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Koç

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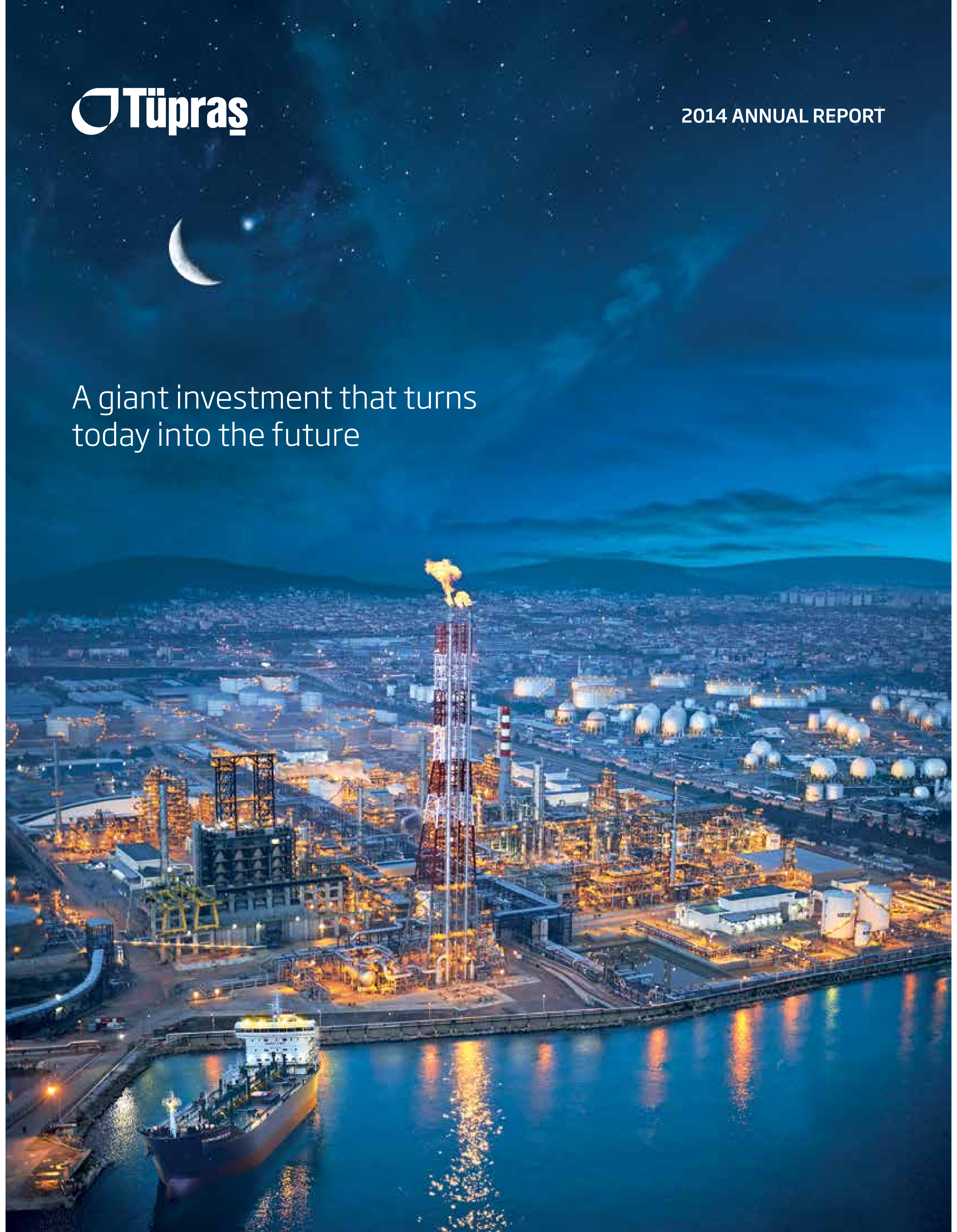
Tüpraş

TÜPRAŞ 2014 ANNUAL REPORT

Koç



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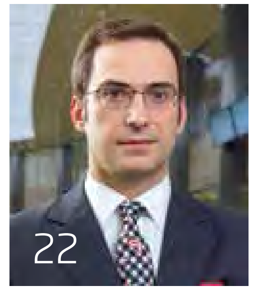
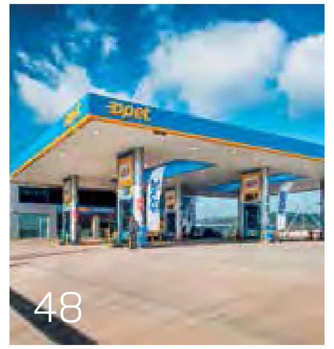
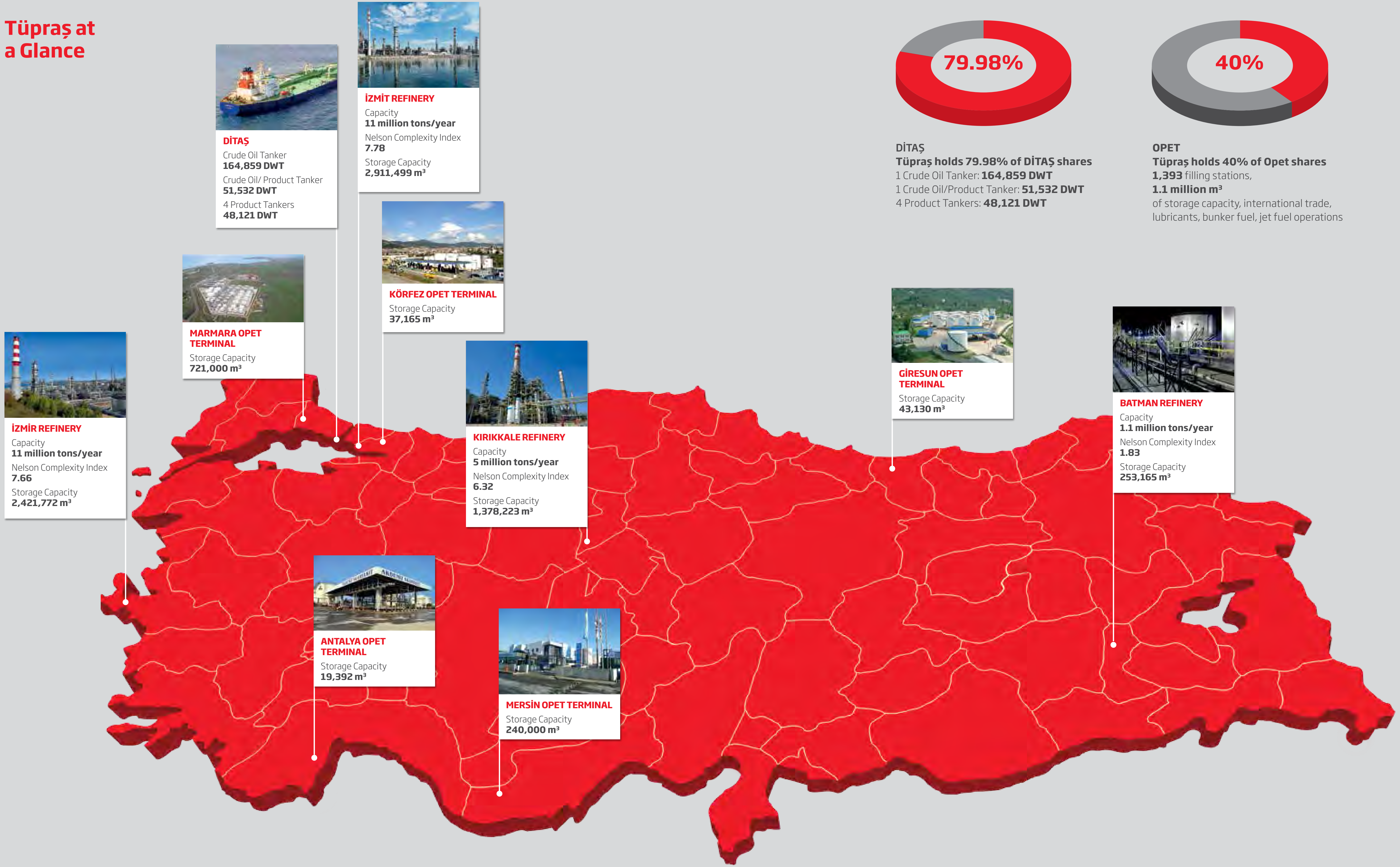




Tüpraş at a Glance



DİTAŞ
Tüpraş holds 79.98% of DİTAŞ shares
1 Crude Oil Tanker: **164,859 DWT**
1 Crude Oil/Product Tanker: **51,532 DWT**
4 Product Tankers: **48,121 DWT**

OPET
Tüpraş holds 40% of Opet shares
1,393 filling stations,
1.1 million m³
of storage capacity, international trade, lubricants, bunker fuel, jet fuel operations

Trade Registry Number
Körfez 408/14

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From black to white...
With the Residuum Upgrading Facility, we're going to convert 4.5 million tons of black products into white products with the biggest investment ever made in the entire history of our Republic.

With a variety of products, we will build roads between distances, be the propellant force in kilometers, and bring efficiency to production. We plan to put every drop of what we produce to work for Turkey's bright future.

ABOUT TÜPRAŞ RESIDUUM UPGRADING FACILITY

A GIANT INVESTMENT THAT WILL TAKE TÜPRAŞ INTO THE FUTURE

RESIDUUM UPGRADING FACILITY

US$ 5.2 billion in investments over the past nine years with the goal of being the best

While meeting our country's demand for petroleum products, Tüpraş steadily increases its competitive power, with investments of US$ 5.2 billion over the past nine years, and with the goal of being the best in all business processes. In our industry, operational excellence and technological innovation are key to achieving a sustainable competitive advantage. Following its transfer to the Koç Group in 2006, Tüpraş initiated major investments to improve product quality, and underwent a period of technological change and improvement in operational excellence, production efficiency, and environmental and occupational safety through major strategic investments to enable a transformation.

WHY A RESIDUUM UPGRADING FACILITY?

High white products yield and full capacity utilization

RUP Units, which require a significant amount of investment, are used to convert low-value black products with low consumption to high-value white products (diesel, gasoline, jet fuel, LPG), for which demand is steadily increasing. In 2008, Tüpraş decided to invest in Residuum Upgrading to revamp production configuration according to the supply-demand balance, to run the refineries at full capacity and to ensure the sustainability of businesses.

The facility will help optimize the operations of other Tüpraş refineries as these facilities increase their capacity utilization to provide additional raw materials for Izmit. All plants will have the opportunity to achieve product flexibility and full capacity utilization.

HOW DOES THE FACILITY CONTRIBUTE TO PRODUCTION?

3.5 million tons of white products

After this project is completed, Tüpraş will process about 4.2 million tons of high-sulphur fuel oil and related heavy products, consumption of which has been falling rapidly in recent years. This will yield 2.9 million tons of diesel/jet fuel, 522 thousand tons of gasoline and 69 thousand tons of LPG, for a total of 3.5 million tons of valuable white products at Euro-V standards, as well as 690 thousand tons of petroleum coke and 86 thousand tons of sulphur.

HOW MUCH IS INVESTED IN THE FACILITY?

US$ 3 billion capital investment with supplementary projects

The RUP facility, with a total investment of US$ 2.7 billion including financing costs, is Turkey's largest single industrial investment project to date. With supplementary infrastructure projects such as the pier and the railroad, total capital investment will amount to US$ 3 billion.

HOW WILL THE FACILITY CONTRIBUTE TO TÜPRAŞ AND THE NATIONAL ECONOMY?

Our country's foreign trade deficit will be reduced by US$ 1 billion per year.

The project is expected to yield about US$ 550 million in EBITDA and will help increase the export volume of high-value products rather than fuel oil, and reduce dependence on imported products such as diesel, LPG and petroleum coke. Thus, our country's foreign trade deficit will be reduced by US$ 1 billion per year.

HOW MANY UNITS ARE IN THE FACILITY?

17 units including 6 main units

1. Vacuum Unit	7,500 m^3/day
2. Coker Unit	8,200 m^3/day
3. Hydroprocessing Unit	
• Hydrocracker Unit	8,000 m^3/day
• Naphtha Hydrogenation Unit	1,200 m^3/day
• Diesel Desulphurization Unit	4,000 m^3/day
4. Hydrogen Unit	160,000 m^3/hour
5. Energy Generation Unit	120 MW
6. Petroleum Logistics Unit/ Storage Tanks	23 units / 660,000 m^3

Including the six main units, the facility consists of 17 units in total.

The facility is connected to the sea via a 780-meter long pier. A wagon unloading area was built for railroad connections.

A PROJECT OF MANY FIRSTS

The world's eighth tallest flare at a height of 185 meters

During the construction phase of this large-scale project, Turkey has seen many firsts. For example, the hydrocracker reactor, which was the heaviest and the largest piece of equipment with a height of 35 meters, diameter of 8 meters and weight of 918 tons, was picked up in one piece from the pier at Izmit Refinery B Region. Prior, it had been manufactured in Japan, transported on a giant 320-wheeler and assembled in Turkey. Giant cranes with 1,500-ton and 900-ton capacities were used during its assembly. This reactor has a place in history as the heaviest piece of equipment transported and assembled in the country. Additionally, the facility has the world's eighth tallest flare at a height of 185 meters.

THE RUP FACILITY IN NUMBERS

230,000 (M³)
Total volume of concrete

44,500 (TONS)
Total weight of steel construction

35,000 (TONS)
Pipes used

42,521 (M²)
Base area of product tanks

1,750,000 (M)
Electrical cable laid

2,252 (THOUSAND M³)
4.0 (MILLION TONS)
Total volume of excavation

663,812 (M³)
Volume of product tanks

1,523 (ACRES)
Construction area

27,500 (TONS)
Steel bars

166,500 (M²)
Field concrete

582 (THOUSAND M)
Piping (overground)

51 (THOUSAND M)
Piping (underground)

MAJOR STEPS IN THE PROJECT

Largest private sector investment, completed in 6 years

The investment is a result of 6 years of work.

- **March 11, 2008:** Board of Directors' Investment Decision on the RUP Project
- **June 1, 2008:** Field Studies on the Project Area
- **July 22, 2008:** Two-stage tendering, technical and commercial
- **August 26, 2008:** Public Consultation Meeting
- **April 24, 2009:** EIA- Environment Report
- **December 17, 2009:** Agreement signed with the UTE TR RUP Treunidas RUP Construction LLC Consortium
- **January 3, 2011:** Large scale investment incentive certificate
- **February 23, 2011:** Revision of the incentive certificate
- **July 7, 2011:** Commencement of excavation work
- **October 13, 2011:** Signing of the loan agreement, insured by CESCE (Spanish Export Credit Agency) and SACE (Italian Export Credit Agency), with 10 international financial institutions.
- **November 14, 2011:** Commencement of construction work
- **December 17, 2011:** The laying of first lean-mix concrete
- **May 31, 2012:** The installation of first steel columns
- **June 21, 2012:** RUP Project receives the "Best Finance Deal Award" from Trade Finance Magazine; EMEA Finance Magazine names the project the "Best Structured Finance Deal" in the EMEA region
- **August 28, 2012:** Production of the concrete chimney
- **September 5, 2012:** The first major equipment installation
- **December 24, 2012:** 690-day countdown starts
- **May 7, 2013:** The heaviest reactor of the project
- **June 24, 2013:** Installation of the steel flare
- **October 7, 2013:** Strategic Investment Incentive Certificate
- **December 19, 2013:** Powering the field for the first time
- **January 24, 2014:** Black product tanker, T. Esra (20,000 DWT)
- **May 5, 2014:** The last pile for the pier installed
- **June 11, 2014:** The new natural gas pipeline connected to the refinery
- **June 24, 2014:** T. Aylin (20,000 DWT) is launched
- **September 15, 2014:** Flare ignited
- **October 11, 2014:** Commissioning of Vacuum Resid Tanks
- **November 13, 2014:** Mechanical Completion of Unicracking Unit
- **November 13, 2014:** Mechanical Completion of Control Facility
- **November 14, 2014:** Mechanical Completion of Inter-refinery Connection Lines
- **December 3, 2014:** Receiving of "Gold" Level LEED Certification for the Control Facility
- **December 8, 2014:** Charging of the LPG Caustic Treatment Unit
- **December 15, 2014:** Opening Ceremony of Residuum Upgrading Project

HOW WILL THE FACILITY CONTRIBUTE TO EMPLOYMENT?

Permanent employment for 500 skilled employees

Approximately 8,000 persons, including the solution partners and the subcontractors, have been hired to work in the construction and installation of a total of 17 units. These include the six main units, the pier and the railroad. The construction project continued for three years, and approximately 500 skilled employees have been hired on a permanent basis in the Facility's operations.

HIGH NELSON COMPLEXITY INDEX

Upon completion of the project, Tüpraş's black product output will be slashed by approximately 50% and total white product output will rise above 80%. Taking into account the amount of white product to be generated and the added economic value it will create for Turkey, this investment is equilavent.

ENVIRONMENT-FRIENDLY PROJECT

Appropriate technologies and processes in compliance with EU standards were chosen at the design stage of the project by taking all environmental impacts into consideration. In addition to the emission decrease that will be achieved with the increasing energy efficiency, exhaust gas emission will be below environmental norms with the maximization of natural gas utilization. Moreover, necessary investments were made for biological and chemical wastewater treatment, and discharge is achieved below the limits.

STRATEGIC INVESTMENT INCENTIVE CERTIFICATE

For the Fuel Oil Conversion Plant, initially a Large Scale Investment Incentive Certificate of TL 2.3 billion (valid as of 21.10.2010) was given by the T.R. Ministry of Economy, "Directorate of Incentives Implementation and Foreign Direct Investment." Subsequently, a Strategic Investment Incentive Certificate of TL 2.9 billion (valid as of 19.10.2012) was given upon the Cabinet Decree n. 2012/3305 (date: 19.06.2012) under the new incentive practices. The portion exceeding TL 1 billion of the Large Scale Investment Incentive Certificate was provided by the support instruments in the Strategic Investment Incentive Certificate.

If the pipes used in the plant were laid end-to-end, a 6” pipeline could extend from Edirne to Kars.

The facility’s tank storage capacity is big enough to fill 11 million automobile gas tanks.

This amount is equivalent to the amount of gasoline a car would consume over 500 years time.

With the concrete used in the plant 5 thousand buildings could be constructed.

With the steel used in the plant, 6 Eiffel Towers could be built.

7 football pitches could be built in the area where the storage tanks are located.

With TL 39,729 million in production-based sales, Tüpraş once again ranked first in the "Top 500 Industrial Enterprises" list compiled by the Istanbul Chamber of Industry (ISO).

Key Indicators

OPERATIONAL PERFORMANCE INDICATORS

OPERATIONAL INDICATORS (THOUSAND TONS)	**2010**	**2011**	**2012**	**2013**	**2014**
Processed Crude Oil	19,552	20,896	22,118	21,568	20,044
Production	18,797	20,898	21,867	21,175	20,101
Sales	22,401	23,897	25,441	24,083	22,194
Product Exports	4,795	5,152	5,860	4,844	5,333
Product Imports	3,980	4,214	4,387	3,805	2,920

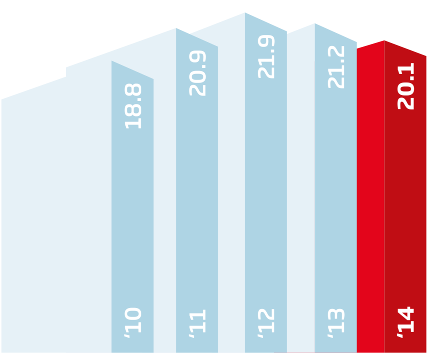
20.0 (million tons)

Processed crude oil totaled 20.0 million tons in 2014.

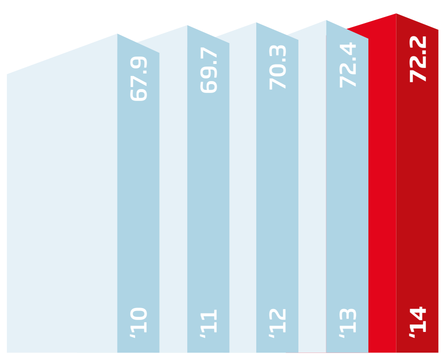
TÜPRAŞ REFINING PRODUCTION

PRODUCTS (THOUSAND TONS)	**2013**	**2014**	**CHANGE** (%)
LPG	794	702	(11.7)
Gasoline & Naphtha	4,720	4,446	(5.8)
Jet Fuel/Kerosene	3,637	3,610	(0.7)
Rural Diesel	395	235	(40.6)
Diesel	5,248	5,073	(3.3)
Middle Distillate	**9,280**	**8,917**	**(3.9)**
Fuel Oils	2,721	3,483	28.0
Bitumen	2,924	1,920	(34.3)
Lube Oil	140	114	(18.4)
Other	594	518	(12.7)
Total	**21,175**	**20,101**	**(5.1)**

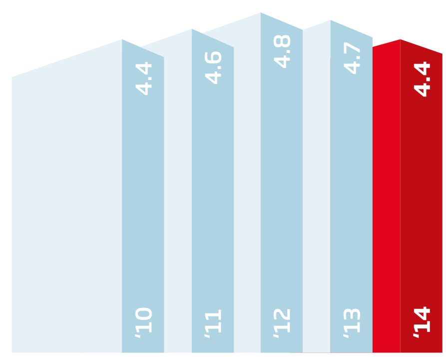
PRODUCTION (MILLION TONS)
Due to the weak market environment, and RUP related turnarounds the first half of the year, Tüpraş's 2014 production dipped 20.1 million tons.



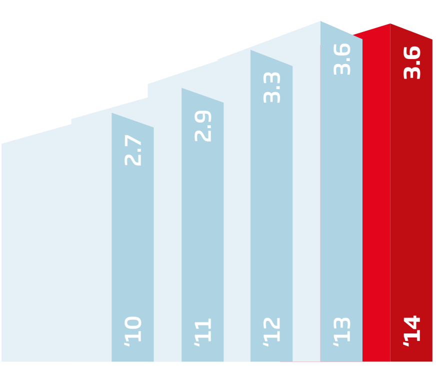
WHITE PRODUCT YIELDS (%)
With the effective utilization of the conversion units, maximum white product yield has been achieved in recent years. In 2014 the white product ratio was 72.2%.



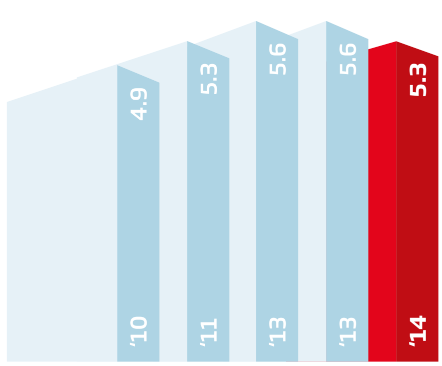
GASOLINE & NAPHTHA (MILLION TONS)
With the impact of the market environment and turnarounds, Tüpraş's 2014 gasoline and naphtha production was 4.4 million tons.



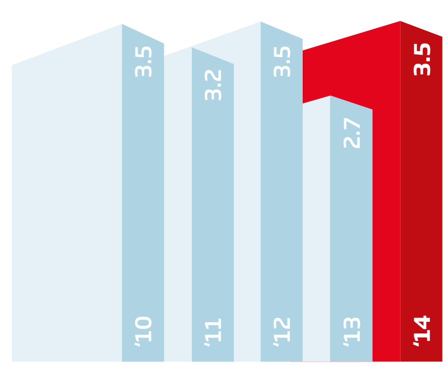
JET FUEL (MILLION TONS)
Tüpraş's 2014 jet fuel production amounted to 3.6 million tons.



DIESEL (MILLION TONS)
With the impact of (RUP related) turnarounds and decreasing demand, Tüpraş's 2014 diesel production was 5.3 million tons.



FUEL OIL (MILLION TONS)
With the impact of the decrease in bitumen production, Tüpraş's 2014 fuel oil production climbed to 3.5 million tons, up 28%.



As it has since its establishment, Tüpraş will continue to create significant value for shareholders, for society and for the world well into the future.

