued in such detail that will provide full and accurate information to public about the activities of the Company. In addition to the issues stipulated in the Capital Markets Board legislation and other sections of the Capital Markets Board's Corporate Governance Principles, the annual report is issued including the information specified in Article 2.2.2 of Section II of the Corporate Governance Principles.

After the annual report is prepared, it is presented to the approval of the Board of Directors, and publicly announced on the website both in Turkish and in English, as well as the e-manage page of the Central Registry Agency. Furthermore, printed copies are available at Tüpraş Investor Relations and Reporting Directorate.

CHAPTER IV: STAKEHOLDERS

4.1. Informing Stakeholders

Company's corporate governance applications and codes of conduct guarantee the stakeholders' rights that are regulated by legislations and mutually signed contracts. Stakeholders are continuously informed within the framework of the information policy created by the Company in accordance with the existing legislations and codes of conduct.

With the General Assembly Meetings open for all stakeholders, and the detailed information made available on our website, as well as the inclusive Annual Reports, press announcements, and our practices within the scope of our Information Policy based on transparency; the aim is to provide information not just for our shareholders but for all stakeholders. Arranging meetings at the highest possible levels, the Company endeavors to respond to the requests for meetings by the shareholders.

Company personnel are given access to circulars and announcements via the intranet portal and important announcements are communicated to all employees via electronic mail. The Company journal, Rafine, is issued with the aim of reinforcing corporate communication between employees at different geographical locations. Employees and senior management executives at Tüpraş come together once a year to evaluate the goals and progress achieved in the course of the year and to exchange ideas.

Any stakeholder actions that go against the legislation are presented to the Audit Group for submission to the Audit Committee and the Ethics Committee is notified of any unethical transactions. Via the corporate website, stakeholders can access the recently established Stakeholder Management System and submit their queries, propositions and complaints through this medium. A joint working group was created among various officers to respond to queries made through this system.

An efficient and continues indemnification is provided in case of breach of stakeholders' rights that are protected by legislations and contracts. "Indemnification Policy" published within the Company is available on the Company's website. Necessary exceptions with respect to the scope or nature of the jobs are shared with the employees in the employment contract signed with the employees.

4.2. Stakeholders Participation in the Management

Models that will support the stakeholders and Company employees, in particular, to participate in Company management, are developed in a manner that will not hinder company activities. Summary of the activities carried out about this issue is given below.

In order to award the employees' actions and efforts that support business values and objectives; "Refined Suggestions" system is implemented to support and encourage individual and original ideas on process improvement, energy saving, resource efficiency, productivity in production, environmental protection and occupational safety through the "Tüpraş Appreciation Recognition and Rewarding" system. Furthermore, employees' evaluations on the practices, and their loyalty and satisfaction are measured with the Employee Commitment surveys. The

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results of the survey are considered in company activities, and the improvement targets are added to the performance cards of the Company's Top Management.

"Tüpraş Customer Relations Policy", which constitutes the basis of Customer Relations Management, was published on May 9, 2016, and main commitments were determined and shared with the customers to meet customer satisfaction and expectations at the highest level.

In addition to the Customer Relations Management Policy, certification efforts were initiated in the last quarter of 2016 to ensure that processes reach international standards with ISO 10002 Customer Satisfaction and Complaint Management certification. As a result of the certification external audit, the Company was entitled to receive the ISO 10002 Customer Complaints Management Certificate. Within the scope of certification activities, "Tüpraş Notification Points" were established and launched to ensure that customers and their representatives (including tanker drivers) can communicate their wishes, suggestions and complaints to the Company at all points of delivery (4 Refineries and 6 Terminals). On the other hand, Customer Satisfaction Surveys prepared in order to provide constant improvement in all processes, were made in also 2016, and 2017 Customer Relations Management business targets were determined according to survey results.

Furthermore, communication meetings were organized to enable the sustainability of the long lasting commercial relations, to create an opportunity of face-to-face conversation with persons who are usually contacted on the phone, and to develop solutions by listening to individual requests. Within this scope 13th Fuel Distribution Corporations Communication Meeting was held on the 27th of October 2016.

In addition to this, technical support line and corporate webpage was launched in 2016 to provide existing and potential customers with easy accessibility and higher quality communication through all communication channels.

Tüpraş Supplier Portal, Tüpraş Supplier Code of Conduct and Supplier Management Policy were launched to establish sustainable supply chain management practices. In order to provide an easy, fast and effective communication environment between our suppliers and our Company, Tüpraş Supplier Portal is designed as a source for obtaining information, making application, communicating, measuring and reporting. Our suppliers make their applications by completing Tüpraş Supplier Evaluation Survey and Tüpraş Health Safety Environment Survey on the supplier portal. The performance of our suppliers is monitored through the SAP system, and the evaluations in our workplace visits are made by making reference to Tüpraş Supplier Code of Conduct as well as technical criteria.

Furthermore, "Tüpraş Supplier Satisfaction Survey" and "Tüpraş Contractor Satisfaction Survey" are made every year in order to constantly maintain the sustainability of our supply chain at the highest level, to detect changing and developing demands, and to strengthen our relations with our suppliers even more.

Targets to improve customer satisfaction, supplier satisfaction, and employee satisfaction, are reflected in the Company management goals.

4.3. Human Resources Policy

As is the case with other Companies within the Koç Group, the essence of the human resources policy at Türkiye Petrol Rafinerileri A.Ş. is embodied in the maxim "the most valuable asset are our human

resources". Criteria related to human resources are stipulated in writing, and are in compliance with the criteria listed in the subparagraphs of Article 3.3 of the Communiqué on Corporate Governance Principles.

The principles of the human resources policy are:

- Job descriptions, their delegation and applied performance criteria are defined and communicated to the employees by the Company.
- Recruitment criteria are laid out and communicated in writing; these criteria are utilized at recruitment.
- Decisions for training, appointments and promotions are taken diligently by consulting objective data and considering corporate interests.
- There is great emphasis on providing training to develop professional knowledge, capabilities and personal talents of our staff.
- A safe working environment along with correct working conditions are provided for our staff and efforts are constantly made to improve them.
- Events relating to or decisions concerning our employees are communicated to our employees.
- Rewards are presented to employees upon completion of five years of service thus encouraging qualified, trained and experienced staff for continued service.
- There is no discrimination between the employees of our Company. There have been no complaints brought by Tüpraş employees to senior management concerning discrimination.
- There is no practice of assigning representatives for liaising with our employees.

4.4. Code of Ethics and Social Responsibility

The Code of Ethical Business involves the fundamental principles of conduct.

Employees of the Company are expected to comply with the Business Ethics Principles and Common Values of the Koç Group when performing their jobs. In recognition that business procedures, standards, laws and regulations cannot provide guidance for all conduct and actions, we utilize the Code of Ethics built on corporate values and the Ethics Committee.

The Code of Ethics adopted by the Board of Directors has been approved during the General Meeting on April 2011 and signed statements of compliance from all employees have been obtained.

With its accumulated knowledge in the refining sector, Tüpraş is oriented toward social rather than individual interests. Thanks to its institutionalized structure and socially responsible employees, Tüpraş initiates and supports various projects in cities where its refineries are located so as to contribute to the cultural and social development of our nation.

Tüpraş has further developed its corporate and ethical management philosophy and standards by issuing its first Corporate Social Responsibility Report in 2008 and the seventh report was completed in 2016. In its Corporate Social Responsibility Report, Tüpraş adopted the Global Reporting Initiative's (GRI) G3 Reporting Principles.

As the largest industrial enterprise in Turkey, Tüpraş places human health, workplace safety, environmental protection and public interest at the forefront of its activities in pursuit of its goals. Apart from continuously developing products and services that protect people and the environment, Tüpraş complies with environmental standards concerning the fuel used in all its refineries -including the Batman Refinery- for production purposes, regardless of regional differences. Operating on world standards concerning environmental protection, Tüpraş recognizes the importance of improving the natural habitat as well as preserving it and works toward the creation of new natural conservation areas.

In 2016, Tüpraş realized numerous events as part of its Corporate Social Responsibility activities, in areas such as education, culture and arts, health, sports, environmentally friendly actions and employee rights; the details of which are presented under the heading Corporate Social Responsibility section of the annual report.

CHAPTER V: BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

The qualifications that the Company seeks for Board members are in compliance with those outlined in the CMB's Corporate Governance Principles. The duties of the Chairman of the Board of Directors and the General Manager are performed by different persons. Special attention is paid on the issue that the members of the Board of Directors spare plenty of time for the Company tasks. Moreover, there is no restriction about having other duty/duties outside the Company. Especially, due to the significant contribution of the professional and sectorial experiences of the independent members to the Board of Directors such a restriction is not required. Before the General Assembly, together with the résumé of the member, duties assumed outside the Company are submitted for the information of the shareholders.

At our Company, the duties of the Nomination Committee are performed by the Corporate Governance Committee.

In 2016, the number of the independent member nominees submitted to the Corporate Governance Committee was five (5). The nomination declarations and résumés of these persons were evaluated in the meeting of the Corporate Governance Committee dated January 27, 2016 and in the meeting of the Board of Directors dated January 28, 2016. Accordingly it was decided to determine 5 members as independent member nominees. All the independent members of the Board of Directors submitted their independence declarations to the Corporate Governance Committee. The approval was received from the Capital Markets Board, with limited validity for one year, for Cengiz Yavilioğlu who is the representative of the Privatization Administration, to be an independent member of the Board of Directors. Cengiz Yavilioğlu was not completely meeting

the independence criteria for reason "a person shall not work full time in the public institutions and foundations after being elected as a member, excluding the university faculty members on condition that it is in compliance with the legislation that they are subject to". As of 2016 activity period, there was no condition eliminating the independence of Independent Board Members.

In the current situation, four among the 15 members of the Board of Directors meet the independence criteria specified in the principles. In addition to this, Privatization Administration representative who is the member of the Board of Directors was attributed as an independent member with the approval of the Capital Markets Board. Related committee resolution and the résumés of the members are found in the committee reports which are included on the Company website.

Our Company believes that ensuring diversity in terms of knowhow, experience, and point of view in the Board of Directors will positively contribute to the activities of the Company and to the efficient performance of the Board of Directors. We continue our evaluations to determine a target ratio for female members of the Board of Directors who have a role in ensuring the representation of different opinions in the Board of Directors. Currently, there is one female member in our Board of Directors. The Members of the Board of Directors; i) who are all non-executive in accordance with the definition stipulated in Capital Markets Board's Corporate Governance Principles ii) who were elected at the Company General Assembly held on the 4th of April 2016, to serve until the General Assembly meeting where the activities of 2016 will be discussed, and their qualifications are given in the table below whilst their résumés are available on the website and in the Annual Report. The roles of the Chairman of the Board of Directors and the general manager are assumed by different persons. Utmost attention is paid to make sure that the Members of the Board of Directors spare sufficient time for company affairs while there is no restriction on assuming tasks outside the company. Particularly because of the professional experience of the independent members and the significant contribution of their sectorial experience to the Board of Directors, no such restriction is needed. Résumés of

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BOARD MEMBERS

NAME/SURNAME	INDEPENDENT/ DEPENDENT	DATE OF APPOINTMENT	DUTIES ON THE BOARD AND IN OTHER COMMITTEES	DUTIES OUTSIDE THE COMPANY
Ömer M. Koç	Dependent	04.04.2016	Chairman of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Ali Y. Koç	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Rahmi M. Koç	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Semahat S. Arsel	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Temel Kamil Atay	Dependent	04.04.2016	Member of the Board of Directors; Member of the Steering Committee; Member of the Risk Management Committee	Member of the Board of Directors of Koç Holding Companies
Dr. Bülent Bulgurlu	Dependent	04.04.2016	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies
Levent Çakıroğlu	Dependent	04.04.2016	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies Koç Holding CEO
O. Turgay Durak	Dependent	04.04.2016	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies
Erol Memioğlu	Dependent	04.04.2016	Member of the Board of Directors;	Member of the Board of Directors of Koç Holding Companies
Yağız Eyüboğlu	Dependent	04.04.2016	Member of the Board of Directors; Member of the Corporate Governance Committee	Member of the Board of Directors of Koç Holding Companies
Dr. Cengiz Yavilioglu	Independent	04.04.2016	Member of the Board of Directors (PA Representative)	Ministry of Finance Deputy Minister
Ahmet Turul	Independent	04.04.2016	Independent Member	Member of the Board of Directors of Allianz Companies
Gökçe Bayındır	Independent	04.04.2016	Independent Member of the Risk Management Committee	Independent Member of the Board of Directors of Koç Holding Companies
Kutsan Çelebican	Independent	04.04.2016	Independent Member of the Corporate Management and Audit Committee	Independent Member of the Board of Directors of Koç Holding Companies
Osman Mete Altan	Independent	04.04.2016	Independent Member of the Audit Committee	Independent Member of the Board of Directors of Koç Holding Companies

the members, and the roles they assume outside the company are presented to the shareholders information prior to the General Assembly.

The Board of Directors consists of at least five members, elected at the General Meeting. In the selection of the Board of Directors, one member has to be appointed by the Class C shareholders. The Class A shareholders, in order to determine their representatives, votes among themselves in the General

Meeting. Those receiving the highest number of votes become members of the Board. The number and qualifications of the independent members who will join the Board of Directors are determined as per the CMB's regulations on corporate governance.

The Board of Directors is authorized in determining the number of its members and election of the members. Without prejudice to the stipulations provided under the regulations of the Capital

Market Board concerning the Corporate Governance Principles, the members of the Board of Directors may always be replaced by the General Assembly if deemed necessary under the article 364 of the Turkish Commercial Code taking the provisions of this Articles of Association in to account.

In case of any vacancy in the Board of Directors for any reason or if the Independent Board Member loses its independency, or resigns or becomes

incapable of executing its duties, the Board of Directors elects the nominee nominated by the group of shareholders, which had nominated the previous member of the Board temporarily in conformity with the procedures set out in the provisions of the Turkish Commercial Code and Capital Market Board regulations and submits to the approval of the General Assembly in the next meeting.

5.2. Operating Principles of the Board of Directors

Tüpraş's Board of Directors operates in a transparent, accountable, equitable and responsible manner. The duties and responsibilities of the Board of Directors are outlined in the Articles of Association. Distribution of tasks and duties among the Members of the Board of Directors and their duties and powers are explained in the annual report.

The Board of Directors convenes whenever the business of the Company so requires. The Board of Directors must convene when demanded by the Chairman or two of its members. The meetings can be held in the Company's headquarters or any other location as determined by a majority of the Board members. In addition to its regular meetings, the Board of Directors can be convened by an absolute majority of its members to reach decisions on special issues deemed important or can take decisions without actually convening, as per Article 390/4 of Turkish Commercial Code.

According to the Article 367 of the Turkish Commercial Code, the Board of Directors can delegate some or all of its administrative and representative authorities to one or more of its members, to a Board Member and nonmembers such as the General Manager or one or more directors and it can also form executive committees from among members or non-members to exercise these duties and authorities.

The Board of Directors' meeting procedure, meeting quorum, decision quorum, voting methodology, duties and authorities are determined in line with the Turkish Commercial Code and Capital Markets Board regulations.

At Board of Directors meetings, all affirmative/ negative votes on the issues at hand, votes and meeting minutes are kept in the official records. The agenda of the regular meetings is prepared by the

secretariat of the Board of Directors in consultation with the members, by taking into consideration decisions previously taken or the issues that need to be settled. The agenda of other meetings consist of issues that need to be settled according to legal obligations. The CFO is in charge of the secretariat of the Board of Directors. During the year, none of the related party transactions or significant transactions brought to the attention of the independent Board members were disapproved or submitted for approval to the General Meeting.

The Articles of Association does not provide a privileged vote or veto right to Board members. In the Articles of Association, the members of the Board of Directors are not given weighted voting right or veto power (except the affirmative votes of the Group C privileged shares in order to take a decision in the Board of Directors on the issues specified in the voting right).

The General Meeting may grant Board members business leave for the cases outlined in the Articles 395 and 396 of the Turkish Commercial Code.

The location for meetings is the Company headquarters. Meetings may be held at another venue with the decision of the Board of Directors. Matters to be discussed at Board Meetings must be pre-determined on an agenda that is communicated to the Board before the date of the meeting. Invitations to these meetings must be made at least three days before the actual date of meeting.

The Company has an insurance coverage up to EUR 50 million regarding the compensation for the damages in parallel with the liabilities for which the directors and the members of the Board of Directors can individually be held responsible within the scope of their duties.

While pursuing the Company activities, the Board of Directors evaluates the possibility of conflict of interest, and the consequences of such conflict of interest (if any) for the company. Furthermore, the Board of Directors takes necessary decisions to ensure most suitable action for Company interests is taken. Besides complying with the regulations within the scope of related party transactions, the Board of Directors also evaluates potential misconduct risks and related party transactions with scrutiny.

5.3. Number, Organization and Independence of Board Committees

The Company has established a number of committees to ensure that the Board performs its duties and responsibilities correctly; these committees perform their activities in accordance with certain procedures. The committees' operating procedures, meeting frequency and reports on their current activities are available at the Company's website. The Corporate Governance Committee, Risk Management, Audit, Executive and Ethics Committees operate in accordance with the following principles:

Board of Directors monitors financial control and audit activities via the Audit Committee. While fulfilling this function, the Audit Committee analyzes and assesses the reports from the Financial Audit Department established to evaluate, audit and report on the efficiency of Company processes from a financial perspective. The Audit Committee then gives the necessary instructions to the Company management and when deemed necessary, submits these to the attention or approval of the Board of Directors. In this regard, the Board of Directors is coordinated in its actions by the Audit Committee.

The Financial Audit Department assesses the Company's entire business process from a financial perspective, tests the adequacy, efficiency and implementation of the relevant audit mechanisms and determines in coordination with the operational units the measures to be taken to mend any deficiencies and reports the results of its activities to the Audit Committee.

Corporate Governance Committee

The Corporate Governance Committee was established with the Board of Directors decision dated 20.11.2007; to monitor the Company's compliance with the corporate governance principles, and to assess the reasons of not being implemented regarding the principles which have not been implemented yet, and to give remedial advice to the Board of Directors.

In the current situation there are three members one of which is the Chairman. In 2016, the Committee convened six times.

The duties of the Nomination Committee and Remuneration Committee outlined in the CMB's Corporate Governance Principles are currently performed by the Corporate Governance Committee.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Risk Management Committee

The Risk Management Committee was established with the Board of Directors decision dated 28.07.2010. The aim of the committee is to counsel the Board of Directors about the following issues; early detection and assessment of all kinds of strategic, operational, financial, legal and other risks that may endanger the Company's existence, development and continuation, estimating the impacts and probabilities of these risks, managing and reporting these risks in accordance with the Company's corporate risk taking profile, carrying out the necessary measures regarding the detected risks, taking these risks into consideration in decision mechanisms and establishing and integrating internal control systems in this aspect. The Committee convened six times in 2016. The experience of the member of the Board of Directors required him to assume duties in more than one committee.

