CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

1 JANUARY - 31 DECEMBER 2017 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Current assets		**20,366,024**	**13,667,060**
Cash and cash equivalents	4	8,802,069	6,050,721
Trade receivables	6	5,027,033	3,180,282
Due from related parties	6, 31	1,399,601	751,824
Trade receivables from third parties		3,627,432	2,428,458
Other receivables	7	84,267	25,626
Other receivables from third parties		84267	25,626
Derivative Instruments	20	346,909	34,731
Inventories	8	5,291,090	3,608,439
Prepaid expenses	14	62,397	97,903
Current income tax assets	29	-	95,928
Other current assets	5	752,259	573,430
Non-current assets		**17,796,955**	**17,551,120**
Financial investments	9	9,000	4,000
Investments accounted for using the equity method	10	1,134,364	923,994
Investment properties	11	4,621	4,621
Property, plant and equipment	12	12,303,437	11,741,476
Intangible assets	13	65,187	55,106
Other intangible assets		65,187	55,106
Derivative instruments	20	100,560	368,882
Prepaid expenses	14	99,276	238,352
Deferred tax assets	29	3,067,871	3,227,031
Other non-current assets	15	1,012,639	987,658
Total assets		**38,162,979**	**31,218,180**

The condensed interim consolidated financial statements for the period ended 31 December 2017 have been approved by the Board of Directors on 14 February 2018.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	Audited 31 December 2017	Audited 31 December 2016
LIABILITIES			
Current liabilities		**17,675,669**	**12,660,262**
Short-term financial liabilities	5	340,875	385,524
Current portion of long term financial liabilities	5	4,932,839	1,572,434
Trade payables	6	8,213,166	6,987,843
Due to related parties	6, 31	115,456	88,017
Trade payables, third parties		8,097,710	6,899,826
Liabilities for employee benefits	18	119,833	92,442
Other payables	19	36,797	27,953
Due to related parties	19, 31	23,463	18,546
Other payables to third parties		13,334	9,407
Derivative instruments	20	177,137	29,454
Deferred income	16	20,428	15,417
Current income tax liabilities	29	21,296	141,217
Provisions	17	89,924	65,056
Provisions for employee benefits		12,629	13,571
Other provisions		77,295	51,485
Other current liabilities	15	3,723,374	3,342,922
Non-current liabilities		**10,009,649**	**10,390,885**
Long-term financial liabilities	5	9,777,270	10,176,307
Provisions	17	223,734	207,415
Provisions for employee benefits		223,734	207,415
Deferred income	16	4,112	3,992
Derivative Instruments	20	3,364	1,782
Other non-current liabilities	15	1,169	1,389
Non-current liabilities		**27,685,318**	**10,390,885**
Equity		**10,477,661**	**8,167,033**
Share capital	23	250,419	250,419
Adjustment to share capital	23	1,344,243	1,344,243
Share premiums/discounts		-	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		(3,361)	(7,986)
Gains/ losses on revaluation and remeasurement		(2,211)	(6,124)
Actuarial gain/(loss) arising from defined benefit plans		(2,211)	(6,124)
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		(1,150)	(1,862)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(960,973)	(986,870)
Hedging gains/(losses)		(1,141,847)	(1,132,725)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		180,874	145,855
Restricted reserves	23	279,668	331,337
Retained earnings		5,651,805	5,363,804
Net income		3,811,546	1,793,267
Total equity attributable to equity holders of the parent		**10,373,347**	**8,088,386**
Non-controlling interests		**104,314**	**78,647**
Total equity and liabilities		**38,162,979**	**31,218,180**

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Revenue	24	53,948,110	34,854,851
Cost of sales	24	(47,734,212)	(31,205,624)
Gross profit		**6,213,898**	**3,649,227**
General administrative expenses	25	(865,401)	(748,280)
Marketing, selling and distribution expenses	25	(268,889)	(221,602)
Research and development expenses	25	(15,950)	(25,565)
Other operating income	26	261,261	184,751
Other operating expenses	26	(467,460)	(481,242)
Operating profit/(loss)		**4,857,459**	**2,357,289**
Income from investment activities	27	-	161
Expense from investment activities	27	(10,199)	-
Income/(loss) from investments accounted by equity method	10	244,639	158,750
Operating profit before financial income/(expense)		**5,091,899**	**2,516,200**
Financial income	28	1,162,799	1,344,302
Financial expense(-)	28	(1,780,660)	(1,916,480)
Profit before tax from continued operations		**4,474,038**	**1,944,022**
Tax income/(expense)		**(633,482)**	**(131,232)**
Taxes on income (-)		(464,902)	(91,633)
Deferred tax income/ (expense)	29	(168,580)	(39,599)
Net income from continued operations		**3,840,556**	**1,812,790**
Other comprehensive income:			
Items not to be reclassified to profit or loss		4,668	(4,364)
Actuarial gain/(loss) arising from defined benefit plans		4,941	(4,180)
Share of other comprehensive income accounted for investment using equity method that will be not reclassified to profit or loss		712	(1,011)
Actuarial gain/(loss) arising from defined benefit plans accounted for investment using equity method		712	(1,011)
Tax effect of other comprehensive income/(loss) not to be reclassified to profit or loss		(985)	827
Deferred tax income/(expense)		(985)	827
Items to be reclassified to profit or loss		**22,511**	**(580,386)**
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		35,019	46,038
Actuarial gain/(loss) of revaluation or classification of investments using equity method		32,218	40,402
Gain/(loss) from translation of foreign currency of investments using equity method		2,801	5,636
Income/(expense) relating to avoidance of risk of cash flow		(22,913)	(777,964)
Income/(loss) of avoidance of risk cash flow		(22,913)	(777,964)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		10,405	151,540
Deferred tax income/(expense)		10,405	151,540
Other comprehensive income/(expense)		**27,179**	**(584,750)**
Total comprehensive income		**3,867,735**	**1,228,040**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THEPERIOD ENDED 31 DECEMBER 2017

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Distribution of income for the period:			
Non-controlling interests		29,010	19,523
Attributable to equity holders of the parent		3,811,546	1,793,267
Distribution of total comprehensive income			
Non-controlling interests		25,667	15,307
Attributable to equity holders of the parent		3,842,068	1,212,664
Earnings (loss) per share from continued operations			
Earnings per share with nominal value Kr1 each (Kr)		15.22	7.16

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY PERIOD ENDED 31 DECEMBER 2017

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

				Accumulated other Comprehensive income/(expense)not to be reclassified to profit or loss	Accumulated other comprehensive income/(expense) to be reclassified to profit or loss				Retained earnings				
				Gains/(losses) on revaluation and remeasurement	Hedge gains/ (losses)								
	Share capital	**Adjustment to share capital**	**Share premiums (discounts)**	**Actuarial gains/ (losses) arising from defined benefit plans**	**Cashflow hedge gains/(losses)**	**Currency translation differences**	**Share of other comprehensive income of investments accounted using equity method which will be to profit loss**	**Restricted reserves**	**Retained earnings**	**Net Income/ expense**	**Equity holders of the parent**	**Non-controlling interest**	**Total equity**
1 January 2016 ,368,449	**250,419**	**1,344,243**	**172**	**(2,771)**	**(851)**	**(510,448)**	**99,817**	**163,401**	**4,410,959**	**2,550,168**	**8,305,109**	**63,340**	**8**
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	-	-	-	(3,353)	(1,011)	(622,277)	46,038	-	-	-	(580,603)	(4,216)	(584,819)
Total comprehensive income	-	-	-	(3,353)	(1,011)	(622,277)	46,038	-	-	1,793,267	1,212,664	15,307	1,227,971
31 December 2016	**250,419**	**1,344,243**	**172**	**(6,124)**	**(1,862)**	**(1,132,725)**	**145,855**	**331,337**	**5,363,804**	**1,793,267**	**8,088,386**	**78,647**	**8,167,033**
1 January 2017	**250,419**	**1,344,243**	**172**	**(6,124)**	**(1,862)**	**(1,132,725)**	**145,855**	**331,337**	**5,363,804**	**1,793,267**	**8,088,386**	**78,647**	**8,167,033**
Transfers	-	-	-	-	-	-	-	-	**1,793,267**	**(1,793,267)**	-	-	-
Dividends paid	-	-	(172)	-	-	-	-	(51,669)	(1,505,266)	-	(1,557,107)	-	(1,557,107)
- Net profit for period	-	-	-	-	-	-	-	-	-	3,811,546	3,811,546	29,010	3,840,556
- Other comprehensive income	-	-	-	3,913	712	(9,122)	35,019	-	-	-	30,522	(3,343)	27,179
Total comprehensive income	-	-	-	3,913	712	(9,122)	35,019	-	-	3,811,546	3,842,068-	25,667	3,867,735
31 December 2017	**250,419**	**1,344,243**	**-**	**(2,211)**	**(1,150)**	**(1,141,847)**	**180,874**	**279,668**	**5,651,805**	**3,811,546**	**10,373,347**	**104,314**	**10,477,661**