Key Indicators

CAPACITY UTILIZATION (%)

CAPACITY UTILIZATION RATE	CRUDE OIL	SEMI-FINISHED PRODUCTS	TOTAL
1st Quarter	65.1	2.9	68.0
2nd Quarter	64.9	4.1	69.0
3rd Quarter	76.4	4.2	80.7
4th Quarter	78.9	3.1	81.9

SAFETY SCORES	2010	2011	2012	2013	2014
Accident Frequency Rate	1.7	2.2	1.5	1.1	1.6
Accident Severity Rate	57	83	289	26	308

WASTE WATER RECYCLING	2010	2011	2012	2013	2014
Recycled Water (million m^3)	11.6	11.2	9.9	11.0	12.4
Recycled Water/Total Consumed Water (%)	39.0	37.1	32.2	36.3	40.4

GREENHOUSE GAS EMISSIONS PREVENTED (CO_2 EMISSIONS-THOUSAND TONS)	2010	2011	2012	2013	2014
Greenhouse Gas Emissions Prevented	308.6	317.0	348.2	186.0	126.4

FINANCIAL PERFORMANCE INDICATORS*

FINANCIAL INDICATORS (US$ MILLION)	2010	2011	2012	2013	2014
Net Sales	17,424	24,302	23,677	21,595	18,165
Operating Profit	683	1,181	631	22	199
Profit before Tax	617	918	753	7	84
Profit after Tax	490	740	817	629	667
EBITDA	830	1,329	715	560	338
Net Debt (Cash)	(1,955)	578	551	1,340	1,663
Return on Equity (ROE) (%)	19	30	32	24	26
Gearing Rate (%)	(357)	20	17	36	38
Net Working Capital	286	359	595	(296)	(677)
Investment Expenditures	177	628	974	1,201	959

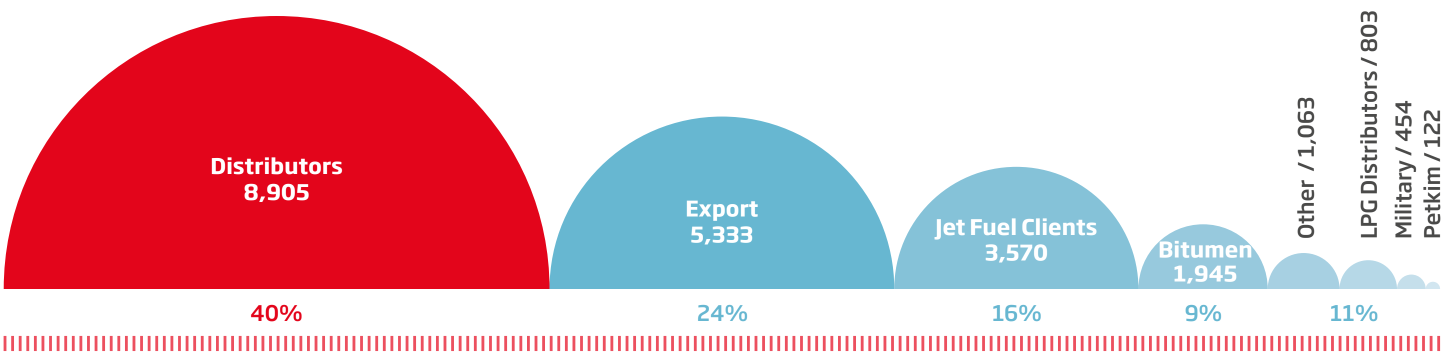
*For 2011 and the periods before OPET, figures are included in consolidation.

199 (US$ million)
With the impact of the negative product stock, Tüpraş's operating profit was US$ 199 million in 2014.

Key Indicators

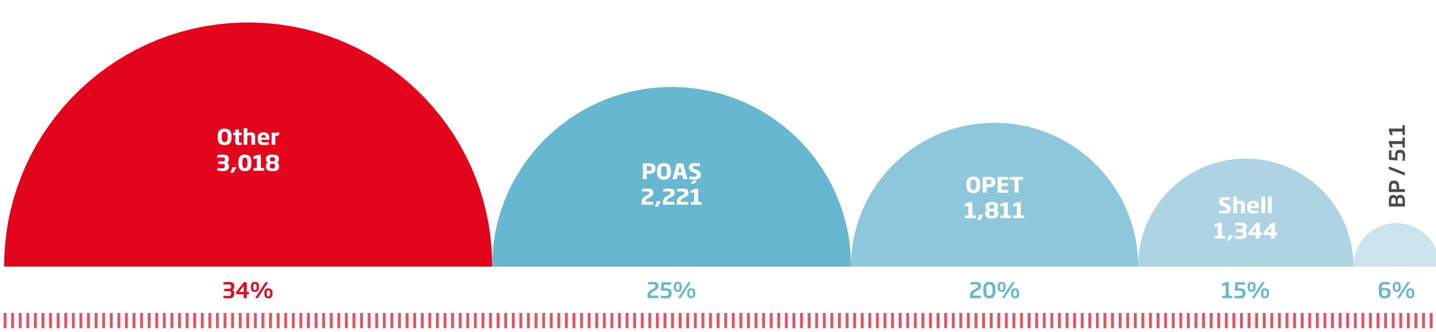
With exports totaling US$ 4.13 billion, Tüpraş was named the 2013 Export Champion of Turkey at the Export Champions Awards, organized by the Turkish Exporters Assembly (TIM).

TOTAL SALES (THOUSAND TONS)



22,194 THOUSAND TONS

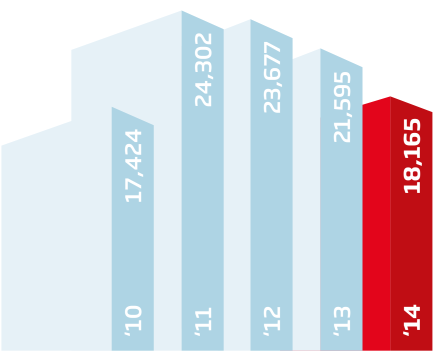
SALES TO DISTRIBUTION COMPANIES (THOUSAND TONS)



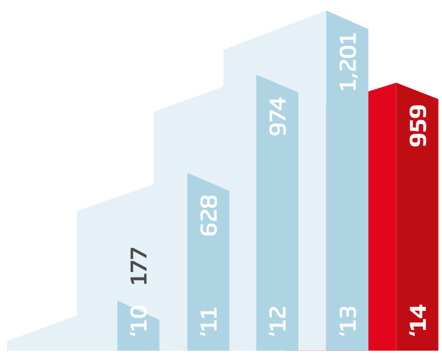
8,905 THOUSAND TONS

18,165
(US$ million)
In 2014, Tüpraş's net sales figure was US$ 18.165 million.

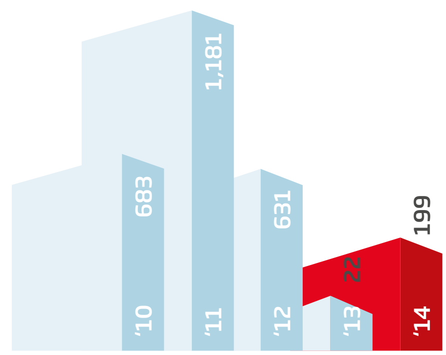
NET SALES (US$ MILLION)
With the impact of the slump in crude oil prices and volume, Tüpraş's net sales figure was US$ 18,165 million in 2014.



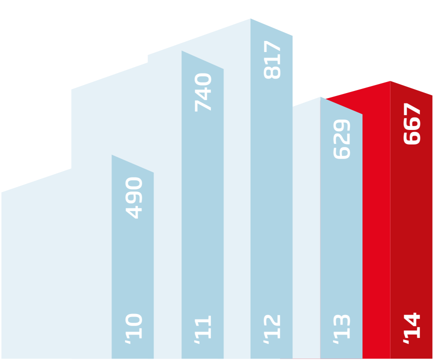
INVESTMENT EXPENDITURES (US$ MILLION)
In 2014, Tüpraş's total investment expenditure, including the US$ 747 million investment made for RUP, was US$ 959 million.



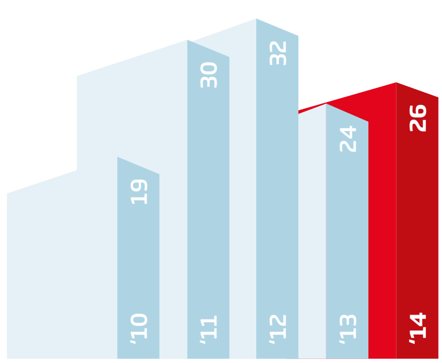
OPERATING PROFIT (US$ MILLION)
With the impact of the weak environment in the first half of the year, and the negative inventory effect from decreasing crude and product prices, 2014 operating profit was US$ 199 million.



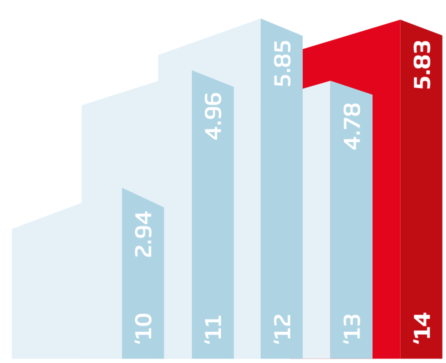
PROFIT AFTER TAX (US$ MILLION)
In 2014, Tüpraş's profit after tax was US$ 667 million, due to the US$ 598 million delayed Tax Income arising from the RUP investment incentive.



RETURN ON EQUITY (ROE) (%)
Tüpraş's return on equity was 26% in 2014.



EARNINGS PER SHARE (TL)
The increasing net profit with the impact of the RUP incentive, carried the net profit per share to TL 5.83.



2014 Developments

The Tüpraş New R&D Center commenced operations in 2014. The Center initially covered 2,250 m^2 of space; but upon completion of the Campus, the total area expanded to 12,950 m^2.

TÜPRAŞ R&D COMMENCED OPERATIONS

The Tüpraş R&D Center Campus was built to accommodate the additional laboratories and workspaces required due to the rapid increase in the budget and number of R&D projects. It commenced operations in 2014. The Tüpraş R&D Center had initially covered 2,250 square meters of space but upon completion of the Campus, the total area expanded to 12,950 square meters.

The Tüpraş R&D Center is comprised of a design building, a laboratory building and a pilot facility testing building.

As part of its R&D efforts in 2014, Tüpraş successfully finalized a total of 10 projects approved by the Technology and Innovation Funding Programs Directorate (TEYDEB), and one project under the EU-funded 7th Framework Program. Currently, nine projects approved by TEYDEB, one ARDEB 1003 project, and two EUREKA-labeled projects are still underway. R&D projects consist of product development and process optimization efforts. In addition to the R&D projects funded by TÜBİTAK (The Scientific and Technological Research Council of Turkey) and the European Union, Tüpraş is currently carrying out 12 projects financed with internal cashflow.

In addition to the patent applications filed under intellectual and industrial property rights, Tüpraş pursued efforts to register its trademarks, Internet domain names, and inventions. The Company initiated field applications of the simulation program, developed after the R&D project titled "Monitoring, Modeling, Simulation and Optimum Maintenance Planning of Exchanger Pollution to Minimize Energy Losses at the Refinery." In addition to the patent applications filed with regard to this project, the Company has developed its first commercial product, "HexMon," which has international trademark registration.

IZMIT REFINERY'S RUP FACILITY IS COMPLETE

Construction of the RUP facility built on 1,523 acres of land next to Tüpraş's Izmit Refinery was completed with a capital investment amounting to US$ 3 billion, including the financing costs and additional infrastructure projects, such as the pier and the railroad.

With the completion of the project, Tüpraş realized the largest single industrial investment project in Turkey.

Once the facility starts production at full capacity, it is expected to reduce our country's foreign trade deficit by US$ 1 billion per year. Moreover, Izmit Refinery's Nelson Complexity Index (NCI) will rise from 7.78 to 14.5, one of the highest scores in the world.

The RUP facility consists of a total of 17 units, storage tanks and a 780-meter long pier. In the construction and the installation phases of the project, begun in 2011, approximately 8,000 persons were hired, and 500 employees have been hired on a permanent basis.

With this investment, about 4.2 million tons of black products, for which demand has been dropping rapidly in recent years, will be converted into approximately 3.5 million tons of high-value, environmentally friendly white products with Euro V standards, predominantly diesel, gasoline and LPG.

TÜPRAŞ REMAINS IN THE TOP RANKS OF THE BIST SUSTAINABILITY INDEX AND CORPORATE GOVERNANCE INDEX

Tüpraş manages its business processes without compromising corporate governance principles and its corporate reputation. Tüpraş has been in the top ranks of the BIST Corporate Governance Index since its inclusion in 2007.

As a result of the assessment carried out by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. in accordance with the new methodology issued by the Capital Markets Board in January 2014, Tüpraş's Corporate Governance Score was upgraded to 9.31 in October 2014 from 9.28 on April 30, 2014. In this assessment, Tüpraş's commitment to Corporate Governance Principles, its eagerness to manage the process in a continuous and dynamic manner, and the improvements it has achieved were taken into consideration.

The BIST Sustainability Index, established by Borsa Istanbul in 2014, evaluates company performance on environmental, social and corporate governance issues. Tüpraş ranked among the top 15 companies included in the BIST Index.

TWO NEW ASPHALT TANKERS ACQUIRED

T. Esra was commissioned in January 2014; and the second asphalt tanker, T. Aylin, was inaugurated in June 2014 and will join the Company's fleet at the beginning of 2015. Both asphalt tankers have a capacity of 20 thousand DW tons, to carry black product output from the Izmir Refinery to RUP Units.

Milestones in Tüpraş History

1950s

1955
- Turkey's first oil refinery, Batman Refinery, was commissioned.

1960s

1961
- Izmit Refinery (İpraş), with a 1 million tons/year capacity, was commissioned.

1970s

1971
- Izmit Refinery's First Expansion Project was completed and its crude oil processing capacity rose to 5.5 million tons/year.

1972
- The Izmir Refinery, with a 3 million tons/year refining capacity, was commissioned.

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

1980s

1982
- The Izmit Refinery's Second Expansion Project was completed, with the crude oil processing capacity rising to 11.5 million tons/year.

1983
- İpraş and the three other refineries were united under Tüpraş.
- İpraş's 29% share in Ditaş was acquired by Tüpraş.

1986
- In Central Anatolia, the 5 million ton/year capacity Kırıkkale Refinery was commissioned.

1987
- The Izmir Refinery Expansion Project was completed, with the refining capacity rising to 10 million tons/year.

1989-2003
- The Long Term Investment Plan was launched.

1990s

1990
- Tüpraş was handed over to the Privatization Administration.
- Management planning embraced the simulation approach.
- Production planning started to follow the optimization model.

1991
- Some 2.5% of Tüpraş shares were offered to the public and began trading on the ISE.

1993
- The Hydrocracker Complex was commissioned at the Kırıkkale Refinery.
- The Hydrocracker Complex was commissioned at the Izmir Refinery.

1997
- The Hydrocracker and CCR complexes were commissioned at the Izmit Refinery.

1998
- Automatic Pricing Mechanism commenced.

1999
- Free float rose to 3.58%.
- Marmara earthquake caused a fire at Tüpraş.

2000s

2000
- Following the second public offering, 34% of Tüpraş shares began trading on the Istanbul and London Stock Exchanges.

2001
- The Petkim Yarımca Complex was acquired by Tüpraş.
- The Izmir Refinery's CCR Reformer and Isomerization units were commissioned.

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

2003
- Supply Option Study was launched.

2004
- All refineries obtained quality and environment certifications.

2005
- Free float rose to 49%.
- The Koç-Shell Joint Venture Group won the tender for the block sale of 51% of the state-owned Tüpraş shares.
- The Izmir Refinery's Diesel Desulphurization Unit was commissioned.
- Import liberalization began.
- Laboratory accreditation was obtained.
- Refinery licenses were renewed.
- The Petroleum Market Law became effective.

2006
- On January 26, shares were transferred to Koç Holding A.Ş.
- Some 40% of Opet's shares were acquired from Aygaz A.Ş.
- The Operational Excellence Program was launched.
- New logo and corporate identity study was concluded.

2007
- The Izmit Refinery's CCR Reformer and Diesel Desulphurization Unit were commissioned.
- Intranet Portal was launched.
- National Marker Application was launched.
- RUP investment decision was made.
- SAP System was initiated. The Company released its corporate responsibility report (GRI) in compliance with international standards.
- Installation of flue gas measurement devices (CEMS) was completed.
- Energy management units were established.
- Tüpraş's Corporate Governance Rating was set at 7.91.
- A transportation agreement was signed with Turkish Railways, TCDD.
- The Health Safety and Environment Policy were released and the management declared its commitment.
- The Tüpraş Recognition, Appreciation and Award scheme was launched.

2008
- The Kırıkkale Refinery's Diesel Desulphurization and CCR Reformer units were commissioned.
- The Izmir Refinery's Gasoline Specifications Improvement Investment was commissioned.
- All refineries became ready to sell diesel at Euro V standards.
- The tanker Sevgi joined the Ditaş fleet.
- Railway Transportation
- Production at the Petrochemical Plant was terminated and Residuum Upgrading Project was initiated.
- Advanced Process Control applications were started.
- OSAR-Risk Assessment Table was launched.

2009
- The Izmit Refinery's Gasoline Specifications Improvement Investment was commissioned.
- The tanker Gönül joined the Ditaş fleet.
- All gasoline products marketed in Turkey were improved in line with Euro V specifications.
- Working environments were improved.
- Customer orders started being received via the portal.
- Contractor management system was activated.
- Customer Relationship Management System was launched.
- Winter diesel production was initiated.

Tüpraş ranked among the top 15 companies on the BIST Sustainability Index, which launched on November 4, 2014.

2010

- R&D Center was opened.
- Ethical values were revised.
- Master's degree programs were launched jointly with universities.
- Tüpraş was registered to the REACH statute.
- CE Certification was obtained for bitumen products.
- The world's first Cracking Catalyst in the Desulphurization Unit's reactor was implemented .
- Batman Refinery earned a first prize while the Izmir refinery received third prize in the Industrial Energy Efficiency competitions.
- Refineries launched the Waste Management Program via SAP.

2011

- The loan agreement was signed for the Residuum Upgrading Project.
- Izmir and Izmit kerosene sweetening units were commissioned.
- Izmir and Batman Refineries were granted first prizes in Industrial Energy Efficiency competitions.
- Tüpraş's educational film on occupational health and safety came in second in a worldwide competition.
- The Corporate Governance Rating was upgraded to 8.62.

2012

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

2013

- Batman Refinery won first prize in the Industrial Energy Efficiency competition.
- Tüpraş's Corporate Governance Rating was upgraded to 9.34.
- ISO 50001:2011 Energy Management System Certification was obtained.
- ISO/IEC 27001:2005 Information Security Management Systems Certification was obtained.
- New bitumen tanks were commissioned at the Izmit and Batman refineries.
- The Aegean Region Chamber of Industry presented the "Environmental Best Practice Award" to Izmir Refinery for the Base Oil Complex Burner Modernization Project.
- Following completion of the heat integration project, the CCR and Benfree units were commissioned at Kırıkkale Refinery in May 2013.

2014

- Izmit Refinery's RUP Facility was completed.
- T. Esra, designed to carry heavy petroleum products such as bitumen, one of the world's two largest tankers of its kind, was inaugurated on January 24, 2014 and joined the fleet. Construction of the T. Aylin tanker, inaugurated on June 24, 2014, reached its final phase.
- The Batman Refinery won first prize in the category of Energy Efficient Industrial Facility at the Industrial Energy Efficiency Competition (SENVER 14).
- The simulation program, developed after the R&D project titled "Monitoring, Modeling, Simulation and Optimum Maintenance Planning of Exchanger Pollution to Minimize Energy Waste at the Refinery," was registered as a European Union Trademark (CTM) under the name "HexMon."
- As a result of the assessment carried out in accordance with the new methodology issued by the Capital Markets Board in January 2014, Tüpraş's Corporate Governance Score was upgraded to 9.31 in October 2014 from 9.28 on April 30, 2014.
- Tüpraş ranked among the top 15 companies on the BIST Sustainability Index, which was launched on November 4, 2014.
- The R&D Center Campus, covering 12,950 square meters and comprising a "Design Building", a "Laboratory Building" and a "Pilot Facility Testing Building," commenced operations.

Tüpraş ranked first in the 16th edition of the "Top 500 Private Companies" survey of Capital magazine, and is thus recognized Turkey's largest enterprise.

Achievements and Awards

TÜPRAŞ IS THE LARGEST INDUSTRIAL ENTERPRISE IN TURKEY

With TL 39,729 million in production-based sales, Tüpraş once again ranked first in the "Top 500 Industrial Enterprises" list compiled by the Istanbul Chamber of Industry (ISO).

TÜPRAŞ RANKS FIRST ON THE LIST OF "TOP 500 PRIVATE COMPANIES"

Tüpraş ranked first in the 16th edition of the "Top 500 Private Companies" survey of Capital magazine, and is thus recognized as the largest company in Turkey.

TÜPRAŞ TOPS THE FORTUNE 500 LIST

With net sales amounting to TL 41,078 million, Tüpraş ranked first in the 7th edition of the Fortune 500 list of the largest corporations in Turkey.

TÜPRAŞ IS THE EXPORT CHAMPION OF TURKEY

With exports totaling US$ 4.13 billion, Tüpraş was named the 2013 Export Champion of Turkey at the Export Champions Awards, organized by the Turkish Exporters Assembly (TIM).

AKIB STARS OF EXPORT AWARDS CEREMONY (DECEMBER 2014)

The Mediterranean Exporters Association (AKIB) named Tüpraş the export champion of Turkey for its export volume of US$ 4.13 billion in 2013.

TÜPRAŞ'S CORPORATE GOVERNANCE SCORE IS RAISED

Tüpraş, one of the leading companies on the Corporate Governance Index, raised its Corporate Governance Score from 9.28 to 9.31 in 2014. After taking into consideration Tüpraş's commitment to Corporate Governance Principles, its eagerness to manage the process in a continuous and dynamic manner, and the improvements it has achieved, the Company's Corporate Governance Score was upgraded to 9.31 in October 2014 from 9.28 on April 30, 2014.

Achievements and Awards

TÜPRAŞ IS INCLUDED IN THE BIST SUSTAINABILITY INDEX

Tüpraş ranked among the top 15 companies included in the BIST-30 Sustainability Index, which evaluates company performance on financial, environmental, social and corporate governance issues. The Index serves as an important tool for institutional investors to help them easily distinguish the companies that adopt the principles of sustainability and corporate social responsibility, and to invest in these companies.

TÜPRAŞ WINS THE SUSTAINABILITY AWARD OF KOCAELI CHAMBER OF INDUSTRY

Tüpraş was granted the "Sustainability Award" at the "2013 Sectoral Performance Assessment of Industrial Enterprises - Above the Line" awards ceremony hosted by the Kocaeli Chamber of Industry to recognize the most successful industrial enterprises in the Eastern Marmara region.

BATMAN REFINERY WINS THE TOP PRIZE AT SENVER

At the 14th edition of the "Industrial Energy Efficiency Competition" (SENVER), organized by the Ministry of Energy and Natural Resources, the Batman Refinery won first prize in the category of Energy Efficient Industrial Facility (EEIF) for lowering its energy intensity from 0.9009 (1.000 TEP/MTL) to 0.2636 (1.000 TEP/MTL) between 2005 and 2013.

R&D ÖDÜLLERİ

Tüpraş R&D Center ranked 4th among 460 companies in the Innova-League (Turkish Innovation League) in the category of "Enabling Factors – R&D Management"; and ranked 1st in the Private Sector R&D Centers Summit (organized for the 3rd time) in the category "The Best R&D Center".

FIVE AWARDS FOR 2013 ANNUAL REPORT

The Tüpraş 2013 Annual Report won two gold awards in overall evaluation at the LACP (League of American Communications Professionals) Awards, and won the bronze in the category of "Most Improved Report"; won the silver award in the ARC (Annual Report Competition) in the evaluation made according to criteria such as creativity, design, concept, content quality and presentation, coherence, communicating with the reader, plainness, directness and distinctness; ranked second in the category of "The Annual Report of the Year" at the Turkish Investor Relations Society (TÜYİD) Investor Relations Summit as a result of the evaluation made by KPMG.

MASTER OWL GOES TO TÜPRAŞ

With its 2013 Reputation and Perception Measurement Survey, Tüpraş was granted the Golden Owl in the category of Master Owl in the Owl Awards organized for the second time by the Turkish Researchers Association (TÜAD) in order to award the successful marketing and social surveys in the research sector in Turkey.

WITH 10 PATENT APPLICATIONS, TÜPRAŞ RANKS 26TH

With its 10 patent applications, Tüpraş ranked 26th in list of "Companies with the Highest Number of Domestic Patent Applications in 2013".

LEED CERTIFICATION GRANTED FOR İZMIT REFINERY RUP CONTROL AND R&D MANAGEMENT CENTER

For its İzmit Refinery Control and R&D Management Center, Tüpraş was granted LEED certification by the US Green Building Council. Widely used in international rating systems LEED (Leadership in Energy and Environmental Design), evaluates environmentally sustainable design, construction and management criteria in building and city scale.

DIREKLERARASI AUDIENCE JURY AWARD

Tüpraş İzmit SEK Theatre Club won the Direklerarası Audience Jury Award given to theatre plays staged in order to increase trust, solidarity, and motivation among the employees of a company.

TÜPRAŞ WAS NAMED THE NATIONAL FINALIST AT THE EUROPEAN BUSINESS AWARDS

With the project titled "Energy Efficiency via Membrane Deaerator," Tüpraş was named the national finalist at the 2013-2014 European Business Awards for the Environment, organized by the Regional Environmental Center (REC), and won the right to represent Turkey in Europe.