Audit Committee

Established with the Board of Directors decision dated 26.12.2003, the Committee is responsible for the Audit process in order to oversee the compliance of the accounting and reporting systems with the relevant laws and regulations; public disclosure of the financial information and performance and effectiveness of the independent audit and internal control system. The Committee convened six times during the year.

The Audit Committee collects the opinions of executives and independent auditors on the annual and interim financial statements to be disclosed to the public, as regards their truthfulness, accuracy and compliance with the Company's accounting principles and presents these to the Board of Directors in written form together with its own assessments. The Audit Committee convenes at least four times every year and more frequently when deemed necessary. The Chairman and members of the Committee are

CORPORATE GOVERNANCE COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Kutsan Çelebican	Member of the Board of Directors (Non-Executive)	Independent	Yes
Yağız Eyüboğlu	Member of the Board of Directors (Non-Executive)	Dependent	No
Doğan Korkmaz	Assistant General Manager-Financial Affairs (Executive)	Dependent	Yes

RISK MANAGEMENT COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Gökçe Bayındır	Member of the Board of Directors (Non-Executive)	Independent	No
Temel Kamil Atay	Member of the Board of Directors (Non-Executive)	Dependent	Yes

AUDIT COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/DEPENDENT	DUTIES IN OTHER COMMITTEES
Kutsan Çelebican	Member of the Board of Directors (Non-Executive)	Independent	Yes
Osman Mete Altan	Member of the Board of Directors (Non-Executive)	Independent	No

elected among the independent members of the Board of Directors. The financial experience of the independent member of the Board of Directors required him to assume duties in more than one committee.

Steering Committee

The Steering Committee was established on 4 May 2012 in order to counsel the Board of Directors with the aim of increasing the effectiveness of the Board of Directors by ensuring the coordination

between the Board of Directors and the administrative structure; ensuring the enhancement of investment and business development in areas that comply with its strategic targets.

The Steering Committee ensures that the analysis and assessment of the matters such as; impacts on the activities; financial aspects; legal situation; compliance with the strategic priorities regarding the important issues which will be resolved by the Board of Directors is completed

by the Board of Directors. The Steering Committee aims to set the strategies that will increase the competitive power of the Company by monitoring and analyzing the impacts of the developments in the economic, social and political environment of the sector in which the Company has been carrying out its activities. The committee aims to make sure that the opportunities are uncovered through monitoring the sector dynamics in accordance with the determined strategies. With this objective, the Steering Committee carries out the following tasks and counsels the Company Management and the Board of Directors.

- Follows the developments in the sector in order to create the appropriate strategies for the Company and to ensure the effectiveness of the activities; and gives advice.
- Benchmarks the Company's strengths and weaknesses through analysis made within the country, and opportunities and threats through analysis made comparatively with the international companies that it has selected in the same industry; and ensures that necessary measures are taken.
- Audits the compliance of the Strategic Work Plan - prepared annually by the Company Management in such way that it covers at least five years - with the results of the analyses, and makes sure that the necessary revisions are made.
- Audits the compliance of the annual work plans (budget) prepared by the Company Management with the Strategic Work Plan; and analyzes the significant differences (if any) and makes sure that they are fully reflected into the budget,
- Ensures that necessary tasks are performed in order to carry out the activities in compliance with the annual work plans and the decisions of the Board of Directors; and makes necessary supervision after the monthly, quarterly, semi- annually made analyses for the differences.
- Monitors the functionality of the systems in which the Company work plans are prepared and necessary revisions are made according to the international developments and used as the performance criteria.
- Ensures that the analyses and assessment of the matters such as; The impacts on the activities, the financial aspect, the legal situation, and compliance with the strategic priorities regarding the important issues

which will be resolved by the Board of Directors are completed by the Board of Directors. During the preparation and control phase of the short and long term work plans of the Company, the Steering Committee makes sure that sub work/ advisory groups are composed of persons from among its members and when necessary composed of persons with sufficient experience and knowhow from outside the Company.

Executive Committee is composed of a Chairman and a number of members that will be no less than 1/3 of the Board of Directors. Executive Committee made twelve meeting within the year.

Ethics Committee

Ethics Committee the Code of Ethical Business involves the fundamental principles of conduct of the Company. Tüpraş has renewed its Code of Ethical Business toward compliance with the Global Compact signed by Koç Holding,

in addition to the changes in legal, social and economic circumstances and was approved by the General Assembly on April 2011.

Employees of the Company are expected to comply with the Business Ethics Principles and Common Values of the Koç Group when performing their jobs. In recognition that business procedures, standards, laws and regulations cannot provide guidance for all conduct and actions, the Company has published its Code of Ethics and established the Ethics Committee.

5.4. Risk Management and Internal Control Mechanism

Risk Management Committee was founded on July 28, 2010 in Tüpraş pursuant to Corporate Governance Principles announced by Capital Markets Board. Tüpraş Risk Management Committee functions; in order to ensure risks that may threaten existence,

STEERING COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/ DEPENDENT	DUTIES IN OTHER COMMITTEES
Rahmi M. Koç	Member of the Board of Directors (Non-Executive)	Dependent	No
Semahat S. Arsel	Member of the Board of Directors (Non-Executive)	Dependent	No
Ömer M. Koç	Chairman of the Board of Directors (Non-Executive)	Dependent	No
Ali Y. Koç	Member of the Board of Directors (Non-Executive)	Dependent	No
Temel Kamil Atay	Member of the Board of Directors (Non-Executive)	Dependent	Yes
Bülent Bulgurlu	Member of the Board of Directors (Non-Executive)	Dependent	No

ETHICS COMMITTEE

NAME SURNAME	RELATION TO COMPANY	INDEPENDENT/ DEPENDENT	DUTIES IN OTHER COMMITTEES
İbrahim Yelmenoğlu	General Manager (Executive)	Dependent	No
Doğan Korkmaz	Assistant General Manager-Financial Affairs (Executive)	Dependent	Yes
Nezih Akçınar	Director of Human Resources (Executive)	Dependent	No
Fatma Devrim	Competition Specialist (Executive)	Dependent	No

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

development and continuity of the company, are diagnosed, measures are implemented on time and risks are efficiently managed; so that compliance with Article 378 of Turkish Commercial Code No.6102, which has entered force on July 1, 2012, can be maintained. Service Policy which made for this target; with the "Information Document" published three weeks in prior to the Ordinary General Assembly; it was submitted for the information of our shareholders on our corporate website and was put into practice after the General Assembly. The committee conducted six meetings in 2016, where Tüpraş Risk Management System was evaluated and risk reporting principles were determined. Reports and committee evaluations are periodically submitted to Board of Directors in accordance with the principles determined.

Audits in Tüpraş are conducted by the specialized team of the Tüpraş Risk Management and Audit Unit, using a proactive methodology based on the International Internal Audit Standards and Tüpraş Code of Ethics, in terms of the headings: financial, operational, risk, process, legal compliance, business ethics, and misconduct.

Basic financial and process audits throughout the activity units of Tüpraş are performed twice a year, while thematic audits for a certain working period is conducted at least once a year.

Any facts founds during internal audits regularly conducted for ensuring effective, reliable and permanent operation of Tüpraş activities and for completeness, consistency, reliability, timely availability, and safety of information received from the accounting and financial reporting system of Tüpraş, shall be shared with the Company's management to accompany it in improving the processes.

In 2016 the refineries were visited by the Risk Management and Audit Office 25 times, involving a total of 155 person-day.

At the beginning of each year, the audit topics are determined and shared with the relevant units of the Company, and within this scope annual risk based audit plans are made. Audit results are announced within the Company without losing time, and necessary corrective measures are taken. Results are regularly reviewed, and improvements in the activities are monitored.

5.5. Company's Strategic Targets

The Board of Directors manages and maintains the risk-return trade-off of Tüpraş, safeguarding its sustainable profitability and long-term interests to proceed towards strategic targets. It ensures that the Company's strategic targets are set with the support of the Executive Committee and other sub-working groups. The Board of Directors, which is responsible for setting, implementing and supervising the Company's strategic targets, shall carry out the following activities.

5.6. Financial Rights

Principles of the remuneration of the Members of the Board of Directors and Executives (top management) were printed and submitted as a separate item for the information of the shareholders at the General Assembly meeting while shareholders were given the opportunity to present their opinions on this issue. The remuneration policy structured with this purpose, was announced on our corporate website with the "Information Document" published for our shareholders' review three weeks in prior to the Ordinary General Assembly held on the 4th April 2016 and was put into practice after the General Assembly. Furthermore; payments made to the executives are publicly disclosed in the financial statement footnotes. A separate Remuneration

Committee was not established among the Board of Directors Committees. Thus, Remuneration Committee's tasks determined within the scope of the CMB Corporate Governance Principles are carried out by the Corporate Governance Committee in conformity with the CMB Principles.

Taking their contributions, their participations in the meetings, and their functions into consideration; a bonus payment determined by the Board of Directors within the framework of the Corporate Governance Committee's opinion can be made at the year-ends to the members of the Board of Directors who will be assigned in the committees that will be created by the Company's Board of Directors. In the remuneration of the independent members of the Board of Directors, stock options or payment plans depending on the Company's performance are not used.

The Chairman or the members of the Board of Directors are not given any direct or indirect debt, extended any loans and not granted collaterals, so as to avoid any conflicts of interest.

Every year in the Ordinary General Assembly meeting, fixed wage is determined which will be valid for all the members of the Board of Directors. At the Ordinary General Assembly Meeting held in April 2016 Regarding 2015; a decision was taken by majority vote to pay a remuneration of TL 330,000 per year to each of the Members of the Board of Directors, and to start making these payments in the month after the General Assembly Meeting, and continue making payments until the next General Assembly on a monthly pro rata basis.

RISK MANAGEMENT AND THE ACTIVITIES OF THE RISK MANAGEMENT COMMITTEE

A. CORPORATE RISK MANAGEMENT

The starting point of corporate risk management is the necessity for every corporation to fight the factors that create uncertainty on the way to achieving their targets.

Contemporary management approach is based on the concept of corporate governance. The fundamental component of corporate governance process is corporate risk management.

With the aim of building a new Corporate Risk Management System in 2016, Corporate Risk Management Directorate was established in Tüpraş, in order to enable sustainable activity and business continuity, fight the factors that create uncertainty, successfully manage the developments, and protect the Company's reputation. In addition to this, Tüpraş has policies set in line with the Corporate Risk Management guide.

By managing the possible deviations in planned strategic and financial targets, TÜPRAŞ aims to maximize the level of the value it will create for its shareholders.

Corporate Risk Management process is developed to; i) protect the existing values of the Company and create new values for the shareholders, ii) manage the opportunities, iii) enable the communication between the processes regarding the risks identified in all functions in accordance with risk appetite accepted by the Board of Directors and the Top Management of the Company.

B. EARLY RISK DETECTION COMMITTEE

In order to; i) comply with the 378th Article of the Turkish Code of Commerce n. 6102 that entered into force on the 1st of July 2012, and the Capital Markets Board's Corporate Governance Communiqué, and ii) make sure that the committees under the Board of Directors function effectively, decision was taken at the Türkiye Petrol Rafinerileri A.Ş.'s Board of Directors meeting held on the 28th of July 2010, and Early Risk Detection Committee

was established with the aim of i) early detecting the risks that can endanger the Company's existence, development and continuity, ii) implementing the necessary measures related to the identified risks, and iii) performing tasks to manage the risks.

Committee chairman is the Independent Member of the Board of Directors Mr. Gökçe Bayındır. Other member of the Committee is the Member of the Board of Directors Mr. Temel Kamil Atay. Having held 6 meetings in 2016, the Committee evaluates Türkiye Petrol Rafinerileri A.Ş. Risk Management System and Risk Reporting principles, and reviews the Risk Reports issued periodically within this scope, and presents its opinions on the measures to be taken for issues that do not comply with the specified limits determined in the Risk Management System. Reporting activities and committee evaluations are submitted to the Board of Directors' information.

C. RISK MONITORING COMMITTEE

Monitoring Committee functions under the General Manager who monitors the Corporate Risk Management practices. Committee members are the General Manager, Assistant General Managers, Corporate Risk Management Director and Risk Management and Audit Manager. The aim of the Committee is; early risk detection of all risks that can endanger the Company's existence and sustainability, taking necessary measures regarding the determined risks, developing policies and practices necessary to effectively carry out corporate risk management processes, and monitoring risk-related action plans and risk trends periodically via key risk indicators.

D. INFORMATION SAFETY COMMITTEE

In order to practice Information Safety properly and take decisions regarding the activities carried out for providing full Information Safety, and creating/ increasing Information Safety awareness, the Information Safety Committee was established as per the Article n.5.3.

"Corporate Roles, Responsibilities and Powers" of the ISO 27001 Standard. Head of the Committee is the Assistant General Manager (CFO) in charge of Financial Affairs, and Committee Executive is the Information Technologies Director. Committee members are all Directorates and relevant Departments.

When necessary, the Committee meets every 6 months as long as there is an agenda, with absolute majority of the attending persons or their authorized representatives. Frequency and conditions of the meetings is determined by the Head of the Committee.

E. TÜPRAŞ RISK INVENTORY

Major risks Tüpraş is exposed to are monitored under the 7 main topics given below;

- 1- Hazards and Environmental Risks
- 2- Financial Risks
- 3- Commercial Risks
- 4- Operational Risks
- 5- Strategic Risks
- 6- Compliance and Legal risks
- 7- Reputation Risk

1- HAZARDS AND ENVIRONMENTAL RISKS

Tüpraş continues its development in line with its goal of eliminating the risk of accident and hazard by identifying all risk levels in all its operational activities. All employees and the employees of the contractors are expected to decisively, meticulously and uncompromisingly comply with the Health, Safety, Environment standards established within this scope. The aim is to prevent any damage employees, environment, customers, society and all shareholders may face because of the activities of Tüpraş.

Tüpraş has Technical Safety Standards within this scope, and these standards are constantly revised.

Permit to work system training was given to Tüpraş and contractor personnel. Permit to work system inspection teams

RISK MANAGEMENT AND THE ACTIVITIES OF THE RISK MANAGEMENT COMMITTEE

were established at the refineries, and monthly inspections were initiated. At the monthly technical safety evaluation meetings the performance of the permit to work system is presented to the top management.

All contractor employees are given specially designed fireproof workwear provided to Tüpraş personnel, and are asked to use this workwear.

In 2016, "Tüpraş Safety Principles" policy was issued, and a publicity and training campaign was launched at the relevant refineries regarding the determined principles. Furthermore, "Not without 10 rules" that define the basic working rules of Tüpraş, are practiced.

Within the scope of Process Safety, inspections were performed in collaboration with international consultants, analysis was made through benchmarking with international "best practices", and action plans were determined at İzmit Refinery. Within the scope of "Process Safety Management System and Cultural Change" project, teams continued working in collaboration with the consultants.

Process Safety pre and post Key Performance Indicators prepared by taking International standards and practices as reference, are monitored on monthly basis. Pre and post indicators are monitored through Key Performance Indicators, and the aim is to take measure particularly before an accident, learn a lesson from the accident and not repeat the accident.

The safety report required by the Seveso II Directive on the "Prevention of Major Industrial Accidents and Mitigating Their Effects" was completed, and submitted to the Ministry of Labor and Social Security by all refineries. Within the scope of this process, all refinery equipment was analyzed in detail and any equipment that might lead to major accidents was identified on unit basis

(drums, columns, reactors, tanks, etc.). With the aim of systematically monitoring every stage of the process, Hazard and Operability Studies (HAZOP) are carried out for equipment that might lead to major accidents in order to; i) identify hazards and large-scale operation problems in existing units, ii) evaluate the efficiency of the existing measures for preventing or mitigating hazards, iii) make proposals for eliminating or minimizing hazards, iv) find out the reasons for deviating from normal working conditions and aimed designs. Within the scope of HAZOP, process hazards were analyzed in detail for modelling all possible scenarios, such as fire, explosion, vapor cloud dispersion, content loss and etc. Lists of suggestions were made for any identified deficiencies and necessary actions were taken. Moreover, quantitative risk assessment is made through Fault/Event Tree Analysis for major risks identified during HAZOP studies. Thus, scenarios for the identified potential major accidents and incidents are modelled, and intervention strategies are developed.

In order to intervene and minimize the risks that may arise in emergency situations, drills are made for fire, disaster plan, hydrocarbon cloud / toxic gas, waste dispersion situations in all refineries.

In addition to these, within the scope of "Hazard and Impact Management" (TEYS) process, risks are identified and managed while resource transfer to critical processes is prioritized. For this purpose, a list of hazards is kept and risks are assessed.

Within the scope of the Law n.5188 on Private Security Services, Tüpraş refineries are secured by private armed security units. In line with the risk assessments; security systems around the premises (wire fencing, wire-top sensor systems, turnstile and card access systems, camera systems supported by video analytics programs) are installed, and monitored 7/24 by ESİM (Electronic Systems

Monitoring Center). In addition to these protective security measures, security measures are being taken for ISPS Code practices in İzmit and İzmir refineries, which are subject to international trade and have port facilities within the scope of customs clearance area.

In addition to all these applications, assets composed of refinery equipment and stocks are covered by very comprehensive insurance policies against hazards and environmental risks.

2- FINANCIAL RISKS

Risks arising as a result of the Company's financial position and preferences are defined as financial risks. Risks such as currency, liquidity, counterparty, financial market risk are among the financial risks.

FX Risk (Foreign Exchange Risk)

Due to the structure of the industry where it carries out activities, Tüpraş does business at a very high level in foreign currency, particularly in procuring goods and services. Foreign currency positions that may arise from these transactions are continuously monitored by the Finance Department. The Company has sufficient level foreign currency assets, considering the fact that existing stocks are priced in foreign currency. Thus, a natural hedge is created while open foreign exchange position is maintained at an acceptable level.

FX risk can be a result of, apart from the commercial activities, the FX indexed borrowing instruments obtained for financing investments or for liquidity purposes. Derivative financial instruments are frequently used within the scope of risk hedging activities. The Company keeps its foreign exchange position around zero, provided that it is within certain limits compared to equity.

Liquidity Risk

Risks are monitored over liquidity ratios as targets are set and managed. Thus, the aim is to make sure that the Company has

enough liquidity to fulfill its obligations, and that the current assets are equal to the short term debts. In addition, average days sales outstanding and days sales of inventory are kept as short as possible due to Tüpraş policies and economic conjuncture. With these practices, the need for working capital and the risk of liquidity are minimized.