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2017

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

	Notes	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Cash flows from operating activities		**3,327,294**	**4,882,222**
Profit/(loss)		**3,840,556**	1,812,790
Adjustment for reconciliation of profit/(loss)		**2,191,943**	1,462,081
Adjustment for depreciation and amortisation expense	12, 13	573,640	541,003
Adjustments for stock impairment(cancelation)		1,246	(102,114)
Adjustments for stock impairment	8	1,246	(102,114)
- Adjustment for provisions	17	110,198	57,558
- Adjustment for interest (income) and expense	28	160,195	382,692
- Adjustment for unrealized foreign currency translation differences	28	(461,105)	(709,477)
- Adjustment for fair value (gain) or loss		317,194	151,281
- Adjustment for income of investments accounted by equity method	10	(244,639)	(158,750)
- Adjustment for tax expenses(income)		633,482	131,232
- Adjustment for (gain)/loss on sales of property, plant and equipment	27	10,199	(161)
- Adjustment for other items related with cash flow of investment or financial activities	28	1,033,591	1,148,940
- Other adjustments for reconciliation of profit/(loss)		57,942	19,877
Changes in working capital		**(2,152,135)**	1,551,930
Adjustment for decrease/(increase) in trade receivables		(1,873,499)	(638,101)
Adjustment for decrease/(increase) in other receivables related with operations		(148,602)	177,405
Adjustment for decrease/(increase) derivative assets		(43,856)	(134,741)
Adjustment for decrease/(increase) in inventories		(1,683,897)	(1,404,164)
Adjustment for increase/(decrease) in trade payables		(1,222,948)	3,136,433
Adjustment for increase/(decrease) in other payables related with operations		225,506	451,485
Adjustment for decrease/(increase) derivative liabilities		149,265	(36,387)
Cash flows from operating activities		**3,880,364**	4,826,801
Tax returns/(payments)		(488,895)	(136,717)
Other cash inflow/(outflow)		(64,175)	192,138
Cash flows from investing activities		**(1,030,148)**	(841,751)
Cash outflows in subsidiaries regarding additional share purchases		(5,000)	-
Cash inflows from the sales of property, plant and equipment and intangible assets		4,802	1,650
Cash outflows from the purchase of property, plant and equipment and intangible assets		(1,099,950)	(885,401)
Dividends received	10	70,000	42,000
Cash flows from financing activities		**(187,918)**	(1,926,714)
Cash inflows from financial liabilities	5	43,859,854	36,558,822
Cash outflows from financial liabilities	5	(42,051,025)	(36,319,660)
Cash inflows from derivative instruments		180,446	93,297
Cash outflows from derivative instruments		(503,357)	(241,989)
Dividends paid		(1,557,107)	(1,627,725)
Interest paid		(673,139)	(687,398)
Interest received		556,410	297,939
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		**2,109,228**	2,113,757
Impact of foreign currency translation differences on cash and cash equivalents		**461,105**	709,477
Net increase/(decrease) in cash and cash equivalents		**2,570,333**	2,823,234
Cash and cash equivalents at beginning of period	4	**5,022,402**	2,199,168
Cash and cash equivalents at end of period	4	**7,592,735**	5,022,402

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

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

1. Organization and nature of operations of the Group

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

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

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

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

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

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

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

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

The Company is registered at the Capital Markets Board ("CMB") of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. ("BIST") (previously known as Istanbul Stock Exchange ("ISE")) since 1991. As at 31 December 2017, the shares quoted on the BIST are 49% of the total shares. As of 30 June 2017, the principal shareholders and their respective shareholdings in the Company are as follows (Note 23):

	%
Enerji Yatırımları A.Ş.	51.00
Publicly held	49.00
	100.00

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

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

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

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

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

(*) Körfez, a subsidiary of the Group, has not been included in the scope of consolidation in the condensed interim consolidated financial statements for the period ended 30 June 2017 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 2017 total assets of Körfez is TRY11,921 thousand and net period loss of Körfez is TRY4,743 thousand.

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

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

The total number of employees of the Group as at 31 December 2017 is 5,499 (31 December 2016: 5,296).

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

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

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

In accordance with the Turkish Accounting Standard No: 34 Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2016.

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

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 December 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

2.1. Basis of presentation (Continued)

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

a) Standards, amendments and interpretations applicable as at 30 June 2017

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruements measured at fair value.

- Annual improvements 2014-2016;
  TFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

b) Standards, amendments and interpretations applicable as at 30 June 2017

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

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

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

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

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

2.1. Basis of presentation (Continued)

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

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

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

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

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

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

- Annual improvements 2014–2016;
  TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

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

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

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

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

2.1. Basis of presentation (Continued)

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

- The possible effects regarding the amendments in TFRS 15, TFRS 9, TFRS 16 on the consolidated financial statements has been evaluated by the Group management. According to the evaluations made throughout the period, considering agreements made with customers and related costs, it is anticipated that subjects such as sales guarantees, combined goods and services sales to be assessed under TFRS 15, will not have a significant impact on the consolidated financial statements of the Group. The Group management will reevaluate the effects of TFRS 15 considering possible future developments. According to TFRS 16, total amount of leased assets under operational lease is determined as of the balance sheet date and the evaluation of assets planned to be acquired in the future by operational lease has been performed. TFRS 9 includes requirements for measurment and classification of financial assets and liabilities, and also involves expected credit risk model, which will replace impairment loss model. As of 30 June 2017, considering the insignificant amount of doubtful receivables in the total amount of trade receivables, it is predicted that the expected credit risk model will not have any significant effect on the consolidated financial statements of the Group. Evaluations of the Group management are ongoing regarding the possible effects of these new standards.

2.1.3 Financial statements of joint ventures operating in foreign countries

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

2.1.4 Principles of consolidation

a) The condensed consolidated financial statements for the interim period ended 30 June 2017 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2016 and include financial statements of Tüpraş, and its Subsidiaries.

b) At 30 June 2017, there are no changes in voting rights or proportion of effective interest on subsidiaries and joint ventures that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2016.

	30 June 2017		31 December 2016	
	Direct and indirect voting rights possessed by the Company (%)	**Proportion of effective interest (%)**	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Subsidiary				
Ditaş	**79.98**	**79.98**	79.98	79.98
Üsküdar	**79.98**	**79.98**	79.98	79.98
Damla	**79.98**	**79.98**	79.98	79.98
Beykoz	**79.98**	**79.98**	79.98	79.98
Kadıköy	**79.98**	**79.98**	79.98	79.98
Sarıyer	**79.98**	**79.98**	79.98	79.98
Kartal	**79.98**	**79.98**	79.98	79.98
Maltepe	**79.98**	**79.98**	79.98	79.98
Salacak	**79.98**	**79.98**	79.98	79.98
Karşıyaka	**79.98**	**79.98**	79.98	79.98
Bakırköy	**79.98**	**79.98**	79.98	79.98
Karaköy	**79.98**	**79.98**	79.98	79.98
Çengelköy	**79.98**	**79.98**	79.98	79.98
Pendik	**79.98**	**79.98**	79.98	79.98
Tuzla	**79.98**	**79.98**	79.98	79.98

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

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

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 30 June 2017 and 31 December 2016:

	31 December 2017		31 December 2016	
	Direct and indirect voting rights possessed by the Company (%)	**Proportion of effective interest (%)**	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Joint ventures accounted by equity method				
Opet	**50.00**	**40.00**	50.00	40.00
Opet International Limited (*)	**50.00**	**40.00**	50.00	40.00
Opet Trade B.V.(*)	**50.00**	**40.00**	50.00	40.00
Tasfiye Halinde Opet Trade Singapore(*) (**)	**50.00**	**40.00**	50.00	40.00
THY Opet Havacılık Yakıtları A.Ş.(*)	**25.00**	**20.00**	25.00	20.00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(*)	**25.00**	**20.00**	25.00	20.00
Op Ay Akaryakıt Ticaret Ltd. Şti.(*)	**25.00**	**20.00**	25.00	20.00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.(*)	**16.65**	**13.32**	16.65	13.32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.(*)	**12.50**	**10.00**	12.50	10.00
Opet Aygaz Gayrimenkul A.Ş.(*)	**25.00**	**20.00**	25.00	20.00

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

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

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

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

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 30 June 2017 comparatively with the consolidated statement of financial position as of 31 December 2016. Also the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 30 June 2017 are presented comparatively with the consolidated financial statements for the interim period ended 30 June 2016.

2.2.2 Offsetting

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

2.2.3 Seasonality of operations

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

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 30 June 2017, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 June 2017 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended 31 December 2016. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2016.

3. Business Combinations

No business combinations occurred during the period 31 December 2017.

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash at banks		
Revenue share (blocked)	1,198,211	1,002,012
Time deposits	7,568,764	5,016,257
Demand deposits	23,971	6,145
Time deposit interest accruals	11,123	26,307
Total	**8,802,069**	**6,050,721**

<u>Revenue Share (blocked)</u>

As required by the Petroleum Market License Regulation, the revenue share collected from the customers by the Group is held at banks and considered as blocked deposit in the Company's books. The revenue share was invested as demand deposits with overnight interest rate as at 31 December 2017 and 31 December 2016 (Note 15).