4.13 (US$ billion)

With exports totaling US$ 4.13 billion, Tüpraş was named the 2013 Export Champion of Turkey at the Export Champions Awards, organized by the Turkish Exporters Assembly (TIM).

Tüpraş's total investment spending has amounted to US$ 5.2 billion over nine years.

Message from the Chairman of the Board of Directors

Esteemed Shareholders,

We closed another year during which we faced many challenges, as the global economic environment remained weak and vulnerable, with both domestic and international markets experiencing significant fluctuations. At first glance, it may seem as if we did not achieve our short-term goals for the year. However, in 2014, Tüpraş realized its most important medium-term goal, which will take our Company and our country forward into the future. On December 15, 2014, we celebrated the official opening of the Residuum Upgrading Facility, thus further bolstering our strength to deal with market challenges.

Meanwhile, you, our esteemed shareholders, continue to raise the bar for us in our efforts to create value for our country, while helping us feel even more confident about the future. The RUP investment is an important indicator of our sensitivity to our country's problems as well as our willingness to assume responsibility under the most difficult conditions with a strategic vision.

In 2014, the world economy maintained a slow and uneven recovery, with economic growth rates varying widely among developed countries. Despite the rebound experienced in the US, emerging market economies, and China in particular, lost momentum while the outlook remained weak and fragile in the Eurozone and Japan. According to IMF data, developing countries posted growth of 4.4% in 2014, down from 4.7% a year earlier, while Turkey's economy expanded by 3%.

The wide range of economic performances among the most industrialized countries is also reflected in their varying monetary policies. Currently, the global economy is trying to find its way following the monetary policy changes implemented by the world's major central banks, and especially the Federal Reserve. The uncertainty about when the Fed will raise interest rates, and the associated geopolitical risks, have led to fluctuations in fund flows into emerging markets and caused significant foreign currency exchange rate movements, especially in those countries with large current account deficits.

Driven by expectations of higher global economic growth and demand, the price of crude oil climbed to US$ 115 in June, spurred by elevated geopolitical risks due to events in Iraq and Ukraine. In the second half of the year, crude oil prices fell sharply, to US$ 55/bbl, as a result of downwardly revised world oil demand due to weakness in the global economy, political showdowns, and also because oil-producing countries decided not to cut production. Despite Tüpraş's effective inventory and risk management, the steep plunge in oil prices caused significant inventory losses. In addition to these internal and external dynamics, sharp fluctuations in USD exchange rate due to expectations about the Fed's interest rate policy increased our Company's operational risks.

With the Ukraine crisis added to the list of chronic geopolitical risks in our region, political tensions continued to be felt around the world in 2014. While nuclear talks with Iran have not yet yielded results that might impact oil exports, the ongoing dispute between the central Iraqi government and Northern Iraq, and the pipeline shutdown, created a shortage in the supply of oil. However, alternative crude oil suppliers including South America and Africa helped overcome such potential bottlenecks, and also provided experience in processing different types of crude oil for the coming periods.

As in the prior year, demand remained weak in Europe, and especially in the Mediterranean, in 2014. Meanwhile, in China, India, and the Middle East, the modern-day drivers of global oil demand, and where new capacity was added, demand for middle distillates remained flat, mainly due to slowing growth. Additionally, US refineries continued to enjoy West Texas Intermediate (WTI)'s crude oil price advantage and low natural gas prices, causing tougher competition in the overall industry and in our region.

With the aim of making Tüpraş the most competitive refining company in the Mediterranean, and thus contributing even more to the Turkish economy, we continued our aggressive investment program. In the past nine years within Koç Group, following the privatization, our total investment spending has amounted to US$ 5.2 billion. The Residuum

39.7 (TL billion)

While total turnover in 2014 was TL 39.7 billion, exports amounted to US$ 3.7 billion.

Upgrading Facility, which will enable production of high-value products and higher capacity utilization in the other refineries, was completed, taking our operational flexibility and competitive strength to the highest possible level. This project is the largest single industrial investment ever made in Turkey, with a total capital investment of US$ 3 billion including the pier, railroad links, and financing costs. Once the facility starts up production at full capacity, it will reduce our country's current account deficit by US$ 1 billion a year, while creating significant value for our shareholders and stakeholders. This investment is the epitome of our confidence in the future and in the potential of Turkey. It also shows the extent of responsibility we are willing to assume to achieve national goals in line with our principle, "I exist as long as my country exists."

According to Energy Market Regulatory Authority (EMRA) data, diesel consumption rose 4.2% to 17.4 million tons in 2014; meanwhile, consumption of gasoline totaled 1.9 million tons, up 60 thousand tons, in spite of taxes 40% higher than that imposed on other fuel types. Jet fuel consumption increased 11.0% in the airline industry as air traffic rose 9.8% and the total number of passengers jumped to 166 million, up 11.1% over the previous year.

In 2014, Tüpraş captured a 56.4% share of the petroleum products market, excluding industrial products. While the Company had a market share of 88% in jet fuel and 37% in diesel, almost all of the gasoline demand was met by Tüpraş. Tüpraş posted total turnover of TL 39.7 billion with total sales of 22.2 million tons in 2014; export revenue stood at US$ 3.7 billion for the year. Due to high inventory loss caused by plummeting crude oil and product prices, EBITDA amounted to TL 740 million. On the other hand, with the positive impact of the deferred tax income arising from the Residuum Upgrading Project investment incentive, Tüpraş posted net profit of TL 1.46 billion.

With exports totaling US$ 4.1 billion in 2013, Tüpraş was named "Export Champion of Turkey" at the Export Champions Awards, held by the Turkish Exporters Assembly (TIM) in June 2014. In addition, Tüpraş maintained its first place ranking as the largest company in Turkey on the lists compiled by the Istanbul Chamber of Industry, Capital 500 and Fortune 500. According to an assessment made by Platts, a leading global provider of energy market data, Tüpraş ranked second in the Europe, Middle East and Africa "Refining & Marketing" sector rankings based on year 2014's profitability, assets and turnover.

After first entering the BIST Corporate Governance Index with a rating score of 7.91 in 2007, Tüpraş further improved its corporate governance practices and increased the Company's score to 9.31 in October 2014 from 9.28 on April 30, 2014, in accordance with new Capital Markets Board criteria in 2014. With this strong result, the Company continued to figure in the top ranks of BIST's Corporate Governance Index, and received two awards from the Corporate Governance Association of Turkey in recognition of its efforts. Additionally, Tüpraş ranked among the top 15 companies included in the BIST-30 Sustainability Index, which was established by Borsa Istanbul to create long-term value for the companies listed in the index.

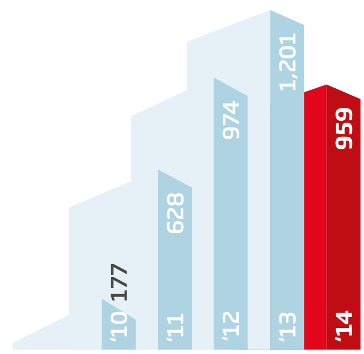
The confirmation of Tüpraş's investment grade credit rating in 2014 is an important indicator that the largest single industrial investment project ever made in Turkey was finished while maintaining the Company's financial and operational strength; it also shows the confidence in the results this project will yield.

Tüpraş will continue to create significant value for all shareholders and for our country. With our new investment project, which further solidified our competitive power, completed in 2014, we strongly believe that operational and financial success will continue.

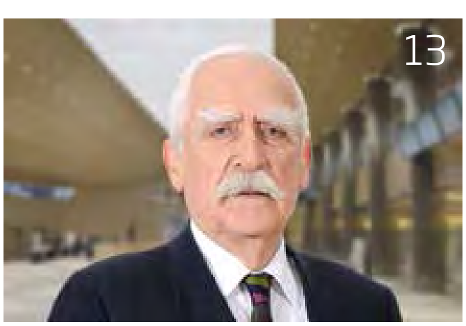
We would like to extend special thanks to all our stakeholders, and especially to our employees, suppliers and business partners for their valuable contributions to our success as well as for their confidence in and loyalty to Tüpraş.

ÖMER M. KOÇ
Chairman of the Board of Directors

INVESTMENT EXPENDITURES
(US$ MILLION)



Board of Directors



ÖMER M. KOÇ (1)
Chairman
Ömer M. Koç completed his undergraduate studies at Columbia University in 1985 and received his MBA from the same university in 1989. He began his professional career in 1985 as a Sales Clerk at Kofisa Trading Company in Switzerland and worked again as a Sales Clerk at Ramerica Int. Inc. in New York between 1989 to 1990. He joined Koç Holding in 1990 and served in senior positions such as Finance Coordinator at Gazal A.Ş., Vice-President and then President of the Energy Group at Koç Holding A.Ş. Since April 2004, Mr. Koç has been a member of the Board of Koç Holding and has served as Vice Chairman of the Board of Directors at the Holding since May 2008. He also serves as the President of the Turkish Educational Foundation, President of the Geyre Foundation, President of the Yapı Kredi Arts and Culture Publications. He became a Tüpraş Board member in 2006 and has served as Chairman of the Company since 2008.

Ömer M. Koç, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Ömer M. Koç is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

MUSTAFA V. KOÇ (2)
Vice Chairman
Mustafa V. Koç graduated from the Department of Business Administration at George Washington University in 1984. He started his professional career the same year at Tofaş Oto A.Ş., joined Koç Holding in 1992 and served as Vice President and President in various groups. At Koç Holding, he became a member of the Board in 2001, Vice Chairman in 2002 and finally Chairman in April 2003. He is a Member of the Board of the Vehbi Koç Foundation and a Member of the Board of Trustees of the Educational Volunteers Foundation of Turkey, a Member of the Istanbul Chamber of Industry, the Honorary Consulate General of Finland in Istanbul, a Member of the Foreign Economic Relations Board, and a Member of the International Advisory Boards of the National Bank of Kuwait and of Rolls Royce. He joined the JP Morgan International Council in June 2014.

Since 2006, has been a Board member at Tüpraş. Mustafa V. Koç, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Mustafa V. Koç is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

RAHMİ M. KOÇ (3)
Member
Rahmi M. Koç graduated from Johns Hopkins University's Industrial Management Department and started his professional career in 1958 at the Otokoç Company of the Koç Group. Throughout his career, he has held senior positions at Koç Holding. In 1980, he was appointed President of the Executive Committee and then Chairman of the Board of Directors at Koç Holding. Since 2003, Rahmi M. Koç has served as the Honorary Chairman of Koç Holding. Mr. Koç is also the Deputy Chairman of the Board of Trustees of the Vehbi Koç Foundation, Chairman of the Board of Trustees of Koç University, Founder and Chairman of the Board of Directors of Rahmi M. Koç Museum and Culture Foundation, Chairman of the Board of Directors of VKV American Hospital, Founding Member and Honorary Chairman of the Clean Seas Association (TURMEPA), Honorary Chairman of the High Advisory Council of the Turkish Industrialists' and Businessmen's Association (TÜSİAD), Member of the Advisory Council of the Turkish Confederation of Employers' Unions (TİSK). Mr. Koç has served as a Member of the Board of Directors of Tüpraş since 2008.

Rahmi M. Koç, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Rahmi M. Koç is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

SEMAHAT S. ARSEL (4)
Member
After graduation from the American College for Girls in Istanbul, Semahat S. Arsel participated in German language programs at the Goethe Institute and is fluent in both English and German. She started her professional career in 1964 as a member of the Board of Directors at Koç Holding. She currently is Chairman of the Board of Directors at the Vehbi Koç Foundation, Chairman of the Board of Directors at the Tourism Group, Second Chairman of the Florence Nightingale Foundation and Chairman of Semahat Arsel Nursing Education & Research Center. The Founder of Koç University's Faculty of Nursing, Ms. Arsel has been on the Board of Tüpraş since 2009.

Semahat S. Arsel, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Semahat S. Arsel is a controlling shareholder of the Koç Group, and she has been serving on the boards of several Group companies for the last 10 years.

ALİ Y. KOÇ (5)
Member
Ali Y. Koç graduated from Rice University's Business Administration Faculty and went on to earn an MBA from Harvard University. Between 1990 and 1991, he joined American Express Bank's Management Trainee Program, served as Coordinator at Ramerica International Inc. between 1991 and 1992 and as Analyst at the Morgan Stanley Investment Bank between 1992 and 1994. After being appointed New Business Development Coordinator at Koç Holding in 1997, Mr. Koç held a number of senior positions such as President of the Information Group. He has served as President of Koç Holding's Corporate Communications and Information Group from 2006 to 2010. Since January 2008, he has been on the Board at Koç Holding and has served as a Board member at Tüpraş since 2009.

Ali Y. Koç, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Ali Y. Koç is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

Board of Directors

O. TURGAY DURAK (6)
Member
O. Turgay Durak completed his undergraduate studies in Mechanical Engineering at Northwestern University in the US and his MA from the same university. He started his professional career as Application Engineer at Otosan and was subsequently appointed Project Coordination Manager in 1982 and Project Coordination Department Director in 1984. In 1986, he became Assistant General Manager - Marketing, in 1987 Assistant General Manager - Procurement and in 2000 Chief Assistant General Manager at Ford Otomotiv Sanayi A.Ş. From 2002 until 2007, he served as General Manager of Ford Otomotiv Sanayi A.Ş. and then as President of the Automotive Group of Koç Holding between 2007 and 2009; as Vice CEO at Koç Holding A.Ş. between 2009 and 2010. He was appointed CEO in April 2010.

Since April 5, 2010 Mr. Durak has been on the Board of Tüpraş. O. Turgay Durak, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. O. Turgay Durak is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

TEMEL KAMİL ATAY (7)
Member
Temel Kamil Atay is a graduate of Istanbul Technical University's Mechanical Engineering Department and Wayne State University's Business Administration Department. He started his professional career as Product Development Engineer at Chrysler Industries in 1965; the following year, he joined Koç Group, where he served as Product Development Director at Otosan A.Ş., Product Development Engineer at Ford Motor Co. U.S.A., Vice Automotive Coordinator at Koç Holding A.Ş., CEO of Otoyol Sanayi A.Ş. and CEO of Tofaş Türk Otomobil Fab. A.Ş., Vice President of Technical Projects at Koç Holding A.Ş. and President of the Tofaş Group. Between 2000 and 2001, he was CEO of Koç Holding A.Ş. He has been a Board member at Koç Holding since 1996 and on the Board at Tüpraş since 2006.

Temel Kamil Atay who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Temel Kamil Atay is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

EROL MEMİOĞLU (8)
Member
Erol Memioğlu is a graduate of the Middle East Technical University's Petroleum Engineering Department. He started his business career in 1979 as Senior Engineer at the Turkish Petroleum Corporation (TPAO) and later became Production Manager and President of the Overseas Projects Group. He was appointed Vice President at the Koç Holding A.Ş. Energy Group in 1999, later served as an Executive Board member at Koç Holding Energy Group from 2003 to 2004; since May 2004, he has served as President of the same Group. He has been a Board member of Tüpraş since 2006.

Erol Memioğlu, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Erol Memioğlu is a controlling shareholder of the Koç Group, and he has been serving on the boards of several Group companies for the last 10 years.

DR. BÜLENT BULGURLU (9)
Board Member
After graduating from Ankara University's Faculty of Engineering and Architecture, Dr. Bülent Bulgurlu earned his Ph.D. from Norwegian University of Science and Technology. He began his career in 1972 as a Civil Engineer at Elliot Strömme A/S in Oslo. In 1977, he joined Garanti Construction as Field Engineer, and later served as Engineering, Planning and Construction Manager, Site Coordination and Construction Manager, Assistant General Manager, and General Manager, respectively. In 1996, Dr. Bulgurlu joined Koç Holding, where he served as the President of Tourism & Services Group, President of Tourism and Construction Group, and President of Durable Goods and Construction Group. Between 2007 and 2010, he was a Member of the Board of Directors of Tüpraş. Dr. Bulgurlu is a Member of the Turkish Industry and Business Association (TÜSİAD), and the Turkish Marine Environment Protection Association (TURMEPA).

Dr. Bülent Bulgurlu, who is a non-executive director as per CMB's Corporate Governance Principles, is not an independent member. Since May 2007, he has been a Member of the Board of Directors of Koç Holding.

YAVUZ ERKUT (10)
Board Member and General Manager
Yavuz Erkut completed his undergraduate studies at Boğaziçi University's Chemical Engineering Department and later obtained an MA from the University of Wales' Mechanical Engineering Department. Mr. Erkut started his professional career at the İpraş Refinery in 1979 as Process Engineer. Between 1979 and 1990, he served as Unit Chief, Senior Engineer and Assistant Plant Manager. In 1990, he was appointed to Tüpraş Headquarters as Foreign Trade Director. Between 1994 and 1997, he served as Director of the Petroleum Transfer and Trade Department and as Director of Crude Oil Transfer, Fuel Sales, Pricing, Foreign Trade and LPG Transfer and Sales departments. From 1998 until 2000, Mr. Erkut became Department Manager responsible for the aforementioned departments and Vice President. In 2000, he joined Opet Petrolcülük A.Ş. and from 2000 until 2006, he served as Board Member and CEO of Opet Petrolcülük A.Ş. Mr. Erkut has been the General Manager of Tüpraş since January 27, 2006, and a Board Member since March 31, 2014.

AHMET AKSU (11)
Member and Privatization Administration Class C Representative, Independent Member
Ahmet Aksu completed his undergraduate education at the Department of Economics of Middle East Technical University. Working at the Prime Ministry Privatization Administration since 1992, Mr. Aksu also served on the Board of Auditors at Deniz Nakliyat T.A.Ş. Between 1993 and 2006, Mr. Aksu was a member of the Board

and Chairman at several corporations including ERDEMİR Ereğli Demir ve Çelik Fabrikası T.A.Ş., TÜMAŞ, Eti Alüminyum and ESGAZ. He held the post of Vice Chairman at TÜMAŞ between 2006 and 2007; since 2007 while acting as Vice-President of the Privatization Administration. Mr. Aksu also serves as Vice President of the Privatization Administration and is Board member and Privatization Administration Class C Representative at Tüpraş.

As per CMB's approval of our exception request, Ahmet Aksu, who is a non-executive director, meets the independence criteria specified in CMB's Corporate Governance Principles. He has no relationship with Turkey Petroleum Refineries Corporation or its related parties.

KUTSAN ÇELEBİCAN (12)
Independent Member
A graduate of Ankara University, Faculty of Political Sciences, Kutsan Çelebican started his career in 1969 at the Ministry of Finance, Board of Public Auditors, before becoming Assistant General Manager of the Treasury at the same ministry between 1979 and 1982. He later served as Deputy Executive Director at the World Bank (IBRD). Mr. Çelebican joined the Koç Group in 1987 and served as Finance Coordinator, Vice President and President of the Finance Group. He retired from the Koç Group in December 2001 and currently he runs his own business as financial consultant. Since April 4, 2012, he has served as an independent member of the Board at Tüpraş.

As per CMB's Corporate Governance Principles, he meets the independent member criteria. His roles and duties in the last 10 years are listed above, and he left these duties after completing his term of office.

In the last five years, he has had no relationship with Turkey Petroleum Refineries Corporation or its related parties.

GÖKÇE BAYINDIR (13)
Independent Board Member
Born in Istanbul in 1939, Gökçe Bayındır graduated from Robert College, and then from Boğaziçi University, Department of Business Administration in 1965; subsequently, he received his MBA from the same institution. After completing his military service, Mr. Bayındır started his professional career in 1967. He joined Tofaş Oto Ticaret A.Ş. in 1971 where he first worked as Marketing Manager before rising to Assistant General Manager; in 1979, he began serving as General Manager at Tofaş. In 1987, he was appointed Tofaş Group Vice President at Koç Holding, and later held the position of Tofaş Group President before retiring from Koç Group in 2000. During his time at Koç Group, Mr. Bayındır served as a Board Member at various Group companies, primarily Tofaş Oto Ticaret A.Ş. and Tofaş Türk Otomobil Fabrikası A.Ş. Mr. Bayındır has been an Independent Board Member at Tüpraş since April 4, 2012.

Gökçe Bayındır, who is a non-executive director, meets the independent member criteria specified in CMB's Corporate Governance Principles. His roles and duties in the last 10 years are listed above, and he left these duties after completing his term of office. In the last five years, he has had no relationship with Turkey Petroleum Refineries Corporation or its related parties.

OSMAN METE ALTAN (14)
Independent Member
Osman Mete Altan graduated from Yıldız Technical University, Department of Mechanical Engineering in 1965 and completed his MA at the same university and later earned an MBA from Uludağ University. Between 1966 and 1968, Mr. Altan worked for the American company TUMPANE Co. Inc.; upon completing his military service in 1970, he worked at the TOFAŞ Automobile Factory, where he became Workshop Engineer, Production Engineer and Assistant General Manager - Production. In 1995, he was appointed General Manager of Otoyol A.Ş. and served in this position until his retirement in July 2003. Since April 4, 2012, he has been an Independent Board Member at Tüpraş.

Osman Mete Altan, who is a non-executive director, meets the independent member criteria specified in CMB's Corporate Governance Principles. His roles and duties in the last 10 years are listed above, and he left these duties after completing his term of office. In the last five years, he has had no relationship with Turkey Petroleum Refineries Corporation or its related parties.

AHMET TURUL (15)
Independent Board Member
Born in Van in 1959, Ahmet Turul graduated from Ankara University, Department of Political Science in 1980. Between 1980 and 1988, he worked as Assistant Public Accountant and later as Public Accountant at the Ministry of Finance. From 1988 to 1999, he served as Assistant Coordinator of Financial Affairs, and Financial Affairs Coordinator at Koç Holding, and from 1999 to 2002, he was the Vice President of Financial Affairs at Koç Tüketici Finansmanı A.Ş. Mr. Turul served as Vice President of Financial Affairs at Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş. between 2002 and 2010. Since 2010, he has been a Board Member of Allianz Sigorta A.Ş. and Allianz Hayat ve Emeklilik A.Ş., and a Board Member of Allianz Yaşam ve Emeklilik A.Ş. since 2013. Additionally, Mr. Turul is a Member of the Disciplinary Board of the Insurance Association of Turkey, and serves as a Member of the Tax Council on behalf of the Association.

Ahmet Turul, who is a non-executive director, meets the independent member criteria specified in CMB's Corporate Governance Principles. In the last five years, he has had no relationship with Turkey Petroleum Refineries Corporation or its related parties.

The RUP facility is the largest single industrial investment ever made in Turkey.

Message from the General Manager

Due to the global economic slowdown and excess crude supply, crude oil prices fell sharply in 2014. Meanwhile, product price ratios in the Mediterranean market performed better than the previous year; as a result, the Mediterranean's refining margins increased. However, the risks stemming from the growing funding needs of developing countries, rising foreign currency exchange rates, and the ensuing high inventory loss caused by the steep decline in the price of crude oil all had a negative impact on the refining sector's profitability and on Tüpraş.

DEVELOPMENTS IN CRUDE OIL PRICES AND THE GLOBAL REFINING SECTOR

In 2014, the price of crude oil started the year at US$ 108/bbl, climbed as high as US$ 115/bbl in June and closed the year at US$ 55/bbl due to a series of developments in the second half of the year. This sharp decline caused high inventory losses across the entire industry.

In 2013, world oil consumption amounted to 91.77 million bbl/day; posting a slight uptick of 0.7%, it rose to 92.44 million bbl/day in 2014. Global oil demand was forecast to increase 1.2 million barrels per day at the beginning of 2014; however, this projected growth was cut in half after the month of July. Further, US refineries, which operate with low costs of crude oil and energy, realized high capacity utilization rates, while low demand for middle distillates in the Middle East and Asia increased diesel flow into the Mediterranean market during the first half of 2014. As a result, capacity utilization of refineries in the Mediterranean and Europe dropped, especially because gasoline exports were not so profitable. Due to various economic and geopolitical developments, the price of crude oil began a steady decline in the second half of 2014, and hit its lowest level during the last two months of the year, mainly because of OPEC decisions and other political events. This had a destructive effect on industry profits and resulted in significant inventory losses.

As maintenance shutdowns increased and the Urals-Brent price differential widened by US$ 0.52/bbl compared to 2013, product price ratios in the Mediterranean region rose during the year's final quarter. This market environment caused the Mediterranean refinery margin to stand at US$ 1.95/bbl in 2014, US$ 0.28 higher than the previous year, but US$ 0.43/bbl lower than the five-year average.

Even though the IMF had forecast world economic growth of 3.5% for the coming year, and the International Energy Agency (IEA) expects world oil demand to increase 1.0% to 93.35 million bbl/day, 2015 will probably be a tough period, given the current market environment. In light of expectations that the US dollar will remain strong in 2015; that the non-OPEC supply surplus, primarily US shale oil, will continue to impact the market, albeit decreasingly so; and that economic weakness in emerging markets will persist, oil prices are anticipated to remain suppressed during the first half of the year. Despite weak demand due to declining income in crude oil producing countries, product supply is expected to increase in 2015 with the commissioning of new capacity in the Middle East, and this will eventually lead to refinery consolidations in Europe, where demand remains anemic.