Counterparty Risk

While the receivables from the public corporations do not carry the risk of collection, a significant portion of the receivables from the sales made to the private sector customers are secured for eliminating the collection risk. In order to create business volume beyond the existing guarantees and to prevent possible future risks that may arise in international customers who are not subject to guarantees, the "Receivable Insurance" solution is introduced. In addition to this, our risk is managed by the counterparty compliance policy which includes equal and objective criteria for all banks. Our deposit is kept, within certain limits, by banks that comply with the criteria determined in our policy such as rating, capital and etc. Furthermore, counter-party risk management is significantly provided as our collections are directed to the banks.

By making cash sales or very short term sales, trade receivables in fuel products are kept under control, and products are delivered to customers within certain credit limits. On the other hand, risk analysis reports are prepared in daily and monthly periods for trade receivables while action plans / measures are put into practice as a result of the rating reports issued for the customers.

3- COMMERCIAL RISKS

Commodity Prices Risk

There are significant amounts of crude oil and product stocks in the inventory of our Company as required by its activities. Stocks are included in assets as they are valued according to Brent crude oil and Mediterranean product prices determined in international markets. The profitability of the company is heavily influenced by fluctuations in product prices and raw material prices.

While various derivative instruments are used against this fluctuation risk, measures are taken against product profit margin (crack) and stock price risk in short and long term. For this reason, in order to protect the profitability of a certain ratio of the total sales volume, a protection

policy was set as profit margin (crack) levels were determined by considering the budget data forecasted for future periods via previous price levels. In addition, there is a stock price risk policy designed to protect against stock price risk.

In accordance with 2016 circumstances, Tüpraş updated the "Hedging the Risk of Declining Value of Inventories Policy of Tüpraş" which was set in 2015. Financial commodity agreements have been signed in light of the prepared policy. In addition, Tüpraş maintains the minimum amount of stock required for refining activities in order to avoid the risk of declining value of inventories. Financial instruments as well as operational hedging measures have been used for the portion of stocks subject to price risk.

4- OPERATIONAL RISKS

Operational risks are defined as the possibility of loss or damage that may arise from: i) the company management and personnel's failure to act in accordance with the time and conditions, iii) faults in the management of the company, iv) faults and failures in information technology systems, and v) disasters such as earthquake, fire, flood and etc.

Supply/Transportation

The entire supply process in Tüpraş consists of raw petroleum, semi-product, final product and material supply operations. As being used for production of other products; raw material is the major supply item. Continuity of the production is maintained partially by using domestically supplied and predominantly imported raw materials. Purchase operations of raw materials have been optimized; in order to diversify supply sources, distribute risk in supply chain, provide advantage in price and freight costs; and to increase operational capability of the company.

One of the most critical phases of such operations is the physical supply of raw materials and products. There are many items among the supplied products, which may be harmful to environment and human health due to problems, which may possibly occur during their transportation. In order to eliminate such risks during transportation of these products; it is expected that measures and working conditions specifically determined for related products to be completely provided by suppliers. Therefore; to ensure supply safety, suppliers are expected to maintain specific standards for (vessel tankers) to be used for transportation. Especially

for import of raw materials, suppliers has to use (vessel tankers), which are acceptable by ports as having ISO 9001 and class certificates and complying with ISPS (International Ship and Port facility Security Code) requirements; so that the risks that may occur during transportation can be eliminated. In addition; required equipment is kept ready for use and regular exercises are done to fight against any kinds of accidents or leakage incidents, which may occur despite all aforementioned measures. With all such measures taken; safety, environment and human health threatening risks are minimized.

To ensure safety of product supply between refineries and to customers; transportation is diversified among delivery via sea-land-railways and pipelines. This way; financial risk distribution among transportation operations is provided as well as enhancement in operation capability.

Besides raw material and products; hundreds of materials are supplied every year in Tüpraş.

All these operations are actualized according to specifications entirely prepared by expert personnel. It is strongly expected that suppliers show performance in compliance with terms specifically based on product features and explicitly defined in purchase specification together with minimum standards required in aspects of features, production and delivery conditions of such product. Environmental impacts of the products to be purchased are also involved in aforementioned specification. Each party of product is examined by various tests done in laboratories in the company and other institutions. Purchase of any product failing any of these tests is aborted.

Product Feature

Laboratories operated by the Turkish Accreditation Agency carry out activities in Tüpraş refineries. The scope of the accreditation cover all analysis included in the specifications of the products for sale.

These laboratories make the necessary measurements in each phase of production and sales, and eliminate the risk of producing and selling defective product.

Information Technology Risks

Practices regarding the management of possible risks that may arise in the field of Information Technologies are defined

RISK MANAGEMENT AND THE ACTIVITIES OF THE RISK MANAGEMENT COMMITTEE

in the Standard for Information Assets and IT Risk Management. Within the scope of the re-documentation (ISO 27001) audit performed in 2016, business units included in the Information Safety Management System (BGYS) and current risks were reviewed and updated. In the light of our Corporate Risk Management methodology, the effectiveness of existing controls on risks that exceed the Company risk acceptance criteria was evaluated within the scope of identified risks. Moreover, appropriate risk-management methods were determined. Thus; additional controls are designed for the risks that will be reduced and continuous improvements are made regarding such risks. Furthermore, suggestions and findings outlined as a result of the periodic tests and inspections made with automatic tools and manual methods in; Koç Holding Information Technologies audit team audits, BGYS external audits, audits performed by independent companies, also support identifying IT risks.

5- STRATEGIC RISKS

Structural risks that may prevent a company from reaching its targets set in short, medium or long term can be classified within the scope of this topic. Risks such as planning, business model, business portfolio, corporate governance, market analysis are typical examples of strategic risks. On the other hand, the country's risk and alternative energy sources are at the top of the list of Tüpraş's strategic risks which it may be exposed to. In addition, our Company keeps track of the international sectoral expectations for electric vehicles, as well as the innovations and developments in the sector.

International standards are being followed in order to prevent the negative impacts of customer preferences. Necessary investments have been made to meet the highly environmental friendly product criteria such as Euro V. With the Fuel Oil Conversion Units built in the İzmit Refinery

Zone A, higher value-added product exports have been made instead of exporting fuel oil. At the same time, diesel imports have been reduced. In this regard, Tüpraş has made significant contribution both to the country's economy and to employment.

6- COMPLIANCE AND LEGAL RISKS

The possibility of rights to be lower than expected and the liabilities to be higher than expected as a consequence of:

- risks arising from; i) legal disputes caused by inadequate or incorrect information and documentation, ii) uncertainty about fulfilling the obligations, iii) misinterpretation of the regulations, or iv) personnel not fulfilling these obligations on time;
- risks created by a regulation change that impacts the activities, and
- transactions that may be performed by the Company based on insufficient or incorrect legal information and documents.

In order to keep track of the legal risks, our Company keeps track of the changes in the legislation, and informs the relevant departments. In 2016, within the framework of the Competition Law compliance program, action plans and strategies were developed about the measures that can be taken in order to eliminate potential risks. Moreover, Competition Law training was given.

While keeping track of the legal risks; early warning systems and online databases are used to identify and monitor particularly the international counterparts that are subject to any sanction.

7- REPUTATION RISK

Reputation Risk is the declining demand for products and services of the Company, and loss of customer, profit and competitive power due to; i) declining value of the Company as a result of events that cannot be effectively managed regarding the Company's name and production or ii) loss of reputation

caused by various events. Reputation risk can be defined as the potential negative reputation about the business practices of corporations.

Tüpraş has established various policies in order to maintain its corporate reputation strong at all times, and has established a crisis management process within the framework of these policies.

F. INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

Audits in Tüpraş are conducted by the specialized team of the Tüpraş Risk Management and Audit Unit, using a proactive methodology based on the International Internal Audit Standards and Tüpraş Code of Ethics, in terms of the headings: financial, operational, risk, process, legal compliance, business ethics, and misconduct.

Basic financial and process audits throughout the activity units of Tüpraş are performed twice a year, while thematic audits for a certain working period is conducted at least once a year.

Any facts founds during internal audits regularly conducted for ensuring effective, reliable and permanent operation of Tüpraş activities and for completeness, consistency, reliability, timely availability, and safety of information received from the accounting and financial reporting system of Tüpraş, shall be shared with the Company's management to accompany it in improving the processes.

In 2016 the refineries were visited by the Risk Management and Audit Office 25 times, involving a total of 155 person-day.

The determined audit items are shared with the Company's relevant units at the beginning of every year to develop the annual risk-based audit plans. The audit findings are published within the Company without delay, and the required corrective actions are taken. These findings are reviewed on a regular basis to follow up the improvements in activities.

ABOUT EARLY DETECTION OF RISK SYSTEM AND COMMITTEE

(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH) INDEPENDENT AUDITOR'S REPORT ON THE EARLY IDENTIFICATION OF THE RISK COMMITTEE AND SYSTEM

To the Board of Directors of
Türkiye Petrol Rafinerileri A.Ş.

We have audited the Early Identification of the Risk System and Committee established by Türkiye Petrol Rafinerileri A.Ş.

Responsibility of the Board of Directors

Pursuant to paragraph 1 of Article 378 of the Turkish Commercial Code 6102 ("TCC"), the board of directors is obliged to establish a committee of experts and operate and improve the system for the purposes of: early identification of factors posing a threat on the company's existence, development and continuation; implementation of necessary measures and solutions in this regard; and management of the risk.

Responsibility of the independent auditor

Our responsibility is to express a conclusion on the Early Identification of the Risk System and Committee based on our audit. Our audit was conducted in accordance with TCC and the "Principles on the Independent Auditor's Report on Early Identification of the Risk System and Committee" and ethical requirements as announced by Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey. These Principles require us to determine whether the early identification of the risk system and committee has been established, and if established, to evaluate whether the system and committee operate in accordance with Article 378 of TCC. Our audit does not involve auditing the appropriateness of the solutions on the risks identified by the Early Identification of the Risk System and Committee and the practices performed by the management against the risks.

Information Regarding the Early Identification of the Risk System and Committee

The Company established the Early Identification of the Risk System and Committee which consists of 2 members. For the period between January 1 - December 31, 2016, the committee has met for the purposes of early identification of factors posing a threat on the company's existence and development, implementation of necessary measures and solutions in this regard and the management of the risk; and has submitted the reports it has prepared to the Board of Directors.

Conclusion

Based on our audit, we have reached the conclusion that the early identification of the risk system and committee of Türkiye Petrol Rafinerileri A.Ş. is, in all material respects, in compliance with article 378 of the TCC.

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



SEDA AKKUŞ TECER, SMMM
PARTNER
İstanbul, February 13, 2017

ORDINARY GENERAL ASSEMBLY AGENDA

AGENDA FOR TURKISH PETROL REFINERIES CORP. ORDINARY GENERAL ASSEMBLY MEETING TO BE HELD 29TH OF MARCH 2017

1. Opening and election of the Chairmanship Committee,
2. The reading, discussion and approval of the Annual Report of the Company for the year 2016 as prepared by the Board of Directors,
3. The presentation of the summary of the Independent Audit Report for the year 2016,
4. The reading, discussion and approval of the 2016 Financial Statements,
5. Release of the members of the Board of Directors from liability for the affairs of the Company for the year 2016,
6. Within the framework of the Company's dividend policy, the Approval, approval with modifications, or disapproval of the Board of Directors' proposal on profit distribution of year 2016,
7. The Board of Directors decision on changes of the Company's Articles of Association headed, the "Capital" of Article 6 approval, approval with modifications, or disapproval of the Board of Directors' proposal,
8. Determination of the number of Board Members and their term of office, and election of Members in accordance with the number determined and determination of independent board members,
9. In accordance with the Corporate Governance Principles, presentation to the shareholders and approval by the General Assembly, of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made thereof,
10. Determination of monthly gross fees to be paid to the Members of the Board of Directors,
11. Approval of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations,
12. Presentation to the shareholders, donations made by the Company in 2016, and resolution of an upper limit for donations for the year 2017,
13. In accordance with the Capital Markets Board legislation, presentation to the shareholders, of the securities, pledges and mortgages granted in favour of the third parties in the year 2016 and of any benefits or income thereof,
14. Authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2016 pursuant to the Corporate Governance Communique of the Capital Markets Board,
15. Requests and Opinions.

2016 DIVIDEND DISTRIBUTION ANNOUNCEMENT

According to the enclosed dividend distribution table about the financial statements for the accounting period 01.01.2016 and 31.12.2016, in compliance with the TAS/IFRS and statutory results, prepared by Turkish Petroleum Refineries Corporation, and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst & Young Global Limited), our proposal for profit distribution has been explained as follows;

According to the Capital Markets Law and Capital Markets Board Regulations, consolidated profit attributable to equity holders of the parent is in the amount of TL 1,793,267,000.00, and when donations of 20,31,436.75 TL to charitable organizations are added, the first assessment base for dividend is 1,813,585,436.75 TL. According to the statutory records, it was realized that TL 1,501,952,342.46 of net distributable profit exists.

Pursuant to Article 519 of the Turkish Commercial Code, 5% Legal Reserve to be set aside but since as of December 31st 2016, capital reserves already exceeds 20% of equity, 5% Legal Reserve was not set aside in the current year.

In accordance with the Capital Market Law, Capital Market Board Regulations, Company's Articles of Association and Dividend Distribution policy of our company, as per enclosed dividend distribution table, the following profit distribution is proposed;

1,557,106,585.60 - TL to be distributed as first dividend to shareholders
154,458,562.56 - TL to be put aside as II. Class Legal Reserve,

If the above mentioned dividend distribution proposal is approved by the general assembly, on the basis of statutory accounts, the amount to be distributed is TL 1,557,106,585.60 as cash, of which TL 1,366,549,489.51 is from other earnings of the current period and TL 190,557,096.09 is from extraordinary reserve and other reserves. Secondary legal reserves with a value of 154,458,562.56 of which 135,402,852.95 will be funded from other current year earnings and remaining TL 19,055,709.61 will be funded from extraordinary reserve and other reserves.

On this basis, a cash dividend of gross=net 6,218 TL is to be paid for one nominal stock worth 1.00 TL at a rate of 621.8% to our legally obligated corporate taxpayer shareholders and limited corporate taxpayer shareholders earning dividends through a Turkey-based business or permanent representation office. Other shareholders are going to be paid a gross rate of 621.8%, a cash dividend of gross 6,218 TL, and net rate of 528,53%, a cash dividend of net TL 5.2853 for one nominal stock worth 1.00 TL

The dividend distribution is set to begin on April 4th, 2017

The dividend distribution proposal will be submitted to General Assembly that will be held in March 2017.

PROFIT DISTRIBUTION PROPOSAL

01.01.2016 - 31.12.2016 PROFIT DISTRIBUTION PROPOSAL

TURKISH PETROLEUM REFINERIES CORPORATION DIVIDEND DISTRIBUTION TABLE (TL)

1.	Paid in Capital/Issued Capital		250,419,200
2.	Total Legal Reserves (According to Statutory Income Statements)		324,922,236.42
Information on privileges in profit distribution if any in the Articles of Association			
		ACCORDING TO CMB	ACCORDING TO STATUTORY RECORDS
3.	Current Period Profit	1,944,022,000.00	1,639,733,062.85
4.	Taxes Payable (-)	131,232,000.00	137,780,720.39
5.	Net Profit (=)	1,793,267,000.00	1,501,952,342.46
6.	Previous Years Losses (-)		0.00
7.	General Legal Reserves (-)		
8.	NET DISTRIBUTABLE NET PROFIT FOR THE PERIOD (=)	1,793,267,000.00	1,501,952,342.46
	Dividend Advance Distributed (-)		
	Dividend Advance Less Net Distributable Current Period Profit	1,793,267,000.00	1,501,952,342.46
9.	Donations Made during the Year (+)	20,318,436.75	
10.	Net Distributable Profit Added Donations	1,813,585,436.75	
11.	First Dividend to Shareholders		
	- Cash	1,557,106,585.60	12,520,960.00
	- Bonus		
	- Total	1,557,106,585.60	12,520,960.00
12.	Dividend to Privileged Shareholders		
13.	Distributed Other Dividend	0.00	0.00
	- Dividend to the Board Members		
	- Dividend to the Employees		
	- Other		
14.	Dividend to Redeemed Shareholders		
15.	Secondary Dividends to Shareholders		1,354,028,529.51
16.	General Legal Reserves	154,458,562.56	135,402,852.95
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	81,701,851.84	0.00
20.	Other Resources to be distributed	0.00	190,557,096.09
	- Previous Year's Profit		
	- Extraordinary Reserves		5,831,647.61
	- Other Distributable Reserves as per the Law and the Articles of Association	0.00	184,725,448.48
21.	Other Resources to be Distributed Legal Reserves		19,055,709.61

DIVIDEND RATIO TABLE

		TOTAL AMOUNT OF DIVIDEND DISTRIBUTED		TOTAL DISTRIBUTED DIVIDEND/NET DISTRIBUTED PROFIT	DIVIDEND PER SHARE WITH NOMINAL VALUE OF TL 1
GROUP		AMOUNT (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)
NET *	A	1,442,659,251.73		80.45	5.2833
	C	0.06		0.00	5.2833
	TOTAL	1,442,659,251.79	0.00	80.45	

(*) According to the calculation of net dividend distribution, the 51% of shares owned by corporate tax payers and not publicly traded are not subject to withholding tax, whilst the 49% of shares that are publicly traded are subject to a 15% withholding tax on the assumption that the beneficial owners are individual taxpayers.

AFFILIATED COMPANIES REPORT 2016

AFFILIATED COMPANIES REPORT PREPARED UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

In accordance with Article 199 of the Turkish Commercial Code No. 6102 which entered into force on 1 July 2012, The Board of Directors of Turkey Petroleum Refineries Corporation is obligated to prepare a report about the relations of the company with its controlling shareholder and affiliated companies within first three months of the year of operation and to include the result of the report in the activity report. Necessary explanations about the transactions of Turkey Petroleum Refineries Corporation with related parties are located in the footnote of the financial report No. 31.

In the Report dated March 7, 2017 prepared by Turkey Petroleum Refineries Corporation, it is said that "In all transactions of Turkey Petroleum Refineries Corporation with its controlling shareholder and its subsidiaries in 2016, the conclusion has been reached that a suitable counter action was provided in all transactions and there is no measure taken or ignored which can harm the corporation and there is no need for an action or measure for equalization in this framework considering the states and conditions known by us at the moment of transaction or when the measure is taken or ignored."

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

OLD TEXT

ARTICLE 6: CAPITAL

The Company has accepted the registered capital system in accordance with the provisions of the Capital Markets Law, and started using the registered capital system with the Capital Markets Board permission n.886 dated 22nd of November 1990.

a. Registered Capital:

The upper limit of the Company's registered capital is TL 500,000,000 (Five hundred million Turkish Liras), and is divided into 50,000,000,000 (fifty billion) registered shares each with a nominal value of 1 (one) Kuruş.