<u>Time deposits and other cash and cash equivalents</u>

As at 31 December 2017 and 31 December 2016, the maturity and the currency information of the time deposits, is as follows:

31 December 2017	Effective rate of interest (%)	Less than 1 month	1-3 months	Total
TRY	13.94	74,655	1,917	76,572
USD	4.37	6,944,727	17,917	6,962,644
EUR	2.13	499,531	29,463	528,994
GBP	1.40	554	-	554
Time deposit		**7,519,467**	**49,297**	**7,568,764**

31 December 2016	Effective rate of interest (%)	Less than 1 month	1-3 months	Total
TRY	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**

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Cash and cash equivalents	8,802,069	6,050,721
Blocked deposits (Revenue share)	(1,198,211)	(1,002,012)
Less: Time deposit interest accruals	(11,123)	(26,307)
	7,592,735	**5,022,402**

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

NOTE 5 - FINANCIAL LIABILITIES

	31 December 2017	31 December 2016
Short-term financial liabilities		
Short-term bank borrowings	340,875	385,162
Interest accruals of bank borrowings	-	362
Total	**340,875**	**385,524**
Short-term portion of long-term bank borrowings:		
Short-term portion of long-term bank borrowings	2,156,144	1,265,535
Bonds issued	2,640,330	200,000
Interest accruals of bank borrowings	93,429	81,435
Interest accruals of bonds issued	92,936	25,464
Total	**4,932,839**	**1,572,434**
Long-term financial liabilities:		
Long-term bank borrowings	7,136,940	7,712,045
Bonds issued	2,640,330	2,463,440
Interest accruals of bank borrowings	-	822
Total	**9,777,270**	**10,176,307**
Total financial liabilities	**15,050,984**	**12,134,265**

As explained by Tüpraş in material disclosures dated 18 December 2014, 31 December 2014, 16 January 2015 and 19 January 2015, without internal public offers, the necessary permits have been received for the bond issue up to a nominal amount of TRY 1 billion for the qualified investors and a nominal amount of TRY200 million bond issue with 728 days maturity and a fixed coupon paid per six months, respectively, was completed on 19 January 2015. The related bond was amortized as of 16 January 2017.

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 the working capital requirements for forthcoming period and extent the weighted-average of debt maturities. The loans amounting to 157.5 million USD and 261.5 million EUR were utilized on 29 March 2016 and the loans have semi-annual interest payments, 5 year maturity with 3 years grace period.

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) and further to the agreements the loans amounting to USD1,998 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 2017 the outstanding amount of the loans is USD1,239 million (31 December 2016: USD1,555 million)

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 31 December 2017 and 31 December 2016 are as follows:

31 December 2017	**Efffective interest**	**Original**	**Thousand**
Short-term financial liabilities:			
USD borrowing	1.45	3,500,000	13,202
TRY borrowings (*)	-	327,673,483	327,673
Interest accruals			-
Total short-term financial liabilities			**340,875**
Short-term portion of long-term financial liabilities:			
USD borrowings	3.58	316,227,073	1,192,776
USD bonds issued	4.17	700,000,000	2,640,330
EUR borrowings	3.26	9,220,636	41,636
TRY borrowings	12.48	921,732,026	921,732
			4,796,474
Interest accruals			**136,365**
Total short-term portion of long-term financial liabilities			**4,932,839**
Long-term financial liabilities:			
USD borrowings	3.38	1,460,677,340	5,509,529
USD bonds issued	4.55	700,000,000	2,640,330
EUR borrowings	2.06	291,146,521	1,314,672
TRY borrowings	13.43	312,738,562	312,739
			9,777,270
Interest accruals			-
Total long-term financial liabilities			**9,777,270**

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY327,673 thousand as of 31 December 2017 (31 December 2016: TRY190,645 thousand).

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

31 December 2016	**Efffective interest**	**Original**	**Thousand**
Short-term financial liabilities:			
EUR borrowing	2.89	7,000,000	25,970
TRY borrowings	8.80	359,191,765	359,192
Interest accruals			362
Total short-term financial liabilities			**385,524**
Short-term portion of long-term financial liabilities:			
USD borrowings	3.34	314,914,269	1,108,246
EUR borrowings	3.21	9,584,273	35,557
TRY borrowings	12.65	121,732,026	121,732
TRY bonds issued	8.97	200,000,000	200,000
			1,465,535
Interest accruals			106,899
Total short-term portion of long-term financial liabilities			**1,572,434**
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
TRY borrowings	12.58	934,470,588	934,471
			10,175,485
Interest accruals			822
Total long-term financial liabilities			**10,176,307**

As at 31 December 2017 and 31 December 2016, the redemption schedule of long-term bank borrowings is as follows:

	31 December 2017	**31 December 2016**
2018	-	4,544,096
2019	1,867,259	1,358,333
2020	1,683,158	1,443,351
2021	1,373,304	1,092,287

2022 and after	4,853,549	1,738,240
	9,777,270	**10,176,307**

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

NOTE 5 - FINANCIAL LIABILITIES (Continued)

The movement of borrowings as of 31 December 2017 and 31 December 2016 is as follows:

	2017	**2016**
1 January	**12,134,265**	**9,919,420**
New financial borrowings	43,859,854	36,558,822
Principal payments	(42,051,025)	(36,319,660)
Changes in interest accruals	28,282	14,807
Changes in foreign exchange rates	1,079,608	1,960,876
31 December	**15,050,984**	**12,134,265**

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

	31 December 2017	**31 December 2016**
1-90 days	3,294,726	2,779,361
91-365 days	7,784,235	4,780,459
1-5 years	1,162,249	4,264,306
Over 5 years	2,809,774	310,139
	15,050,984	**12,134,265**

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables:

	31 December 2017	**31 December 2016**
Trade receivables	3,658,736	2,433,602
Due from related parties (Note 31)	1,399,601	751,824
Doubtful trade receivables	3,184	2,676
Other trade receivables	16	9
Less: Unearned credit finance income	(31,320)	(5,153)
Less: Provision for doubtful receivables	(3,184)	(2,676)
Total short-term trade receivables (net)	**5,027,033**	**3,180,282**

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

As at 31 December 2017, Tüpraş has offsetted TRY860,788 thousand (31 December 2016: TRY 1,625,766 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are renegotiated under four groups. The details of credit quality of such trade receivables as at 31 December 2017 and 31 December 2016 are as follows

	31 December 2017	**31 December 2016**
Group 1	8,505	1,783
Group 2	762,329	3,063
Group 3	4,152,610	2,070,505
Group		4
	65,184	1
,040,014		
Total short-term trade receivables (net)	**4,988,628**	**3,115,365**

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 2017 and 31 December 2016 is as follows:

	31 December 2017	**31 December 2016**
Up to 3 months	37,224	62,386
3 to 12 months	1,181	2,531
Total short-term trade receivables (net)	**38,405**	**64,917**

The Group has guarantees received amounting to TRY28,587 (31 December 2016: TRY51,479) for trade receivables overdue but not impaired. Major part of receivables without guarantees are from government entities which regularly made sales, any collection risk is not projected.

Movement of the provision for doubtful receivables for the years ended 31 December 2016 and 2017 is as follows:

	2017	**2016**
1 January	**2,676**	**2,593**
Charge for the period	581	98
Payments during the period	(73)	(15)
31 December	**3,184**	**2,676**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables:

	31 December 2017	31 December 2016
Trade payables	8,106,081	6,910,572
Due to related parties (Note 31)	115,456	88,017
Less: Unrealised credit finance charges trade payables	(8,371)	(10,746)
	8,213,166	**6,987,843**

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables:

	31 December 2017	31 December 2016
Advances and guarantees given	66,887	10,280
Receivable from personnel	9,141	7,723
Receivable from insurance recoveries	8,239	7,623
Other doubtful receivables	360	304
Less: Provision for other doubtful receivables	(360)	(304)
	84,267	**25,626**

NOTE 8 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials and supplies	1,901,787	1,084,842
Work-in-progress	1,278,257	795,792
Finished goods	1,401,057	919,756
Trade goods	195,767	50,669
Goods in transit	487,155	743,851
Other	28,313	13,529
	5,292,336	**3,608,439**
Provision for doubtful receivables	(1,246)	-
	5,291,090	**3,608,439**

	2017	2016
1 January	**-**	**102,114**
Charge for the period	1,246	-
Cancellations within the period	-	(102,114)
31 December	**1,246**	**-**

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

NOTE 9 - FINANCIAL INVESTMENTS

Financial investments available-for-sale

	31 December 2017		31 December 2016	
	Participation share (%)	**Amount**	**Participation share (%)**	**Amount Amount**
Körfez Ulaştırma A.Ş.	100.00	9,000	100.00	4,000
		9,000		**4,000**

NOTE 10 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2017		31 December 2016	
	Participation share (%)	**Amount**	**Participation share (%)**	**Amount Amount**
OPET Petrolcülük A.Ş.	40.00	1,134,364	40.00	923,994
		1,134,364		**923,994**

The goodwill amounting to TRY189,073 thousand arising from the purchase of Opet shares on 28 December 2006 were classified on the investments accounted for using the equity method in the financial statements.