DEVELOPMENTS IN TURKEY'S PETROLEUM PRODUCTS SECTOR

According to Energy Market Regulatory Authority (EMRA) data, diesel consumption in Turkey increased 4.2% to 17.4 million tons in 2014. Meanwhile, thanks to efficiency improvements in gasoline-fueled engines, the number of gasoline-powered vehicles has increased in the Turkish market. Additionally, diesel prices remained higher than gasoline prices in the Mediterranean region. As a result, gasoline consumption rose 3.2% in 2014, after a long period of decline.

22.2 (million tons)

Tüpraş recorded total sales of 22.2 million tons in 2014.

TÜPRAŞ IN 2014

Maintenance shutdowns during the low season for completing the pipeline connections at Izmit Refinery's RUP Facility, maintenance work carried out at other refineries before RUP, coupled with low refining margins, led to Tüpraş's 68.5% capacity utilization rate in the first half of 2014. However, with the improvement in the Mediterranean refining margin during the second half-year, the Company's capacity utilization rose to 74.9%. Still, capacity utilization remained 4.2% lower than that of previous year.

In 2014, Tüpraş recorded 16.9 million tons in domestic sales, which was impacted by lower imported product sales and reduced demand for bitumen. With product exports up 10.1% at 5.3 million tons for the year, total sales amounted to 22.2 million tons. In 2014, Tüpraş captured a 56.4% share of the petroleum products market, excluding industrial products; the Company's market share stood at 37% in diesel, with almost all gasoline demand was met by Tüpraş.

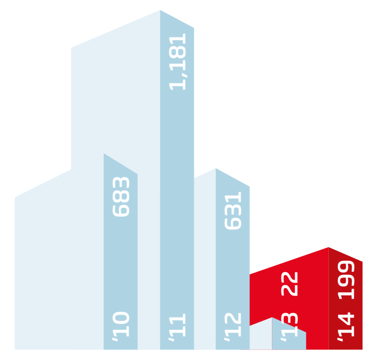
In parallel with the steep fall in oil prices in the second half of the year, and the slight recovery in the Mediterranean refining margin, Tüpraş's net refinery margin stood at US$ 3.21/bbl in 2014. Even though profit-before-tax dropped due to plummeting oil prices and the strengthening US dollar, Tüpraş recorded TL 1,459 billion in net profit in 2014 thanks to deferred tax income from the Residuum Upgrading Project investment incentive. However, no profit materialized in the income statement prepared according to the Tax Procedure Law. This was the result of high inventory loss caused by the negative circumstances that deepened especially during the last two months of the year, and an administrative penalty of TL 309 million imposed on the Company by the Turkish Competition Authority.

Committed to ensuring the health and well-being of employees as well as stakeholders, Tüpraş strives to achieve continuous improvement in the areas of health, safety and the environment, the cornerstones of sustainability. With the Hazard Impacts Management Process included in the HSEQ Management System, which forms the basis for Tüpraş's commitment to health, safety and the environment, potential hazards in all business activities carried out by the Company, or by subcontractors, to provide products and services are identified and managed effectively. As a result, Tüpraş improved its accident frequency rate from 5.0 in 2006 to 1.6 in 2014, a great achievement especially considering that 8 thousand persons worked under contract on RUP during this period.

Under an agreement executed with an international consulting firm, we have started up our Process Safety Management System that will continue for three years, covering the period 2014 to 2016. Through these efforts, we aim to achieve excellence in 15 main categories, composed of several interactive disciplines, and take our process safety to a much higher level through safer use of the Company's assets.

By implementing advanced technology and programs as well as energy efficiency projects, Tüpraş aims to minimize energy consumption by eradicating any waste, without compromising quality and performance, and to be the lowest emission refinery in Europe 2017. To these ends, Tüpraş decreased its average energy density index value (EII) from 119.1 in 2008 to 101.6 in 2014, thanks to cost-reduction and productivity improvement initiatives. Our Company's progress and achievements in energy conservation were recognized with several awards at the "SENVER" Industrial Energy Efficiency Competition, held by the Ministry of Energy and Natural Resources in 2014. Garnering 16 awards, Tüpraş was named the most successful industrial facility at this competition.

OPERATING PROFIT
(US$ MILLION)



"HexMon," which was developed for simulation and minimizing energy waste, became the first commercial product developed by Tüpraş and was registered as an international trademark.

Message from the General Manager

As part of its R&D efforts in 2014, Tüpraş continued work on nine projects approved by the Technology and Innovation Funding Programs Directorate (TEYDEB), one ARDEB 1003 project, and two EUREKA projects, all of which are mainly product development and process optimization oriented. Tüpraş's R&D Center Campus, which covers 12,950 square meters and includes a design building, laboratory and a pilot testing facility, commenced operations at the beginning of 2014. Our R&D Center won the top prize in the "Best R&D Center" category at the Private Sector R&D Centers Summit; in addition, Tüpraş placed fourth among 460 companies competing in the category of "Enabling Factors-R&D Management" at Turkey's Innova-League event. Tüpraş also initiated the field applications of its simulation program "HexMon," which was developed after the R&D project "Monitoring, Modeling, Simulation and Optimum Maintenance Planning of Exchanger Pollution to Minimize Energy Waste." HexMon, the first commercial product developed by Tüpraş, was registered as an international trademark.

RESIDUUM UPGRADING PROJECT AND OTHER ONGOING CAPITAL INVESTMENTS

In 2014, Tüpraş's investment spending totaled US$ 959 million, including US$ 747 million spent for the Residuum Upgrading Project.

The official opening ceremony of the RUP facility, which will produce about 3.5 million tons of high-value, environmentally friendly white products at Euro V standards, was held on December 15, 2014, with the attendance of Turkey's President, State Ministers and members of the Koç Family. With a total capital investment of US$ 3 billion including the pier, railway connections, and financing costs, the RUP facility is the largest single industrial investment ever made in Turkey, and it will help reduce our country's current account deficit by US$ 1 billion a year. During the construction and installation phases of the project, some 8,000 persons were hired; currently, the project provides jobs to 500 employees on a permanent basis.

After this investment, the Izmit Refinery's Nelson Complexity index, which is used as a measure of a refinery's white product yield, rose from 7.78 to 14.5. As a result, the Izmit Refinery now has one of the highest conversion rates in the world. Tüpraş also increased its overall Nelson Complexity from 7.25 to 9.5, and raised the Company's total white product yield to more than 80%.

Construction of the Water Preparation Unit, which will be used to treat wastewater from the Izmit Refinery and domestic wastewater from Körfez Municipality in order to provide raw water for the refinery, began in 2014. The total cost of this project is TL 50 million. Some parts of the project, which was planned in several phases, have already been commissioned; the entire project will be completed in May 2015. Upon completion, process water for the Izmit Refinery will be obtained solely from wastewater.

While completing these capital investments geared toward optimizing sustainable profitability and narrowing Turkey's current account gap, Tüpraş will continue to meet the country's petroleum products demand with maximum stability and at the highest quality standards, while achieving the Company's operational and financial objectives with the help of strong human resources and competitive power. Tüpraş will continue creating significant value for shareholders, business partners and our country.

YAVUZ ERKUT
General Manager

Senior Management

YAVUZ ERKUT

General Manager

Yavuz Erkut completed his undergraduate studies at Boğaziçi University's Chemical Engineering Department and later obtained an MA from the University of Wales' Mechanical Engineering Department. Mr. Erkut started his professional career at the İpraş Refinery in 1979 as Process Engineer. Between 1979 and 1990, he served as Chief of Unit, Senior Engineer and Vice Manager of Plant. Then in 1990, he was appointed to Tüpraş Headquarters as Foreign Trade Director. Between 1994 and 1997, he served as Director of the Petroleum Transfer and Trade Department and as Director of Crude Oil Transfer, Fuel Sales, Pricing, Foreign Trade and LPG Transfer and Sales departments. From 1998 until 2000, Mr. Erkut became Department Manager responsible for the aforementioned departments and Vice President. In 2000, he joined Opet Petrolcülük A.Ş. and from 2000 until 2006, he served on the Board of Directors and was CEO at Opet Petrolcülük A.Ş.; he became Tüpraş General Manager on January 27, 2006.

Mr. Erkut, General Manager of Tüpraş, has served as a Board Member since the General Assembly meeting held on March 31, 2014.

GÜROL ACAR

Assistant General Manager (Technical)

Gürol Acar is a 1976 graduate of the Department of Chemical Engineering of the Middle East Technical University. Having begun his career in 1977 as a Process Engineer at the İpraş Refinery, where he served in various engineering positions and at the Head Office. While working at Tüpraş, Mr. Acar also acted as Head of the Petroleum Products Commission in the preparation of the State Planning Organization's Seventh and Eighth Five-Year Development Plans. After working as Kırıkkale Refinery Manager, Mr. Acar was appointed Terminal and Technical Services Manager at Opet Petrolcülük A.Ş. in October 2000. From 2004 onwards, Mr. Acar served as Terminal and Technical Services Assistant General Manager at Opet Petrolcülük A.Ş.; he was appointed Tüpraş Assistant General Manager for Technical Affairs on January 27, 2006.

MESUT İLTER

Assistant General Manager (Technical)

Mesut İlter graduated from the Ankara University Faculty of Science Chemical Engineering in 1978. He started his career in 1975 as an Engineer in the Mineral Research and Exploration Institute (MTA). Between 1980 and 1985, he worked in various positions in İpraş Refinery. Between 1985-1999, Process Units Supervisor, Process Units Superintendent, UCAP Project Commissioning Manager, Process Units Assistant Manager and Process Units Operation Manager. Between 2001-2006, he worked in Ege Gaz A.Ş. Aliağa LNG Terminal Project Coordinator and Terminal Director. On the January 26, 2006, Mr. İlter was appointed as İzmir Refinery Manager. Between August 2009 and February 2015, he worked as İzmit Refinery Manager. He was appointed as Tüpraş's Assistant General Manager in charge of Technical Affairs on the February 6, 2015.

YILMAZ BAYRAKTAR

Assistant General Manager (Management)

Yılmaz Bayraktar graduated from the Department of Chemical Engineering of Boğaziçi University in 1976. He obtained his MS in Mechanical Engineering at the University of Wales, in the Design and Business Administration for Industry program. Mr. Bayraktar's professional career started in 1979 as an Energy and Ecology Engineer at the İpraş Refinery. During his long career at a number of refineries, he served as Supervisor and Head Engineer in the Power Plant, Steam Production, Electrical Production, Pump Transfer and Waste Water Treatment Units and later served as Assistant Manager in the Supplementary Plants Operation Division, as Production Units Operation Manager; from 1997 onwards, he was Assistant Refinery Manager. After serving as Plant Manager for Siemens from 1999 to 2006 for the BOSEN Enerji Elektrik Üretim A.Ş., combined cycle plant built under the Siemens Power Generation Operation and Maintenance Agreement, Mr. Bayraktar was appointed Assistant General Manager at Tüpraş at January 27, 2006.

HASAN TAN

Assistant General Manager (Commercial)

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

İBRAHİM YELMENOĞLU

Assistant General Manager (Financial)

İbrahim Yelmenoğlu graduated from the Faculty of Political Sciences at Ankara University in 1991 and received his MA from the University of Illinois in 2003. Starting his career in 1987 at the Ministry of Finance, Mr. Yelmenoğlu worked on the Board of Public Auditors in 1992. In 2004, he started work at the Koç Holding Auditors Group and served as Koç Holding A.Ş. Auditors Group Coordinator until 2006. Following the transfer of 51% of Tüpraş's shares to Koç Holding on January 27, 2006, Mr. Yelmenoğlu was appointed Assistant General Manager for Financial Affairs.

Sector

Tüpraş's storage capacity is equivalent to about 59% of the country's total capacity; including Opet, this figure rises to 68%.

DIESEL CONSUMPTION (MILLION TONS)

17.4

GASOLINE CONSUMPTION (MILLION TONS)

1.9

JET FUEL CONSUMPTION (MILLION TONS)

4.1

MARKET SHARE IN TURKEY EXCLUDING INDUSTRIAL PRODUCTS

56.4%

STORAGE CAPACITY (INCLUDING OPET)

68%

In 2014, Turkey's economy recorded 3.0% growth. The country's use of non-standard and unregistered petroleum products has dropped as a result of various measures implemented. Total diesel consumption, which is directly related to GDP performance, maintained its upward trend of recent years and, according to EMRA data, rose 4.3% in 2014 and totaled 17.4 million tons.

The increase in diesel consumption can be attributed to both the favorable impact of economic growth and the implementation of the Special Consumption Tax (SCT) reimbursement in the base oils to address problems such as the consumption of off-spec Number 10 diesel. These measures were considerably effective in preventing this type of misconduct in the market.

The market share of Tüpraş's product portfolio, excluding industrial products was 56.4%, while the domestic market share of its diesel sales, excluding military products amounted to 37%.

The downward trend in gasoline consumption in recent years reversed this year somewhat because of the improved efficiency in gasoline engines as well as inflated diesel prices; thus, gasoline consumption increased 3.2% in 2014. Tüpraş capitalized on its competitive edge based on its storage and terminal infrastructure and increased its market share to 98%.

In parallel with the growth of the air transportation industry, Tüpraş's domestic civilian jet fuel sales exceeded the previous year by 314 thousand tons. In 2014, Turkey's air traffic increased 9.8% and passenger traffic rose 11.1%, climbing to 166 million; as a result, Tüpraş's jet fuel sales grew by 9.7% over the prior year.

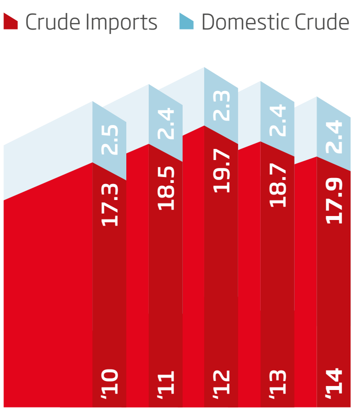
Pursuant to EMRA's communiqué in September 2011, a minimum of 2% bio-ethanol manufactured from local agricultural products began to be added into gasoline as of January 1, 2013. This percentage increased to 3% at the beginning of 2014.

In March 2014, the Energy Market Regulatory Authority (EMRA) introduced ceiling prices for gasoline and diesel products, fixing the profit margins, and this practice continued for two months. Then, in November, EMRA issued a new regulation on determining the pricing mechanism in Turkey based on profit margin benchmarks in European countries.

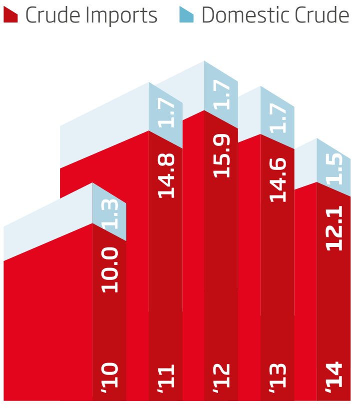
Production

In 2014, Tüpraş produced 20.1 million tons of products, and white product yield reached 72.2%. Total sales amounted to 22.2 million tons.

CRUDE OIL SUPPLY
(MILLION TONS)



CRUDE OIL SUPPLY
(US$ BILLION)



In 2014, the US ended its expansionary monetary policy, which subsequently led to a slowdown in the economic growth of developing countries. At the same time, the Eurozone failed to achieve growth, and Japan experienced an economic slowdown due to monetary expansion and tax increases; as a result, global economic growth remained at 3.3%, as in the previous year. The risks stemming from the increasing funding needs of developed economies as well as rising exchange rates, and the high inventory costs due to falling crude oil prices all had a negative impact on the refining industry's profitability.

The high capacity utilization rates of US refineries and the low demand for middle distillates in the Middle East and Asia increased the diesel flow into the Mediterranean market during the first half of 2014. Meanwhile, demand for petroleum products in developed countries, and particularly in Europe, remained low. WTI (West Texas Intermediate)'s crude oil price advantage, which US refineries continued to enjoy in 2014, albeit decreasingly, and high capacity utilization rates enabled the US to become a net exporter of products, primarily diesel. Additionally, the flat demand for middle distillates in China and India, the developing economies of Asia, further suppressed profitability in the overall industry. As exports to Europe and the Mediterranean region increased, competition became fiercer.

At the beginning of 2014, the price of crude oil was US$ 108 per barrel, but in the second half of the year, global economic growth began to decline, geopolitical risks subsided, shale oil extraction increased, the US dollar remained strong, and OPEC decided not to reduce production, which led to a greater surplus of supply: as a result, the price of crude oil closed the year at US$ 55 per barrel.

SCANT INCREASE IN WORLD OIL CONSUMPTION

In 2014, the global economy expanded by 3.3%, and, consequently, world oil consumption increased by a scant 0.7% to 92.46 million barrels per day.

While oil prices sharply declined in the second half of the year, global maintenance shutdowns caused a decrease in product supply, despite the high oil demand in the US and developing markets. Further, heavy crude oil became relatively cheaper. As a result, price ratios in the Mediterranean region performed better than crude oil, and a small increase was observed in the Mediterranean refining margin, when compared to 2013.

Despite the negative effects of the economic slowdown in developing countries and the economic weakness in the Eurozone on the overall consumption of petroleum products, 10-ppm naphtha, oil, jet fuel and diesel prices increased in second half 2014. As a result, the Mediterranean refining margin rose from US$ 1.67 per barrel in 2013 to US$ 1.95 per barrel in 2014.

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

PRODUCTION BY TÜPRAŞ REFINERIES (THOUSAND TONS)

PRODUCTS	2013	2014	CHANGE (%)
LPG	794	702	(11.7)
Gasoline & Naphtha	4,720	4,446	(5.8)
Jet Fuel/Kerosene	3,637	3,610	(0.7)
High Sulphur Diesel	395	235	(40.6)
Diesel	5,248	5,073	(3.3)
MIDDLE DISTILLATE	**9,280**	**8,917**	**(3.9)**
Fuel Oils	2,721	3,483	28.0
Bitumen	2,924	1,920	(34.3)
Base Oils	140	114	(18.4)
Other	594	518	(12.7)
TOTAL	**21,175**	**20,101**	**(5.1)**

20.1 (million tons)
Tüpraş's total production amounted to 20.1 million tons in 2014.

SALES BY TÜPRAŞ REFINERIES (THOUSAND TONS)

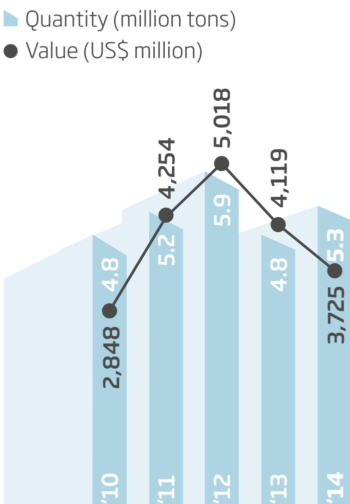
PRODUCTS	2013	2014	CHANGE (%)
LPG	803	803	0.0
Naphtha	138	122	(11.7)
Gasolines	1,815	1,830	0.8
Jet Fuel/Kerosene	3,595	3,872	7.7
High Sulphur Diesel	145	106	(26.6)
Diesel	7,968	6,593	(17.2)
MIDDLE DISTILLATE	**11,707**	**10,572**	**(9.7)**
Fuel Oils	1,432	1,292	(9.8)
Bitumen	2,926	1,945	(33.5)
Base Oils	162	120	(26.3)
Other	255	177	(30.5)
TOTAL DOMESTIC SALES	**19,239**	**16,861**	**(12.4)**
EXPORTS	**4,844**	**5,333**	**10.1**
TOTAL SALES	**24,083**	**22,194**	**(7.84)**

3.9 (million tons)
Tüpraş's jet fuel sales totaled 3.9 million tons in 2014.

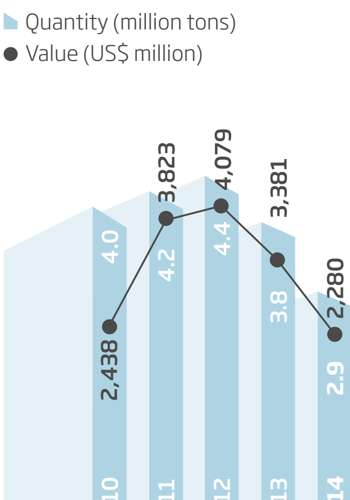
Production

Tüpraş has four refineries that enable overall sales and production optimization; these facilities dominate the Company's main sales regions and result in uninterrupted supply capabilities.

PRODUCT EXPORTS



PRODUCT IMPORTS



During the year, Tüpraş purchased 18 different types of crude oil from 11 countries, with gravities ranging between 19-46 API. The Company's total import costs reached US$ 14.4 billion, with US$ 12.1 billion spent on 17.9 million tons of crude oil and the remaining US$ 2.3 billion on finished and semi-finished products.

Tüpraş assumed a flexible approach by importing 1.23 million tons of semi-finished goods to be processed in order to cover domestic production gaps and meet seasonal demand peaks. Tüpraş imported 882 thousand tons of high-sulphur diesel, 532 thousand tons of diesel, 274 thousand tons of jet fuel, 692 thousand tons of low-sulphur fuel oil, 253 thousand tons of HVGO, 80 thousand tons of MTBE, 183 thousand tons of LCGO, and 24 thousand tons of naphtha.

Tüpraş utilizes the excess capacity in its units, lowers the sulphur content of imported high-sulphur diesel down to EU standards, and produces higher quality 10 ppm diesel with lessened environmental impact. Because of decreasing import margin due to the global capacity increase, Tüpraş lowered the amount imported semi-finished product. The Company imported 882 thousand tons of high-sulphur diesels in 2014 while the refineries reduced the sulphur content to 10 ppm and generated additional EBITDA.

TOTAL PRODUCTION OF 20.1 MILLION TONS

As a result of the maintenance shutdowns for pipeline connections at Izmit Refinery's RUP Facility, maintenance work carried out at other refineries before RUP, and optimization efforts due to weak conjuncture, in 2014, Tüpraş processed a total of 21 million tons of material - comprised of 20.0 million tons of crude oil and 1.0 million tons of semi-finished goods - as raw material in its units; the Company's capacity utilization rate was 74.9%. Tüpraş's 2014 production volume totaled 20.1 million tons; white product productivity rose to 72.2%.

Tüpraş's domestic product prices are directly correlated with CIF Genoa Mediterranean Platts prices since Genoa constitutes the closest market as specified under the Petroleum Market Law. Product prices are determined under conditions of full competition, since imports are completely liberalized in the domestic market. In this market environment, the operational profitability of refineries is indicated by the refinery gross margin, which is defined as the difference between world crude oil prices and product prices. In 2014, Tüpraş's net refinery margin was US$ 3.21 per barrel.

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

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

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

TOTAL SALES OF 22.2 MILLION TONS

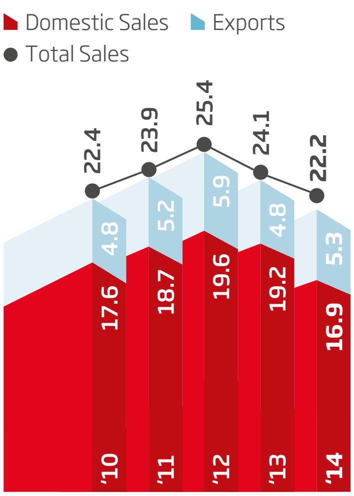
In 2014, Tüpraş's total product sales from production and imports amounted to 22.2 million tons. After taking into consideration product margins, optimization price efforts and market demand, the Company prioritized the production of jet fuel. Meanwhile, as bitumen demand did not increase as expected, the Company opted for optimization in bitumen production. The upward trend in the air transport industry continued into 2014; air traffic increased 9.8% over the previous year, while passenger traffic rose 11.1%, jumping to about 166 million. As a result, Tüpraş's civilian jet fuel sales exceeded the previous year by 314 thousand tons (10%).

2014 EXPORTS TOTALED US$ 3.7 BILLION

Tüpraş sells its high quality production that is in excess of domestic demand in global markets. In 2014, the Company expanded its export and customer portfolio in parallel with changes in the market environment. When the domestic market shrinks due to economic circumstances and market conditions, the excess supply is exported, allowing production and inventory costs to be kept low and the establishment of a hedge against exchange rate risk.

In 2014, Tüpraş exported 2.1 million tons of gasoline, 2.7 million tons of fuel oil, 100 thousand tons of diesel, 29 thousand tons of jet fuel, 399 thousand tons of reformate, 15 thousand tons of naphtha, and 23 thousand tons of LPG - a total of 5.3 million tons of products, with a value of US$ 3.7 billion.

TOTAL SALES
(MILLION TONS)



Izmit Refinery

The RUP Facility, which will convert 4.2 million tons of black products into about 3.5 million tons of high-value, environmentally friendly white products at EU standards, including mostly diesel, gasoline and LPG, was completed at end 2014.