The Capital Markets Board permission given for the upper limit of the registered capital is valid for five years between 2013 and 2017. Even if the registered capital ceiling that had been approved could not be reached by the end of 2017, for the Board of Directors to take a capital increase decision after 2017, it is obligatory to get permission from the Capital Markets Board and to get approval from the General Assembly for a new period that will not exceed 5 years for the previously permitted upper limit or a new upper limit. In case such approval is not taken, the Company cannot increase the capital with the decision of the Board of Directors.

b. Issued Capital and Shares:

The issued capital of the Company is TL 250,419,200 (Two hundred and fifty million four hundred and nineteen thousand two hundred Turkish Liras), and has been fully paid free of collusion.

As shown below, shares are divided into two groups; Group (A) and Group (C) that are all registered.

GROUP	SHAREHOLDER NAME	CAPITAL (TL)	TYPE	NUMBER OF SHARES
A	Enerji Yatırımları A.Ş.	127,713,792.22	Registered	12,771,379,222
A	Other	122,705,407.77	Registered	12,270,540,777
C	Privatization Authority	0.01	Registered	1
TOTAL		250,419,200.00		25,041,920,000

Group C shares shall continue to exist until the rights vested in these shares are terminated with the Privatization Supreme Board (or the competent authority at that date) decision. In case a decision is taken to terminate the rights vested in Group C shares, these shares will be converted into Group A shares.

The shares representing the capital are monitored in records within the framework of dematerialization principles.

The capital of the Company may be increased or decreased within the framework of the provisions of the Turkish Code of Commerce and the Capital Markets Legislation if necessary. Energy Market Regulation Authority approval must be taken for the amendments to be made to the Articles of Association in order to decrease the capital.

The Board of Directors is authorized to take decisions on issues of; i) increasing the issued capital in accordance with the provisions of the Capital Markets Law by issuing new shares up to the upper limit of the registered capital when necessary, ii) restricting the rights of the privileged shareholders and limiting the shareholders' right to acquire new shares, and iii) issuing shares above (with premium) or below the nominal value. The power of limiting the shareholders' right to acquire new shares cannot be used in a manner that will cause inequality between the shareholders.

In any case, the Board of Directors will issue new Group A shares in proportion to the number of the Group A shareholders' shares in the Company. In capital increases; shareholders participate by acquiring shares together with the privileges granted to the group - the same group of shares with their shares. However, Group C shareholders cannot participate in these capital increases, and Group C shares will continue to exist as 1 share each.

For the pre-emption right that is used or not used, Capital Markets Board regulations and the provisions of the Articles of Association are applicable.

NEW TEXT**ARTICLE 6: CAPITAL**

The Company has accepted the registered capital system in accordance with the provisions of the Capital Markets Law, and started using the registered capital system with the Capital Markets Board permission n.886 dated 22nd of November 1990.

a. Registered Capital:

The upper limit of the Company's registered capital is TL 500,000,000 (Five hundred million Turkish Liras), and is divided into 50,000,000,000 (fifty billion) registered shares each with a nominal value of 1 (one) Kuruş.

The Capital Markets Board permission given for the upper limit of the registered capital is valid for five years between **2017 and 2021**. Even if the registered capital ceiling that had been approved could not be reached by the end of **2021**, for the Board of Directors to take a capital increase decision after **2021**, it is obligatory to get permission from the Capital Markets Board and to get approval from the General Assembly for a new period that will not exceed 5 years for the previously permitted upper limit or a new upper limit. In case such approval is not taken, the Company cannot increase the capital with the decision of the Board of Directors.

b. Issued Capital and Shares:

The issued capital of the Company is TL 250,419,200 (Two hundred and fifty million four hundred and nineteen thousand two hundred Turkish Liras), and has been fully paid free of collusion.

As shown below, shares are divided into two groups; Group (A) and Group (C) that are all registered.

GROUP	SHAREHOLDER NAME	CAPITAL (TL)	TYPE	NUMBER OF SHARES
A	Enerji Yatırımları A.Ş.	127,713,792.22	Registered	12,771,379,222
A	Other	122,705,407.77	Registered	12,270,540,777
C	Privatization Authority	0.01	Registered	1
TOTAL		250,419,200.00		25,041,920,000

Group C shares shall continue to exist until the rights vested in these shares are terminated with the Privatization Supreme Board (or the competent authority at that date) decision. In case a decision is taken to terminate the rights vested in Group C shares, these shares will be converted into Group A shares.

The shares representing the capital are monitored in records within the framework of dematerialization principles.

The capital of the Company may be increased or decreased within the framework of the provisions of the Turkish Code of Commerce and the Capital Markets Legislation if necessary. Energy Market Regulation Authority approval must be taken for the amendments to be made to the Articles of Association in order to decrease the capital.

The Board of Directors is authorized to take decisions on issues of; i) increasing the issued capital in accordance with the provisions of the Capital Markets Law by issuing new shares up to the upper limit of the registered capital when necessary, ii) restricting the rights of the privileged shareholders and limiting the shareholders' right to acquire new shares, and iii) issuing shares above (with premium) or below the nominal value. The power of limiting the shareholders' right to acquire new shares cannot be used in a manner that will cause inequality between the shareholders.

In any case, the Board of Directors will issue new Group A shares in proportion to the number of the Group A shareholders' shares in the Company. In capital increases; shareholders participate by acquiring shares together with the privileges granted to the group - the same group of shares with their shares. However, Group C shareholders cannot participate in these capital increases, and Group C shares will continue to exist as 1 share each.

For the pre-emption right that is used or not used, Capital Markets Board regulations and the provisions of the Articles of Association are applicable.

RELATED PARTY TRANSACTIONS REPORT 2016

RELATED PARTY TRANSACTIONS REPORT REALIZED IN 2016 AND WILL BE REALIZED IN 2017 UNDER THE SAME CONDITIONS

The Related Party Transaction Report has been prepared under Article 10 of the Communiqué Serial II.17.1 of the Capital Market (CMB).

According to the mentioned Article, it is mandatory for the Board Members to prepare a report on the conditions of transactions and their comparison with market conditions and to publish it on KAP (Platform of Disclosure), if it is foreseen that the ratio of the amount of transactions in a financial year, which are common and ongoing between companies of which shares are processed in Istanbul Stock Exchange (BIST) and their related parties to the costs of sales arising according to the last annual account statement declared to the public in purchase transactions, will reach 10% or more of the ratio of amount of revenues in sales transactions according to the last annual account statement declared to the public.

The purpose of this report is; to disclose the related party transactions - specified in the International Accounting Standard n.24 (IAS 24) within the scope of CMB legislation - performed by Türkiye Petrol Rafinerileri A.Ş. (our Company) provided that confidential business information are not violated and; to show that they do not have any negative outcomes against our Company.

Detailed information about the transactions which have been realized by Turkey Petroleum Refineries Corporation in 2016 with related parties has been published in the footnote No. 31 of the publicly disclosed financial statement regarding our activities in 2016. Only the suitability of sales to market conditions of OPET Petrolcülük A.Ş. and THY OPET Aviation Fuels Inc. which exceed the limit of 10% to have been evaluated in this Report.

It is expected that transactions of same nature will exceed the 10% limit determined in the notification also in 2017 and transactions will be conducted according to the principles described in the Report. In 2016, no purchasing transactions, in which the cost of sales exceeded the 10% price limit, have taken place between the Company and related parties, and no transactions of the same nature are expected to take place in 2017. Related report can be found on www.tupras.com.tr.

REMUNERATION POLICY

REMUNERATION POLICY FOR SENIOR EXECUTIVES AND BOARD MEMBERS

This policy determines the remuneration system for the Board of Directors and key executives within the scope of the definition of persons discharging managerial responsibilities under Capital Markets Board regulations.

A fixed remuneration is determined for all members of the Board at the annual general meeting of the Company.

Additional payment is made to the executive members of the Board in accordance with the policy established for senior executives.

Additional payment is made to the Board members who have been assigned specific duties to support the activities of the Company the amount of which is to be determined by the Board of Directors in consultation with the Nomination and Remuneration Committee.

To the chairman and members of the Executive Committee of the Board which supports the Board in the proper management of the Company in all respects, additional compensation determined by the Board of Directors in consultation with the Nomination and Remuneration Committee by taking into account such Committee Members' contributions, attendance at the meetings, functions, etc. can be granted. Payments made thereof to Executive Committee members within the year are to be deducted from the amount determined at the end of the year.

In respect of remuneration of the independent members of the Board of Directors, a payment plan based on the performance of the Company may not be used.

Pro rata payment is made to the members of the Board of Directors by taking into account the time they carried out their duty between the date of appointment and the date of resignation. Expenses incurred by the members of the Board of Directors on account of making contributions to the company (such as transportation, telephone, insurance, etc.) can be paid by the Company.

The remuneration of Senior Executives is to consist of two components, which are fixed and performance based.

Fixed salaries of senior executives are determined in accordance with international standards and legal obligations by taking into account the prevailing macroeconomic data in the market, the salary policies prevailing in the market, the size and long-term targets of the Company and the positions of the persons.

Bonuses for senior executives are calculated according to the bonus base, the performance of the Company and the individual performance. A summary of the criteria is as follows:

Bonus Base: Bonus Bases are updated at the beginning of each year. They vary depending on the work volume of the executives' positions. When updating the bonus bases, senior management bonus policies in the market are taken into account.

Company Performance: The performance of the Company is determined at the end of the year by measuring the financial and operational targets (market share, exports, overseas operations, productivity, etc.) assigned to the Company at the beginning of each year. In determination of the Company's targets, the sustainability of success and the degree to which it incorporates improvements over previous years are the principles taken into account.

Individual Performance: In the determination of individual performance, along with the targets of the company, those related to the employee, customer, process, technology and long-term strategy are taken into account. In the measurement of individual performance, in line with the performance of the company, the principle of achieving long term sustainable improvement in areas apart from the financial dimension is observed.

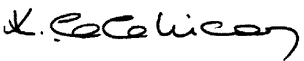
Severance payments may be granted to the key executives by taking into account total term of service, term of service as an executive, as well as contributions made to the company, the recent bonus base, and the salaries and bonuses paid in the last year of service.

Total amounts determined by the above principles and paid to the members of the Board of Directors during the year are submitted for shareholder approval at the next general meeting.

DECLARATION FOR INDEPENDENCY

I hereby declare that I am candidate for independent board membership on the Board of Directors of Turkish Petroleum Refineries Corporation ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's Communique on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders,
- b) I the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am deemed to be resident in Turkey according to Revenue Tax Law No. 193 dated 31.12.1960 ,
- f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfilment of my responsibilities,
- h) I have not been on the board of the Company for more than six years within last ten years,
- i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total,
- j) I am not registered in the name of any legal entity elected as a board member.



KUTSAN ÇELEBİCAN

DECLARATION FOR INDEPENDENCY

I hereby declare that I am candidate for independent board membership on the Board of Directors of Turkish Petroleum Refineries Corporation ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's Communiqué on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders,
- b) I the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am deemed to be resident in Turkey according to Revenue Tax Law No. 193 dated 31.12.1960,
- f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfilment of my responsibilities,
- h) I have not been on the board of the Company for more than six years within last ten years,
- i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total,
- j) I am not registered in the name of any legal entity elected as a board member.

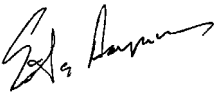


OSMAN METE ALTAN

DECLARATION FOR INDEPENDENCY

I hereby declare that I am candidate for independent board membership on the Board of Directors of Turkish Petroleum Refineries Corporation ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's Communique on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders,
- b) I the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am deemed to be resident in Turkey according to Revenue Tax Law No. 193 dated 31.12.1960 ,
- f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfilment of my responsibilities,
- h) I have not been on the board of the Company for more than six years within last ten years,
- i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total,
- j) I am not registered in the name of any legal entity elected as a board member.

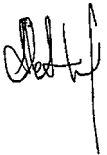


GÖKÇE BAYINDIR

DECLARATION FOR INDEPENDENCY

I hereby declare that I am candidate for independent board membership on the Board of Directors of Turkish Petroleum Refineries Corporation ("Company") under related regulations, Articles of Association of the Company and the criteria stated in the Capital Markets Board's Communiqué on Corporate Governance. In that regard I also confirm that;

- a) In the last five years, I, my spouse or my up to the second degree blood or affinity relatives is not or has not been; employed by as a key management personnel; has not had ordinary or privileged shareholding exceeding 5% by himself or together with; or has not been involved in any material business dealings with the Company, its subsidiaries and affiliates, or shareholders controlling the Company or having material effect over the Company and all entities controlled by those shareholders,
- b) I the last five years, I am not or have not been employed by as an executive having significant duties and responsibilities or have not been a member of the board or did not have shareholding exceeding 5% of an entity which has had a contractual relationship with the Company for a material business transaction including audit (including tax audit, legal audit, and internal audit) rating or consulting services during the terms in which the goods or services were provided,
- c) My CV indicates that I have skills, knowledge and expertise relevant to the Company's business and extensive experience to fulfill my duties as an independent board member,
- d) After my election I will not work full time in a Turkish governmental or public institution, except for the faculty membership under relevant regulations,
- e) I am deemed to be resident in Turkey according to Revenue Tax Law No. 193 dated 31.12.1960,
- f) I am capable to contribute positively to the operations of the Company, to maintain my objectivity in conflicts of interests between the Company and the shareholders, to have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,
- g) I will dedicate enough time to follow up the activities of the Company and for the duly fulfilment of my responsibilities,
- h) I have not been on the board of the Company for more than six years within last ten years,
- i) I am not an independent board member in more than three of the corporations controlled by the Company or its controlling shareholders and in more than five corporations listed on Borsa İstanbul in total,
- j) I am not registered in the name of any legal entity elected as a board member.



AHMET TURUL

AUDIT COMMITTEE REPORT

TRKISH PETROLEUM REFINERIES CORPORATION AUDIT COMMITTEE REPORT

DECISION DATE: 13.02.2017

DECISION NO: 2017/ 1

SUBJECT: Consolidated Financial Statements Dated 31.12.2016

TPRAŞ

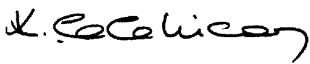
to the Chairman of the Board:

We are gathered to examine and express an opinion on the independent audit report prepared by Gney Independent Auditor and Certified Public Accountant Corporation (A member firm of Ernst & Young Global Limited) for the financial statements and consolidated financial statements for the period January 1 - December 31, 2016 by the management of TPRAŞ compatible with the formats determined by CMB and Turkey Accounting Standards/Turkey Financial Reporting Standards (TMS/IFRS) in accordance with the ii- 14.1. Principles of Financial Reporting in Capital Markets Communiqu  by Capital Markets Board and the Turkish Commercial Code.

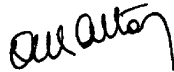
In this review, assessments have been made regarding the accuracy and reliability of the mentioned consolidated financial statements with accounting policies of the company and with facts. If necessary, opinions of the independent auditor of the auditing company and responsible managers of the company were taken.

We hereby decided positively for the accuracy and convenience of the consolidated financial statements from the period January 1-December 31, 2016 with the principles of accounting and we present them for approval.

Sincerely,



KUTSAN  ELEB CAN
CHAIRMAN OF THE AUDIT
COMMITTEE



OSMAN METE ALTAN
MEMBER OF THE AUDIT
COMMITTEE

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE II-14.1 PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS COMMUNIQUE BY THE CAPITAL MARKETS BOARD

REGARDING THE APPROVAL OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

DECISION DATE: 13.02.2017

RESOLUTION NO: 4

We hereby accept our responsibility for the statement made and thus present that:

The "Financial Statements" - issued as per the 9th article of the Capital Markets Board's (CMB) "Communiqué II-14.1. (Communiqué) on the principles of financial reporting in capital markets" in conformity with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and with the formats stipulated by the CMB - for the accounting period between 01.01.2016-31.12.2016, including the footnotes, consolidated financial situation statement, comprehensive income statement, cash flow statement and statement of changes in equity prepared by our Company and audited independently by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited);

- were reviewed by our company,
- within the framework of the information we have obtained in our area of duty and responsibility at our company - do not include any statements on the important issues contrary to facts and do not have any imperfections that could be misleading as of the date the statement was made,
- and that the financial statements, together with the consolidated statements, issued as per the Communiqué within the framework of the information we have obtained in our area of duty and responsibility at our company - truly reflect the facts about the Company's assets, liabilities, financial situation, and profit and loss,

in accordance with the CMB regulations.

Best regards,

KUTSAN ÇELEBİCAN
CHAIRMAN OF THE AUDIT
COMMITTEE

OSMAN METE ALTAN
MEMBER OF THE AUDIT
COMMITTEE

DOĞAN KORKMAZ
ASSISTANT GENERAL MANAGER

AUDIT COMMITTEE REPORT

TURKISH PETROLEUM REFINERIES CORPORATION AUDIT COMMITTEE REPORT

DECISION DATE: 07.03.2017

DECISION NO: 2017/02

SUBJECT: Annual Report dated 31.12.2016

TPRAŞ

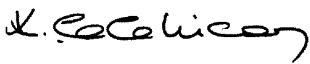
to the Chairman of the Board:

We are gathered to examine and express an opinion on the independent audit report prepared by Gney Independent Auditor and Certified Public Accountant Corporation (A member firm of Ernst & Young Global Limited) for the annual report for the period January 1 - December 31, 2016 by the management of TPRAŞ compatible with the formats determined by CMB and Turkey Accounting Standards/Turkey Financial Reporting Standards (TMS/IFRS) in accordance with the ii- 14.1. Principles of Financial Reporting in Capital Markets Communiqu  by Capital Markets Board and the Turkish Commercial Code.

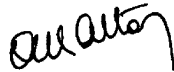
In this review, assessments have been made regarding the accuracy and reliability of the mentioned annual report related to January 01 - December 31, 2016 period with accounting policies of the company and with facts. If necessary, opinions of the independent auditor of the auditing company and responsible managers of the company were taken.

We hereby decided positively for the accuracy and convenience of the annual report from the period January 1-December 31, 2016 with the principles of accounting and we shall submit the Annual Report on the approval of the Board of Directors.

Sincerely,



KUTSAN  ELEB CAN
CHAIRMAN OF THE AUDIT
COMMITTEE



OSMAN METE ALTAN
MEMBER OF THE AUDIT
COMMITTEE

STATEMENT OF RESPONSIBILITY RELATED TO APPROVAL OF ANNUAL REPORT

**STATEMENT OF RESPONSIBILITY PREPARED
IN ACCORDANCE WITH ARTICLE 9 OF THE II- 14.1. PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS
COMMUNIQUE BY THE CAPITAL MARKETS BOARD**

REGARDING THE APPROVAL OF THE ANNUAL REPORT BY THE BOARD OF DIRECTORS

DECISION DATE: 07.03.2017

RESOLUTION NO: 2017/08

Our annual report from 2016 approved by the Board of Directors on 07/03/2017 with resolution no. 5 is presented as attachment which has been prepared in accordance with the II- 14.1. Principles of Financial Reporting in Capital Markets Communiqué by Capital Markets Board and the Turkish Commercial Code.