The movement in the investments accounted for using the equity method during the period ended 31 December 2017 and 2016 is as follows:

	2017	2016
1 January	**923,994**	**762,217**
Investments accounted for using the equity method;		
Shares in current year profit	244,639	158,750
Dividend payment	(70,000)	(42,000)
Defined benefit plans remeasurement gains/(losses)	712	(1,011)
Other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss	32,218	40,402
Currency translation differences	2,801	5,636
31 December	**1,134,364**	**923,994**

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

	31 December 2017	31 December 2016
Current assets	3,783,607	3,039,266
Non-current assets	2,662,261	2,301,201
Total assets	**6,445,868**	**5,340,467**
Short term liabilities	2,724,380	2,399,461
Long term liabilities	1,358,260	1,103,703
Equity	2,363,228	1,837,303

Total liabilities	**6,445,868**	**5,340,467**

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

NOTE 10 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

	1 Ocak - 31 December 2017	**1 Ocak - 31 December 2016**
Sales (net)	28,391,084	20,533,669
Gross profit	1,499,111	1,274,948
Operating profit	702,728	611,266
Net income for period	611,597	396,874

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 cash-generating unit's fair value calculations include post-tax cash flow projections, which are based on US dollars and are based on ten-year plans approved by Opet management. 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. As of 31 December 2017, fair value of Opet is above 46% of the value carried in including goodwill.

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

Gross margin	4,3% - 4,9%
Discount rate	11,2%

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 (12,2% or 10,2% instead of 11,2%), would lead to a decrease by TL 536,614 thousand / increase by TL 642,119 thousand in the fair value as at 31 December 2017.

As a result of the tests performed by using the assumptions above, no impairment on goodwill has been identified as at 31 December 2017. 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.

NOTE 11 - INVESTMENT PROPERTY

As of 31 December 2017, investment property represents the land amounting to TRY4,621 thousand (31 December 2016: TRY 4,621 thousand). The fair value of the investment property has been determined as TRY38,117 thousand as a result of fair value assessments (31 December 2016: TRY38,117 thousand).

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2017	Additions	Transfers	Disposals	31 December 2017
Cost:					
Land	48,844	-	-	(30)	48,814
Land improvements	3,687,757	-	78,694	(121,372)	3,645,079
Buildings	744,592	-	37,325	(10,770)	771,147
Machinery and equipment	11,420,284	353	666,623	(85,937)	12,001,323
Motor vehicles	749,479	470,979	2,208	(997)	1,221,669
Furniture and fixtures	114,397	1,046	22,356	(3,669)	134,130
Construction in progress	649,948	686,922	(836,068)	-	500,802
Other tangible assets	1,488	1,126	-	-	2614
	17,416,789	**1,160,426**	**(28,862)**	**(222,775)**	**18,325,578**
Accumulated depreciation:					
Land improvements	(1,272,244)	(150,700)	-	118,778	(1,304,166)
Buildings	(188,970)	(15,723)	-	10,749	(193,944)
Machinery and equipment	(3,972,568)	(336,629)	-	74,109	(4,235,088)
Motor vehicles	(171,865)	(35,403)	-	637	(206,631)
Furniture and fixtures	(68,301)	(16,069)	-	3,501	(80,869)
Other tangible assets	(1,365)	(78)	-	-	(1,443)
	(5,675,313)	**(554,602)**	**-**	**207,774**	**(6,022,141)**
	11,741,476				**12,303,437**

	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)**
	11,479,744				**11,741,476**

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Total depreciation expense amounting to TRY554,602 thousand (31 December 2016: TRY522,778 thousand) in the consolidated statement of comprehensive income for the period ended 31 December 2017 has been allocated to cost of goods sold amounting to TRY527,359 thousand (31 December 2016: TRY483,776 thousand), to marketing, sales and distribution expenses amounting to TRY3 thousand (31 December 2016: TRY3 thousand), to general administration expenses amounting to TRY27,240 thousand (31 December 2016 : TRY38,999 thousand).

NOTE 13 - INTANGIBLE ASSETS

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 31 December 2017 and 2016 is as follows:

	1 January 2017	Additions	Transfers	Disposals	31 December 2017
Cost:					
Rights and software	64,330	257	17,226	(349)	81,464
Development expenses	68,403	-	11,636	-	80,039
	132,733	**257**	**28,862**	**(349)**	**161,503**
Accumulated amortisation:					
Rights and software	(36,449)	(6,960)	-	349	(43,060)
Development expenses	(41,178)	(12,078)	-	-	(53,256)
	(77,627)	**(19,038)**	**-**	**349**	**(96,316)**
	55,106				**65**
,187					

	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)**
	59,409				**55,106**

Total amortisation expenses amounting to TRY19,038 thousand (31 December 2016: TRY18,225 thousand) in the consolidated statement of comprehensive income for the period ended 31 December 2017 have been allocated to the cost of goods sold amounting to TRY8 thousand (31 December 2016: TRY13 thousand), and to general administration expenses amounting to TRY19,030 thousand (31 December 2016: TRY18,212 thousand).

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

NOTE 14 - PREPAID EXPENSES

Short term prepaid expenses:

	31 December 2017	31 December 2016
Insurance and other expenses	49,102	41,680
Investment loan insurance expenses (*)	-	27,811
Advances given	13,295	28,412
	62,397	**97,903**

Long term prepaid expenses:

	31 December 2017	31 December 2016
Advances given to third parties for property, plant and equipment	28,413	120,883
Prepaid investment loan insurance expenses (*)	-	77,589
Advances given to related parties for property, plant and equipment (Note 31)	69,191	37,454
Prepaid other expenses	1,672	2,426
	99,276	**238,352**

(*) 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.

NOTE 15 - OTHER ASSETS AND LIABILITIES

Other current assets:

	31 December 2017	31 December 2016
Deferred Value Added Tax ("VAT")	423,200	357,063
Deferred Special Consumption Tax ("SCT")	91,647	79,863
Spare parts and material stocks	57,566	69,591
Taxes and funds to be offsetted	85,251	44,302
Income accruals	37,675	19,348
Other current assets	56,920	3,263
	752,259	**573,430**

Other non-current assets:

Spare parts and materials	1,030,649	1,008,993
Other	1,146	1,120
Provision for spare parts and materials	(19,156)	(22,455)
	1,012,639	**987,658**

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

NOTE 15 - OTHER ASSETS AND LIABILITIES (Continued)

Other non-current assets:

	31 December 2017	31 December 2016
SCT payable	1,397,584	1,371,333
Revenue share	1,202,668	1,006,511
VAT payable	145,109	226,314
Deferred VAT	423,200	357,063
Deferred SCT	91,647	79,863
Other taxes and liabilities	53,741	43,475
Accrued expenses (*)	383,058	246,536
Other	26,367	11,827
	3,723,374	**3,342,922**

(*) As of 31 December, 2017, expense accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk.(swap transactions and zero-cost transactions). Weighted average price of outstanding commodity derivatives transactions is USD 54.53/barrel (31 December 2016 – USD 47.47/barrel) for 5,700 thousand crude oil barrel (31 December 2016: 7,050 thousand barrels). Weighted average buying price of zero cost derivatives transactions is USD 50.60 /barrel for 5,700 thousand crude oil barrel inventory(31 December 2016: 6,950 thousand barrels), weighted average selling price of zero cost derivatives transactions is USD 55.78 /barrel (31 December 2016 - USD 53.56/barrel). The expense accruals recognition made as of 31 December 2017 is recognized under cost of goods sold and paid as of 8 January 2018 (31 December 2016: 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 current liabilities" under liabilities. Such SCT and VAT amounts are offset when the export transaction is certified and the related taxes are cancelled by the tax office.

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

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

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

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

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

NOTE 15 - OTHER ASSETS AND LIABILITIES (Continued)

As a result of these regulations, the revenue share amounting to TRY1,202,668 thousand accumulated as at 31 December 2017 (31 December 2016: TRY1,006,511 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TRY1,198,211 thousand that is (31 December 2016: TRY1,002,012 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 2017	31 December 2016
Participation share	1,169	1,389
	1,169	**1,389**

NOTE 16 - DEFERRED INCOME

Short-term deferred income

	31 December 2017	31 December 2016
Advances taken	18,479	13,591
Deferred income	1,949	1,826
	20,428	**15,417**

Long-term deferred income

	31 December 2017	31 December 2016
Deferred income	4,112	3,992
	4,112	**3,992**

NOTE 17 - PROVISIONS

Provision for employee benefits:

Short term provision for employee benefits:

	31 December 2017	31 December 2016
Seniority incentive bonus provision	8,024	9,073
Personnel bonus accruals	4,605	4,498
	12,629	**13,571**

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

NOTE 17 - PROVISIONS (Continued)

Long term employee benefits:

	31 December 2017	31 December 2016
Provision for employment termination benefits	167,907	159,190
Provision for unused vacation	50,655	44,137
Seniority incentive bonus provision	5,172	4,088
	223,734	**207,415**

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:

	2017	2016
1 January	**13,161**	**12,847**
Charge for the period	11,399	7,185
Payments during the period	(11,364)	(6,871)
31 December	**13,196**	**13,161**

Provision for employment termination benefits:

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

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

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

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

NOTE 17 - PROVISIONS (Continued)

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

	31 December 2017	**31 December 2016**
Discount rate (%)	%4.95	%4.50
Turnover rate to estimate probability of retirement (%)	%99.46	%99.51

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 TRY5,001.76which is effective as at 1 January 2017, has been taken into consideration in calculating the provision for employment termination benefits of the joint ventures of the Group, which are registered In Turkey (31 December 2016: TRY4,297.21).