CAPACITY UTILIZATION RATE (%)

82.3

REFINING CAPACITY (MILLION TONS)

11.0

NELSON COMPLEXITY

7.78

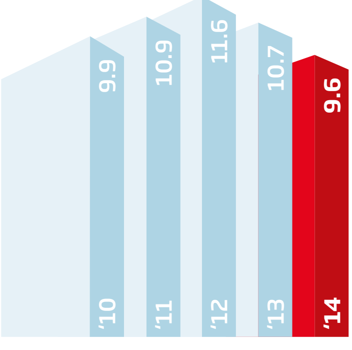
STORAGE CAPACITY (MILLION M³)

2.91

NUMBER OF EMPLOYEES

1,763

IZMIT REFINERY SALES (MILLION TONS)



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

Izmit Refinery is located at the center of a consumption hub that accounts for around 33% of Turkish petroleum products consumption. The refinery is capable of producing at Euro-V standards in compliance with EU norms.

THE RUP FACILITY BEGAN OPERATIONS

The RUP Facility, which will convert 4.2 million tons of black products into approximately 3.5 million tons of high-value, environmentally friendly white products at EU standards, including mostly diesel, gasoline and LPG at the Izmit Refinery, was completed at the end of 2014. Once the facility starts operating at full capacity, Izmit Refinery's Nelson Complexity index will rise from 7.78 to 14.5, one of the highest complexities in the world.

In 2014, as a result of the maintenance shutdowns for pipeline connections of the RUP Facility and optimization efforts, 8.6 million tons of crude oil - a total of 9.1 million tons of material, including semi-finished products - were processed at Izmit Refinery; capacity utilization rate stood at 82.3%.

The production of its main petroleum products - LPG, naphtha, gasoline, jet fuel, kerosene, diesel, heating oil, fuel oil and bitumen - amounted to 8.6 million tons. Total domestic sales amounted 7.3 million tons, while total sales including resold imports to 9.6 million tons in 2014.

Izmir Refinery

In 2014, Izmir Refinery achieved a sales volume of 8.5 million tons, 5.5 million tons of which were sold domestically. An all-time record was surpassed for jet fuel sales.

CAPACITY UTILIZATION RATE (%)

75.1

REFINING CAPACITY (MILLION TONS)

11.0

NELSON COMPLEXITY

7.66

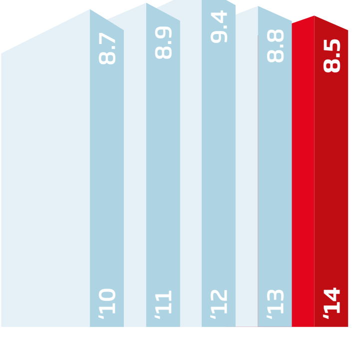
STORAGE CAPACITY (MILLION M³)

2.42

NUMBER OF EMPLOYEES

1,278

IZMIR REFINERY SALES (MILLION TONS)



The Izmir Refinery started production in 1972 to meet Turkey's growing petroleum product demand with a 3 million ton/year crude oil processing capacity and has since undergone important capacity augmentation and unit modernization to achieve a capacity of 10 million tons/year since 1987.

In 2007, its crude oil processing capacity was confirmed to be 11 million tons/year, taking into account revisions made in its distillation capacity. The refinery has a 7.66 Nelson Complexity.

In 2014, as a result of the maintenance work carried out before RUP, and in line with charge optimization efforts, 8.0 million tons of crude oil - a total of 8.3 million tons of material, including semi-finished products - was processed at Izmir Refinery; the Refinery's capacity utilization rate stood at 75.1%.

Its production of main marketable petroleum products - consisting of LPG, naphtha, gasoline, jet fuel, diesel, base oil, heating oil, fuel oil, bitumen, wax, extracts and other products - reached 7.9 million tons. The Izmir Refinery has a 400 thousand ton/year capacity base oil production unit, the only one of its kind in Turkey.

In 2014, Izmir Refinery achieved a sales volume of 8.5 million tons, 5.5 million tons of which were sold domestically. All-time records were broken for jet fuel sales.

Kırıkkale Refinery

In 2014, Kırıkkale Refinery processed 3.1 million tons of crude oil – a total of 3.3 million tons of material, including semi-finished products; the Refinery's capacity utilization rate stood at 66.5%.

CAPACITY UTILIZATION RATE (%)

66.5

REFINING CAPACITY (MILLION TONS)

5.0

NELSON COMPLEXITY

6.32

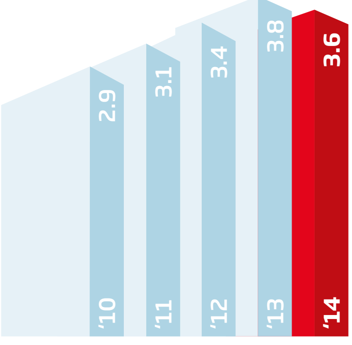
STORAGE CAPACITY (MILLION M³)

1.38

NUMBER OF EMPLOYEES

853

KIRIKKALE REFINERY SALES (MILLION TONS)



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

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

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

Kırıkkale Refinery's capacity utilization was 3.1 million tons for crude oil and 3.3 million tons and its capacity utilization rate was 66.5% if imported products used in processing are included.

Its main products are LPG, gasoline, jet fuel, kerosene, diesel, fuel oil and bitumen. Approximately 3.2 million tons of petroleum products were produced in 2014; together with refinery transfers, 3.6 million tons of products were sold during the year.


Linde

Batman Refinery

Batman Refinery sells products that meet EU standards with products transferred from Kırıkkale and Izmir refineries. In 2014, the Refinery's total sales amounted to 429 thousand tons.

CAPACITY UTILIZATION RATE (%)

37.2

REFINING CAPACITY (MILLION TONS)

1.1

NELSON COMPLEXITY

1.83

STORAGE CAPACITY (MILLION M³)

253

NUMBER OF EMPLOYEES

460

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

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

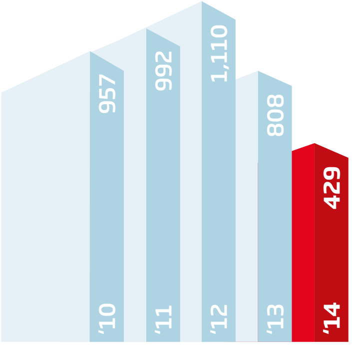
The refinery has the advantage of being located near domestic sources of crude oil; however, since it does not have upgrading units, its configuration is simple and its Nelson complexity index is 1.83.

Due to the shutdowns of crude oil units, in line with bitumen inventory optimization efforts at the Kırıkkale and Batman refineries, crude distillation units' capacity utilization was at its lowest level since 1979, 410 thousand tons, and production stood at 402 thousand tons.

Batman Refinery sells products that meet EU standards, with products transferred from the Kırıkkale and Izmir refineries. In 2014, the Refinery's total sales amounted to 429 thousand tons.

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

BATMAN REFINERY SALES (THOUSAND TONS)



Opet bases its targets and strategy for the coming period on increasing product and service quality through a customer-focused approach.

Distribution

Global crude oil and petroleum product prices fell sharply in 2014. Starting from the second half of the year, product prices began to drop rapidly in international markets, which subsequently had a positive effect for consumers with lower pump prices in Turkey.

The Turkish fuel distribution industry was active in 2014. In March 2014, the Energy Market Regulatory Authority (EMRA) introduced ceiling prices for gasoline and diesel products, fixing the profit margins, and this practice continued for two months. In November, EMRA issued a new regulation on determining the pricing mechanism in Turkey, based on profit margin benchmarks in various European countries.

As for the developments in industry volume, white products (gasoline and diesel) grew by 4.8% over 2013, while the volume of black products (fuel oil and heating oil) contracted by 9.8%.

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

In 2014, the company decided to close down Aliağa Terminal to increase supply efficiency, and signed a service agreement with another company for the provision of bilateral services in Aliağa and Marmara Ereğli.

THY-Opet provides service to domestic and international airline companies at 51 airports in Turkey. In 2014, the Company increased its sales by 15% over 2013 and sold 3.5 million m^3 of jet fuel.

After the station usufruct periods decreased to five years, the company adopted the strategy of purchasing the stations' property to avoid paying the usufruct charge every five years and to eliminate the risk of losing the station. For this purpose, Opet Aygaz Gayrimenkul A.Ş. was established. As of year-end 2014, the company owned a total of 18 stations.

In 2014, Opet took a major step in the field of R&D and, together with Inventram, a Koç Holding company, established Kuantag Nanotechnologies Development and Production Co. in collaboration with Koç University. The purpose of Kuantag is to develop, produce and sell electronic sensor- and nanoparticle-based detector systems that enable real-time tracking and recording of nanoparticles in liquids.

Always striving to offer "Excellent Customer Services," Opet aims to become the first choice for customers. According to the Quality Association's (KalDer) Turkish Customer Satisfaction Index, an important indicator of achieving this goal, Opet was the undisputed sector leader in customer satisfaction for nine consecutive years; thus the company has solidified its leadership position in terms of customer satisfaction.

Serving customers with nearly 1,400 Opet and Sunpet dealers that adopt the same approach to customer satisfaction, Opet was named suppliers' favorite company within Koç Group in 2014.

In 2014, the company received many awards, including:

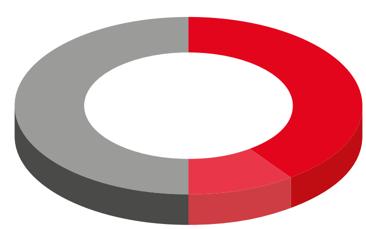
- Lovemark, The Most Popular Company of the Petroleum Product Distribution Industry
- Stevie, Best Customer Service, Best Product and Service-Mobile HR
- LACP, Gold Medal – Best Sustainability Report, Most Improved Report
- Loyalty 360 Awards, Platinum Award - Customer-Driven Best Practices
- GFK Turkey Corporate Reputation Index, The Most Reputable Company
- Turkish Confederation of Employers' Associations (TISK), Clean Toilet Campaign-Effectiveness
- Game Changer Awards - Clean Toilet Campaign - "Inspire" category
- Most Successful Koç Employees - Traffic Detectives

Opet makes strategic decisions in line with an advanced sense of responsibility toward all stakeholders and ethical values and applies the same approach to its social responsibility initiatives. The only domestic company among the big players in the sector, Opet regards corporate social responsibility as an integral part of its corporate culture. To date, the company has implemented several successful initiatives such as "Honoring History," "Green Road," "Model Village," and "Clean Toilets." Additionally in 2013, Opet launched a traffic safety-training project for children, titled "Traffic Detectives," in collaboration with the Ministry of National Education and the Ministry of the Interior, General Directorate of Security.

Opet bases its targets and strategy for the coming period on increasing product and service quality through a customer-focused approach.

As the five-year usufruct contracts of several stations will end in 2015, it will be a very busy year for the company with contract renewals and station transfers. While maintaining a high level of customer satisfaction, Opet plans to retain and further expand its station network, boost market share and achieve corporate growth.

SHAREHOLDER STRUCTURE



- Öztürk Group **50%**
- Tüpraş **40%**
- Other Koç **10%**

T. Esra was commissioned in June 2014; it is the first of two 20 thousand DW ton capacity asphalt tankers built to transport black products after the completion of the RUP Facility.

Marine Transportation

Ditaş Marine Operations and Tanker Management Co. was established on March 16, 1974 in Istanbul by the Turkish Petroleum Corporation (TPAO), İpraş and the Turkish Naval Foundation with the aim to purchase, charter or build marine tankers of various tonnages and features, and to use them in domestic and/or international marine transport of crude oil and petroleum products.

In 1983, 29% of Ditaş shares, owned by İpraş, were transferred to Tüpraş. Furthermore, in 2002 Tüpraş purchased 50.98% of Ditaş shares owned by the Directorate of Privatization Administration and took possession of 79.98% of Ditaş shares in total. In consequence, Ditaş became an associate partner of Tüpraş.

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

TOTAL 8.3 MILLION TONS WERE TRANSPORTED

Providing operational and cost advantages to Tüpraş with nearly 40 years of experience, Ditaş transported 4.8 million tons of crude oil and 3.5 million tons of petroleum products in 2014.

All crude oil shipments and 32.2% of petroleum product shipments in 2014 were carried out in line with the needs of Tüpraş refineries. During the year, Ditaş also provided product transportation services to THY Opet (66.5% of all operations) and other distribution companies (1.3% of all operations).

AGENT SERVICES

Ditaş charters domestic and foreign tankers to intermediate between ship owners and the exporters and importers of crude oil and petroleum products. Ditaş also provides agency services in ports and straits for its own vessels and the vessels it charters on behalf of Tüpraş.

The company provides tugging and mooring services at Tüpraş's Izmit and Aliağa ports with 11 tugboats, seven mooring boats and one pilot boat in its fleet. In addition, two tugboats, five mooring boats and two service boats, for which construction began in 2014, will join the fleet in 2015 and 2016.

SUBSIDIARIES

Until 2006, Ditaş conducted its operations with the tanker Cumhuriyet, and product tanker Ditaş, which completed its economic life cycle and became redundant in 2008. Ditaş is now operating with tankers it charters in Turkey or abroad. The company has been undergoing a phase of restructuring and growth since 2006.

During this restructuring phase, nine subsidiaries, wholly-owned by Ditaş, have been established: Üsküdar Tankercilik A.Ş., Kadıköy Tankercilik A.Ş., Beykoz Tankercilik A.Ş., T Damla Denizcilik A.Ş., Sarıyer Tankercilik A.Ş., Kartal Tankercilik A.Ş., Maltepe Tankercilik A.Ş., Salacak Tankercilik A.Ş. and Karşıyaka Tankercilik A.Ş.

T. ESRA TANKER WAS ADDED TO THE FLEET

Üsküdar Tankercilik A.Ş. operates with the tanker T. Sevgi (10,983 tons); Kadıköy Tankercilik A.Ş. with the tanker T. Gönül (10,873 tons); Beykoz Tankercilik A.Ş. with the tanker Cumhuriyet (164,859 tons); T. Damla Denizcilik A.Ş. with 11 tugboats, seven mooring boats and one pilot boat; Sarıyer Tankercilik A.Ş. with the tanker T. Suna (51,532 tons); and Karşıyaka Tankercilik A.Ş. with the tanker T. Leyla (6,297 tons). Salacak Tankercilik A.Ş. also operates the tankers Elif Tuba and Kaya Tuna (each with a capacity of 13,000 tons) and Kuzey Ekim (20,000 tons)

T. Esra, the first of the two asphalt tankers with a capacity of 20 thousand DW tons to carry black products after the completion of the RUP Facility, was commissioned in 2014. The second asphalt tanker, T. Aylin, has the same specifications and joined the fleet at the beginning of 2015.

HIGH QUALITY AND ECO-FRIENDLY SERVICES

The company holds the ISO 9001-2008 Quality Management System and ISO 14001-2004 Environment Management System certifications for its Head Office and tankers and ISPS Code (International Ship and Port Facility Security Code) and International Safety Management (ISM) compliance certifications for its tankers.

The company's Izmit and Izmir Terminals hold ISO 9001-2008 Quality Management System certification. Furthermore, Izmir Terminal obtained ISPO (International Standard for Pilot Organizations) certification, and thus Ditaş became only the 11th company in the world to hold this coveted designation.

Efforts for the implementation of the Tanker Management Self-Assessment Scheme 2 (TMSA 2), a major credential for tanker management operations that petroleum companies are expected to implement, are ongoing. The vessels operated by Ditaş are in compliance with the OCIMF Sire system, and are audited regularly by member companies. Aware of its responsibilities as a good corporate citizen, Ditaş is a member of KalDer (Turkish Quality Association) and TURMEPA (Turkish Marine Environment Protection Association).

105 SHIPS AUDITED

Since 2009, Ditaş has provided the services of its freight operation captains to ships arriving at Tüpraş's marine terminals in order to enhance safety; in 2010, Ditaş also started to check incoming ships' compliance with both international regulations as well as Tüpraş standards and report the results to Tüpraş.

In 2014, Ditaş offered audit services to 105 vessels and loading master services to 138 vessels at theIzmit and Izmir Terminals.

8.3 (millions tons)

In 2014, Ditaş transported 4.8 million tons of crude oil and 3.5 million tons of petroleum products, 8.3 million tons in total.

Aware of its responsibilities as a good corporate citizen, Ditaş is a member of KalDer (Turkish Quality Association) and TURMEPA (Turkish Marine Environment Protection Association).

Marine Transportation

FINANCIAL FIGURES (US$ MILLION)

	2010	2011	2012	2013	2014
Net sales	139.4	146.4	159.0	103.1	101.7
Operating profit	19.1	17.9	22.8	25.2	27.3
Net profit	13.8	7.8	19.7	4.7	24.6

CRUDE OIL AND PRODUCT TRANSPORTATION (THOUSAND TONS)

	2010	2011	2012	2013	2014
Crude oil	18,669	19,297	14,850	6,435	4,825
Products	1,995	2,593	3,106	3,126	3,526

VESSELS OWNED BY THE COMPANY

DITAŞ TANKERS	M/T CUMHURIYET	M/T T. SEVGI	M/T T. GÖNÜL	M/T T. SUNA	M/T T. LEYLA	M/T T. ESRA
Tanker Type	Crude Oil	Oil/ Chemical	Oil/ Chemical	Oil/ Chemical	Oil/ Chemical	Asphalt/ Chemical
Year Built	2001	2008	2009	2012	2011	2014
Slop Tank Capacity	4,443 m^3	406.4 m^3	413.4 m^3	1,019.36 m^3	141.4 m^3	-
Cargo Tank Capacity	173,759 m^3	12,247 m^3	12,224 m^3	52,925 m^3	7,209 m^3	17,643 m^3
DWT	164,859 tons	10,983 tons	10,873 tons	51,532 tons	6,297 tons	19,968 tons
GRT	84,476 tons	7,318 tons	7,318 tons	29,754 tons	4,225 tons	15,674 tons
Net Tonnage	53,710 tons	3,651 tons	3,651 tons	14,116 tons	2,047 tons	4,702 tons
Length	274.18 m	131.85 m	131.85 m	183.31 m	121.62 m	156,50 m

DİTAŞ SHAREHOLDING STRUCTURE

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

** Military Foundation*

TANKERS OPERATED BY THE COMPANY	M/T ELIF TUBA	M/T KAYA TUNA	M/T T. KUZEY EKIM
Tanker Type	Oil/Chemical	Oil/Chemical	Oil/Chemical
Year Built	2007	2007	2009
Slop Tank Capacity	686.5 m^3	688.0 m^3	765.0 m^3
Cargo Tank Capacity	13,371 m^3	13,367 m^3	20,850 m^3
DWT	13,011 tons	13,027 tons	19,993 tons
GRT	8,539 tons	8,539 tons	12,560 tons
Net Tonnage	4,117 tons	4,117 tons	6,106 tons
Length	128.6 m	128.6 m	149.6 m

101.7 (US$ million)
Ditaş's net sales amounted to US$ 101.7 million in 2014.

SUBSIDIARIES

COMPANY	VESSELS OWNED BY THE COMPANY
Üsküdar Tankercilik A.Ş.	T. Sevgi Tanker
Kadıköy Tankercilik A.Ş.	T. Gönül Tanker
Beykoz Tankercilik A.Ş.	Cumhuriyet Tanker
T. Damla Denizcilik A.Ş.	Tugboats and Mooring Boats
Sarıyer Tankercilik A.Ş.	T. Suna Tanker
Karşıyaka Tankercilik A.Ş.	T. Leyla Tanker
Kartal Tankercilik A.Ş.	T. Esra Tanker
Maltepe Tankercilik A.Ş.	T. Aylin Tanker (*)

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

(*) The construction of the T. Aylin Tanker, for which the company placed an order with RMK Shipyard in 2012, will be complete at the beginning of 2015.
(**) Salacak Tankercilik A.Ş. operates the tankers owned by Kuzey Tankercilik A.Ş. and Güney Tankercilik A.Ş., both of which were established by THY-Opet, under a bareboat charter agreement.

According to the assessment made by Platts on 2014 profitability, assets and turnover figures, Tüpraş places 2nd in the Europe, Middle East and Africa "Refining & Marketing" sector rankings.

Strategy

The need for energy in developing Turkey is increasing on the same parallel. The target of the managing bodies should be safely meeting the increasing need for energy and thus constituting an infrastructure for sustainable consistent growth. Generally, Turkey goes into a rapid economic growth phase after crisis periods and thus all types of energy demand increase on the same parallel. The focal point of Tüpraş's strategy is to provide customer satisfaction at the highest level and to lead the sector with innovative practices while meeting the need for petroleum products in the country.

The target is to uncover Tüpraş's sustainable profitability potential to the maximum extent through increasing the efficiency in all areas and decreasing the costs to the minimum level while carrying the operational excellence to the highest level. Being aware of the fact that competition in the sector is constantly rising, Tüpraş - particularly taking into account that the refineries, located in regions like the USA, with low crude oil and energy input costs will accelerate the consolidation in the sector – is taking the steps that will improve its energy efficiency and competitive structure.

Tüpraş aims to be positively differentiated from the sector in the process of decreasing its costs and applying "Best Available Technology" (BAT) in the operational level of development. In Turkey, Euro V specifications came into force as of January 1, 2011. Tüpraş planned and completed investments of US$ 2 billion in July 2008 even before production EuroV specifications became obligatory in Turkey. Therefore, Tüpraş refineries have become capable of producing high environmental standard products at the same time with the EU.

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

Product specifications carried to highest levels in the refining sector obligates the maximization of the availability of each unit in the production process. Besides this, increasing global competition and intensifying environmental standards necessitate maximum efficiency in energy utilization in the refineries. Tüpraş aims to be in the 1st quartile in the mid-term benchmark analysis made between the refineries, on the basis of operational availability, energy index and operating cost index.

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

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

Structuring its production by taking the domestic market's demand structure into account at the highest level, Tüpraş aims to increase its competitive power in the domestic market through its existing infrastructure and customer relations while it aims to increase market share in the imported products alongside production. Furthermore, with the aim of using exports as a cost decreasing component in periods when the price dynamics in the international markets make it possible, Tüpraş plans to make use of the growing international market prospects.

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

TWO NEW TANKERS TO DITAŞ FLEET

As costs declined to reasonable levels in the freight transport sector due to the economic crisis, Ditaş completed building two 11 thousand DW Ton product tankers in 2008 and 2009 and added two more product tankers, one 51,532 DW Ton the other 6,297 DW Ton, to its fleet in 2012. Additionally, T. Esra (with 19,968 DWT capacity), the first of the two tankers to carry semi-finished products from Izmir Refinery to the RUP Units of the Izmit Refinery, was added in June; T. Aylin will join Ditaş's fleet at the beginning of 2015.

Ditaş provides tugging and mooring services at Tüpraş's Izmit and Aliağa ports with 11 tugboats, nine mooring boats and one pilot boat in its fleet. In addition, two tugboats, five mooring boats and two service boats, for which construction began in 2014, will join the Company's fleet in 2015 and 2016. The company's investments in vessel construction and purchases in recent years have further reinforced the tanker fleet, increasing operational safety and retaining the added value within the company.

RESIDUUM UPGRADING FACILITY

The RUP facility, the most important strategic initiative of the Company for the middle term, began operations with an opening ceremony on December 15, 2014. At this facility, the largest single industrial investment project in Turkey, Tüpraş will convert about 4.2 million tons of low-value black products into a total of 3.5 million tons of white products such as LPG and gasoline, including 2.9 million tons of diesel as well as 700 thousand tons of petroleum coke. The project will help increase capacity utilization and production; as a result, Turkey's diesel imports will decrease 5.5 million tons annually.

28.1 (million tons)

As of 2014, Tüpraş was the 7th largest refinery company in Europe with a 28.1 million tons of refining capacity.

Tüpraş, particularly taking into account that refineries located in regions like the USA, with low crude oil and energy input costs, will accelerate consolidation in the sector, is taking steps to improve its energy efficiency and competitive structure.

Strategy

This investment, which is expected to yield about US$ 550 million in EBITDA, will help increase the export volume of high-value products instead of fuel oil, and reduce dependence on imported products such as diesel, LPG and petroleum coke. Thus, our country's foreign trade deficit will be reduced by US$ 1 billion a year. The construction and installation of the 17 units, including the six main units, the pier and the railroad, lasted for three years; approximately 8,000 persons, including solution partners and subcontractors, were hired to work on the site. The RUP facility, which was opened on December 15, 2014, currently has 500 skilled employees.

With the additional high specification diesel that will be produced converting the excessive fuel oil, the competitive power and profitability of Tüpraş will be raised up while the safety of the supplies of the country is supported. With this investment, through the increasing refinery total capacity utilization, all remaining black products can be processed at the Izmit Refinery as an alternative option for imported semi-product feed (excluding bitumen). Izmit Refinery and also the other refineries will consequently take an important step to zero fuel oil production. On the other hand, it is planned to obtain white product yield over 80% in the refineries reaching maximum capacity. Since diesel, jet fuel and LPG that will be produced with this investment are products which are in deficit in the domestic market and since our country will continue to be in a net importer position regarding these products, there will not be a change in the domestic product pricing mechanism, other than the regional competition.