We declare it to your information and accept that we are responsible for the statement, that the annual report prepared by our Company has been examined

- in accordance with the regulations of CMB,
- It does not contain any gaps that could result in misleading statements as of the date of announcement or false statements about important matters in the framework of our areas of duties and responsibilities in our company,
- The annual report which has been prepared in accordance with the Communiqué reflects the performance and development of business and the financial state of the company together with those factors under consolidation and uncertainties and risks clearly.

Sincerely,

KUTSAN ÇELEBİCAN
CHAIRMAN OF THE AUDIT
COMMITTEE

OSMAN METE ALTAN
MEMBER OF THE AUDIT
COMMITTEE

DOĞAN KORKMAZ
ASSISTANT GENERAL MANAGER

INDEPENDENT AUDITOR'S REPORT RELATED TO THE ANNUAL REPORT



Güney Bağımsız Denetim ve
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Eski Büyükdere Cad.
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(CONVENIENCE TRANSLATION OF A REPORT ORIGINALLY ISSUED IN TURKISH) INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Türkiye Petrol Rafinerileri Anonim Şirketi,

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Türkiye Petrol Rafinerileri Anonim Şirketi ("Tüpraş") and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2016.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Markets Board ("CMB") of Turkey, the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the consolidated financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated February 13, 2017 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

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



SEDA AKKUŞ TECER, SMMM
PARTNER

7 March 2017
İstanbul, Turkey

Türkiye Petrol Rafinerileri A.Ş.

Consolidated financial statements at
31 December 2016 together with the
independent auditor's report

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

To the Board of Directors of Türkiye Petrol Rafinerileri A.Ş;

Independent auditors' report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ" - "the Company") and its subsidiaries (together "the Group") as at 31 December 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's responsibility for the financial statements

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

Independent Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

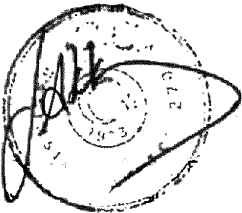
Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 13 February 2017.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2016 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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



SEDA AKKUŞ TECER, SMMM
PARTNER

13 February 2017
İstanbul, Turkey

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

Assets	Notes	Audited 31 December 2016	Audited 31 December 2015
Current assets		13.667.060	8.742.285
Cash and cash equivalents	4	6.050.721	3.027.546
Trade receivables	6	3.180.282	2.539.832
Due from related parties	6, 31	751.824	658.673
Trade receivables from third parties		2.428.458	1.881.159
Other receivables	7	25.626	25.815
Other receivables from third parties		25.626	25.815
Derivative instruments	20	34.731	18.845
Inventories	8	3.608.439	2.102.161
Prepaid expenses	14	97.903	107.775
Current income tax assets	29	95.928	4.317
Other current assets	15	573.430	915.994
Non-current assets		17.551.120	16.727.831
Financial investments	9	4.000	4.000
Investments accounted by equity method	10	923.994	762.217
Investment properties	11	4.621	4.621
Property, plant and equipment	12	11.741.476	11.479.744
Intangible assets	13	55.106	59.409
Other intangible assets		55.106	59.409
Derivative Instruments	20	368.882	250.027
Prepaid expenses	14	238.352	179.695
Deferred tax assets	29	3.227.031	3.202.503
Other non-current assets	15	987.658	785.615
Total assets		31.218.180	25.470.116
Liabilities			
Current liabilities		12.660.262	8.828.240
Short-term financial liabilities	5	385.524	94.023
Current portion of long term financial liabilities	5	1.572.434	1.777.358
Trade payables	6	6.987.843	3.860.567
Due to related parties	6, 31	88.017	62.804
Trade payables, third parties		6.899.826	3.797.763
Liabilities for employee benefits	18	92.442	70.129
Other payables	19	27.953	31.757
Other payables to related parties	19, 31	18.546	17.469
Other payables to third parties		9.407	14.288
Derivative instruments	20	29.454	40.379
Deferred income	16	15.417	23.111
Current income tax liabilities	29	141.217	133.346
Provisions	17	65.056	70.604
Provisions for employee benefits		13.571	7.952
Other provisions		51.485	62.652
Other current liabilities	15	3.342.922	2.726.966
Non-current liabilities		10.390.885	8.273.427
Long-term financial liabilities	5	10.176.307	8.048.039
Provisions	17	207.415	193.973
Provisions for employee benefits		207.415	193.973
Deferred income	16	3.992	2.560
Derivative instruments	20	1.782	27.244
Other non-current liabilities	15	1.389	1.611
Total liabilities		23.051.147	17.101.667
Equity		8.167.033	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		(7.986)	(3.622)
Gains/ losses on revaluation and remeasurement		(7.986)	(3.622)
Actuarial gains/(losses) arising from defined benefit plans		(7.986)	(3.622)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(986.870)	(410.631)
Currency translation differences		23.192	17.556
Hedging gains/(losses)		(1.132.725)	(510.448)
Cash flow hedge gains/(losses)		(1.132.725)	(510.448)
Share of other comprehensive income of investments accounted using equity method that will be reclassified to profit or loss		122.663	82.261
Restricted reserves	23	331.337	163.401
Retained earnings		5.363.804	4.410.959
Net income/expense		1.793.267	2.550.168
Total equity attributable to equity holders of the parent		8.088.386	8.305.109
Non-controlling interests		78.647	63.340
Total equity and liabilities		31.218.180	25.470.116

The consolidated financial statements for the year ended 31 December 2016 have been approved by the Board of Directors on 13 February 2017.

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

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED AS AT 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

		Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
	Notes		
Revenue (net)	24	34.854.851	36.893.328
Cost of sales (-)	24	(31.205.624)	(32.766.949)
Gross profit (loss)		3.649.227	4.126.379
General administrative expenses (-)	25	(748.280)	(661.458)
Marketing expenses (-)	25	(221.602)	(192.855)
Research and development expenses (-)	25	(25.565)	(22.764)
Other operating income	26	184.751	142.681
Other operating expenses (-)	26	(481.242)	(640.215)
Operating profit (loss)		2.357.289	2.751.768
Income from investment activities	27	161	2.560
Income/(loss) from investments accounted by equity method	10	158.750	70.080
Operating profit (loss) before financial income (expense)		2.516.200	2.824.408
Financial income	28	1.173.872	862.715
Financial expense (-)	28	(1.746.050)	(1.461.751)
Profit (loss) before tax from continued operations		1.944.022	2.225.372
Tax income (expense)		(131.232)	338.555
Taxes on income (expense)		(91.633)	(133.346)
Deferred tax income (expense)	29	(39.599)	471.901
Net profit (loss) from continued operations		1.812.790	2.563.927
Other comprehensive income:			
Items not to be reclassified to profit or loss		(4.433)	7.632
Actuarial gain/(loss) arising from defined benefit plans		(5.260)	9.414
Tax effect of other comprehensive income / (loss) not to be reclassified to profit or loss		827	(1.782)
- Deferred tax income/(expense)		827	(1.782)
Items to be reclassified as profit or loss		(580.386)	(476.853)
Currency translation differences		5.636	5.498
Cash flow hedge other comprehensive gains/(losses)		(777.964)	(637.390)
Share of other comprehensive income of associates accounted for equity method that will be reclassified to profit or loss		40.402	28.005
Tax effect of other comprehensive income / (loss) to be reclassified to profit or loss		151.540	127.034
- Deferred tax (expense) income		151.540	127.034
Other comprehensive income (expense)		(584.819)	(469.221)
Total comprehensive income (expense)		1.227.971	2.094.706
Distribution of income (expense) for the period:			
Non-controlling interests		19.523	13.759
Attributable to equity holders of the parent		1.793.267	2.550.168
Distribution of total comprehensive income:			
Non-controlling interests		15.307	13.472
Attributable to equity holders of the parent		1.212.664	2.081.234
Earnings (loss) per share from continued operations			
Earnings per share with nominal value kr. 1 each (kr.)	30	7,16	10,18

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

	Accumulated other comprehensive income (expense) not to be reclassified to profit or loss				Accumulated other comprehensive income (expense) not to be reclassified to profit or loss				Retained earnings				Equity holders of the parent	Non-controlling interests	Total equity	
	Share capital	Adjustment to share capital	Share premiums (discounts)	Gains (losses) on revaluation and remeasurement	Hedging gains losses	Currency translation differences	Cash flow hedge gains/ (losses)	Actuarial gains (losses) arising from defined benefit plans	Shares of other comprehensive income of investments accounted using equity method which will be classified to profit loss	Restricted reserves	Retained earnings	Net income/ expense				
Audited																
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	-	-	-	-	-	-	-	-	-	-	2.550.168	2.550.168	13.759	2.563.927	-	-
- Other comprehensive income	-	-	-	7.564	(510.001)	5.498	28.005	-	-	-	(468.934)	(287)	(469.221)	-	-	-
Total comprehensive income	-	-	-	7.564	(510.001)	5.498	28.005	-	-	-	2.550.168	2.550.168	13.472	2.094.706	-	-
31 December 2015	250.419	1.344.243	172	(3.622)	(510.448)	17.556	82.261	163.401	4.410.959	2.550.168	8.305.109	63.340	8.368.449			
Audited																
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	-	-	-	-	-	-	-	-	-	1.793.267	1.793.267	19.523	1.812.790	-	-	-
- Other comprehensive income	-	-	-	(4.364)	(622.277)	5.636	40.402	-	-	-	(580.603)	(4.216)	(584.819)	-	-	-
Total comprehensive income	-	-	-	(4.364)	(622.277)	5.636	40.402	-	-	1.793.267	1.212.664	15.307	1.227.971	-	-	-
31 December 2016	250.419	1.344.243	172	(7.986)	(1.132.725)	23.192	122.663	331.337	5.363.804	1.793.267	8.088.386	78.647	8.167.033			

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

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

		Audited	
	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Cash flows from operating activities		2.753.311	(294.387)
Profit (loss)		1.812.790	2.563.927
Adjustment for reconciliation of profit (loss)		(837.958)	1.100.744
Adjustment for depreciation and amortisation expense	12, 13	541.003	486.013
Adjustments for impairment (cancellation)		(102.114)	11.910
Adjustments for stock impairment (cancellation)	8	(102.114)	11.910
Adjustment for provisions	17	57.558	83.933
Adjustment for interest (income) and expense	28	388.846	348.864
Adjustment for unrealized foreign currency translation		(709.477)	(419.633)
Adjustment for fair value loss (gain)		(2.179)	69.121
Adjustment for retained income of investments accounted by equity method	10	(158.750)	(70.080)
Adjustment for tax expenses (income)		131.232	(338.555)
Adjustment for loss (gain) on sales of property, plant and equipment	27	(161)	(2.560)
Adjustment for other items related with cash flow of investment or financial activities	28	(976.068)	924.395
Other adjustments for reconciliation of profit (loss)		(7.848)	7.336
Changes in working capital		1.723.058	(3.855.384)
Adjustment for decrease (increase) in trade receivables		(638.101)	(2.377.053)
Adjustment for decrease (increase) in other receivables related with operations		177.405	(631.994)
Adjustment for decrease (increase) in inventories		(1.404.164)	256.463
Adjustment for increase (decrease) in trade payables		3.136.433	(1.730.771)
Adjustment for increase (decrease) in other payables related with operations		451.485	627.971
Cash flows from operating activities		2.697.890	(190.713)
Tax returns (payment)		(136.717)	(8.229)
Other cash inflow (outflow)		192.138	(95.445)
Cash flows from investing activities		(841.751)	(888.504)
Cash inflows from the sales of property, plant and equipment and intangible assets		1.650	2.962
Cash outflows from the purchase of property, plant and equipment and intangible assets		(885.401)	(961.466)
Dividends received	10	42.000	70.000
Cash flows from financing activities		202.197	(248.980)
Cash inflows from financial liabilities		36.558.822	19.364.889
Cash outflows from financial liabilities		(34.328.462)	(19.327.766)
Dividends paid		(1.627.725)	(6.046)
Interest paid		(698.377)	(469.566)
Interest received		297.939	189.509
Net increase (decrease) in cash and cash equivalents before the effect of foreign currency translation		2.113.757	(1.431.871)
Impact of foreign currency translation on cash and cash equivalents		709.477	419.633
Net increase (decrease) in cash and cash equivalents		2.823.234	(1.012.238)
Cash and cash equivalents at beginning of period	4	2.199.168	3.211.406
Cash and cash equivalents at end of period	4	5.022.402	2.199.168

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

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 İstanbul Stock Exchange ("İSE")) since 1991. As at 31 December 2016, the shares quoted on the BİST are 49% of the total shares. As of 31 December 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.

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 Tankercilik A.Ş. ("Ditaş")	Turkey	Crude oil and petroleum products transportation
Uskûdar Tankercilik A.Ş. ("Uskûdar")	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 year ended 31 December 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 31 December 2016 total assets of Körfez is TL 6.086 thousand and net period loss of Körfez is TL 1.887 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 year ended 31 December 2016.

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

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

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

The total number of employees of the Group as at 31 December 2016 is 5.296 (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

2. Basis of presentation of consolidated financial statements

2.1.Basis of presentation

2.1.1 Financial reporting standards

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

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

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

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 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 THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(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 January 1, 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 clarifies that 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 IFRSs 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)

IASB 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 TFRS 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.

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 TFRS 10 and TAS 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)

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 consolidated financial statements of the Group.

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

Annual Improvements to IFRSs - 2012-2014 Cycle

TASB 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:

- TFRS 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
- TFRS 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
- TAS 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
- TAS 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

These amendments did not have any impact on the financial position or performance of the Group.

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

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

TFRS 15 Revenue from Contracts with Customers

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

TFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Group is in the process of assessing the impact of the amendments 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 TFRS 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.

TFRS 10 and TAS 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 THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(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 16 Leases

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

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

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

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- 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.

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(AMOUNTS EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE INDICATED.)

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

IFRS 4 Insurance Contracts (Amendments)

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

Annual Improvements to IFRSs - 2014-2016 Cycle

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

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2.1.3 Financial statements of joint ventures operating in foreign countries

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

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

2.1.4 Basis of consolidation

a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the year ended 31 December 2015 and include financial statements of Tpraş and its Subsidiaries.

b) At 31 December 2016, there are no changes in voting rights or proportion of effective interest on Subsidiaries and Joint Ventures apart from Bakırky, Karaky and Çengelky, which have been established in January 2016; Pendik and Tuzla, which have been established in July 2016, that are subject to consolidation as of December 3, 2016 from the information stated on consolidated financial statements for the year ended 31 December 2015.

	31 December 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
skdar	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
Kadıky	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
Bakırky	79,98	79,98	-	-
Karaky	79,98	79,98	-	-
Çengelky	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 subsidiaries are eliminated on consolidation. The cost of and the dividends arising from, shares held by the Company in its subsidiaries are eliminated from equity and income for the year, respectively.

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

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

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

	31 December 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.

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 December 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 year ended 31 December 2016 comparatively with the consolidated financial statements for the year ended 31 December 2015.

The classifications made in the statement of comprehensive income of the Company as of 31 December 2016 are as follows:

- Idle capacity expenses amounting to kTL 48.685 thousand shown in other operating expense as of 31 December 2015 were classified under cost of sales.
- Spare parts and material stocks amounting to kTL 67.304 shown in other non-current asset as of 31 December 2015 were classified under other current asset.
- Other payables to related parties amounting to kTL 17.469 shown in trade payables as of 31 December 2015 were classified under other payables.
- Foreign exchange gains, sourcing from deposits in cash flow statement of the Company for the year ended December 31, 2015, are recognized at impacts of adjustments related to net period profit (loss) reconciliation and foreign currency translation adjustments on cash and cash equivalents items.
- Deductible taxes and funds amounting to kTL 24.318 shown in prepaid expense as of 31 December 2015 were classified under other current assets.

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

2.2.2 Offsetting

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

2.2.3 Convenience translation into English of consolidated financial statements

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

2.3. Summary of significant accounting policies

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

2.3.1 Cash and cash equivalents

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

2.3.2 Trade receivables and provision for impairment

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

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

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

2.3.3 Related parties

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

2.3.4 Inventories

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

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

2.3.5 Spare parts and material stocks

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

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

2.3.6 Financial investments

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

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

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

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

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

2.3.7 Property, plant and equipment

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

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

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

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

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

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

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

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

2.3.8 Intangible assets

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

a) Rights and software

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

b) Development costs

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

2.3.9 Investment property

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

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

2.3.10 Impairment of assets

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

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

2.3.11 Borrowing costs

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

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

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

2.3.12 Operating leases

The Group as the lessee

Operational leases

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

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

The Group as the lessor

Operational leases

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

2.3.13 Deferred taxes

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

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

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

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

2.3.14 Employment termination benefits

Long-term employee benefits / Retirement pay liability

a) Defined benefit plans:

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

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

b) Defined contribution plans:

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

2.3.15 Seniority incentive bonus provision

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

2.3.16 Transactions in foreign currency

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

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

2.3.17 Revenue recognition

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

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

2.3.18 Provisions

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

2.3.19 Commitments, contingent assets and liabilities

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

2.3.20 Dividends

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

2.3.21 Earnings per share

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

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

2.3.22 Segment reporting

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

As of December 31, 2016, sales revenue from customers amounting to TL 13.714.581 thousand, which is more than 10% of total sales of the Company's sales, consists of oil sales. (December 31, 2015 – TL 10.776.744 thousand).

2.3.23 Statement of cash flow

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

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

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

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

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

2.3.24 Research and development costs

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

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

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

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

2.3.25 Government grants

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

2.3.26 Business combinations and goodwill

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

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

Revised TFRS 3 "Business Combinations" effective as at 1 January 2011 has been applied to Business combinations occurring after 1 January 2011. The main difference of revised TFRS 3 is to account for transaction costs of a purchase in comprehensive income statement. There has been no business combination in 2016 which requires the application of revised TFRS 3.

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

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

2.3.27 Derivative financial instruments and hedging activities

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

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

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

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

Cash flow hedge

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

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

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

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

2.4. Changes in accounting policies, accounting estimates and errors

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

2.5. Significant accounting evaluations, assumptions and estimates

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

a) Provision for employment termination benefits:

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

b) Economic useful lives:

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

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

c) Goodwill impairment tests:

As explained in Note 2.3.10, the Group performs impairment tests on goodwill annually, or more often under circumstances indicating impairment risk. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on specific expectations and assumptions. The Group has not identified any impairment on the goodwill amount as at 31 December 2016 and 2015, as a result of these tests. The goodwill arising from the purchase of Opet shares were classified on the investment account in the financial statements.

d) Deferred tax asset:

Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all temporary differences. For the year ended December 31, 2016, since the assumptions related to the Group's future taxable profit generation are considered adequate, deferred tax asset is recognized (Note 29).