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

	2017	2016
1 January	**159,190**	144,547
Interest expense	**18,737**	14,961
Actuarial (gain)/losses	**(4,942)**	4,249
Increase during the period	**20,796**	18,922
Payments during the period	**(25,874)**	(23,489)
31 December	**167,907**	**159,190**

	31 December 2017		**31 December 2016**	
Sensitivity Level	**100 Base Increase**	**100 Base Decrease**	**100 Base Increase**	**100 Base Decrease**
Rate	5.95%	3.95%	5.50%	3.50%
Provision for employee termination benefit adjusment	10,590	(12,728)	8,245	(10,013)

Provision for unused vacation:

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

	2017	2016
1 January	**44,137**	41,904
Increase during the period	**12,938**	7,785
Payments during the period	**(6,420)**	(5,552)
31 December	**50,655**	**44,137**

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

NOTE 17 - PROVISIONS (Continued)

Other short term provisions:

	31 December 2017	31 December 2016
Provisions for pending claims and law suits	16,209	12,523
EMRA participation share	23,823	20,159
Provision for demurrage	11,484	13,787
Other	25,779	5,016
	77,295	**51,485**

Movement of the short-term provisions for the period ended 31 December 2017 and 2016 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Other	Total
1 January 2017	**12,523**	**20,159**	**13,787**	**5,016**	**51,485**
Charges for the period, net	4,045	23,823	(2,303)	20,763	46,328
Payments during the period	(359)	(20,159)	-	-	(20,518)
31 December 2017	**16,209**	**23,823**	**11,484**	**25,779**	**77,295**
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**

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.

NOTE 18 - LIABILITIES FOR EMPLOYEE BENEFITS

	31 December 2017	31 December 2016
Due to the personnel	80,315	59,016
Social security withholdings payment	39,518	33,426
	119,833	**92,442**

NOTE 19 - OTHER PAYABLES

Deposits and guarantees received	13,334	9,407
Other payables to related parties (Note 31)	23,463	18,546
	36,797	**27,953**

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

NOTE 20 - DERIVATIVE INSTRUMENTS

				31 December 2017				31 December 2016
				Fair values				Fair values
	Purchase contract amount	Sale contract amount	Assets	Liabilities	Purchase contract amount	Sale contract amount	Assets	Liabilities
Cash flow hedge								
Interest rate swap	328,432	328,432	2,660	690	301,972	301,972	1,841	3,791
Cross currency swap	835,181	525,210	339,982	2,206	41,402	27,294	30,797	21,234
Derivatives held for trading								
Currency forwards	3,264,742	3,330,804	1,137	39,295	316,728	316,861	2,093	-
Commodity derivative	1,229,941	1,361,757	3,130	134,946	82,708	87,174	-	4,429
Total			**346,909**	**177,137**			**34,731**	**29,454**
Short term derivative financial instruments								
Cash flow hedge								
Interest rate swap	1,562,179	1,562,179	9,421	777	1,746,128	1,746,128	4,745	1,782
Cross currency swap	331,155	238,586	91,139	2,587	952,255	627,640	364,137	-
			100,560	3,364			368,882	1,782
Long term derivative financial instruments								
Total			**447,469**	**180,501**			**403,613**	**31,236**

As of 31 December 2017, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY2,600,333 thousand in exchange of USD674,000 thousand and will expire on January 2018. As of 31 December 2016, forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TRY 316,861 thousand in exchange of USD 90,000 thousand and which has expired on 3 January 2017.

As of 31 December 2017, interest rate swap consists of exchange of floating rate instalment payments of Tüpraş's long term borrowings amounting to USD458,824 thousand (31 December 2016: USD535,294 thousand) and Ditaş's long term borrowings amounting to EUR35,428 thousand (31 December 2016: EUR 44,285) with fixed rate instalment payments for cash flow hedging.

NOTE 20 - DERIVATIVE INSTRUMENTS (Continued)

As of 31 December 2017, cross currency swap transactions consist of swap transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD200,000 thousand belonging to Tüpraş with TRY currency indexed, fixed interest payments amounting to TRY463,875 thousand (31 December 2016: USD200,000 thousand), swap transaction of long-term borrowings with floating interest rate amounting to USD70,588 thousand (31 December 2016 USD82,353 thousand) belonging to Tüpraş with payments of fixed interest rate amounting to TRY163,765 thousand, swap transactions of foreign currency indexed long term borrowings belonging to Ditaş amounting to EUR17,714 thousand with TRY currency indexed, fixed interest payments amounting to TRY65,717 thousand and swap transaction of TRY65,717 thousand fixed interest payments with total of USD18,674 thousand with foreign currency indexed fixed interest payments (31 December 2016: None)

Commodity purchase and sales transactions consist of product crack fixing transactions, swap transactions and zero cost collar transactions as of 31 December 2017. Product crack fixing transactions have been made for gasoline stocks of 1,635 thousand barrels, jet stocks of 10,395 thousand barrel and 13,572 thousand barrel and weighted average fixation margin of these transactions are USD10,995, 11,095 and 11,728 per barrel, respectively. Swap transactions have been made for 1,029 thousand barrels of crude oil and weighted average fixation margin of these transactions in USD is 54.13 per barrel. Zero cost collar transaction is made for total of 1,050 thousand barrels of crude oil where weighted average purchase price is 48,7 USD/barrel and weighted average sales price is 55.25 USD/barrel. Commodity purchase and sales transactions consist of product crack fixing transactions as of 31 December 2016. Commodity crack fixing transactions have been made for 1,500 thousand barrels of gasoline stocks and 900 thousand barrels of jet stocks with weighted average fixation margin of 10,704 and 9,683 USD per barrel, respectively.

NOTE 21 - GOVERNMENT GRANTS

On 2 August 2010, the Company has obtained the Certificate of Research and Development Center. As a result of the implementation of Technology and Innovation Support Programs Administration Project ("TEYDEB") and the existence of the Certificate of Research and Development Center, the Company has benefited from a number of government incentives including research and development expense deduction, income tax stoppage incentive, social security premium support and stamp tax exemption in accordance with Law, no 5746, Supporting Research and Development Activities. . In this context, as of 31 December 2017, the Company's total R & D expenditures amounting to TRY7,152 thousand (31 December 2016: TRY8,085 thousand) were recorded as incentive income.

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

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

NOTE 21 - GOVERNMENT GRANTS (Continued)

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

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

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

On June 13, 2014, the Company received investment incentive from Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey for Modernization of Batman Refinery project. Support elements of this investment is to benefit from are, VAT exemption, tax discount rate (90%), rate of contribution to investment (50%), interest incentive and customs tax exemption.

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

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

As of 31 December 2017 and 2016, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	31 December 2017	31 December 2016
Social security withholdings incentives	37,609	30,527
Research and development incentives	7,152	8,085
Interest incentive	288	8,100
	45,049	46,712

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

NOTE 22 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

	31 December 2017		31 December 2016	
Guarantees received:	**Original Currency:**	**TRY Amount:**	Original Currency:	TRY Amount:
Letter of guarantees received		**1,143,144**		1,679,662
-Letter of guarantees in TRY	***744,646***	***744,646***	*1,003,107*	*1,003,107*
- Letter of guarantees in USD	***80,221***	***302,585***	*160,721*	*565,608*
- Letter of guarantees in EUR	***20,368***	***91,973***	*27,113*	*100,585*
- Letter of guarantees in other currencies	***-***	***3,940***	-	*10,362*
Guarantee notes received		**2,205**		14,485
- Guarantee notes in TRY	***2,205***	*2,205*	*14,485*	*14,485*
Guarantee letters received		**238,595.**		225,960
- Guarantee letters received in TRY	***50,000***	***50,000***	*50,000*	*50,000*
- Guarantee letters received in USD	***50,000***	***188,595***	*50,000*	*175,960*
Direct debiting limits		**266,748**		*20,000*
- TRY direct debiting limits	***266,748***	***266,748***	*20,000*	*20,000*
Total guarantees received		**1,652,692**		1,940,107
Guarantees given:				
Letter of credits given		**313,153**		672,163
- Letter of credits in USD	***78,125***	***294,530***	*184,253*	*648,422*
- Letter of credits in EUR	***4,165***	***18,263***	*3,921*	*14,545*
- Letter of credits in other currencies	***-***	***360***	-	*9,196*
Letter of guarantees given		**757,673**		796,468
- Letter of guarantees in TRY	***681,480***	***681,480***	*607,798*	*607,798*
- Letter of guarantees in USD	***20,200***	***76,193***	*53,612*	*188,670*
Letters of guarantee given to customs offices		**1,644,077**		1,000,185
- Letter of guarantees in TRY	***1,635,046***	***1,635,046***	*955,666*	*955,666*
- Letter of guarantees in EUR	***2,000***	***9,031***	*12,000*	*44,519*
Letters of guarantee given to banks		**667,986**		338,033
- Letter of guarantees in USD	***119,120***	***449,309***	*47,577*	*167,433*
- Letter of guarantees in EUR	***48,428***	***218,677***	*45,985*	*170,600*
Total guarantees given		**3,383,589**		2,806,849

As at 31 December 2017 and 31 December 2016, letter of guarantees received are composed of guarantees from customers and suppliers. Guarantees given are mainly composed of guarantees given to government entities and customs offices. As at 30 June 2017, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY626,443 thousand (31 December 2016: TRY331,726 thousand) and for derivative financial instruments amounting to TRY41,543 thousand (31 December 2016: TRY 6,307 thousand).