Tüpraş's target is to have an envied performance in the oil sector and to be a pioneering company which has respect for the environment and life values. Important steps were taken towards this target in the nine year period between 2006-2014, and in consequence Tüpraş's investment expenditure was US$ 5.2 billion within this period. Programming an investment amount of approximately US$ 1.0 billion for the next five years, Tüpraş aims to reach high return on equity (ROE) by managing risks with the ultimate emphasis and by implementing Advanced Process Control (APC) at every stage of production. As of 2014, Tüpraş was the 7th largest refinery company in Europe with a 28.1 million ton refining capacity. According to the assessment made by Platts on 2014 profitability, assets and turnover figures, Tüpraş was in the 2nd position in the Europe, Middle East and Africa "Refining & Marketing" sector rankings.

Tüpraş is aware of the fact that being able to keep up with the rising global competition will only be possible by rapidly adapting to changing market conditions. The primary target is to improve product efficiency and to increase competition power by ensuring a permanent enhancement in the cost structure.

Being aware of the fact that the global competition conditions will rise even more particularly in the Middle East and Asia, Tüpraş will ensure the sustainability of its customer oriented sales strategy by improving its customer oriented sales strategy even more in 2015 and by improving its cost structure through operational excellence.

In 2014, Tüpraş invested US$ 959 million in its refineries. The Company's total investment expenditure over the past nine years amounts to US$ 5.2 billion.

Investments

In addition to the Company's large-scale investments such as the ongoing Residuum Upgrading Project, in 2014 Tüpraş initiated 67 small- and medium-size capital investment projects that are expected to make significant contributions to its productivity and profitability. In 2014, Tüpraş undertook capital spending totaling US$ 959 million at its refineries.

A Koç Group member company, Tüpraş's total capital expenditures exceeded US$ 5.2 billion over the last nine years, including projects completed as part of the Company's master investment plan. For the period 2006-2015, the total value of Tüpraş's capital investments amounts to US$ 5.4 billion, including both ongoing and planned investments for 2015.

The "Large Scale Investment Incentive Certificate" obtained for the RUP project was revised to "Strategic Investment Incentive Certificate" in 2013 in order to benefit from the new incentive regulation issued in 2012; the pier and the wastewater units were also included in the incentive program.

In 2014, Tüpraş undertook a total of 67 new and ongoing, medium and small-size investment projects, including:

REFINERY RESIDUUM UPGRADING PROJECT

This has created an important opportunity for implementing residuum upgrading projects to increase the profitability of the refineries. Designed to transform fuel oil and other residual products which are produced in excess in Turkey and the region into much needed white products, notably diesel, the project will allow Tüpraş to enhance its competitive edge and leadership in the sector. In recent years, there has been a decrease in fuel oil demand and a widening of the price gap between white products and black products to the advantage of the former.

Thanks to this investment, Tüpraş will process 4.2 million tons of black products, produced in four refinery of Tüpraş, to yield 2.9 million tons of diesel/jet fuel, 522 thousand tons of gasoline and 69 thousand tons of LPG, for a total of 3.5 million tons of white products at Euro-V standards, as well as 690 thousand tons of petroleum coke and 86 thousand tons of sulphur.

Upon entering into full operations of Tüpraş's black product output will be slashed 50% and its total white product output will rise above 80%, in 2015. This investment is equivalent to the construction of a new refinery, taking into account the amount of white product to be generated and the value added created for Turkey. As a result, Izmit Refinery's Nelson complexity will rise from 7.8 to 14.5, making it one of the highest complexity refineries globally.

The project will create optimization among refineries as other refineries will also increase their capacity utilization and provide raw material for Izmit. As such, all plants will have the opportunity to attain product flexibility and optimization. It is expected that under the current circumstances the project will yield US$ 1 billion in additional sales revenue and US$ 550 million in EBITDA.

As part of the Residuum Upgrading Project, the Company has decided to opt for the delayed coker process within the scope of the project and to establish vacuum distillation, coker, hydrocracker, hydrogen (steam methane reformer), desulphurization and auxiliary units.

The total cost of the project is US$ 3.0 billion; as of end-2014, the completed phases amounted to US$ 2.9 billion. As of year-end 2014, 100% of engineering work, 100% of equipment manufacturing and 98.7% of field work was complete, which corresponded to 99.5% overall progress. Mechanical work including construction and assembly work in the field has been completed on schedule; testing and startup works were initiated on November 7, 2014. The refinery was opened with the participation of the President, Recep Tayyip Erdoğan on December 15, 2014.

Other work carried out under the project as of January 31, 2015 is outlined below:

- **Train Station and Pier Parking Area Work Related to the Railway Project, Fuel Oil Wagon Unloading and Filling Facility:** The railway line was completed on December 25, 2014; the pier parking area and the loading facility were completed at the end of January 2015.
- **New Pier and Wharf Reinforcement:** The work was completed on November 15, 2014.
- **Coke Storage and Conveyor Facility:** The project is currently underway with the major part of the work completed.
- **Central Control Building:** Completed in September 2014 and initial approval obtained.
- **Wastewater Treatment Facility:** Completed on June 12, 2014, and initial approval obtained.
- **Wastewater Treatment Unit Control Building:** Completed on February 15, 2014, and initial approval obtained.
- **Improvements to the Natural Gas Connection Station:** Completed on May 29, 2014, and initial approval obtained.
- **Wagon Procurement:** The Company purchased all of the 300 wagons required for the increased product shipments between Kırıkkale and Izmit Refineries after the RUP facility was commissioned.
- **Construction of the Petroleum Coke Loading, Unloading and Storage Units:** The contracting work for the project, of which a major portion is completed, is currently underway.

WAGON PROCUREMENT BY HEADQUARTERS

With the commissioning of the RUP Unit, product shipments via rail will be increased; therefore, the Company purchased a total of 300 cistern wagons. Of these, 144 will be used for white products and 156 for black products, with a total investment of US$ 28 million. Including the 48 wagons leased from Opet, the total number of wagons used by Tüpraş for product transport has reached 491.

IZMIT REFINERY

Renovation of HRSG, Modification of the 9kt-201c Turbine and Modification of Refinery Steam Loss at Izmit Refinery: Under this project, the existing waste heat boiler (HRSG), which recovers heat from the burned gas released from the gas turbine at the PLT-9 cogeneration unit, will be replaced with a high-capacity HRSG system that generates SHP steam (with 165 tons/hour capacity at 420°C and 68 kg/cm2/G pressure). As the new heat boiler uses unburned oil and oxygen, total savings will increase, emissions will drop and equipment efficiency will be improved due to high temperature steam generation.

The total cost of the project is US$ 20.7 million, and the project is scheduled for completion in 2015.

Petroleum Movement Unit Automation System Installation at Izmit Refinery: The Company plans to install an automation system, which will enable the management of the entire product flow from the petroleum movement control room and also carry signals into the DCS.

The purpose of this project is to motorize the valves in the tank area and manage them from the control room, to enable automation of the tank level control and warning system. To that end, a portion of the motorized valves and the data collection unit were procured, and most of valves have been installed.

The total cost of the project is US$ 23.4 million, and the project is scheduled for completion in 2017.

959 (US$ million)

In 2014, Tüpraş undertook capital spending totaling US$ 959 million at its refineries.

In addition to the Company's large-scale investments such as the ongoing Residuum Upgrading Project, Tüpraş initiated 67 small- and medium-size capital investment projects in 2014.

Investments

Construction of a New Water Preparation Unit: With the purpose of reducing the amount of process water obtained from Sapanca Lake, the Company plans to build a new water treatment unit, which will be used for treating the refinery's wastewater as well as domestic water from the Kocaeli Metropolitan Municipality's Water and Sewerage Administration Körfez Domestic Wastewater Treatment Facility.

In the initial phase of the project, two temporary systems were built to serve until the main system is established. The first temporary system was commissioned on September 1, 2014, and the second was commissioned on December 25, 2014.

The total cost of the project is US$ 22.6 million, and the project will be completed in May 2015.

IZMIR REFINERY

U-7000 Healing of Crude Oil Project: This project aims to increase energy efficiency through improvements to ensure that the crude oil unit can easily operate with higher capacity with greater efficiency. With the project's completion,

EII is expected to drop by five points. The project includes a pinch analysis study in the unit as well as modernization of the column and the furnace.

While detailed engineering studies for the project are currently underway, orders for essential equipment have been placed. The total cost of the project is US$ 28.1 million, and the project is scheduled for completion in 2016.

Construction of a New Black Product and Oil Sales Terminal at Izmir Refinery: The purpose of this project is to construct a new black product terminal in order to consolidate the filling operations, currently carried out in four separate areas, into a single area thus ensuring safe and fast filling and easing tanker traffic within the refinery. To that end, a canopy, loading arms and scale/meter will be installed; a new filling terminal, control room, electrical buildings and pipeline connection to the refinery will be constructed; and new pumps will be installed.

The installation of the canopy, cable ducts, drainage pipes and field covering in the terminal area have been completed. The remaining work prior to starting asphalt filling operations from the terminal, such as construction of a control room and an electrical building in the terminal area, construction of an electrical building in the asphalt unit, procurement and installation of asphalt loading arm and scale, and pipe laying between the asphalt unit and the terminal, is currently underway.

The total cost of the project is US$ 19.0 million, and the project is scheduled for completion in 2016.

Construction of a New Water Treatment Unit: The purpose of the project is to improve the water desalinization system; to achieve water savings by increasing the quality of raw water; to increase the Waste Water Treatment recovery rate; to provide a reliable source of process water for the refinery in the medium and long term by purifying sea water; to improve desalinization and tower water operations; and to achieve energy efficiency.

The Company put the project out to tender and received bids. The evaluation phase is currently underway. The total cost of the project is US$ 17.0 million, and the project is scheduled for completion in 2016.

KIRIKKALE REFINERY

Construction of a New Power Plant: It was decided to disassemble the LM6000-PC+ sprint aero derivative gas turbine at Bursa Entek power plant and to assemble it at Kırıkkale Refinery.

On November 17, 2014, the Company signed an agreement with Tekfen Engineering Company for basic and detailed engineering work, and the work commenced subsequently. The Company placed an order for the conventional boiler and HRSG with Aalborg, the highest bidder. The bids for the steam turbine are still being evaluated.

The total cost of the project is US$ 84.3 million. The project will be completed in 2016.

491 (number of wagons)
The total number of wagons used by Tüpraş for product transport has climbed to 491.

The Tüpraş R&D Center, home to the most comprehensive and advanced research laboratories in Turkey, commenced operations in 2014.

R&D

Tüpraş is fully aware that in order to maintain a competitive advantage and be successful in the global arena, it must reach a high level of technological competence. Thus, the Company carries out its R&D activities in line with its goal of becoming a globally competitive enterprise that leads the way in technological innovation.

As a globally competitive company that leads the way in technological innovation, Tüpraş has planned its technological development and innovation processes and laid out its road maps, risk maps and technological action plans in order to carry out R&D activities successfully. In line with these plans, the Company aims to devise R&D projects that will contribute to both our country and the global energy industry.

Including the investment in the R&D Center, Tüpraş's total R&D spending amounted to approximately TL 138 million. With TL 32.5 million R&D spending during 2013, Tüpraş ranked 14th in Turkey's official R&D rankings. The Company's R&D spending was TL 32 million in 2014.

THE R&D CENTER: THE FIRST OF ITS KIND IN TURKEY

While positive results are achieved through R&D, a need for additional laboratories and workspace has emerged due to the rapid increase in both the quantity and budget of R&D projects. To meet this growing need, Tüpraş R&D Center, Turkey's most comprehensive and advanced research laboratory, commenced operations in 2014. Established with a total investment of about TL 32 million, the Tüpraş R&D Center is the first and only internationally accredited research and development center in the energy and fuel oil industries.

The Tüpraş R&D Center had initially covered 2,250 square meters of space but upon completion of the R&D Center, the total area expanded to 12,950 square meters with three separate buildings. Tüpraş R&D Center Campus is comprised of a design building, a laboratory building and a pilot facility testing building.

The pilot facility testing building houses the test systems that are used in the prototype stages of R&D projects. Product demonstrations are carried out at this building. For example, the "Pilot Scale Modified Bitumen Preparation Reactor and Mixer Unit" designed under the modified bitumen development project was first placed in this facility to prepare for the scale-up production of asphalt mixtures prepared in small amounts, to carry out field applications, and to run the product storage processes.

The other pilot facility to be set up is the catalyst development unit. At this facility, Tüpraş will test different types of catalysts at the commercial scale. This setup will enable the Company to determine the most efficient catalysts in terms of selective transformation and physical properties, in line with variations in catalyst charge and operating conditions. If, and when, necessary, the facility will also provide feedback on the operational parameters of the catalysts that are most suitable for Tüpraş's process technologies.

THE BEST R&D CENTER

The Tüpraş R&D Center won the top prize as the "Best R&D Center" in the industry at the 3rd Private Sector R&D Centers Summit, organized by the Ministry of Science, Industry and Technology.

Tüpraş ranked 4th among 460 companies competing in the category of "Enabling Factors-R&D Management" at Turkey's Innova-League event, which was organized for the first time by the Turkish Exporters Assembly (TIM) and A.T. Kearney consulting firm.

As part of its R&D efforts in 2014, Tüpraş successfully finalized a total of 10 projects approved by the Technology and Innovation Funding Programs Directorate (TEYDEB), and one project under the

EU-funded 7th Framework Program. Currently, nine projects approved by TEYDEB, one ARDEB 1003 project, and two EUREKA-labeled projects are still underway. In addition to the R&D projects funded by TÜBİTAK (The Scientific and Technological Research Council of Turkey) and the European Union, Tüpraş is currently carrying out 12 projects financed with its equity.

CLOSE COOPERATION WITH UNIVERSITIES

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

Tüpraş aims to spread a partnership culture across the Company as well as the industry by sustaining the values shared by the Company and the country. Recognizing the relevant departments of universities as essential stakeholders in its R&D Center, Tüpraş collaborates with university groups on a total of 25 projects, including the 21 TEYDEB projects that have already been finalized. In addition, the Company runs non-thesis master's degree programs, approved by YÖK (The Council of Higher Education), in collaboration with three universities.

Tüpraş established the Energy Systems Development Center - KÜTEM in partnership with Koç University. Aiming to spearhead the development and use of alternative energy resources in our country under a university-industry partnership, KÜTEM brings together industry and academia to carry out scientific research and innovation projects at international standards.

KÜTEM's primary fields of research include biofuel production, production of liquid fuel from recycled polymers, energy and fuel optimization, diagnostics of combustion mechanisms, laser ignition, hydrogen production and storage, transformation and utilization of solar energy, and emissions control. All of these studies are carried out under the umbrella of Tüpraş R&D Center. Thus, Tüpraş's studies on refining, fuels, and energy are enhanced through a scientific perspective by universities.

138 (TL million)

Including the investment in the R&D Center, Tüpraş's total R&D spending amounted to approximately TL 138 million.

In 2014, Tüpraş filed a total of 12 patent applications under intellectual and industrial property rights, bringing the total number of patent filings to 35 since the R&D Center began operations; of these, 28 were national and seven were international.

R&D

In 2014, Tüpraş carried out the following subsidized and approved projects in collaboration with universities:

- **Real Time Optimization Application at the FCC Unit:** In consultation with Koç University, Tüpraş aims to establish an Advanced Process Control Unit and develop a Real Time Optimization model at the Izmir Refinery, as a step toward the ultimate objective of Refinery Optimization.
- **Creation of a Refinery Simulation Platform and Its Implementation in a Pilot Unit:** Carried out in consultation with Istanbul Technical University, the project is designed to produce a simulation software to gather all processes, from the entry of crude oil to units to the sales of end-products, in a single software platform.
- **Modeling of the CCR Unit and Octane Optimization Project:** This project involves the modeling of the CCR reactor and regenerator and the optimization of the unit.
- **Distributed Model Predictive Control of Reaction/Decomposition Feedback Systems:** The purpose of this project, carried out in consultation with Boğaziçi and Koç Universities, is to resolve the operational problems experienced at the refineries by designing and developing a unique distributed model predictive control system for the efficient control of reaction/decomposition feedback systems.
- **Charge Preparation, Designing and Implementing Control Systems to Manage Refinery Processes Simultaneously through the Master-Slave Approach:** The purpose of this project, carried out in consultation with Koç University, is to design a progressive control system that also covers feed preparation system, which has gained a greater importance in recent years.
- **Process Modeling and Optimization of Base Oil Extraction:** The purpose of this project, carried out in consultation with Boğaziçi University, is to increase the capacity of the furfural extraction unit in the base oil production complex and thus to reduce energy consumption.
- **Developing Alternative Fuel Additives from Glycerol Etherification and Determining Fuel Adaptability:** The purpose of this project, carried out in consultation with Koç University, is to produce high-octane glycerol ethers, as an alternative to MTBE gasoline additive, and also to determine the usability of glycerol ethers as diesel additives.
- **Developing a Data Management and Analysis System for Tüpraş:** Carried out in consultation with Özyeğin and Koç Universities, the purpose of this project is to design a management information system, which enables the monitoring and reporting of personalized key performance indicators for Tüpraş employees and units, and to improve data reliability and consistency.
- **Development of a New Type of Polymer Modified Bitumen (PMB) with DARA Fraction Sensitivity Using Waste Polymers:** Carried out in collaboration with Istanbul University, the purpose of the project is to recover waste polymers from the plastics industry through physical and chemical processes and to produce a new type of PMB with superior specifications.
- **Production of Light and Middle Distillates through Olefin Oligomerization:** The demand for middle distillates, such as kerosene and diesel, is increasing rapidly in Turkey as well as many European countries. Therefore, maximization of middle distillates is becoming more and more important in refining processes. Carried out under the guidance of Middle East Technical University, this project is very important for Tüpraş in terms of increasing middle distillate yields and improving LPG quality.

EU PROJECTS

Tüpraş geared up its participation in various R&D projects and platforms financed by the EU with a view to enhancing its competitive edge by entering into cooperation with foreign refining corporations. To that end, Tüpraş filed seven applications for such EU projects in 2014.

Tüpraş also undertakes work within the Seventh Framework Program, the European Union's joint R&D program. The Company continued its studies in the most challenging and competitive of R&D areas, explicitly, Information & Communications Technology, ICT for Low Carbon Economy-ICT For Energy Efficiency, via CitInES (Design of a decision support tool for sustainable, reliable and cost-effective energy strategies in cities and industrial complexes) of which Tüpraş is a partner.

EUREKA is an intergovernmental, market-driven organization for industrial R&D and innovation, providing support to enterprises for the development of commercial products and processes. Tüpraş obtained EUREKA endorsement for two projects, acting as coordinator in one of them, HEROES (development of a high efficiency refinery optimization model). The other project is ASPHALTGEN (development of a modified bitumen with self-healing, high resistance properties and low maintenance costs).

TOTAL 35 PATENT APPLICATIONS

In 2014, Tüpraş filed a total of 12 patent applications under intellectual and industrial property rights, bringing the total number of patent applications to 35 since the R&D Center began operations; of these, 28 were national and seven were international. The Tüpraş R&D Center ranked 26th on the list of "Companies with the Highest Number of Domestic Patent Applications in 2013," issued by the Turkish Patent Institute on January 24, 2014.

In 2014, the Company published a total of 26 scientific articles in national and international journals. The total number of articles published since the R&D Center began operations has reached 89.

HEXMON

In addition to the patent applications filed under intellectual and industrial property rights, the Company pursued efforts to register its trademarks, Internet domain names, and inventions. In this context, the Company initiated the field applications of the simulation program, which was developed after the R&D project titled "Monitoring, Modeling, Simulation and Optimum Maintenance Planning of Exchanger Pollution to Minimize Energy Waste at the Refinery". In addition to the patent applications filed with regard to this project, the Company has developed its first commercial product which has international trademark registration, "HExMon".

26 (number of articles)

In 2014, the Company published a total of 26 scientific articles in national and international journals.

Safety and environment-related practices are a top priority and a core value at Tüpraş. With a philosophy that all accidents can be prevented, the Company moves toward its zero accidents goal of.

Health and Safety Practices

Tüpraş considers the protection of life, health and the environment its primary duty, and strives to manage all business areas effectively and in alignment with this code. Accordingly, the Company continues to make progress in protecting the health and safety of its employees, contractors, guests and interns.

To ensure continuous improvement, the Company has made important progress in structuring the future by taking lessons from past experiences. To that end, unsafe conditions and near misses are being reported and corrective measures are taken to prevent accidents.

In 2014, Tüpraş updated its Health, Safety and Environment (HSE) Policy in accordance with the goal of achieving sustainable growth. The new HSE Policy, together with a message from the General Manager, was shared with all employees. According to the updated HSE Policy, health, safety and the environment lie at the center of all operations as a top priority and a core value, and shall never be compromised. With an understanding that all accidents can be prevented, Tüpraş aims to achieve zero accidents.

PROCESS SAFETY MANAGEMENT SYSTEM

In 2014, Tüpraş initiated efforts to further improve its Process Safety Management System to reach the highest level of international standards. The purpose of the Process Safety Management System is to identify and evaluate process hazards and minimize their risks in order to prevent major industrial accidents, such as fire, explosion, and emission of toxic substances. In the first phase of the program carried out in collaboration with Dupont Sustainable Solutions (DSS), the Company built teams led by DuPont consultants to work in the fields of process safety policy and the leadership program, process safety information system, process hazard analysis, mechanical integrity and quality assurance, high-risk business procedures, and accident investigations.

In 2014, Process Safety Key Performance Indicator (KPI)s were identified in accordance with international standards and practices (such as API754, CCPS). Under the 16 KPIs identified, precursors and post-indicators are monitored and reported on a monthly basis, so as to prevent accidents by examining and learning from past incidents.

The Company is currently working on the safety report required by the Seveso II Directive on the "Prevention of Major Industrial Accidents and Mitigating Their Effects." To that end, all refinery equipment was inspected and any equipment that might lead to major accidents was determined on a unit basis, using the Dow Fire & Explosion Index.

Hazard and Operability Studies (HAZOP) are carried out across all existing units and for equipment that might lead to major accidents so as to identify hazards and large-scale operation problems in current units, evaluate the efficiency of present measures to prevent or decrease hazards, formulate proposals for the elimination or minimization of such hazards, determine the causes of deviation from normal working conditions and designated designs, and systematically monitor every stage of the process.

In HAZOP studies, process hazards were analyzed in detail in order to lay out all the possible scenarios, such as fire, explosion, vapor cloud dispersion, content loss and other scenarios. Lists of suggestions were produced to resolve any identified deficiencies and the necessary actions were taken. In addition, the Company performs quantitative risk assessment and Fault/Event Tree Analyses with regard to major risks identified during HAZOP studies. With the modeling program, modeling of potential major accidents and incidents can be performed and intervention strategies can be developed.

THEORETICAL AND PRACTICAL TRAINING FOR ALL EMPLOYEES

In 2014, the "Occupational Health and Safety Training" program was conducted over two full days in accordance with regulatory changes. Under of this program, all refinery employees receive theoretical and practical fire training.

Refinery managers hold monthly meetings entitled "Could we have prevented these accidents?" During these meetings, which are attended by all white and blue-collar employees as well as the employees of contractors, accidents and near misses, and the possible measures to prevent their recurrence are discussed at length.

Additionally, a weekly bulletin - "Safety Talks" - is published and distributed to all employees, refinery units and contractors. The bulletin covers accidents/near-misses experienced at Tüpraş and around the world, and provides general information on health and safety. To promote Occupational Health and Safety, and Process Safety across the Company, "Weekly Accident Meetings" are organized under the leadership of Refinery Managers. At these meetings, all employees can be informed on a weekly basis with regard to incidents at other refineries, as well as safety-related issues.

Behavior-based safety tours are organized at the refineries to encourage positive conduct, raise general safety awareness, correct unsafe behavior and minimize accident risk. Tüpraş executives also participate in these tours as part of the "Visible Leadership" practice.

In order to identify health hazards in the work environment and to assess any relevant health risks, Health Risk Assessment (HRA) studies were carried out at all of the refineries. As part of the HRA studies, all area-specific (units, workshops, laboratories, warehouses) risk factors, including chemical, physical, biological, ergonomic and psychological, are evaluated in detail. General risk assessment through the process of "Management of Dangers and Effects" (MDE) also continued in full force.

A refinery shutdown, during which contractor employees perform high-risk operations for long periods of time, will relatively present a higher risk for accidents. Therefore, the Company began implementing the Planned Shutdown HSE Management System in 2009. According to this, all employees receive a full-day training course on Occupational Health and Safety before the planned shutdowns. In addition to general rules, HSE Shutdown Planning and Job Hazard Analysis (JHA) are also explained to employees during the training program. Additionally, the Company has created a Planned Shutdown HSE organization, and the employees of Technical Safety and Environment Directorates monitor the fieldwork on a full-time basis.