3. Business combinations

No business combinations occurred during the year 2016.

4. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at banks		
Revenue share (blocked)	1.002.012	823.645
Time deposit	5.016.257	2.151.632
Demand deposits	6.145	47.536
Interest income accruals	26.307	4.733
Total	6.050.721	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 31 December 2016 and 31 December 2015 (Note 15).

Time deposits and other cash and cash equivalents

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

31 December 2016

	Effective interest rate %	Less than 1 month	1 - 3 months	Total
TL	11,40	945.212	-	945.212
USD	3,63	2.884.335	181.826	3.066.161
EUR	1,98	1.003.834	557	1.004.391
GBP	1,30	493	-	493
Time deposit		4.833.874	182.383	5.016.257

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

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4. Cash and cash equivalents (continued)

Cash and cash equivalents included in the consolidated statements of cash flows for the years ended 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Cash and cash equivalents	6.050.721	3.027.546
Less: Blocked deposits (Revenue share)	(1.002.012)	(823.645)
Less: Time deposit interest accruals	(26.307)	(4.733)
Cash and cash equivalents for cash flow purposes	5.022.402	2.199.168

5. Financial liabilities

	31 December 2016	31 December 2015
Short term financial liabilities:		
Short-term bank borrowings	385.162	94.017
Interest accruals	362	6
Total	385.524	94.023

Short-term portions of long-term borrowings:

Current portion of long-term bank borrowings	1.265.535	1.684.088
Bonds issued	200.000	-
Interest accruals of bank borrowings	81.435	70.783
Interest accruals of bonds issued	25.464	22.487
Total	1.572.434	1.777.358

Long-term financial liabilities:

Long-term bank borrowings	7.712.045	5.812.719
Bonds issued	2.463.440	2.235.320
Interest accruals of bank borrowings	822	-
Total	10.176.307	8.048.039

Total financial liabilities	12.134.265	9.919.420
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As explained by Tüpraş in material disclosure dated 18 December, 2014, 31 December 2014, 16 January 2015 and 19 January, 2015, permission for issuance of bonds to qualified investors was granted to the Company by the Capital Markets to an amount not exceeding TL 1 billion and the sale transaction of bonds with a nominal value of TL 200 million, 728-day term, 6 month coupon payments, fixed interest and principal payment at maturity, was completed on 19 January 2015.

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

As explained 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 USD 157,5 million and EUR 261,5 million were utilized on 29 March 2016 and the loans have semi-annual interest payments, 5 year maturity with 3 years grace period.

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5. Financial liabilities (continued)

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

			31 December 2016
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
EUR borrowings	2,89	7.000.000	25.970
TL borrowings (*)	8,80	359.191.765	359.192
			385.162
Short-term of long-term financial liabilities:			
USD borrowings	3,34	314.914.269	1.108.246
EUR borrowings	3,21	9.584.273	35.557
TL borrowings	12,65	121.732.026	121.732
TL bonds	8,97	200.000.000	200.000
			1.465.535
Interest expense accruals			107.261
Total short-term financial liabilities			1.957.958
Long-term financial liabilities:			
USD borrowings	3,11	1.613.833.466	5.679.403
USD bonds issued	4,17	700.000.000	2.463.440
EUR borrowings	2,08	296.011.204	1.098.171
TL borrowings	12,58	934.470.588	934.471
			10.175.485
Interest expense accruals			822
Total long-term financial liabilities			10.176.307

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 190.645 thousand as of 31 December 2016 (31 December 2015 - TL 90.673 thousand).

			31 December 2015
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
USD borrowings	2,63	1.150.000	3.344
TL borrowings	-	90.672.977	90.673
			94.017
Short-term 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 issues	8,97	200.000.000	200.000
			8.048.039
Interest accruals			-
Total long-term financial liabilities			8.048.039

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5. Financial liabilities (continued)

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

	31 December 2016	31 December 2015
2017	-	2.180.509
2018	4.544.096	2.944.591
2019	1.358.333	602.960
2020	1.443.351	621.157
2021 and after	2.830.527	1.698.822
Total	10.176.307	8.048.039

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

	31 December 2016	31 December 2015
1-90 days	2.779.361	301.400
91-365 days	4.780.459	5.280.120
1-5 years	4.264.306	3.928.189
Over 5 years	310.139	409.711
	12.134.265	9.919.420

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project and further to the agreements the loans amounting to USD 1.998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 31 December 2016 the outstanding amount of the loans is USD 1.555 million (31 December 2015 – USD 1.850 million).

6. Trade receivables and payables

Short-term trade receivables:

	31 December 2016	31 December 2015
Trade receivables	2.433.602	1.888.743
Due from related parties (Note 31)	751.824	658.673
Doubtful trade receivables	2.676	2.593
Other trade receivables	9	16
Less: Unearned credit finance income	(5.153)	(7.600)
Less: Provision for doubtful receivables	(2.676)	(2.593)
Total short-term trade receivables (net)	3.180.282	2.539.832

As at 31 December 2016, Tüpraş has offsetted TL 1.625.766 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 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Group 1	1.783	245
Group 2	3.063	285.691
Group 3	2.070.505	1.273.775
Group 4	1.040.014	970.364
Total	3.115.365	2.530.075

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6. Trade receivables and payables (continued)

Group 1 - New customers (less than three months)

Group 2 - State owned enterprises

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

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

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

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

	31 December 2016	31 December 2015
Up to 3 months	62.386	9.354
3 to 12 months	2.531	403
Total	64.917	9.757

The Group has guarantees received amounting to kTL 51.479 (31 December 2015 - kTL 2.812) for trade receivables overdue but not impaired. Major part of receivables without guarantees are from government entity which regularly made sales, any collection risk is not projected.

Movement of the provision for doubtful receivables for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
1 January	2.593	2.593
Charge for the period	98	-
Collection during the period	(15)	-
31 December	2.676	2.593

Short term trade payables

	31 December 2016	31 December 2015
Trade payables	6.910.572	3.799.352
Due to related parties (Note 31)	88.017	62.804
Less: Unrealised credit finance charges	(10.746)	(1.589)
Total short term trade payables (net)	6.987.843	3.860.567

7. Other receivables

Other short-term receivables:

	31 December 2016	31 December 2015
Receivable from insurance recoveries	7.623	2.607
Advances and guarantees given	10.280	16.267
Receivable from personnel	7.723	6.941
Other doubtful receivables	304	738
Less: Provision for other doubtful receivables	(304)	(738)
Total	25.626	25.815

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8. Inventories

	31 December 2016	31 December 2015
Raw materials and supplies	1.084.842	939.327
Work-in-progress	795.792	545.730
Finished goods	919.756	526.884
Trade goods	50.669	12.074
Goods in transit	743.851	169.266
Other	13.529	10.994
	3.608.439	2.204.275
Provision for impairment in inventories	-	(102.114)
Total	3.608.439	2.102.161

As of December 31, 2016, there is no provision for impairment of inventories. As of December 31, 2016, 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 finished goods and recognized under cost of goods sold account.

Movement of the provision for inventories for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
1 January	102.114	90.204
Charge for the period	-	102.114
Cancellations within the period	(102.114)	(90.204)
31 December	-	102.114

9. Financial investments

Financial investments available-for-sale:

	31 December 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

	31 December 2016		31 December 2015	
	Participation Share (%)	Amount	Participation Share(%)	Amount
OPET Petrolcülük A.Ş.	40,00	923.994	40,00	762.217
		923.994		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 investment account in the financial statements.

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10. Investments accounted by equity method (continued)

The movement in the investments accounted by equity method during the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
1 January	762.217	726.494
Investments recognized with equity method;		
Shares in current year profit	158.750	70.080
Other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss	40.402	28.005
Dividend payment	(42.000)	(70.000)
Defined benefit plans re-measurement gains (losses)	(1.011)	221
Currency translation differences	5.636	5.498
Impact of adjustments related to previous periods	-	1.919
31 December	923.994	762.217

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

	31 December 2016	31 December 2015
Current assets	3.039.266	2.173.587
Non-current assets	2.301.201	1.993.748
Total assets	5.340.467	4.167.335
Short term liabilities	2.399.461	1.729.243
Long term liabilities	1.103.703	1.005.232
Equity	1.837.303	1.432.860
Total liabilities	5.340.467	4.167.335
	1 January -	1 January -
	31 December 2016	31 December 2015
Sales	20.533.669	18.485.152
Gross profit	1.274.948	859.857
Operating profit	611.266	338.843
Net income for period	396.874	175.201

Goodwill impairment test

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

The recoverable amount of the cash generating unit is determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include post tax cash flow projections denominated in USD and are based on the financial budgets approved by Opet management covering a 10 year period. The Group considers analysis covering a period longer than five years is more appropriate as to evaluation of operating results and prospective assumptions in the sector and therefore impairment test is based on ten years budget. The cash flows for the periods beyond 10 years are extrapolated using the long term growth rate of 2%. During fair value calculations, the value denominated in USD is converted to TL by using the USD currency rate on the balance sheet date. Therefore, the fair value model is affected by fluctuations in the foreign currency market. As of 31 December 2016, fair value of Opet is TL 5.848 million. (With Group's effective interest, TL 2.339 million.) As of 31 December 2016, had the USD rate strengthened/weakened by 1%, with all other variables held constant, the fair value would be affected by TL 58.484 thousand.

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10. Investments accounted by equity method (continued)

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

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

The budgeted gross margin has been determined by Opet management based on past performance of the company and expected market growth rate. The discount rate used is the post-tax discount rate and includes company specific risks. An increase/decrease of 1% on the post-tax discount rate used in the discounted cash flow calculations (9,2% or 7,2% instead of 8,2%), would lead to a decrease by TL 1.339.122 thousand / increase by TL 1.868.094 thousand in the fair value as at 31 December 2016.

As a result of the tests performed by using the assumptions above, no impairment on goodwill has been identified as at 31 December 2016. Since the asset's fair value less cost to sell is higher than its carrying amount, the Group management did not calculate the asset's value-in-use.

11. Investment property

At 31 December 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).

12. Property, plant and equipment

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost:					
Land	48.844	-	-	-	48.844
Land improvements	3.525.298	-	162.946	(487)	3.687.757
Buildings	695.372	-	49.222	(2)	744.592
Machinery and equipment	11.149.479	84	280.086	(9.365)	11.420.284
Motor vehicles	619.383	129.499	1.432	(835)	749.479
Furniture and fixtures	105.955	1.350	11.336	(4.244)	114.397
Construction in progress	499.904	668.988	(518.944)	-	649.948
Other tangible assets	1.488	-	-	-	1.488
	16.645.723	799.921	(13.922)	(14.933)	17.416.789
Accumulated depreciation:					
Land improvements	(1.129.120)	(143.589)	-	465	(1.272.244)
Buildings	(174.083)	(14.889)	-	2	(188.970)
Machinery and equipment	(3.664.377)	(316.517)	-	8.326	(3.972.568)
Motor vehicles	(139.883)	(32.580)	-	598	(171.865)
Furniture and fixtures	(57.230)	(15.124)	-	4.053	(68.301)
Other tangible assets	(1.286)	(79)	-	-	(1.365)
	(5.165.979)	(522.778)	-	13.444	(5.675.313)
Net book value	11.479.744				11.741.476

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

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12. Property, plant and equipment (continued)

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

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 amounting to TL 238.157 thousand (31 December 2015 – TL 190.206 thousand) 217.738 thousand (31 December 2015 – TL 186.333 thousand) depreciation is recognized under cost of sold goods while TL 20.419 thousand (31 December 2015 – 3.873 thousand TL) of the aforementioned depreciation is recognized under general administrative expenses as of 31 December 2016.

Total depreciation expense amounting to TL 522.778 thousand (31 December 2015 – TL 469.808 thousand) in the consolidated statement of comprehensive income for the period ended 31 December 2016 has been allocated to cost of goods sold amounting to TL 483.776 thousand (31 December 2015 – TL 409.836 thousand) to marketing, sales and distribution expenses amounting to TL 3 thousand (31 December 2015 – TL 3 thousand) to general administration expenses amounting to TL 38.999 thousand (31 December 2015 – TL 59.969 thousand).

13. Intangible assets**Other intangible assets:**

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

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost:					
Rights and software	57.087	-	7.500	(257)	64.330
Development expenses	61.981	-	6.422	-	68.403
	119.068	-	13.922	(257)	132.733
Accumulated amortisation:					
Rights and software	(30.418)	(6.288)	-	257	(36.449)
Development expenses	(29.241)	(11.937)	-	-	(41.178)
	(59.659)	(18.225)	-	257	(77.627)
Net book value	59.409				55.106

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH (SEE NOTE 2.2.3))

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13. Intangible assets (continued)

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

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

Total amortisation expenses amounting to TL 18.225 thousand (31 December 2015 – TL 16.205 thousand) in the consolidated statement of comprehensive income for the year ended 31 December 2016 have been allocated to the cost of goods sold amounting to TL 13 thousand (31 December 2015 – TL 13 thousand), and to general administration expenses amounting to TL 18.212 thousand (31 December 2015 – TL 16.192 thousand).

14. Prepaid expenses

Short term prepaid expenses:

	31 December 2016	31 December 2015
Long term prepaid expenses	41.680	47.484
Prepaid investment loan insurance expenses (*)	27.811	32.158
Advances given	28.412	28.133
Total	97.903	107.775

Long term prepaid expenses:

	31 December 2016	31 December 2015
Prepaid investment loan insurance expenses (*)	77.589	105.400
Advances given to third parties for property, plant and equipment	120.883	54.894
Advances given to related parties for property, plant and equipment (Note 31)	37.454	17.963
Prepaid other expenses	2.426	1.438
Total	238.352	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:

	31 December 2016	31 December 2015
Deferred Value Added Tax ("VAT")	357.063	289.514
Deferred Special Consumption Tax ("SCT")	79.863	75.497
Spare parts and material	69.591	67.304
Deductible taxes and funds	44.302	24.318
Income Accruals (*)	19.348	448.312
Other current assets	3.263	11.049
Total	573.430	915.994

(*) 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. These accruals are accounted under cost of sales and collected on January 8, 2016.

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15. Other assets and liabilities (continued)**Other non-current assets:**

	31 December 2016	31 December 2015
Spare parts and materials	1.008.993	812.169
Other	1.120	952
Provision for spare parts and materials	(22.455)	(27.506)
Total	987.658	785.615

Other short-term liabilities:

	31 December 2016	31 December 2015
SCT payable	1.371.333	1.253.987
Revenue share	1.006.511	827.793
Deferred VAT	357.063	289.514
Expense accruals (*)	246.536	-
VAT payable	226.314	239.207
Deferred SCT	79.863	75.497
Other taxes and liabilities	43.475	37.381
Other	11.827	3.587
Total	3.342.922	2.726.966

(*) As of 31 December, 2016, expense accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk (swap transactions and zero-cost transactions). Weighted average price of outstanding commodity derivatives transactions is USD 47,47/barrel for 7.050 thousand crude oil barrel. Weighted average buying price of zero cost derivatives transactions is USD 42,91 /barrel for 6.950 thousand crude oil barrel inventory, weighted average selling price of zero cost derivatives transactions is USD 53,56 /barrel. The expense accruals recognition made as of 31 December 2016 is recognized under cost of goods sold and paid as of 9 January 2017.

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

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

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

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

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

As a result of these regulations, the revenue share amounting to TL 1.006.511 thousand accumulated as at 31 December 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 1.002.012 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:

	31 December 2016	31 December 2015
Participation share	1.389	1.611
Total	1.389	1.611

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16. Deferred income

Short-term deferred income:

	31 December 2016	31 December 2015
Advances taken	13.591	21.430
Deferred income	1.826	1.681
Total	15.417	23.111

Long-term deferred income:

	31 December 2016	31 December 2015
Deferred income	3.992	2.560
Total	3.992	2.560

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	31 December 2016	31 December 2015
Seniority incentive bonus provision	9.073	5.325
Personnel bonus accruals	4.498	2.627
Total	13.571	7.952

Long term employee benefits:

	31 December 2016	31 December 2015
Provision for employment termination benefits	159.190	144.547
Provision for unused vacation	44.137	41.904
Seniority incentive bonus provision	4.088	7.522
Total	207.415	193.973

Seniority incentive bonus provision:

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

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

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

	2016	2015
1 January	12.847	10.850
Charge for the period	7.185	7.976
Payments during the period	(6.871)	(5.979)
31 December	13.161	12.847

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.

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17. Provisions (continued)

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 31 December 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:

	31 December 2016	31 December 2015
Discount rate (%)	4,50%	4,60%
Turnover rate to estimate probability of retirement (%)	99,51%	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 31 December 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	14.961	10.820
Actuarial (gains) / losses	4.249	(9.194)
Increase during the period	18.922	24.615
Payments during the period	(23.489)	(14.281)
31 December	159.190	144.547

	31 December 2016 Net discount rate	31 December 2015 Net discount rate
Sensitivity level	Increase of 100 base points	Decrease of 100 base points
Rate	5,50%	3,50%
Change in employee benefits liability	8.245	(10.013)
		Increase of 100 base points
		5,60%
		3,60%
		6.606
		(8.448)

Provision for unused vacation:

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

	2016	2015
1 January	41.904	37.265
Charge for the period	7.785	8.297
Payments during the period	(5.552)	(3.658)
31 December	44.137	41.904

Other short term provisions:

	31 December 2016	31 December 2015
Provisions for pending claims and law suits	12.523	13.405
EMRA participation share	20.159	17.883
Provision for demurrage	13.787	11.032
Other	5.016	20.332
Total	51.485	62.652

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17. Provisions (continued)

Movement of the short-term provisions for the year ended 31 December 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	(882)	22.148	-	2.755	(15.316)	8.705
Payments during the period	-	(19.872)	-	-	-	(19.872)
31 December 2016	12.523	20.159	-	13.787	5.016	51.485
1 January 2015	13.743	14.635	54.998	1.870	16.708	101.954
Charges for the period, net	(41)	19.480	-	9.162	3.624	32.225
Payments during the period	(297)	(16.232)	(54.998)	-	-	(71.527)
31 December 2015	13.405	17.883	-	11.032	20.332	62.652

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.