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

NOTE 22 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

Collaterals, pledges, mortgages given by the Group as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
A. CPMs given for companies in the name of its own legal personality	2,714,903	2,468,816
- TRY	*2,316,526*	*1,563,464*
- USD	*370,723*	*837,092*
- EUR	*27,294*	*59,064*
- Other	*360*	*9,196*
B. CPMs given on behalf of the fully consolidated companies	667,986	338,033
- USD	*449,309*	*167,433*
- EUR	*218,677*	*170,600*
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
Total	**3,382,889**	2,806,849

NOTE 23 - EQUITY

The Company's shareholders and their shareholding percentages as at 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	**Share (%)**	**31 December 2016**	**Share (%)**
Enerji Yatırımları A.Ş	127,714	51	127,714	51
Publicly owned	122,705	49	122,705	49
Total	**250,419**	**100**	**250,419**	**100**
Adjustment to share capital	1,344,243		1,344,243	
Total paid-in capital	**1,594,662**		**1,594,662**	

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

Registered capital of the Company is TRY500,000 thousand and is divided into 50,000,000,000 shares with a registered nominal value of 1 Kuruş ("Kr") (31 December 2016: Kr1) 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 Kr1 and one Group C share with privileges belonging to the Privatisation Administration.

NOTE 23 - EQUITY (Continued)

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

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

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under "Restricted Reserves". At 31 December 2017, the restricted reserves of the Company amount to TRY279,668 thousand (31 December 2016: TRY331,337 thousand).

Dividend distribution

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

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

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

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TRY5,591,315 thousand as at 31 December 2017. This amount includes inflation adjustment differences of the equity accounts amounting to TRY1,698,998 thousand and other reserves amounting to TRY12,932 thousand which are subject to corporate taxation when distributed as dividends.

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

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

NOTE 23 - EQUITY (Continued)

As of 31 December 2016, it is committed to distribute total balance remaining following the allocation of primary and secondary statutory reserves of distributable net profit of period related to 2015 and TRY1,627,725 thousand from secondary reserves as cash dividend and it has been fully paid off. TRY6,5 of net dividend payment and TRY6,5 of gross dividend payment have been made to a stock at a nominal value of TRY 1.00 and at 650% ratio to resident institutions and non-resident partners obtaining premium through a registered office in Turkey or permanent representative and TRY6,5 gross dividend payment and TRY5,5250 net cash dividend payment to a stock at 650% ratio and having a nominal value of TRY1.00 to other shareholders.

NOTE 24 - REVENUE AND COST OF SALES

	1 January - 31 December 2017	1 January - 31 December 2016
Sales from production	41,393,603	25,817,026
Export revenue	10,205,556	6,374,481
Trade sales	2,965,268	2,965,268
Service revenue	268,410	212,994
Gross revenue	**54,832,837**	**35,369,769**
Less: Sales discounts	(808,235)	(496,938)
Less: Sales returns	(76,492)	(17,980)
Sales (net)	**53,948,110**	**34,854,851**
Cost of goods sold	(44,735,818)	(28,873,766)
Cost of trade goods sold	(2,921,535)	(2,261,176)
Cost of services	(76,859)	(70,682)
Gross profit	**6,213,898**	**3,649,227**

Cost of sales:

	1 January - 31 December 2017	1 January - 31 December 2016
Raw materials	41,568,749	26,369,554
Cost of trade goods sold	2,921,535	2,261,176
Energy expenses	1,123,691	991,541
Personnel expenses	615,401	521,845
Depreciation and amortization (Note 12-13)	527,367	483,789
Other production expenses	977,469	577,719
Cost of sales	**47,734,212**	**31,205,624**

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

NOTE 25 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SELLING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

General administrative expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	334,889	294,988
Insurance expenses	84,848	79,203
Outsourced services	87,161	83,951
Taxes and duties	98,274	82,985
Depreciation and amortization (Note 12-13)	46,270	57,211
Office expenses	38,104	35,230
Subscription fees	26,950	22,958
Lawsuit and consultancy expenses	34,861	23,353
Rent expenses	15,638	7,835
Donation	27,410	20,321
Transportation and travel expenses	4,444	2,702
Other	66,552	37,543
Total general administrative expenses	**865,401**	**748,280**

Marketing, selling and distribution expenses:

Personnel expenses	97,041	78,815
Outsourced services	64,695	51,675
Carriage, storage and insurance expenses	42,671	43,414
Rent expenses	11,560	11,897
Energy expenses	11,454	8,157
Advertising expenses	3,220	3,441
Depreciation and amortization (Note 12-13)	3	3
Other	38,245	24,200
Total marketing expenses	**268,889**	**221,602**

Research and development expenses:

Personnel expenses	9,789	19,267
Lawsuit and consultancy expenses	1,036	1,340
Outsourced services	580	140
Other	4,545	4,818
Total research and development expenses	**15,950**	**25,565**

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

NOTE 26 - OTHER OPERATING INCOME/(EXPENSES)

Other operating income:	1 January - 31 December 2017	1 January - 31 December 2016
Credit finance gains	228,525	123,632
Rent expenses	4,101	3,497
Foreign exchange gain from trade receivables	-	9,147
Transportation and travel expenses	-	16,209
Other	28,635	32,266
Total other operating income	**261,261**	**184,751**

Other operating expense:	1 January - 31 December 2017	1 January - 31 December 2016
Credit finance loss	(90,859)	(13,398)
Foreign exchange loss from trade payables	(340,898)	(458,668)
Foreign exchange loss from trade receivables	(2,727)	-
Other	(32,976)	(9,176)
Total other operating expense	**(467,460)**	**(481,242)**

NOTE 27 - INCOME/(EXPENSE) FROM INVESTMENT ACTIVITIES

Other operating expense:	1 January - 31 December 2017	1 January - 31 December 2016
Gain/(loss) on sales of property plant and equipment and intangible assets	(10,199)	161
Total income/(expense) from investment activities	**(10,199)**	**161**

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

NOTE 28 - FINANCIAL INCOME/(EXPENSES)

	1 January - 31 December 2017	1 January - 31 December 2016
Financial income:		
Interest income on deposits	541,226	319,513
Foreign exchange gains on deposits	461,105	709,477
Foreign exchange gains on derivative instruments	160,468	315,312
Total financial income	**1,162,799**	**1,344,302**
Financial expense:		
Interest expenses	(701,421)	(702,205)
Foreign exchange losses on borrowings	(1,033,591)	(1,148,940)
Foreign exchange losses on derivative instruments	(41,820)	(59,267)
Other	(3,828)	(6,068)
Total financial expense	**(1,780,660)**	**(1,916,480)**

NOTE 29 - TAX ASSETS AND LIABILITIES

i) Corporation tax:

	31 December 2017	31 December 2016
Current period corporate tax provision	464,902	141,217
Current year tax assets	(443,606)	(95,928)
Current tax provision	**21,296**	**45,289**

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 2017 is 20% (2016: 20%). Corporation tax is payable at a rate of 20% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

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

	2017	**2016**
Profit before taxation	**4,474,038**	**1,944,022**
Expected tax expense (20%)	(894,808)	(388,804)
Investment incentive income	(173,803)	75,140
Investment revaluation fund	387,987	123,724
Deductions and exemptions	80,936	58,793
Disallowable expenses and differences not subject to taxation	(33,794)	(85)
Taxation on income	**(633,482)**	**(131,232)**

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 2017 and 31 December 2016 using the enacted tax rates are as follows:

	Cumulative temporary differences		**Deferred tax**	
	2017	**2016**	**2017**	**2016**
Fair value difference of derivative instruments	257,527	383,690	(56,656)	(76,738)
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	57,569	-	(12,665)	-
Prepaid expenses	72,886	105,400	(16,035)	(21,080)
Deferred financial income, (net)	-	5,594	-	(1,119)
Deferred tax liability			**(85,356)**	**(98,937)**
Investment incentive income	8,598,952	8,242,254	3,096,940	3,262,646
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	166,459	168,845	36,621	33,769
Provision for unused vacation liability	43,425	42,188	9,554	8,438
Provision for impairment on spare parts	-	22,455	-	4,491
Provisions for pending claims and lawsuits	15,227	12,523	3,350	2,505
Financial losses	-	9,271	-	1,854
Deferred financial income, (net)	22,949	-	5,049	-
Other	6,543	9,178	1,439	1,836
Deferred tax assets			**3,153,227**	**3,325,968**
Deferred tax asset, net			**3,067,871**	**3,227,031**

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

NOTE 29 - TAX ASSETS AND LIABILITIES (Continued)

In the first quarter of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a Large-Scaled Investment Incentive Certificate for Residuum Upgrading Project (RUP). Investment expenditures made within the scope of this certificate are subject to 30% contribution from the govenment, where the contribution is provided as a reduction in corporate tax payable by 50%. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey which became applicable after 19 October 2012. Expenditures made within the scope of Strategic Investment Incentive Certificate are subject to 50% contribution from the government, where the contribution is provided as a reduction in corporate tax payable by 90%. The company has performed the revaluation of the unutilized investment incentives for both certificates by using the 14,47% revaluation rate, which was announced for the second provisional tax period of 2017 by the Ministry of Finance. In addition to the government contribution within the scope of Strategic Investment Incentive, the Company benefits from VAT exemption, VAT refund, customs duty exemption, incentive for employer share of insurance premium and interest incentive from this certificate.

The movement of deferred taxes is as follows:

	2017	2016
1 January	**3,227,031**	**3,202,503**
Charge for the period	(168,580)	(39,599)
Charge to equity:		
- Hedging cash flow gains/(losses)	10,405	151,540
- Actuarial gains/(losses) arising from defined benefit plans	(985)	827
Tax effect of adjestments to previous years	-	-
Investment incentive income	-	(88,240)
31 December	**3,067,871**	**3,227,031**

NOTE 30 - EARNINGS PER SHARE

	1 January - 31 December 2017	1 January - 31 December 2016
Profit for the year attributable to shareholders of the Company	3,811,546	1,793,267
Weighted average number of shares with nominal value of Kr1 each	25,041,920,000	25,041,920,000
Basic and diluted earnings per share in Kr	**15.22**	**7.16**

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

NOTE 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) Koç Holding group companies
(3) Parent, ultimate parent

a) Deposits:

	31 December 2017	31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	4,899,946	3,118,492
	4,899,946	**3,118,492**

b) Due from related parties:

Opet Petrolcülük A.Ş. (1)	899,946	382,580
THY OPET Havacılık Yakıtları A.Ş. (1)	404,959	299,357
Aygaz A.Ş. (2)	88,381	65,483
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	6,305	4,396
Diğer (2)	10	8
	1,399,601	**751,824**

As of 31 December 2017, Tüpraş has offset TRY100,000 thousand (31 December 2016: TRY250,000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

c) Trade payables

	31 December 2017	31 December 2016
Aygaz A.Ş. (2)	12,785	21,635
Opet Petrolcülük A.Ş. (1)	8,630	7,275
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	14,066	12,800
THY OPET Havacılık Yakıtları A.Ş. (1)	4,923	3,091
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	1,150	850
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	3,635	11,901
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	835	2,510
Koç Sistem Bilgi ve İletişim A.Ş. (2)	13,881	10,260
Ark İnşaat A.Ş. (2)	9,023	9,393
Setur Servis Turistik A.Ş. (2)	1,614	276
Opet International Limited (1)	39,259	-
Diğer (2)	5,655	8,026
	115,456	**88,017**

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

NOTE 31 - RELATED PARTY TRANSACTIONS (Continued)

d) Other payables:

	31 December 2017	31 December 2016
Koç Holding A.Ş. (3)	23,463	18,546
	23,463	**18,546**

e) Advances given for property, plant and equipment:

	31 December 2017	31 December 2016
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	67,076	32,441
Ark İnşaat A.Ş. (2)	2,115	5,013
	69,191	**37,454**

f) Product and service sales:

	1 January - 31 December 2017	1 January - 31 December 2016
Opet Petrolcülük A.Ş. (1)	6,758,985	3,766,503
THY OPET Havacılık Yakıtları A.Ş. (1)	5,468,078	3,774,871
Aygaz A.Ş. (2)	541,284	314,557
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	31,703	24,532
Opet International Limited (2)	-	-
Diğer (2)	4	4
	12,800,054	**7,880,467**

g) Product and service purchases:

	1 January - 31 December 2017	1 January - 31 December 2016
Aygaz A.Ş. (2)	438,566	434,665
Opet Petrolcülük A.Ş. (1)	81,498	69,815
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	82,734	80,837
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	69,770	60,927
Opet International Limited (2)	58,388	-
THY OPET Havacılık Yakıtları A.Ş. (1)	28,513	25,748
Koç Holding A.Ş. (3) (*)	46,047	44,683
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	23,713	24,560
Koç Sistem Bilgi ve İletişim A.Ş. (2)	36,461	30,779
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	10,377	8,458
Diğer (2)	36,177	20,484
	912,244	**800,956**

(*) Consists of the Group's share of invoices issued by Koç Holding, the ultimate parent of Tüpraş in accordance with the "11-Intra-group Services" of General Communique numbered 1 on Distribution of Hidden Income through Transfer

Pricing which represents the services provided for financing, legal, tax and renumeration of senior management by the ultimate parent to its group companies.

(**) Includes paid and accrued insurance premiums in the periods ended 31 December 2017 and 2016 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agent.

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

NOTE 31 - RELATED PARTY TRANSACTIONS (Continued)

h) Fixed asset purchases:

	1 January - 31 December 2017	1 January - 31 December 2016
Ark İnşaat A.Ş. (2)	50,986	83,396
Koç Sistem Bilgi ve İletişim A.Ş. (2)	7,695	1,837
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	-	18,000
Diğer (2)	1,391	2,410
	60,072	**105,643**

i) Remuneration of board of directors and executive management:

The senior management of the Company is determined as members and chair of the Board of Directors and General Manager and General Manager Deputies. The total amount of benefits provided to senior management is TRY53,843 thousand as of period ending on 31 December 2017. (31 December 2016: TRY61,239 thousand) and there are no payments made due to redundancy from the work in 2017 (31 December 2016: TRY17,200 thousand).

j) Financial expenses paid to related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Yapı Kredi Faktoring A.Ş. (2)	3,366	1,361
Yapı ve Kredi Bankası A.Ş. (2)	761	-
Yapı Kredi Nederland N.V. (2)	116	-
	4,243	**1,361**

k) Time deposit interest income:

	1 January - 31 December 2017	1 January - 31 December 2016
Yapı ve Kredi Bankası A.Ş. (2)	203,941	143,456
	203,941	**143,456**

l) Donations:

As of 31 December 2017, total donation is amounting to TRY24,520 thousand (31 December 2016: TRY15,793 thousand).

NOTE 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 2017 and 2016. The amounts demonstrated are undiscounted cash flows on agreements and the Group manages its liquidity risk by taking into account its expected undiscounted cash flows.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2017

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	More than 5 years
Total liabilities (non derivative)	27,145,323	29,029,942	12,554,044	5,264,019	7,014,846	4,197,033
Financial liabilities	9,727,388	10,760,411	452,503	2,450,417	6,538,418	1,319,073
Bonds & notes issued	5,323,596	6,166,821	-	2,813,602	475,259	2,877,960
Trade payables	8,213,166	8,221,537	8,221,537	-	-	-
Other liabilities	3,881,173	3,881,173	3,880,004	-	1,169	-

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 years	More than 5 years
Derivative instruments (net)	266,968	177,508	(38,837)	162,164	39,051	15,131
Derivative cash inflows	444,469	6,001,922	3,563,116	1,995,823	390,325	52,658
Derivative cash outflows	180,501	5,824,414	3,601,954	1,833,659	351,274	37,527

31 December 2016

Contractual maturities	Carrying value	Contractual cash flows	Up to 3 months	3-12 months	1-5 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	3-12 months	1-5 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

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

NOTE 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 2017 and 2016, trade receivables from the top 5 customers of the Group constitute 63% and 71% 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.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit risks of the Group for each financial instrument type as at 31 December 2017 and 2016 are as follows:

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2017	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**	**Other**
Maximum exposed credit risk as of reporting date	1,399,601	3,627,432	-	84,267	8,802,069	430,348	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	378,280	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,399,601	3,589,027	-	84,267	8,802,069	430,348	-
B. Net book value of overdue but not impaired financial assets	-	38,405	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	3,184	-	360	-	-	-
- Impairment (-)	-	(3,184)	-	(360)	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2016	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Derivative instruments**	**Other**
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	751,854	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	-	-	-	-	-	-	-

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables				
31 December 2017	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Other**
Overdue (1-30 days)	22,920	-	-	-	-
Overdue (1-3 months)	14,304	-	-	-	-
Overdue (3-12 months)	1,181	-	-	-	-
Overdue (1-5 years)	-	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

	Receivables				
31 December 2016	**Trade receivables**	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Other**
Overdue (1-30 days)	36,307	-	-	-	-
Overdue (1-3 months)	26,078	-	-	-	-
Overdue (3-12 months)	2,531	-	-	-	-
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

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

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

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

Product crack risk

Besides the fluctuations in crude oil prices, in order to eliminate fluctuation risk in product prices profit margins of the products (crack) can be fixed by using various derivative instruments (hedging). Therefore, a hedging policy has been created by comparing historical price levels and by hedging a certain percentage of the total sales volume at certain crack levels (Note 20).