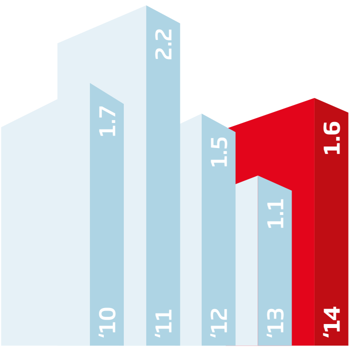
The Change Management System, which aims to control process-related changes at the refineries and technical compliance with such changes (for the prevention of any breach of safety, environment, health, maintenance and reliability principles), is implemented across Tüpraş.

This practice aims to align technical, economic and safety-related changes with laws, regulations and international standards within the petroleum industry (for the prevention of any breach of safety, environment, health, maintenance and reliability principles) and to ensure that all such changes are included in related documents. As such, any change in the process is subjected to hazard analyses (what if, HAZOP et al.), approved technically by all relevant disciplines and only then implemented in the field. This procedure greatly enhances the Company's safety levels.

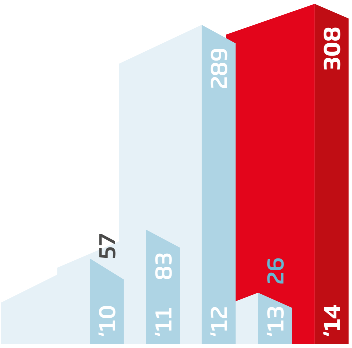
FOUR NEW FIRE-FIGHTING VEHICLES

The firefighting systems and equipment at the refineries are checked regularly, and new investments are made. Emergency response drills related to fire and petroleum residues are performed at all refineries on a regular basis. The Company purchased high-capacity fire monitors to provide full-surface tank fire protection at Izmir and Izmit Refineries, and also installed 36 and 24-inch new fire lines and water pumps for using seawater. Tüpraş also purchased four firefighting vehicles, two for the Izmit Refinery and two for the RUP Facility, which began operations in 2014. Emergency response drills related to fire and petroleum residues are performed on a regular basis, and experiences gained during these drills are shared to improve the system continuously.

ACCIDENT FREQUENCY RATE



ACCIDENT SEVERITY RATE



In 2014, new applications concerning Information Security and Operational Reliability were standardized and added to the management system, while the number of standards actively used at Tüpraş increased to 183.

Quality Management Systems

Tüpraş carries out all of its activities within the framework of the Integrated Management System based on ISO 9001, ISO 14001, OHSAS 18001, and ISO 50001 standards. At Tüpraş, all processes are managed in accordance with the quality, environmental, occupational health and safety, energy and information security management systems and standards.

In 2014, new applications concerning Information Security and Operational Reliability were standardized and added to the management system, and the number of standards actively used at Tüpraş increased to 183.

In 2014, BSI recertification audits were conducted at the Company's Headquarters, and Izmit, Izmir, Kırıkkale and Batman Refineries to further improve the system. No major noncompliance was found during the audits and the certification was renewed.

The Company successfully passed the BSI audit performed with regard to the new version of the ISO/IEC 27001:2013 Information Security Management System, and the number of departments included in BSI certification was increased.

Tüpraş's Izmit, Izmir, Kırıkkale and Batman Laboratories successfully passed the TS EN IEC/ISO 17025 audit, the internationally recognized quality management system standard for laboratory accreditation. The audit was performed by the Turkish Accreditation Agency. Tüpraş laboratories increased the number of analyses included in the accreditation.

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

Tüpraş's Quality Management Systems

- **QDMS:** Quality Documentation Management System
- **TS EN ISO 17025:** All Tüpraş refineries have laboratories that hold internationally recognized certifications
- **BASIC QUALITY SYSTEMS:** ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety Management System, ISO 27001 Information Security Management System, ISO 50001 Energy Management System.

Tüpraş aims to minimize the environmental impact of its operations and uses state-of-the-art technology to produce products with a smaller environmental footprint.

Environment

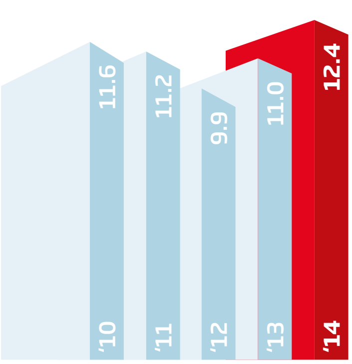
Tüpraş continued to utilize state-of-the-art technology to enhance the production of products with a smaller environmental footprint. In addition to the RUP Facility, the Company has completed crucial unit investments in this area. These units not only process crude oil to manufacture products with lower sulphur content, but also lower the sulphur content of high-sulphur end-products to supply environmentally friendly products to the market.

Tüpraş's objective is to minimize the environmental impact of all operations and avoid inflicting any damage on its employees, contractors, clients, the wider society and anyone affected by its activities. Operating at world standards concerning environmental protection, Tüpraş recognizes the importance of improving the natural habitat as well as preserving it, and continues to develop and support various projects.

To this end, the Company undertook the following efforts in 2014:

- The technical evaluation of the tender regarding the treatment of refinery wastewater and domestic wastewater from the Körfez Municipality's wastewater treatment facility to provide water for the Izmit Refinery was finalized. The project consists of three phases: the reverse osmosis system, with a capacity of 200 m3/h, built next to the existing wastewater recycling facility was commissioned in September; and the temporary water preparation unit, which will generate 250 m3/h of water from Körfez Municipality's wastewater discharge, was commissioned in December. Field studies regarding Izmit Refinery's new water preparation unit, which will generate 1,250 m3/h of water from the wastewater discharge of the Refinery B Region and Körfez region, including Körfez Municipality's temporary water preparation unit, are currently underway. The facility will be commissioned in May 2015.

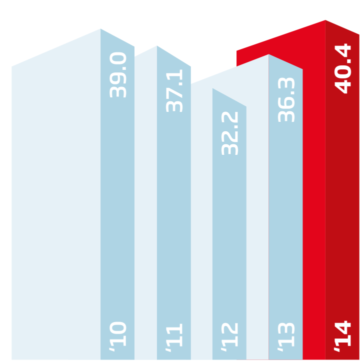
RECYCLED WATER
(MILLION M³)



- The Company launched a tender for Izmir Refinery's water supply, and technical evaluation was finalized.
- The action plan concerning the commissioning of the RUP region's activated sludge systems was prepared.
- Feasibility studies related to the recovery processes in the wastewater systems of Kırıkkale and Batman refineries were completed, and the suitable processes were selected.
- Pursuant to the Continuous Emissions Monitoring Systems Code,
  - Second level quality assurance system measurements (QAS2) were carried out; and the reports were submitted to the Ministry of Environment and Urbanization and relevant Provincial Directorates.
  - The Company launched a tender for facilitating the management of measurements (emissions, air quality, QAS2, AVT), and technical evaluation was finalized.
  - Starting from 2015, the Ministry of Environment and Urbanization will be monitoring CEMS-equipped chimneys online. Therefore, the Company held several meetings regarding this requirement and, as of December 31, 2014, the Ministry began to monitor all chimneys online.
- Greenhouse gas monitoring plans for the refineries were prepared, and submitted to the Ministry of Environment and Urbanization.
- The areas of use and tonnages of substances registered under REACH (Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals) were submitted to CONCAWE.
- The Ministry of Environment and Urbanization selected the Izmit Refinery as a pilot facility for the implementation of its Regulation on Monitoring and Reporting of Greenhouse Gas Emissions. Accordingly, pilot studies were conducted at the refinery on November 25-26, 2014.
- With the project titled "Energy Efficiency via Membrane Deaerator," Tüpraş was named the national finalist at the 2013-2014 European Business Awards for the Environment, organized by the Regional Environmental Center (REC), and won the right to represent Turkey in Europe.

Tüpraş recognizes the importance of improving the natural habitat as well as preserving it, and continues to develop and support various, projects for the environment.

RECYCLED WATER/TOTAL WATER CONSUMPTION (%)



A total of 22 energy efficiency projects implemented by four refineries in 2014 yielded monetary savings of TL 50.67 million, total energy savings of 423.4 thousand Gcal, and a 126.4 thousand ton reduction in CO_2 emissions.

Energy Efficiency

The main pillars of Tüpraş's strategy are to meet the demand for petroleum products, lead the industry with innovative practices and maximize customer satisfaction. With this strategy, Tüpraş aims to increase productivity, minimize cost, attain operational excellence in every field and thus live up to its full potential.

Tüpraş's energy efficiency projects are geared toward minimizing energy consumption by eradicating any waste of energy, without compromising quality and performance and to become the refinery in Europe with the lowest emission level by 2017. To reach this objective, the Company maintains a close watch on all advanced technology and programs implemented across the world to enhance energy conservation.

These efforts continued at full speed during 2014. Owing to the progress in energy efficiency projects, Tüpraş brought its EII value down to 101.6 in 2014.

AWARDED ENERGY EFFICIENCY PROJECTS

In 2014, Tüpraş participated in the "Industrial Energy Efficiency Competition" organized by Ministry of Energy and Natural Resources with a total of 16 projects to save a total of 68,668 TEP/year. In this competition, Izmit, Izmir, Kırıkkale and Batman Refineries received award plaques.

In 2014, with two Energy Efficiency Enhancing (VAP) projects, Tüpraş received TL 0.4 million in incentives from the Ministry of Energy, General Directorate of Renewable Energy. In 2012 and 2014, the Company obtained approval for a total of 12 VAP projects, and total incentives amounted to TL 2.33 million.

ENERGY CONSERVATION EFFORTS IN 2014

A total of 22 energy efficiency projects implemented by four refineries in 2014 yielded savings of US$ 50.67 million. Total savings from energy efficiency projects in the last five years amounted to US$ 397.6 million. The efficiency projects implemented by four refineries yielded a reduction of 126.4 thousand tons in CO_2 emissions and total energy savings of 423.4 thousand Gcal.

The energy efficiency projects implemented in 2014 and yielding more than TL 1 million in annual savings are as follows:

Energy Efficiency via Heat Integration in Plant-2/5/36

A pinch analysis was conducted in the crude oil, diesel and kerosene desulphurization units at Izmit Refinery's Plant-2/5/36, and furnace load was reduced with additional heat exchangers. The project will produce annual savings of TL 7.5 million and a total energy savings of 79.5 thousand Gcal/year.

Online Chemical Cleaning in Furnaces

Chemical cleaning is applied to the furnace tubes in the crude oil furnaces, vacuum furnace, and charge heaters of the hydrocracker fractionation and visbreaker units at Izmir Refinery's U-7000 to remove residue and increase heat transfer. With the online chemical cleaning process, carbon and other types of deposits can be removed from the tubes while the furnace is in operation. The project yields annual savings of TL 6.5 million and a total energy savings of 55.2 thousand Gcal/year.

Heating Boiler Feed Water with Waste Heat

By heating the boiler feed water used for steam generation at Kırıkkale Refinery's power plants from 450 C to 750 C with the waste heat from the hydrogen unit, Tüpraş achieves significant savings in low-pressure steam used for heating. The project of heating demineralized water results in annual savings of TL 6.2 million and total energy savings of 69 thousand Gcal/year.

Energy Savings through Optimization of Steam Power

Thanks to the energy optimization efforts at Kırıkkale Refinery, the amount of imported electricity was increased and accordingly condensate drawn from the turbine was reduced, resulting in an overall decrease in the Refinery's electricity costs. Meanwhile, within the scope of energy optimization efforts carried out at the Izmit Refinery, operating costs were reduced

2014 ENERGY EFFICIENCY PROJECTS AND CO_2 REDUCTIONS

	NUMBER OF PROJECTS	ENERGY (PETROLEUM EQUIVALENT TONS)	CO_2 TONS
Izmit	9	10,900	25,123
Izmir	8	17,186	55,679
Kırıkkale	2	13,561	31,167
Batman	3	701	14,472
Total	**22**	**42,348**	**126,442**

through changes made to equipment powered by turbines and electricity, and by reviewing boiler and alternator loads. The power optimization efforts at Kırıkkale and Izmit Refineries produce annual savings of TL 5.68 million and total energy savings of 68.3 thousand Gcal/year.

Converting to Natural Gas in Furnaces and Boilers
Batman Refinery's H-509 boiler and F-101 furnace were modified to burn natural gas and liquid fuel. After the natural gas network became operational in Batman, furnaces were converted to natural gas. This fuel conversion project resulted in annual savings of TL 5.65 million and total energy savings of 3.7 thousand Gcal/year. The energy efficiency projects carried out at the Batman Refinery produce annual savings of TL 6.1 million and total energy savings of 7 thousand Gcal/year.

Converting the Recycle Gas Compressor's Condensate to Low-Pressure Steam
Izmir Refinery's CT-9901 gas turbine was running on condensate generated from high-pressure steam, and this type of operation was causing inefficient use of energy. Therefore, the turbine was modified to run on low-pressure steam, which resulted in energy savings and increased productivity. The modification of the recycle gas compressor yielded annual savings of TL 5.37 million and total energy savings of 44.8 thousand Gcal/year.

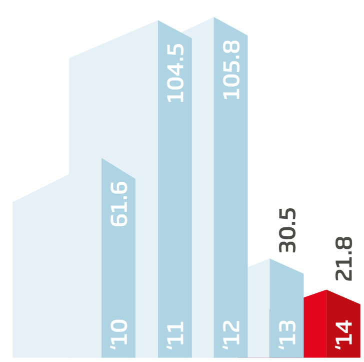
Low-Pressure Steam Savings in Amine Units
The amine regeneration units at Izmit and Izmir Refineries use low-pressure steam for operation. Through operational improvements, the consumption of low-pressure steam was reduced, resulting in annual savings of TL 4.4 million and total energy savings of 38.7 thousand Gcal/year.

The New BFW Heat Exchanger in 901Y Unit
By lowering the BFW (boiler feed water) temperature of the two waste heat boilers at Izmir Refinery's 901Y unit to 600 C, flue-gas emissions were reduced. The BFW heat exchanger project yields annual savings of TL 3.7 million and total energy savings of 30 thousand Gcal/year.

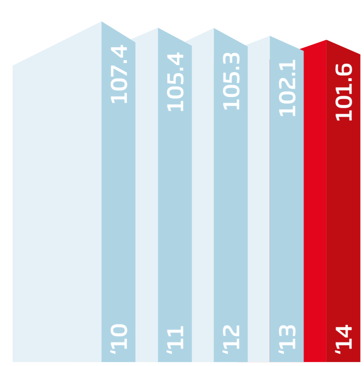
Hundred percent gas usage in the Furnaces
With the burner modernization at Izmit Refinery's process furnaces, 100% gas usage was achieved. This project yields annual savings of TL 2 million and total energy savings of 2.5 thousand Gcal/year.

Heat Recovery through Kerosene System
The generation of low-pressure steam from the waste heat of kerosene at Izmit Refinery's Plant-47 hydrocracker unit resulted in annual savings of TL 1.1 million and total energy savings of 11.5 thousand Gcal/year.

SUMMARY OF ENERGY SAVINGS (US$ MILLION)



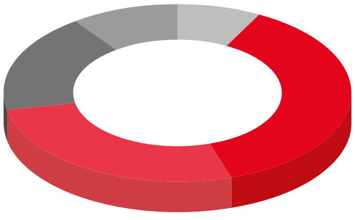
TÜPRAŞ EII VALUES



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

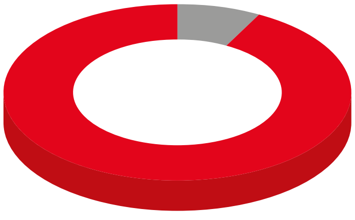
Human Resources

EMPLOYEE DISTRIBUTION



Izmit **1,763**
Izmir **1,278**
Kırıkkale **853**
Batman **460**
Head Office **360**

BREAKDOWN BY GENDER



Male **4,324** Female **390**

Human capital is the Company's most valuable asset. Highly qualified employees gain even more in importance in a sector such as the petroleum refining industry.

A highly skilled, well-educated and experienced workforce takes from five to ten years to cultivate in the petroleum refining industry; this workforce is crucial for the profitable, efficient and safe operation of refineries, as these facilities are of the utmost importance for the domestic economy, national security and social life.

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

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

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

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

OPPORTUNITIES FOR PERSONAL AND PROFESSIONAL DEVELOPMENT

Tüpraş places great emphasis on providing its employees with training programs to develop their professional knowledge and capabilities as well as personal skills.

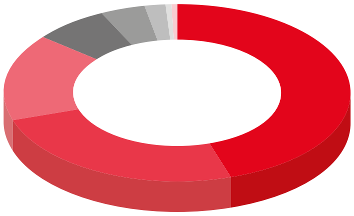
Under the Mosaic Cultural Development Project, Tüpraş values and the key principles of business culture have been identified with the participation of the employees. Project outputs were collected in a published book and distributed to employees. Tüpraş continues efforts to make sure that these values and working principles, which will lead the cultural change within the Company, are fully understood and internalized by the employees. In addition to the books distributed to employees, the Company also offers extensive e-learning programs and classroom courses.

After the RUP Facility began operations, the management of production processes at the Izmit Refinery was revised through several structural changes to create a more efficient and productive work environment. The recruitment and training of employees for the RUP Facility have been completed.

To develop employee knowledge, skill and ability, in collaboration with Middle East Technical University, Department of Chemical Engineering, a total of 23 books were planned under the Refinery Experts Training Program (RAYEP), and 11 of these books have been prepared for publishing. Efforts related to maintenance and enterprise reliability continue by means of internal resources.

	NUMBER OF EMPLOYEES	TOTAL HOURS OF TRAINING	AVERAGE HOURS OF TRAINING PER PERSON
White Collar	1,042	92,571	89
Blue Collar	3,672	296,125	81
Total	**4,714**	**388,696**	**82**

EDUCATION LEVEL OF WHITE COLLAR EMPLOYEES



- University Degree (Technical) **467**
- Master's Degree **258**
- University Degree (Administrative) **169**
- Industrial High School **77**
- High School **39**
- Associate Degree **21**
- Doctorate **7**
- Other **4**

TALENT MANAGEMENT

Tüpraş expanded the scope of its talent management efforts in 2014. In order to create a solid infrastructure for learning, performance and talent management, the Company obtained licenses for the SAP Success Factors software and began installation. As part of the defined procedures, critical positions and high-potential employees were identified, and succession plans were established. Twenty-one employees were included in the Assessment Center program to determine their strengths and areas for improvement. Meanwhile, 34 employees started to get coaching support.

EMPLOYEE LOYALTY STANDS ABOVE THE COUNTRY AVERAGE

The results of the Employee Loyalty Survey, despite a small decline compared to the previous year, this percentage is still well above the national average and that of many major corporations.

Meanwhile, employee turnover rate (undesirable turnover), an important indicator of employee loyalty, stands at 2.5%. This percentage is a very successful result when compared with the overall industry, the country and even the world.

In line with the goal of developing its human resources, Tüpraş maintained workplace harmony and employee motivation. In 2014, 172 employees resigned, and 172 new employees were hired to replace them.

EMPLOYEE SUPPORT PROGRAM

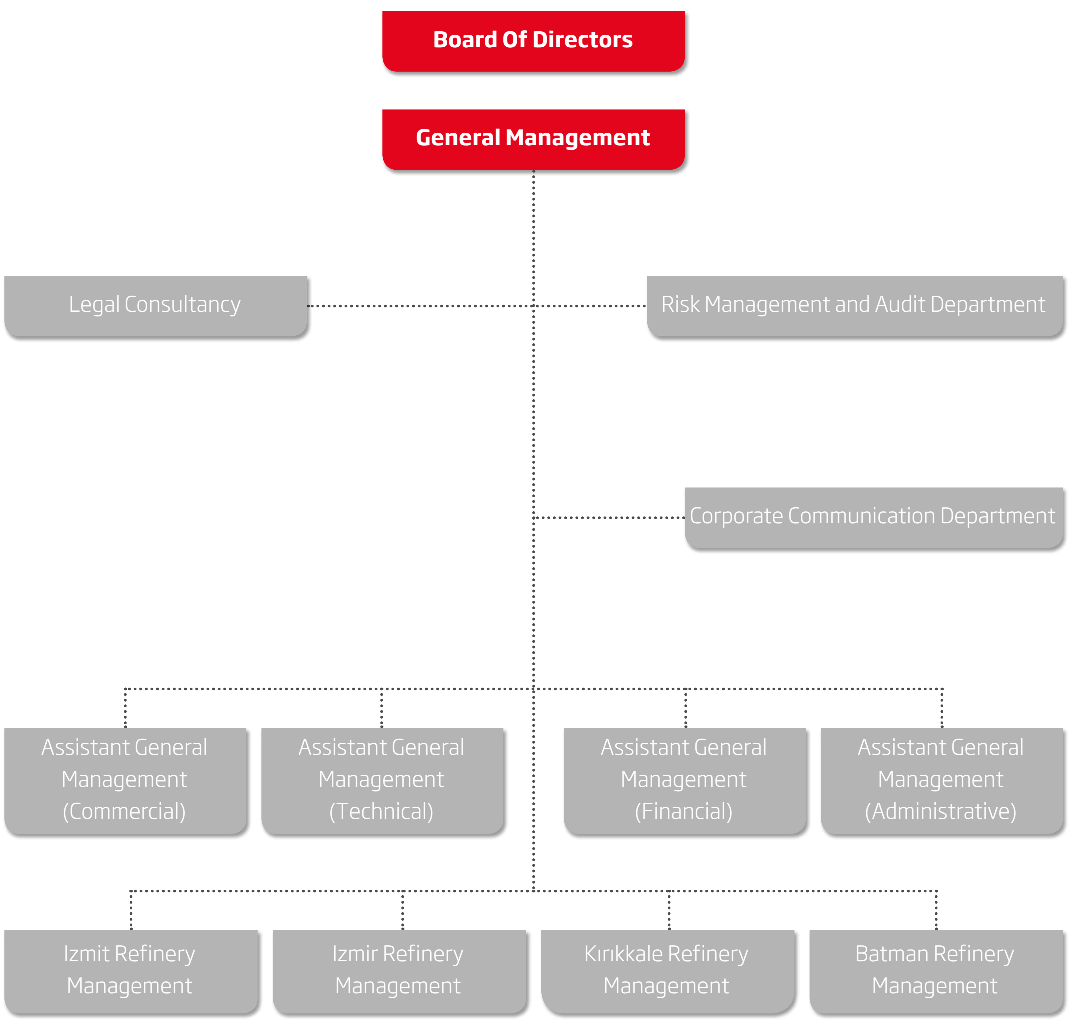
The Company started the pilot implementation of the LEAP Employee Support Program at the Izmir Refinery. The purpose of LEAP is to improve quality of life for employees and their families, and offer them professional support in dealing with difficult issues. Under this program, Tüpraş offers professional support in several areas, such as medical and psychological counseling, information and reservation services, through a dedicated line to make life easier for its employees and their families.

The Company has also signed exclusive agreements with multiple healthcare facilities in the area to offer employees and their families fast, high quality and affordable healthcare services.

Tüpraş places great emphasis on providing employees with training programs to develop their professional knowledge and capabilities as well as their personal skills.

Human Resources

ORGANIZATIONAL CHART



BOARD OF DIRECTORS STRUCTURE

Chairman
M. Ömer Koç

Board of Directors Secretariat
İbrahim Yelmenoğlu (CFO)

Vice Chairman
Mustafa V. Koç

Board Members

M. Rahmi Koç
Semahat S. Arsel
Y. Ali Koç
O. Turgay Durak
Temel Kamil Atay
Dr. Bülent Bulgurlu
Erol Memioğlu
Yavuz Erkut
Ahmet Aksu
Ahmet Turul
Kutsan Çelebican
Osman Mete Altan
Gökçe Bayındır

Corporate Governance Committee
Kutsan Çelebican
Erol Memioğlu
İbrahim Yelmenoğlu

Risk Management Committee
Gökçe Bayındır
Temel Kamil Atay

Audit Committee
Kutsan Çelebican
Osman Mete Altan

Executive Committee
M. Ömer Koç
Mustafa V. Koç
M. Rahmi Koç
Semahat S. Arsel
Y. Ali Koç
Temel Kamil Atay
O. Turgay Durak

Ethics Committee
Yavuz Erkut
Yılmaz Bayraktar
İbrahim Yelmenoğlu
Nezih Akçınar
Seyran Arslan
Ardan Aksade

Independent Auditor
Güney Bağımsız Denetim ve SMM A.Ş.

In 2014, the Board of Directors held four meetings with the attendance of all members. Decisions were made with affirmative votes of all members at the Board of Directors meetings.

Tüpraş's investments are panned in a manner that contributes to the sustainable development of the communities around the Company's geographic areas of operation.

Sustainability and Performance Indicators

As Turkey's leading industrial enterprise, Tüpraş is fully aware that sustainable development passes through profitability and operational continuity, as well as safeguarding and enhancing social trust. Accordingly, the Company plans its investments in a way to contribute to the sustainable development of the communities located around its areas of operation.