Tax Penalty

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

18. Liabilities for employee benefits

	31 December 2016	31 December 2015
Due to the personnel	59.016	54.495
Social security withholdings payment	33.426	15.634
Total	92.442	70.129

19. Other payables

	31 December 2016	31 December 2015
Deposits and guarantees received	9.407	14.288
Other liabilities to related parties (Note 31)	18.546	17.469
Total	27.953	31.757

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20. Derivative Instruments

	31 December 2016			31 December 2015		
	Fair values			Fair values		
	Purchase contract amount	Sale contract amount	Assets	Liabilities	Purchase contract amount	Sale contract amount
<i>Cash flow hedge</i>						
Interest rate swap	301.972	301.972	1.841	3.791	250.490	250.490
Cross currency swap	41.402	27.294	30.797	21.234	34.208	27.294
Derivatives held for trading						
Currency forwards	316.728	316.861	2.093	-	-	-
Commodity derivative	82.708	87.174	-	4.429	172.450	162.217
Short term derivative financial instruments			34.731	29.454		18.845
<i>Cash flow hedge</i>						
Interest rate swap	1.746.128	1.746.128	4.745	1.782	1.697.141	1.697.141
Cross currency swap	952.255	627.640	364.137	-	820.969	654.934
Long term derivative financial instruments			368.882	1.782		250.027
Total derivative financial instruments			403.613	31.236		268.872

As of December 31, 2016, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TL 316.861 thousand in exchange of USD 90.000 thousand and which will expire on January 3, 2017 (31 December 2015 – None).

As of December 31, 2016, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD 535.294 thousand (December 31, 2015 - USD 611.765 thousand) and Ditaş's long term borrowings amounting to EUR 44.285 thousand (31 December 2015 – EUR 53.142 thousand) with fixed rate instalment payments for cash flow hedging.

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20. Derivative instruments (continued)

As of December 31, 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 82.353 thousand and payments with fixed interest rate amounting to TL 191.059 thousand. (December 31, 2015- USD 94.118 thousand).

Commodity derivative transactions consist of product crack fixing transactions as of December 31, 2016. Product crack fixing transactions have been made for total gasoline stocks of 1,500 thousand barrels and jet stocks of 900 thousand barrel and weighted average fixation margin of these transactions is USD 10,704 and 9,683 per barrel, respectively. Commodity derivative transactions consist 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.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project ("TEYDEB") with incentive and the existence of research and development center have enabled the Company to benefit from government incentives (research and development deduction, income tax stoppage incentive, social security premium support and stamp tax exemption) according to Law, no 5746, Supporting Research and Development Activities. In this context, as of December 31, 2016, the Company's expenditures within scope of R&D center amounted to TL 11.980 thousand (31 December 2015 - TL 10.430 thousand), within scope of TEYDEB amounted to TL 3.996 thousand (31 December 2015 - TL 3.814 thousand). As of December 31, 2016, TL 8.085 thousand (December 31, 2015 – TL 3.707 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, Residuuum 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 December 31, 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 31 December 2016, the Company realized revaluation gain amounting to TL 123.724 that is calculated for unused investment incentives in its financial statements. Moreover, as of December 31, 2016 within the scope of the Strategic Investment the Company offset TL 517.666 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.

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.

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21. Government grants (continued)

As of 31 December, 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:

	31 December 2016	31 December 2015
Social security withholdings incentives	30.527	21.259
Interest incentive	8.100	24.133
Research and development incentives	8.085	3.707
Total	46.712	49.099

Company received and utilized tax incentives amounting to kTL 68.447 in scope of Modernization of Batman Refinery Project, İzmir Refinery Oil Sublimation and Recycling of Flare Gas and Modernization of Kırıkkale Refinery Project in 2016.

22. Commitments and contingent assets and liabilities

	31 December 2016		31 December 2015	
	Original currency:	TL Amount:	Original currency:	TL Amount:
Guarantees received:				
Letter of guarantees received		1.679.662		2.138.941
- Letter of guarantees in TL	1.003.107	1.003.107	919.053	919.053
- Letter of guarantees in USD	160.721	565.608	374.064	1.087.627
- Letter of guarantees in EUR	27.113	100.585	37.189	118.172
- Letter of guarantees in other currencies	-	10.362	-	14.089
Guarantee notes received		14.485		24.039
- Guarantee notes in TL	14.485	14.485	24.039	24.039
Guarantee letters received		225.960		195.380
- Guarantee letters received in TL	50.000	50.000	50.000	50.000
- Guarantee letters received in USD	50.000	175.960	50.000	145.380
Total guarantees received		1.920.107		2.358.360
Guarantees given:				
Letter of credits given		672.163		305.121
- Letter of credits in USD	184.253	648.422	99.796	290.168
- Letter of credits in EUR	3.921	14.545	4.706	14.953
- Letter of credits in other currencies	-	9.196	-	-
Letter of guarantees given		796.468		459.304
- Letter of guarantees in TL	607.798	607.798	400.570	400.570
- Letter of guarantees in USD	53.612	188.670	20.200	58.734
Letters of guarantee given to customs offices		1.000.185		1.541.278
- Letter of guarantees in TL	955.666	955.666	1.503.147	1.503.147
- Letter of guarantees in EUR	12.000	44.519	12.000	38.131
Letters of guarantee given to banks		338.033		225.073
- Letter of guarantees in USD	47.577	167.433	17.474	50.807
- Letter of guarantees in EUR	45.985	170.600	54.842	174.266
Total guarantees given		2.806.849		2.530.776

As at 31 December 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 31 December 2016, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 331.726 thousand (31 December 2015- TL 219.671 thousand) and for derivative financial instruments amounting to TL 6.307 thousand (31 December 2015 – TL 5.402 thousand).

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22. Commitments and contingent assets and liabilities (continued)

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

	December 31 2016	December 31 2015
A. CPMs given for companies in the name of its own legal personality	2.468.816	2.305.703
- TL	1.563.464	1.903.717
- USD	837.092	348.902
- EUR	59.064	53.084
- Other	9.196	-
B. CPMs given on behalf of the fully consolidated companies (*)	338.033	225.073
- USD	167.433	50.807
- EUR	170.600	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	-	-
ii) Total amount of CPMs given on behalf group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C	-	-
Total	2.806.849	2.530.776

(*) A commission at an amount of TL1.117 thousand is recognized as of 31 December 2016 related to letter of guarantees given in favor of partnerships included in full consolidation (31 December 2015- TL 1.157 thousand).

Environmental pollution liability:

The Group is responsible for cleaning environmental pollution that could be caused as a result of its operations. There are no lawsuits against the Group regarding environmental matters as of date of 31 December 2016.

The environmental impact of the storage of chemical materials, environmental air quality and emission, collection and quality of waste water, garbage dump, surface and underground water and overall refinery operations have been analyzed by an expert advisor company of the Group. As a result of the evaluation regarding the expenditures to be made the Group management is of the opinion that necessary expenditures have been completed as at 31 December 2016 and 2015.

Requirement to keep the national petroleum stocks:

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

23. Equity

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

	31 December 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.

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23. Equity (continued)

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.

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

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

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under "Restricted Reserves". At 31 December 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 3.428.745 thousand as at 31 December 2016. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 10.604 thousand which are subject to corporate taxation when distributed as dividends.

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

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24. Revenue and cost of sales

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic revenue	28.850.374	29.213.323
Export revenue	6.374.481	7.802.431
Service revenue	144.914	112.307
Gross revenue	35.369.769	37.128.061
Less: Sales discounts	(496.938)	(200.140)
Less: Sales returns	(17.980)	(34.593)
Sales (net)	34.854.851	36.893.328
Cost of goods sold	(28.873.766)	(31.213.281)
Cost of trade goods sold	(2.261.176)	(1.521.539)
Cost of services	(70.682)	(32.129)
Gross profit	3.649.227	4.126.379

Cost of sales:

	1 January - 31 December 2016	1 January - 31 December 2015
Raw materials	26.369.554	29.007.982
Cost of trade goods sold	2.261.176	1.521.539
Energy expenses	991.541	973.441
Personnel expenses	521.845	465.287
Depreciation and amortization (Note 12-13)	483.789	409.849
Other production expenses	577.719	388.851
Cost of sales	31.205.624	32.766.949

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

General administrative expenses:

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	294.988	236.030
Outsourced services	83.951	61.681
Taxes and duties	82.985	81.943
Insurance expenses	79.203	76.264
Depreciation and amortization expenses (Note 12-13)	57.211	76.161
Office expenses	35.230	25.673
Lawsuit and consultancy expenses	23.353	25.869
Subscription fees	22.958	18.910
Donations	20.321	15.770
Rent expenses	7.835	10.066
Transportation and travel expenses	2.702	2.064
Other	37.543	31.027
Total general administrative expenses	748.280	661.458

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25. General administrative expenses, marketing expenses and research and development expenses (continued)

Marketing expenses:

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	78.815	65.375
Outsourced services	51.675	44.242
Carriage, storage and insurance expenses	43.414	48.776
Rent expenses	11.897	8.736
Energy expenses	8.157	2.771
Advertising expenses	3.441	1.475
Depreciation and amortisation expenses (Note 12)	3	3
Other	24.200	21.477
Total marketing expenses	221.602	192.855

Research and development expenses:

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	19.267	18.219
Lawsuit and consultancy expenses	1.340	338
Outsourced services	140	1.980
Other	4.818	2.227
Total research and development expenses	25.565	22.764

26. Other operating income/(expenses)

Other operating income/(expenses):	1 January - 31 December 2016	1 January - 31 December 2015
Credit finance gains	123.632	127.385
Provision no longer required	16.209	-
Rent income	3.497	3.080
Foreign exchange gain from trade receivables	9.147	3.651
Other	32.266	8.565
Total other operating income	184.751	142.681

Other operating expense:	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange loss from trade payables	(458.668)	(613.849)
Credit finance charges	(13.398)	(8.223)
Other	(9.176)	(18.143)
Total other operating expense	(481.242)	(640.215)

27. Income/(expense) from investment activities

	1 January - 31 December 2016	1 January - 31 December 2015
Gains/(losses) on sales of property plant and equipment and intangible assets, net	161	2.560
Total income/(expense) from investment activities	161	2.560

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28. Financial income/(expenses)

	1 January - 31 December 2016	1 January - 31 December 2015
Financial income:		
Interest income on deposits	319.513	184.133
Foreign exchange gains on deposits	709.477	419.633
Foreign exchange gains on derivative instruments	144.882	258.949
Total financial income	1.173.872	862.715
Financial expense:		
Interest expenses	(708.359)	(532.997)
Foreign exchange losses on borrowings	(976.068)	(924.395)
Foreign exchange losses on derivative instruments	(55.555)	(4.350)
Other	(6.068)	(9)
Total financial expense	(1.746.050)	(1.461.751)

29. Tax assets and liabilities

i) Corporation tax:

	31 December 2016	31 December 2015
Current period corporate tax provision	141.217	133.346
Current year tax assets	(95.928)	(4.317)
Corporation tax provision	45.289	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).

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

	2016	2015
Profit before taxation	1.944.022	2.225.372
Expected tax expense (%20)	(388.804)	(445.074)
Investment incentive income	75.140	768.376
Investment revaluation fund	123.724	-
Deductions and exemptions	58.793	57.250
Disallowable expenses and differences not subject to taxation	(85)	(41.997)
Taxation on income	(131.232)	338.555

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, Residuüm Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 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 31 December 2016, the Company realized revaluation gain amounting to TL 123.724 thousand that is calculated for unused investment incentives in its financial statements. Moreover, as of 31 December 2016 within the scope of the Strategic Investment the Company offset TL 517.666 thousand from tax base (31 December 2015 - TL 344.638 thousand).

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29. Tax assets and liabilities (continued)

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

	Cumulative temporary differences		Deferred tax asset/(liability)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	-	523.313	-	(104.663)
Fair value difference of derivative instruments	383.690	217.134	(76.738)	(43.427)
Prepaid expenses	105.400	137.557	(21.080)	(27.511)
Unearned credit finance income, (net)	5.594	-	(1.119)	-
Other	-	12.995	-	(2.599)
Deferred tax liability			(98.937)	(178.200)
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			(517.666)	(344.638)
Gains on revaluation of investment			123.724	-
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	52.144	-	10.429	-
Employment termination benefits and seniority incentive bonus provision	168.845	154.952	33.769	30.990
Impairment on inventories	-	102.114	-	20.423
Provision for unused vacation liability	42.188	39.777	8.438	7.956
Provision for impairment on spare parts	22.455	27.506	4.491	5.501
Provisions for pending claims and lawsuits	12.523	13.405	2.505	2.681
Unearned credit finance income, (net)	-	6.011	-	1.202
Financial losses	9.271	-	1.854	-
Other	9.173	-	1.836	-
Deferred tax assets			3.325.968	3.380.703
Deferred tax asset / (liability), net			3.227.031	3.202.503

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	(39.599)	471.901
Charge to equity:		
- Hedging cash flow gains/(losses)	151.540	127.034
- Actuarial gains/(losses) arising from defined benefit plans	827	(1.782)
Tax effect of adjustments to previous years	-	(17.784)
Investment incentive income net-offed	(88.240)	-
31 December	3.227.031	3.202.503

30. Profit for shares

	1 January - 31 December 2016	1 January - 31 December 2015
Profit for the year attributable to shareholders of the company	1.793.267	2.550.168
Weighted average number of shares with nominal value of kr. 1 each	25.041.920.000	25.041.920.000
Basic and diluted earnings per share in kr	7,16	10,18

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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 (Koç Group Companies)

a) Deposits:

	31 December 2016	31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	3.118.492	1.287.266
Total	3.118.492	1.287.266

b) Due from related parties:

	31 December 2016	31 December 2015
Opet Petrolcülük A.Ş. (1)	382.580	309.098
THY OPET Havacılık Yakıtları A.Ş. (1)	299.357	274.819
Aygaz A.Ş. (2)	65.483	70.583
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	4.396	4.162
Other (2)	8	11
Total	751.824	658.673

As of December 31, 2016, Tüpraş has offset TL 250.000 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:

	31 December 2016	31 December 2015
Aygaz A.Ş. (2)	21.635	17.112
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	12.800	5.559
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	11.901	648
Koç Sistem Bilgi ve İletişim A.Ş. (2)	10.260	10.667
Ark İnşaat A.Ş. (2)	9.393	12.656
Opet Petrolcülük A.Ş. (1)	7.275	5.275
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	5.723	984
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	2.510	2.325
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	-	3.510
Setur Servis Turistik A.Ş. (2)	276	536
Other (2)	6.244	3.532
Total	88.017	62.804

d) Other payables:

	31 December 2016	31 December 2015
Koç Holding A.Ş. (3)	18.546	17.469
Total	18.546	17.469

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31. Related party transactions (continued)**e) Advances given for property, plant and equipment:**

	31 December 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)	5.013	6
Total	37.454	17.963

f) Product and service sales:

	1 January - 31 December 2016	1 January - 31 December 2015
THY OPET Havacılık Yakıtları A.Ş. (1)	3.774.871	4.698.599
Opet Petrolcülük A.Ş. (1)	3.766.503	3.321.907
Aygaz A.Ş. (2)	314.557	344.503
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	24.532	28.301
Other (2)	4	447
Total	7.880.467	8.393.757

g) Product and service purchases:

	1 January - 31 December 2016	1 January - 31 December 2015
Aygaz A.Ş. (2)	434.665	416.823
Opet Petrolcülük A.Ş. (1)	151.559	92.078
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (*)	80.837	90.581
THY OPET Havacılık Yakıtları A.Ş. (1)	61.923	77.881
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	60.927	50.022
Koç Holding A.Ş. (3) (**)	44.683	32.153
Koç Sistem Bilgi ve İletişim A.Ş. (2)	30.779	28.400
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	24.560	22.843
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	8.458	8.254
Other (2)	20.483	19.101
Total	918.874	838.136

(*) Includes paid and accrued insurance premiums in the periods ended 31 December 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.

(**) 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.

h) Fixed asset purchases:

	1 January - 31 December 2016	1 January - 31 December 2015
Ark İnşaat A.Ş. (2)	83.396	83.804
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	18.000	97.127
Koç Sistem Bilgi ve İletişim A.Ş. (2)	1.837	4.366
Entek Elektrik Üretim A.Ş. (2)	-	27.412
Other (2)	2.410	5.777
Total	105.643	218.486

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31. Related party transactions (continued)

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 61.239 thousand as of period ending on 31 December 2016 (31 December 2015 – TL 50.755 thousand). TL 17.200 thousand of this amount is related to severance payments and the rest of amount consists of short term benefits (31 December 2015 – TL 13.326 thousand).

j) Financial expenses paid to related parties:

	1 January - 31 December 2016	1 January - 31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	-	5.454
Yapı Kredi Faktoring A.Ş. (2)	1.361	2.657
Total	1.361	8.111

k) Time deposit interest income:

	1 January - 31 December 2016	1 January - 31 December 2015
Yapı ve Kredi Bankası A.Ş. (2)	143.456	105.981
Total	143.456	105.981

l) Donations:

As of 31 December 2016, total donation is amounting to TL 15.793 thousand (31 December 2015- TL 14.418 thousand).

32. Financial instruments and financial risk management

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

Liquidity risk:

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

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

The table below demonstrates the Group's future cash outflows due to financial liabilities as at 31 December 2016 and 2015. The amounts demonstrated are undiscounted cash flows on agreements and the Group manages its liquidity risk by taking into account its expected undiscounted cash flows.

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32. Financial instruments and financial risk management (continued)

31 December 2016

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Total liabilities (non derivative)	22.586.814	23.727.085	11.052.961	1.716.245	9.192.715	1.765.164
Financial liabilities	9.445.361	10.439.150	382.280	1.614.628	6.677.078	1.765.164
Bonds & notes issued	2.688.904	2.824.640	208.775	101.617	2.514.248	-
Trade payables	6.987.843	6.998.589	6.998.589	-	-	-
Other liabilities	3.464.706	3.464.706	3.463.317	-	1.389	-
Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments (net)	372.377	235.948	402	(28.178)	240.950	22.774
Derivative cash inflows	403.613	1.707.376	353.698	192.153	1.054.956	106.569
Derivative cash outflows	31.236	1.471.428	353.296	220.331	814.006	83.795
31 December 2015						
Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Non-derivate financial liabilities	16.610.450	17.658.865	6.989.072	1.911.863	6.949.607	1.808.323
Financial liabilities	7.661.613	8.494.709	289.289	1.819.131	4.577.966	1.808.323
Bonds & notes issued	2.257.807	2.471.537	8.775	92.732	2.370.030	-
Trade payables	3.878.036	3.879.625	3.879.625	-	-	-
Other liabilities	2.812.994	2.812.994	2.811.383	-	1.611	-
Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments (net)	201.249	(69.131)	226	(60.108)	(2.455)	(6.794)
Derivative cash inflows	268.872	1.135.704	1.436	108.937	890.913	134.418
Derivative cash outflows	67.623	1.204.835	1.210	169.045	893.368	141.212

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

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32. Financial instruments and financial risk management (continued)

Credit risk:

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

Major portion of Tüpraş's customers are composed of financially strong companies or government entities. As at 31 December 2016 and 2015, trade receivables from the top 5 customers of the Group constitute 71% and 57% of total receivables, respectively. When these factors are considered together with the insignificant historical default experience for the Group's receivables, the Group management considers the credit risk as low. The Group uses the same risk management principles for the management of financial assets. Investments are made to highly liquid instruments and the banks that the Group deposits its cash and cash equivalents in are selected among the financially strong institutions. As the Group did not have any uncollected, past due, impaired or renegotiated bank deposits, the Group believes that it does not have any impairment risk related to bank deposits.