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

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

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 31 December 2017 and 31 December 2016:

	31 December 2017	31 December 2016
Financial instruments with fixed interest rate		
Financial assets		
Time deposits	8,778,098	6,044,576
Financial liabilities	8,188,456	5,554,764
Financial instruments with floating interest rate		
Financial liabilities (*)	6,862,528	6,579,501

(*) As of 31 December 2017, there is total interest rate swap amounting and cross currency interest rate swap transaction amounting to USD529,412 thousand classified as hedging entered for borrowings with floating rate for Tupras’ Residuum Upgrading Project (31 December 2016: USD617,647 thousand). Additionally, Ditaş has interest rate swap transaction at an amount of EUR17,714 thousand classified as hedging in scope of floating rate loans received for tankers of Kartal and Maltepe (31 December 2016: EUR44,285 thousand) (Note 20).

As at 31 December 2017, 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 TRY9,420 thousand lower/higher (31 December 2016: TRY7,879 thousand). As at 31 December 2017, 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 TRY3,387 thousand lower/ higher (31 December 2016: TRY2,823 thousand). As of 31 December 2017 and 2016, 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 2017 and 2016 based on their contractual repricing dates are disclosed in Note 5.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange risk

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

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 31 December 2017 and 31 December 2016:

	31 December 2017 TRY	**31 December 2016 USD(*)**	**31 December 2017 TRY**	**31 December 2016 USD(*)**
Monetary assets	7,648,679	2,027,805	4,347,693	1,235,421
Monetary liabilities	(21,286,304)	(5,643,390)	(14,585,609)	(4,144,581)
Monetary assets/(liabilities) foreign currency position	**(13,637,625)**	**(3,615,585)**	**(10,237,916)**	**(2,909,160)**
Non-monetary assets	11,343	3,007	148,748	42,268
Net foreign currency position of derivative financial instruments	4,294,924	1,138,663	1,310,386	372,353
Net foreign currency asset/(liability) position	**(9,331,358)**	**(2,473,914)**	**(8,778,782)**	**(2,494,539)**
Cash flow hedging (**)	4,796,118	1,271,539	5,130,371	1,457,823
Net foreign currency position after cash flow hedging	**(4,535,240)**	**(1,202,376)**	**(3,648,411)**	**(1,036,716)**
Inventory in natural hedge scope (***)	5,058,436	1,341,084	3,477,413	988,126
Net foreign currency position after cash flow hedging and natural hedge	**523,196**	**138,709**	**(170,998)**	**(48,590)**

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

(**) The Group has used its investment loans amounting to USD1,254,421 thousand (TRY4,731,551) as hedging instruments against USD/TRY 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 (31 December 2016: USD1,457,823 thousand (TRY5,130,371 thousand), exchange difference income/expenses of investment loans are recognized in "Hedging gains/(losses)" account under equity until cash flows of the item which is included in related hedging are realized, it has no impact on the income statement.

(***) The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 31 Decmeber 2017, the Group has crude oil and petroleum products inventories amounting to TRY5,058,436 (31 December 2016: TRY3,477,413 thousand) (Note 8).

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign exchange position table

	31 December 2017					31 December 2016				
	TRY equivalent (In terms of functional currency)	**USD**	**EUR**	**GBP**	**Other**	**TRY equivalent (In terms of functional currency)**	**USD**	**EUR**	**GBP**	**Other**
Trade receivables	102,783	27,226	19	-	-	257,339	73,124	-	-	-
Monetary financial assets (including cash, banks)	7,528,924	1,851,164	120,909	-	554	4,085,609	875,246	270,883	114	-
Other	11,343	2,298	590	2	-	3,780	1,074	-	-	-
Current assets	**7,643,050**	**1,880,688**	**121,518**	**2**	**554**	4,346,728	949,444	270,883	114	-
Monetary financial assets	16,972	2,498	2,002	-	-	4,745	1,348	-	-	-
Other	-	-	-	-	-	144,968	27,163	13,309	-	-
Non-current assets	**16,972**	**2,498**	**2,002**	**-**	**-**	149,713	28,511	13,309	-	-
Total assets	**7,660,022**	**1,883,186**	**123,520**	**2**	**554**	4,496,441	977,955	284,192	114	-
Trade payables	7,297,348	1,916,299	14,705	329		3,841,321	1,056,681	27,213	1,043	17,189
Financial liabilities	3,966,781	1,046,575	10,897	-		1,243,661	333,977	18,418	-	-
Other monetary liabilities	524,280	138,814	153	-		257,008	72,774	243	-	-
Current liabilities	**11,818,409**	**3,101,688**	**25,755**	**329**	**1,191**	5,341,990	1,463,432	45,874	1,043	17,189
Financial liabilities	9,464,531	2,160,677	291,146	-	-	9,241,837	2,314,067	296,011	-	-
Other monetary liabilities	3,364	686	172	-	-	1,782	-	480	-	-
Non-current liabilities	**9,467,895**	**2,161,363**	**291,318**	**-**	**-**	9,243,619	2,314,067	296,491	-	-
Total liabilities	**21,286,304**	**5,263,051**	**317,073**	**329**	**1,191**	14,585,609	3,777,499	342,365	1,043	17,189
Net asset/(liability) position of off-balance sheet foreign currency derivatives	**4,294,924**	**925,914**	**177,714**	**-**	**-**	1,310,386	372,353	-	-	-
Total amount of off-balance sheet derivative financial assets	4,365,360	944,588	177,714	-	-	1,310,386	372,353	-	-	-
Total amount of off-balance sheet derivative financial liabilities	(70,436)	(18,674)	-	-	-	-	-	-	-	-
Net foreign currency asset/(liability) position	**(9,331,358)**	**(2,453,951)**	**(15,839)**	**(327)**	**(637)**	(8,778,772)	(2,427,191)	(58,173)	(929)	(17,189)
Cash flow hedging	4,796,118	1,271,539	-	-	-	5,130,371	1,457,823	-	-	-
Net foreign currency position after cash flow hedging	**(4,535,240)**	**(1,182,412)**	**(15,839)**	**(327)**	**(637)**	(3,648,411)	(969,368)	(58,173)	(929)	(17,189)
Net monetary foreign currency asset/(liability) position	**(13,637,625)**	**(3,382,163)**	**(194,143)**	**(329)**	**(637)**	(10,237,916)	(2,827,781)	(71,482)	(929)	(17,189)
Fair value of derivative instruments used for hedging	**426,328**	**113,027**	**-**	**-**	**-**	373,700	106,189	-	-	-

As at 31 December 2017, the Group has TRY523,196 thousand as net foreign currency surplus after natural hedging (31 December 2016: TRY,170,998 thousand net foreign currency deficit) (p. 54).

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

NOTE 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 2017 and 31 December 2016.

Statement of foreign currency risk sensitivity

	31 December 2017			
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
	10% change in USD rate:			
USD net assets/ liabilities	(1,275,718)	1,275,718	473,155	(473,155)
Amount hedged for USD risk (-)	808,651	(808,651	-	-
USD net effect	**(467,067)**	**467,067**	**473,155**	**(473,155)**
	10% change in EUR rate:			
Euro net assets/ liabilities	(87,665)	87,665	-	
Amount hedged for Euro risk (-)	80,247	(80,247)	-	-
EUR net effect	**(7,418)**	**7,418**	**-**	**-**
TOTAL	**(474,485)**	**474,485**	**473,155**	**(473,155)**

	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**

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

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Export and import

	1 January - 31 December 2017	1 January - 31 December 2016
Export		
USD (equivalent of thousand TRY)	10,205,556	6,374,428
	10,205,556	**6,374,428**
Import		
USD (equivalent of thousand TRY)	42,552,146	26,456,318
	42,552,146	**26,456,318**

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 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Total financial liabilities (Note 5)	15,050,984	12,134,265
Less: Cash and cash equivalents (Note 4)	(7,603,858)	(5,048,709)
Net financial liabilities	7,447,126	7,085,556
Total shareholders' equity	10,477,661	8,167,033
Total capital invested	**17,924,787**	**15,252,589**
Gearing ratio	41.55%	46.45%

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.

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

NOTE 32 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

Financial assets

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

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

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

Financial liabilities

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

Fair value hierarchy table:

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

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

Financial assets at fair value through profit or loss	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	447,469	-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	180,501	-

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	-

NOTE 32 - SUBSEQUENT EVENTS

None.

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