Credit risks of the Group for each financial instrument type as at 31 December 2016 and 2015 are as follows:

31 December 2016

	Receivables						
	Trade Receivables		Other Receivables		Bank deposits	Derivative instruments	Other
	Related parties	Third parties	Related parties	Third parties			
Maximum exposed credit risk as of reporting date	751.824	2.428.458	-	25.626	6.050.721	403.613	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	651.954	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	751.824	2.363.541	-	25.626	6.050.721	403.613	-
B. Net book value of overdue but not impaired financial assets	-	64.917	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	2.676	-	304	-	-	-
- Impairment (-)	-	(2.676)	-	(304)	-	-	-
- Secured portion of the net value by guarantees, etc.*	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

31 December 2015

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

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32. Financial instruments and financial risk management (continued)

31 December 2016	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue (1-30 days)	36.307	-	-	-	-
Overdue (1-3 months)	26.078	-	-	-	-
Overdue (3-12 months)	2.532	-	-	-	-
Overdue (1-5 years)	-	-	-	-	-
Overdue (+5 years)	-	-	-	-	-
31 December 2015	Receivables		Bank deposits	Derivative instruments	Other
	Trade receivables	Other receivables			
Overdue (1-30 days)	7.770	-	-	-	-
Overdue (1-3 months)	1.584	-	-	-	-
Overdue (3-12 months)	403	-	-	-	-
Overdue (1-5 years)	-	-	-	-	-
Overdue (+5 years)	-	-	-	-	-

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

Market risk:

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

Commodity price risk

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

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

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

Interest rate risk

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

The Group's interest rate position as at 31 December 2016 and 2015 is demonstrated below:

	31 December 2016	31 December 2015
Financial instruments with fixed interest rate		
Financial assets		
Time deposits	6.044.576	2.980.010
Financial liabilities	5.554.764	5.387.579
Financial instruments with floating interest rate		
Financial liabilities (*)	6.579.501	4.531.841

(*) As of December 31 2016, there is total interest rate swap amounting and cross currency interest rate swap transaction amounting to USD 617.647 thousand classified as hedging entered for borrowings with floating rate for Tüpraş' Residuum Upgrading Project (December 31 2015- USD 705.882 thousand). Additionally, Ditaş has interest rate swap transaction at an amount of EUR 44.285 thousand classified as hedging in scope of floating rate loans received for tankers of Kartal and Maltepe (31 December 2015 – EUR 53.142 thousand) (Note 20).

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32. Financial instruments and financial risk management (continued)

As at 31 December 2016, had the interest rate for borrowings denominated in USD strengthened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 7.879 thousand lower/higher (31 December 2015 - TL 5.490 thousand). As at 31 December 2016, had the interest rate for borrowings denominated in EURO strengthened/weakened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 2.823 thousand lower/ higher (31 December 2015 - TL 62 thousand). As of December 31, 2016 and 2015, there is no interest rate risk for TL bank loans.

Expected repricing and maturity dates do not differ from the contract dates excluding borrowings; therefore no additional table is presented.

The maturity groupings of borrowings at 31 December 2016 and 2015 based on their contractual repricing dates are disclosed in Note 5.

Foreign exchange risk

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

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

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

	31 December 2016		31 December 2015	
	TL Amount	USD Amount equivalent ^(*)	TL Amount	USD Amount equivalent
Assets	4.496.441	1.277.688	2.144.050	737.395
Liabilities	(14.585.609)	(4.144.581)	(10.446.529)	(3.592.836)
Net balance sheet foreign currency position	(10.089.168)	(2.866.892)	(8.302.479)	(2.855.441)
Net foreign currency position of derivative financial instruments ^(**)	6.440.757	1.830.176	5.825.564	2.003.564
Net balance sheet foreign currency position after derivatives instruments	(3.684.411)	(1.036.716)	(2.476.915)	(851.876)
Inventory scope in natural hedge ^(***)	3.477.413	988.126	1.962.440	674.935
Net foreign currency position after natural hedge	(170.998)	(48.590)	(514.475)	(176.971)

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

^(**) The Group has identified its investment credits amounting to kUSD 1.457.823 (kTL 5.130.371) as hedging instruments against USD/TL spot exchange rate exposed as a result of forecast export proceeds having a high probability of realization and cash flow hedging is applied in this scope (December 31, 2015 – kUSD 1.709.447 (4.970.388 thousand TL) exchange difference income/expenses of investment credits are recognized in "Hedging gains/(losses)" account under shareholder's equity until cash flows of the item which is included in related hedging are realized. The aforementioned amount is included in off-balance derivative instruments net foreign position.

^(***) The Group classifies its foreign exchange risk sourcing from net foreign currency financial liabilities and trade payables through reflecting exchange rate changes to sales prices of products. The amount of total crude oil and oil product stocks owned by the Group is kTL 3.477.413 as of December 31, 2016 (December 31, 2015 – kTL 1.962.440) (Note 8).

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32. Financial instruments and financial risk management (continued)

	Foreign currency position table				
	31 December 2016		31 December 2015		
	TL equivalent (In terms of functional currency)		TL equivalent (In terms of functional currency)		
	USD	EUR	GBP	Other	
Trade receivables	257.339	-	-	-	EUR
Monetary financial assets (including cash, banks)	4.085.609	270.883	114	-	USD
Other	3.780	-	-	-	10.757
					539.810
					153.793
					87
					16
Current assets	4.346.728	270.883	114	-	9.192
					704.360
					45
Monetary financial assets	4.745	-	-	-	-
Other	144.968	13.309	-	-	66.653
					1.649
					18.347
					-
Non-current assets	149.713	13.309	-	-	18.347
					27.539
Total assets	4.496.441	284.192	114	-	45
					3.558
Trade payables	3.841.321	27.213	1.043	17.189	2.628.025
Financial liabilities	1.243.661	18.418	-	-	881.949
Other monetary liabilities	257.008	243	-	-	331.037
					15.389
					5.023
Current liabilities	5.341.990	45.874	1.043	17.189	3.648.522
					1.218.009
					33.128
					1
Financial liabilities	9.241.837	296.011	-	-	6.790.725
Other monetary liabilities	1.782	480	-	-	2.285.919
					7.282
					1.939
Non-current liabilities	9.243.619	296.491	-	-	6.798.007
					2.287.858
					45.893
Total liabilities	14.585.609	342.365	1.043	17.189	10.446.529
					3.505.867
					79.021
					1
					1.766
Net asset/(liability) position of off-balance sheet foreign currency derivatives	6.440.757	1.830.176	-	-	5.825.564
Total amount of off-balance sheet derivative financial assets	6.440.757	1.830.176	-	-	5.825.564
Total amount of off-balance sheet derivative financial liabilities	-	-	-	-	-
Net foreign currency asset/(liability) position	(3.648.411)	(969.368)	(929)	(17.189)	(2.476.915)
					(796.294)
					(51.482)
Net monetary foreign currency asset/(liability) position	(10.237.916)	(2.827.781)	(929)	(17.189)	(8.816.646)
					(2.955.300)
					(69.916)
Fair value of derivative instruments	373.700	106.189	-	-	227.882
					78.375

The group has net foreign exchange deficit amounting to TL 170.988 thousand (31 December 2015 – TL 514.475 thousand), excluding the related natural hedge amount.

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32. Financial instruments and financial risk management (continued)

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

Statement of foreign currency risk sensitivity				
31 December 2016				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(995.153)	995.153	(513.037)	513.037
Amount hedged for USD risk (-)	644.076	(644.076)	-	-
USD net effect	(351.077)	351.077	(513.037)	513.037
10% change in EUR rate:				
Euro net assets/ liabilities	(26.519)	26.519	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(26.519)	26.519	-	-
TOTAL	(377.596)	377.596	(513.037)	513.037
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.

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32. Financial instruments and financial risk management (continued)**Export and import**

	1 January - 31 December 2016	1 January - 31 December 2015
Export		
USD (equivalent of thousand TL)	6.374.428	7.802.267
Total	6.374.428	7.802.267
Import		
USD (equivalent of thousand TL)	26.456.318	27.317.980
Total	26.456.318	27.317.980

Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The gearing ratios as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Total financial liabilities (Note 5)	12.134.265	9.919.420
Less: Cash and cash equivalents (Note 4)	(6.050.721)	(3.027.546)
Net financial liabilities	6.083.544	6.891.874
Total shareholders' equity	8.167.033	8.368.449
Total capital invested	14.250.577	15.260.323
Gearing ratio	42,69%	45,16%

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32. Financial instruments and financial risk management (continued)

Fair value of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

Fair value hierarchy table:

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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Fair value hierarchy table as at 31 December 2016 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Derivative financial assets	-	403.613	.-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	31.236	-

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

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

33. Subsequent events

None.

GLOSSARY

GLOSSARY OF TERMS

	TURKISH	ENGLISH
APC	İleri Proses Kontrolü	Advanced Process Control
API	Amerikan Petrol Enstitüsü (API) tarafından çıkarılan ve özgül ağırlığa bağlı API gravite tanımı, petrolün sınıflandırılması için kullanılır.	The American Petroleum Institute gravity, or API gravity, is a measure of how heavy or light petroleum liquid is compared to water.
ASRFO	Atmosferik Straight Run Fuel Oil	Atmospheric Straight Run Fuel Oil
ASTM	Uluslararası Standartlar	American Society for Testing and Materials
BAT	Mevcut teknoloji	Best Available Technology
CCR REFORMER	Katalist Rejenerasyonlu Reformer	Continuous Catalytic Regeneration Reformer
CDU	Ham Petrol Distilasyon Ünitesi	Crude Distillation Unit
CIF	İthalatta, mal fiyatının üzerine sigorta ve navlun giderlerinin de eklendiği bir alım-satım şekli	Cost, Insurance & Freight
ÇED	Çevresel Etki Değerlendirmesi	Environmental Impact Assessment
DCS	Kontrol Sistemi	Distributed Control System
DECOKER	Koklaştırma Ünitesi	Delayed Coker
DSS	Sürdürülebilir Çözümler	Dupont Sustainable Solutions
DWT	Uluslararası Denizcilik Ticaretinde ve Denizcilik Endüstrisinde kullanılan ağırlık birimi	Deadweight Tonnage
DYS	Değişiklik Yönetim Sistemi	Change Management System
EBH	Kaynayan Yataklı Hidrokraker	Ebullated Bed Hydrocracker
EFQM	Avrupa Kalite Yönetimi Vakfı	European Foundation for Quality Management
EII	Enerji Yoğunluğu indeksi	Energy Intensity Index
ENVER	Enerji Verimliliği	Energy Efficiency
EPDK	Enerji Piyasası Düzenleme Kurumu	Energy Market Regulatory Authority
ESD	Elektrostatik Deşarj	Electrostatic Discharge
EUREKA	Avrupa Araştırma Koordinasyon Ajansı	European Research Coordination Agency
EURO 3	Euro Emisyon Standardı (Maks. Kükürt 350ppm)	Euro Emission Standard (Max. Sulphur 350ppm)
EURO 4	Euro Emisyon Standardı (Maks. Kükürt 50ppm)	Euro Emission Standard (Max. Sulphur 50ppm)
EURO 5	Euro Emisyon Standardı (Maks. Kükürt 10ppm)	Euro Emission Standard (Max. Sulphur 10ppm)
FAVÖK	Faiz, Amortisman Vergi Öncesi Kâr	EBITDA
FCC	Ağır hidrokarbon petrol fraksiyonlarını benzin, kompenatlarına dönüştüren ünite	Fluid Catalytic Cracking Unit
Fed	ABD Merkez Bankası	Federal Reserve Bank
FOB	Tedarikçinin malzemeyi nakliye yapacağı geminin güvertesine taşıyana kadar olan sorumluluğu olan mal teslim şekli	Free On Board
FP7	Avrupa Birliği'nde çok uluslu araştırma ve teknoloji geliştirme projelerinin desteklendiği başlıca Topluluk Programları'dır.	The Seventh Framework Program
GDR	Küresel Saklama Sertifikası	Global Depositary Receipt
GMB	Güvenlik Merkezli Bakım	Security Centered Maintenance
GTL/CTL	Gazdan Sıvı, Kömürden Sıvı	Gas To Liquid, Coal to Liquid
HAY	Hata Ayıklama Yöntemi	Debugging Method
HAZOP	Tehlike ve İşletilebilirlik Çalışması Metodu	Hazard and Operability Study
HDS	Kükürt Giderme	Hydro Desulphurisation
HORİZON	AB Araştırma ve Yenilikçi Çerçeve Programı	EU Research and Innovation Framework Program
HRSG	Isı recovery buhar jeneratörü	Heat recovery steam generator
HSRN	Ağır Nafta	Heavy Straight-Run Naphtha
HVGO	Vakum distilasyon ünitesinden elde edilen HVGO, dönüşüm ünitelerinde daha değerli beyaz ürünlere çevrilir.	Heavy Vacuum Gas Oil
HYDROKRAKER	Rafineri Dönüşüm Ünitesi	Hydrocracker-Conversion Unit
IEA, UEA	Uluslar Arası Enerji Ajansı	International Energy Agency
IOPC	Uluslararası Petrol Kirliliği Tazminat Fonu	International Oil Pollution Compensation Funds
ISM	Uluslararası Emniyetli Yönetim	International Safety Management

	TURKISH	ENGLISH
ISPS	Uluslararası Gemi ve Liman Güvenlik Kuralları	International Ship and Port Security Rules
İTA	İş Tehlike Analizleri	Job Hazard Analysis
KBS	Kazan Besleme Suyu	Boiler Feed Water
KKO	Kapasite Kullanım Oranı	Capacity Utilization Rate
KOK	Kalıcı Organik Kirlenimler	Persistent Organic Pollutants
KPI	Temel Performans Göstergeleri	Key Performance Indicators
LCGO	Light Cycle Gas Oil	Light Cycle Gas Oil
LCGO/HCGO	Hafif / Ağır Dizel	Light/ Heavy Gas Oil
LSRN	Hafif Nafta	Light Straight Run Naphtha
ME	Mekanik Emre Amadelik	Mechanical Availabilities
MTBE	Benzinin oktanını artırmak ve aromatik miktarını düşürmek amacıyla kullanılan yüksek oktanlı hidrokarbon.	Methyl tertiary-butyl ether
NELSON COMPLEXITY	Beyaz Ürün Üretebilme Kapasitesi	White product yield ability
OCIMF	Petrol Şirketlerinin Uluslararası Denizcilik Forumu	The Oil Companies International Marine Forum
OEA	Operasyonel Emre Amadelik	Operational Availabilities
OSAR	Olay Sınıflandırma, Araştırma ve Raporlama	Event Classification, Research and Reporting
PCT	Uluslararası Patent Koruması	International Patent Protection
PETDER	Petrol Sanayi Derneği	Petroleum Industry Association
POX	Kısmi Oksidasyon Ünitesi	Partial Oxidation
PPM	Bir kilogram yakıtta mg cinsinden kükürt miktarını gösterir.	Parts Per Million
PT	Penetrant Test	Penetrant Test
QDMS	Tüpraş Kalite Yönetim ve Doküman Sistemi	Quality Documentation Management System
RAYEP	Rafinerici Yetiştirme Programı	Refining Training Program
RBI	Risk Tabanlı Teknik Kontrol	Technical Risk Control
RDT	Risk Değerlendirme Tablosu	Risk Evaluation Chart (REC)
RGY	Risk ve Güvenirlilik Yönetimi	Risk and Reliability Management
RON	Oktan sayısı, benzinin kalitesini gösteren parametre olup motordaki vuruntunun ölçümü	Research Octane Number
RTK	Risk Tabanlı Kontrol	Risk -Based Control
RUP	Fuel Oil Dönüşüm Ünitesi	Residuum Upgrading
SDA	Çözücü Yardımıyla Asfalt Ayırma Ünitesi	Solvent Deasphalting Unit
SEÇ	Sağlık, Emniyet ve Çevre	HSE
SEÇ-K	Sağlık, Emniyet, Çevre ve Kalite	Health, Safety, Environment and Quality
SEVESO-II	Büyük Endüstriyel Kazaların Önlenmesi ve Etkilerinin Azaltılması Hakkında Yönetmelik	Prevention of Major Industrial Accidents and Mitigation of Impacts on Regulation
SMR	Hidrojen Üretim Ünitesi	Stream Methane Reformer
SRD	Sağlık Risk Değerlendirmesi	Health Risk Assessment
TAEK	Türkiye Atom Enerji Kurumu	Turkey Atomic Energy Agency
TEYDEB	Teknolojik ve Destek Programları Başkanlığı	Technological and Support Programs Department
TEYS	Tehlike ve etkilerin yönetim süreci	Management process of the dangers and effects
TMSA 2	Petrol Tankeri Yönetimi ve Değerlendirmesi 2	Tanker Management Self Assessment 2
TPE	Ton Petrol Eşdeğeri	Tons Petroleum Equivalent
TPP	Termal Power Plant	Thermal Power Plant
TÜRKAK	Türk Akreditasyon Kurumu	Turkish Accreditation Agency
VAP	Verimlilik Artırıcı Proje	Efficiency Enhancement Project
VDU	Vakum Destilasyon Ünitesi	Vacuum Distillation Unit
VGO	Vakum Dizel	Vacuum Gasoil
VLCC	Çok Büyük Ham Petrol Gemisi	Very Large Crude Carrier
VOC	Uçucu Organik Bileşenler	Volatile Organic Compounds
WTI	Amerikan Referans Ham Petrolü	West Texas Intermediate

GLOSSARY

GLOSSARY OF UNITS

	TURKISH	ENGLISH
m ³	Metreküp	Cubic Meter
MW	Megavat	Megawatt
KG	Kilogram	Kilogram
GRT	Gros tonaj	Gross Tonnage
M/T	Milyon Tonaj	Million Tonnes
KW	Kilovat	Kilowatt
KWh	Kilovatsaat	Kilowatt Hour
m ²	Metrekare	Square Meter
CO ₂	Karbondiyoksit	Carbon Dioxide
GCAL	Giga kalori	Gcal
Ton CO ₂ e	Ton Karbondiyoksit Eşleniği	Ton Carbon Dioxide Equivalent
TJ	Terajoule	Terajoule
MJ	Megajoule	Megajoule
j	Joule	Joule
Mt	Milyon Ton	Million Ton
t	Ton	Ton
bpd	Bir Günde Üretilen Petrol Varil Sayısı	Barrel per Day
MtOE	Milyon Ton Petrol Eşdeğeri	Million Ton of Oil Equivalent
mmcf	Milyon Küp Feet	Million Cubic Feet
g/l	Gram/Litre	Gram/Litre
ppm	Milyon Başına Düşen Parça Sayısı	Number of Parts per Million
N	Newton	Newton

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