Tüpraş aims to develop and instill its business targets into the management strategy and working culture of the Company and to report its performance in these areas according to international criteria. Tüpraş aims to create an efficient, transparent and ethical communication strategy with all parties that could affect and be affected by its activities, include social, economic and environmental responsibilities within the Company strategy, and maintain the sustainability of outcomes.

The BIST Sustainability Index, launched by Borsa Istanbul in 2014, evaluates companies' performance on environmental, social and corporate governance issues.

Tüpraş ranked among the top 15 companies included in the BIST-30 Index.

ENVIRONMENTAL MANAGEMENT

Tüpraş places human health, workplace safety, and environmental protection always at the forefront of its activities in pursuit of its goals. Tüpraş aims to become an environmental pioneer by reducing the negative environmental impacts of its operations through utilization of best available technologies.

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

CLIMATE CHANGE AND EMISSIONS MANAGEMENT

Tüpraş does not consider its operations and investments in fighting climate change a cost-increasing factor, but a duty, and devises projects that need to be carried out and rapidly implements them.

In 2014, the Company participated in meetings and seminars organized by the authorities and civil society organizations within the scope of EU compliance efforts on this particular subject. Greenhouse gas emissions measurement and reduction efforts continued in accordance with the Climate Change Strategy and 2020 Greenhouse Gas Reduction Strategic Plan. As a result of the improvements achieved in 2014, greenhouse gas emissions decreased by 126 thousand tons of CO_2 equivalent, resulting in significant savings. The total amount of emission reductions achieved from 2010 to the present day exceeded 1.3 million tons of CO_2 equivalent.

SAFETY SCORES	2010	2011	2012	2013	2014
Accident Frequency Rate	1.7	2.2	1.5	1.1	1.6
Accident Severity Rate	57	83	289	26	308

WATER RECYCLING	2010	2011	2012	2013	2014
Recycled Water (million m^3)	11.6	11.2	9.9	11.0	12.4
Recycled Water/Consumed Water (%)	39.0	37.1	32.2	36.3	40.4

GREENHOUSE GAS EMISSIONS PREVENTION (CO_2 EMISSIONS-THOUSAND TONS)	2010	2011	2012	2013	2014
Greenhouse Gas Emissions Prevented	308.6	317.0	348.2	186	126.4

126 (thousand tons)

As a result of the improvements achieved in 2014, greenhouse gas emissions decreased by 126 thousand tons of CO_2 equivalent, resulting in significant savings.

ENERGY EFFICIENCY AND MANAGEMENT

As Turkey continues to develop, its energy needs rise accordingly. The main objectives of energy management should be to satisfy the ever-growing energy demand in a secure fashion and to lay the basis for sustainable and consistent growth.

Similarly, the demand for all forms of energy is also growing in Turkey. Tüpraş's strategy focuses on leading the sector with innovative practices and maximizing customer satisfaction, while meeting the national demand for petroleum products.

Tüpraş's energy efficiency projects are geared toward minimizing energy consumption by eradicating any waste of energy, without compromising quality and performance, and to become one of the refineries in Europe with the lowest emission level by 2017. To reach this objective, the Company maintains a close watch on all advanced technology and programs implemented across the world to enhance energy conservation.

RISK MANAGEMENT

The underlying philosophy of risk management at Tüpraş is based on the protection of asset value as well as operational safety and sustainability. Proactive methods have been adopted to predict, manage and monitor potential risks in every field of risk management, and to develop necessary activity plans in advance.

The main risks sustained by Tüpraş are categorized under a total of five headings: danger risks, financial risks, commercial risks, operational risks, and strategic risks.

Tüpraş uses the Risk Assessment Table (RAT) methodology to ensure that priority is given to allocating resources to critical operations in the process of risk recognition, rating and management.

Tüpraş aims to develop and instill its business targets into its management strategy and working culture and to report its performance in these areas in accordance with to internationally accepted criteria.

Sustainability and Performance Indicators

OPERATIONAL PERFORMANCE	2010	2011	2012	2013	2014
Processed Crude Oil (Thousand Tons)	19,552	20,896	22,118	21,568	20,044
Refining Production (Thousand Tons)	18,797	20,898	21,867	21,175	20,101
Sales (Thousand Tons)	22,401	23,897	25,441	24,083	22,194
Export of Products (Thousand Tons)	4,795	5,152	5,860	4,844	5,333
Import of Products (Thousand Tons)	3,980	4,214	4,387	3,805	2,920
Total Production Ratio (%)	67.9	69.7	70.30	72.36	72.18
Capacity Utilization Rate of Crude Oil (%)	69.6	74.4	78.7	76.8	71.3
Capacity Utilization Rate Included Semi Product (%)	75.3	78.0	81.6	79.1	74.9

FINANCIAL AND MANAGERIAL PERFORMANCE	2010	2011	2012	2013	2014
Net Sales (US$ Million)	17,424	24,302	23,677	21,595	18,165
Operating Profit (US$ Million)	683	1.181	631	22	199
Profit before Tax (US$ Million)	617	918	753	7	84
Profit after Tax (US$ Million)	490	740	817	629	667
EBITDA (US$ Million)	830	1,329	715	560	338
Net Debt (Cash) (US$ Million)	(1,955)	578	551	1,340	1,663
Return on Equity (ROE) (%)	19.4	30.1	31.8	24.1	25.9
Net Working Capital (US$ Million)	286	359	595	(296)	(677)
Investment Expenditures (US$ Million)	177	628	974	1,201	959
Earnings per Share (TL)	2.94	4.96	5.85	4.78	5.83
Gross Dividend per Share (TL)	2.98	3.93	3.85	1.58	-
Net Dividend per Share (TL)	2.53	3.34	3.27	1.34	-
Taxes and Other Liabilities (TL Million)	19,729	24,147	26,643	28,607	23,433
Corporate Governance Rating	8.56	8.62	9.10	9.34	9.31
Fitch Ratings Long-term Foreign Currency Rating	BBB-	BBB-	BBB-	BBB-	BBB-
Fitch Ratings Long-term Local Currency (TL) Rating	BBB-	BBB-	BBB-	BBB-	BBB-
Supply Operations (TL Million)	207	257	348	386	769
Domestic	95	113	177	214	305
Custom Manufacturing	12	22	20	14	19
Foreign	100	122	151	158	444
Local Procurement Ratio (%)	51.66	52.48	56.70	59.05	42.21
Total Number of Suppliers	1,772	1,874	1,383	1,595	2,016
Incentive Grants (TL Million)	20.0	19.3	22.2	77.2	70.5

ENVIRONMENTAL PERFORMANCE	2010	2011	2012	2013	2014
Direct Energy Consumption (TJ)	66,708	70,356	70,622	68,752	66,529
Natural Gas	32,892	35,731	34,784	32,863	32,906
Fuel Oil	17,905	13,211	12,650	10,966	8,811
Fuel Gas	13,226	18,601	20,543	22,285	22,770
Coke	2,684	2,812	2,645	2,638	2,042
Indirect Energy Consumption – Electricity (TJ)	303	437	464	395	505
Total Energy Consumption (TJ)	67,010	70,792	71,086	69,147	67,034
Change in Energy Consumption (%)	(2.67)	(5.64)	(0.41)	2.73	3.06
Energy Consumption Per Crude Oil (GJ/Ton)	3.43	3.39	3.21	3.21	3.34
Solomon Energy Intensity Index	107.4	105.4	105.3	102.1	101.6
Number of Energy Efficiency Projects	65	92	97	40	22
Total Energy Efficiency Savings (TJ)	3,155	3,053	5,255	2,841	1,772
Total Energy Efficiency Savings (TL Million)	91	188	159	61	51
Greenhouse Gas Emissions Reductions through Energy Efficiency Projects (tons CO_2e)	308,599	316,955	348,173	186,019	126,442
Total Water Consumption (Million m^3)	18.1	19.0	20.8	19.4	18.2
Change in Water Consumption (%)	(16.2)	4.6	9.4	(6.7)	(5.8)
Water Consumption per Product (m^3/ton)	1.0	0.9	1.0	0.9	0.9
Total Recovered Water (Million m^3)	11.6	11.2	9.9	11.0	12.4
Total Recovered Water to Total Consumption Ratio (%)	39.0	37.1	32.2	36.3	40.4
Total Waste Water Discharge (Million m^3)	10.0	10.3	13.1	11.6	10.4
Total Amount of Solid Waste (Tons)	49,923	28,992	38,028	27,450	117,025
Hazardous Wastes (Tons)	40,229	17,999	22,944	19,411	97,829
Non-Hazardous Wastes (Tons)	9,694	10,993	15,084	8,039	19,196
Solid Wastes According to Disposal Method					
Recycling (Tons)	44,238	23,367	27,471	21,045	38,652
Disposal (Tons)	5,685	5,625	10,577	6,405	78,711
Solid Waste Recovery Rate (%)	88.6	81.0	72.0	76.7	33.0
Total Number of Saplings Planted as part of Afforestation Efforts (Units)	3,383	14,158	8,836	6,635	1,460
Total CO_2 Emissions Reductions Achieved through Afforestation Efforts (Tons CO_2E)	1,116	4,672	2,916	2,191	482
Total Spending on Environmental Investments and Operating Expenses (TL Million)	117	181	212	197	186
Environmental Training (People x Hours)	70,526	56,813	35,719	46,418	15,512
Tüpraş Employees	34,925	26,668	15,138	23,751	3,302
Contractors' Employees	23,259	27,622	14,644	19,727	8,385
Stakeholders	12,342	2,523	5,937	2,940	3,825

38,652 (tons)

Tüpraş recycled 38,652 tons of materials in 2014.

**Excavation waste produced during the excavation made in the RUP field and excavation waste disposal figures included.*

Tüpraş always places human health, workplace safety, and environmental protection at the forefront of its operations in pursuit of the Company's goals.

Sustainability and Performance Indicators

SOCIAL PERFORMANCE	2010	2011	2012	2013	2014
Total Amount of Training (People x Hours)	153,112	144,227	289,095	167,961	388,696
Female	9,986	20,831	32,125	19,562	31,172
Male	143,126	123,396	256,970	148,399	357,524
White Collar	37,173	62,908	129,599	68,240	92,571
Blue Collar	115,939	81,319	159,496	99,721	296,125
Total Amount of Training (Average Hours of Training per Employee)	36	34	63	36	82
Female	33	63	88	49	80
Male	36	32	61	5	83
White Collar	45	71	131	65	89
Blue Collar	33	25	45	27	81
Total Hours of OHS Training (People x Hours)	64,302	49,857	75,190	82,533	94,036
Tüpraş Employees	33,241	23,888	28,550	44,775	74,556
Employees of Business Partners	31,061	25,969	46,640	37,758	19,480
Accident Frequency Rate (Number of Accidents x 1,000,000/People x Hours)	1.7	2.2	1.5	1.1	1.6
Accident Severity Rate (Work Days Lost x 1,000,000/People x Hours)	57	83	289	26	308
Number of Fatal Accidents	0	0	1	0	2
Total Number Suppliers and Contractors That Have Undergone Screening on Human Rights	-	59.0	57.0	60.0	57.3
Employee Satisfaction (%)	98.5	98.5	98.0	98.0	98.0
Customer Satisfaction (%)	97.7	97.7	98.9	98.0	93.4
Supplier Satisfaction (%)	39.34	37.81	42.72	48.22	54.9
Koç Holding Pension Fund Liabilities (TL million)	8.3	12.6	16.1	25.6	8.9
Donations and Sponsorships (TL million)	1,612	1,744	1,704	1,625	798
Minimum Starting Salary to Minimum Wage Ratio					
Blue Collar	2.6	2.7	2.5	2.6	2.6
White Collar	4.7	4.6	4.4	4.4	4.2

Acting as a good corporate citizen, Tüpraş supports numerous social projects and undertakes efforts to improve the quality of life for society, fulfilling the Company's responsibilities to employees and other stakeholders.

Corporate Social Responsibility Projects

Tüpraş adopts a socially responsible attitude across all of its operations and considers social responsibility an integral part of its business culture. Tüpraş places great emphasis on responding to the needs and expectations of the communities living around its areas of operation.

Being fully aware that corporate sustainability depends on social sustainability, Tüpraş strives to create value for all of its stakeholders and aims to achieve this goal through a sustainable business model that incorporates social, environmental, and economic dimensions. Accordingly, the Company carried out the following CSR projects in 2014:

EDUCATION

7th Tüpraş/Batman Children's Festival

Now in its seventh year, the "April 23rd Tüpraş/Batman Children's Festival" took place at the Batman Refinery on April 23. Organized in collaboration with the Batman Governor's Office and Provincial Directorate of National Education to provide festive activities for children to enjoy, the festival, which has become an annual tradition of celebration, hosted a total of 1,500 children from provincial schools as well as the Turkish Education Volunteers Foundation's 50th Year Education Unit.

The activities at the festival were organized in two different segments under the "For My Country: Barrier-Free Life" project. In the first segment of the festival, a total of 100 children with special needs from kindergarten to high school level, including 15 children with hearing loss and 85 children with physical and mental disabilities, were hosted. In the second segment, students from six schools/ institutions and the children of Tüpraş employees were hosted.

Employee volunteers play a very important role in the organization of the April 23rd Tüpraş Children's Festival. Fifty employees and 100 volunteers handled every detail and guided the children from the moment they arrived at the festival venue until they were returned to their families.

Since 2008, a total of 16,500 children have been hosted at the festival, which brings together the Batman Governor's Office, the Provincial Directorate of National Education, the principals and teachers of the schools in the area, civil society organizations, and Tüpraş employees and their families.

Most Successful Koç Members Award (EBK Award) of the Batman Children's Festival Made the Children Smile

The Batman Children's Festival that we organized for the 7th time was awarded the project of the year in 2014 in the category of Most Successful Koç Members " Those Who Add Value To Life." Using this award again for children, the project team organized an unforgettable Istanbul trip for them between 28th of April and 1st of May 2014.

The group arrived in Istanbul on April 28, 2014, and visited Miniaturk, the Rahmi Koç Museum, the Istanbul Aquarium, and the Human Body Exhibition on April 29. On April 30, the children visited the VKV Koç Private Elementary, Secondary and High School to spend time with their peers. Later on the same day, the Corporate Communications Department hosted the children at Koç Holding, where they watched the corporate film "Reading the Spirit of Time," created to honor the legacy of Vehbi Koç. The film recounts the story of the Koç Group, starting from its foundation and moving into the future. Following an informative session on Koç Holding's goals, values and approach to social responsibility and education, the children met with Mr. Erol Memioğlu, President of the Energy Group, who gave them Vehbi Koç's autobiographical books, "Story of My Life" and "My Memories, Visions, Advice." The Group completed the trip with a visit to the Istanbul Sapphire Panoramic Terrace and a cruise on the Bosphorus, and left Istanbul on May 1.

Over Seven Years, "Fireflies" has Educated and Entertained 93,300 Children

Since 2008, Tüpraş has been sponsoring the "Firefly Education Program," launched by the Turkish Education Volunteers Foundation (TEGV) to help children develop skills such as self-confidence, self-esteem, self-expression, creativity, and empathy; and to offer them an environment where they can feel valued as individuals.

A total of five Firefly Mobile Education Units visit several cities and offer children a 12-hour education program. The first half of the program (six hours) is dedicated to information and technology, and the other half to free activities.

In 2014, Firefly Mobile Education Units visited the provinces of Samsun, Bursa, Mersin, Diyarbakır, and Şanlıurfa, reaching 13,635 children. Since 2008, a total of 93,300 children have been reached through this project.

Firefly Social Activities

Aygaz 2 Firefly Mobile Education Unit

April 23rd National Sovereignty and Children's Festival

The April 23rd National Sovereignty and Children's Festival was celebrated in Samsun Ahmet Çabuk Elementary School's garden, where 10 volunteers came together with 250 children and helped them enjoy the day.

Visit to TÜYAP Education and Book Fair

On March 18-23, 2014, the Aygaz 2 Firefly Mobile Education Unit visited the TÜYAP Education and Book Fair to increase children's interest in books and improve their reading habits. The activity was made possible with volunteers and resources provided by Bursa Education Unit, and the active involvement of Aygaz 2 Firefly Mobile Education Unit volunteers and children.

Aygaz 3 Firefly Mobile Education Unit

Collaboration in Social Services

The Firefly Mobile Education Unit collaborated with the students of Mersin University in providing social services to children. On March 7-8, 2014, 50 volunteers came together with the students of Mersin Namık Kemal Elementary School and offered their support throughout the duration of the school term.

Aygaz 5 Firefly Mobile Education Unit

Karagöz and Hacivat Shadow Play

On May 16, 2014, a Karagöz and Hacivat Shadow Play were performed at Emin Saygın Elementary School in Birecik Şanlıurfa with the support of Doğa Culture and Life Society's theater club. The play was intended to teach children the importance of reading books and to promote the habit of reading among children. Two hundred children, 20 parents and eight volunteers participated in the event.

Theater Performances for the Benefit of the Turkish Education Volunteers Foundation

The SEK Head Office and Izmit Theater Club actors performed their fifth play, "Azizname," written by Aziz Nesin and directed by Ahsen Gül Ever, for the benefit of the Turkish Education Volunteers Foundation (TEGV). An audience of 659 people watched the play, staged on November 3, 2014 at the Sabancı Cultural Center.

In addition, the SEK Batman Theater Club actors performed their third play, "Kördövüşü," also for the benefit of TEGV. Written by Tuncer Cücenoğlu and directed by Ahmet Seven, the play was staged on November 11, 2014 at the Batman Arts Theater to an audience of 300 theater aficionados.

With the effort and toil of our Theater Club's players and with the contribution of our employees and business partners, the amount raised from the plays was donated to the Foundation to "Change a Child, and Change Turkey" .

93,300

Tüpraş's Firefly Project has reached some 93,300 children.

Tüpraş adopts a socially responsible approach across all operations and considers social responsibility an integral part of its business culture. Tüpraş places great emphasis on responding to the needs and expectations of the communities around the Company's areas of operation.

Corporate Social Responsibility Projects

We Collect Books for Children
With the purpose of instilling an affinity for reading in children, volunteers from the Batman Refinery collected about 5,000 books from the Head Office and other refineries, and distributed these books to elementary schools in Batman.

In addition, Tüpraş volunteers organized book-reading days to encourage children to read books.

Advancement of the Vocational Education and Training System (MEGEP) Project
On May 29, 2007, the Ministry of National Education and Tüpraş signed a protocol for the "Advancement of the Vocational Education and Training System (MEGEP Project)" with a view toward training skilled professionals in the area of Chemical Technology, particularly refining and processing. In 2014, the following efforts were undertaken within the framework of this project:

Izmit Refinery: Eighteen 12th grade students studying at the Körfez Technical Industrial Vocational High School's Machine Maintenance Department continued their internship programs at Izmit Refinery. Nineteen 11th grade students also came to the Refinery to learn about the field applications of "Machine Maintenance and Refinery Operations" in accordance with their current studies. In addition, eight 11th grade students studying at the Izmit Technical Industrial Vocational High School's Refining and Petrochemicals Department occasionally visited the Refinery to learn about the field applications of their current studies.

İzmir Refinery: Nine 12th grade students from Aliağa METEM High School continued their internship programs in five different departments of Izmir Refinery.

Kırıkkale Refinery: Eight 11th grade students from the petrochemicals department of Bahşılı Hacı Hidayet Doğruer High School received training at Kırıkkale Refinery two days a week. Students received support from the employees in accordance with their course schedules and also had the opportunity to make observations in the field.

"Fire of Anatolia Sparks Dance Group"
Together with the other Energy Group companies Opet and Aygaz, Tüpraş has been sponsoring the April 23rd International Children's Festival, organized by the Kocaeli Metropolitan Municipality, since 2012. In the past, Tüpraş has sponsored the Chinese Tale Acrobatic Show and the Moscow Children's Circus. In 2014, the Company sponsored the "Fire of Anatolia Sparks Dance Group". The festival took place on April 23-26, 2014 with the participation of 1,000 children from 41 countries, and an audience of 227,166 people.

Koç University Social Sciences High Achievement Scholarship Program
Tüpraş supports the Social Sciences High Achievement Scholarship Program, which accepted the first PhD students in the academic year 2011-2012. Currently, eight students from the Departments of Archeology and Art History, International Relations, Psychology and Social Design Technology studying their PHD programs with scholarships from Tüpraş within the scope of this program, which will include two new students every year.

Koç University Anatolian Scholarship Program
The Anatolian Scholarship Program, another social responsibility initiative by Koç University, aims to contribute to the advancement of science, and therefore social development, by enabling talented students in need to study at Koç University with full scholarships. In the fourth academic year of this program, six students from Sivas, Batman, Bursa, Izmir, Osmaniye and Malatya are continuing their education at Koç University with Tüpraş scholarship.

CULTURE/ARTS

Fourth Book in the Anatolian Civilizations Series: "Pergamon, A Hellenistic Capital in Anatolia"
"Pergamon, A Hellenistic Capital in Anatolia," the fourth book in the Anatolian Civilizations Series launched jointly by Tüpraş and Yapı Kredi Arts and Culture Publications, has been published. Edited by Felix Pison and Andreas Scholl, the book tells the story of the Kingdom of Pergamon, which was included in UNESCO's World Heritage List in 2014. Previously, books about the Hittite, Urartu and Phrygia civilizations have been published within this series.

Young Musicians on World Stages
With the aim of transferring its 40-year span of knowledge and experience to younger generations, Tüpraş supports the "Young Musicians on World Stages" project initiated by the esteemed pianist sisters, Güher and Süher Pekinel. The Company provides scholarships to young talents between the ages of 15 to 23. With the support of Tüpraş, students can continue their music education at the world's most prestigious schools under the supervision of expert instructors. These young talents achieve success in a very short time, win awards at international music competitions, and are invited to play with renowned orchestras.

In 2014, Kıvanç Tire and Yunus Tuncalı were accepted to the scholarship program, which had begun with Doğa Altınok, Can Çakmur, Cem Esen, Elvin Hoxha, Veriko Tchumburidze, and Duygu Eliz Erkut. The success of the scholarship holders, who performed at Cemal Reşit Rey Concert Hall on November 15, 2014, has also attracted wide media attention.

Sponsorship of Aktüel Arkeoloji Magazine
Since 2010, Tüpraş has been sponsoring Aktüel Arkeoloji Magazine, launched in 2007. The magazine recounts the rich history of Anatolia to its current inhabitants, and features the latest news related to archaeology, history, culture and arts as well as information about exhibitions, symposiums and important developments in Turkey and the world.

ENVIRONMENT

"The Happy Wastes Project" - Separating and Recycling Packaging Waste
The project, launched at the Izmir Refinery in 2010 to separate and recycle packaging waste was continued in 2014 with different activities.

The "Happy Wastes Kite Festival," which has become an established celebration since its 2010 launch, was held on June 7, 2014. At the festival, 3,000 kites were distributed and various activities were organized to increase environmental awareness among children and the people of Aliağa.

"The Young Take the Water, The Old Take the Responsibility!"
Under the slogan "The Young Take the Water, The Old Take the Responsibility!" the adults of the future celebrated the April 23rd National Sovereignty and Children's Festival by painting the walls of Izmir Refinery's wastewater treatment unit.

Following the opening speeches on the importance of water conservation and environmental protection, children painted beautiful pictures drawn by graffiti artists. After the painting activity, children left their handprints in a drop of water.

1,460 (unit)
Tüpraş planted some 1,460 trees in 2014 as part of its afforestation efforts.

In 2014, the football club included 70 athletes aged 10-17, and earned several prizes at regional and national competitions for the 8-13 and 19 age groups.

Corporate Social Responsibility Projects

Replenishing the Oxygen We Consume

Since 2008, a sapling has been planted for every guest accommodated at the Kırıkkale Refinery Social Facilities. Starting from the idea that planting trees is the best way to replenish the oxygen consumed during the Company's operations, 160 saplings were planted in 2014 and the number of planted saplings reached 5,077.

Training Program on Waste Recycling, Health, and Environmental Awareness

Under the project, which targets high school students, the employees of Batman Refinery provided environmental awareness training to 2,295 students at 73 schools (4,590 people/hour) in Siirt, Bitlis and the villages of Batman and Tatvan, to draw attention to the harmful effects of waste on the environment.

SPORTS

Barrier Free Life

Established in 2006, Batman Sports Club for the Disabled has been participating in the Turkish Wheelchair Basketball 2nd League since the 2007-2008 season. Boasting 51 athletes of whom 33 are licensed, the Club has given nearly hundreds disabled citizens the opportunity to get involved in sports since its establishment. The Club is well known in Batman for its numerous achievements. As in the previous seasons, the Club will work hard to join the Wheelchair Basketball 1st League in the coming season. Tüpraş will continue to support this team, who defy their impairments through striking performances.

Batman Tüpraşspor Football Club

Established as an independent initiative of a group of Batman Refinery employees in 1995, with the awareness that sports activities support physical and mental development and keep young people from developing unhealthy habits Tüpraşspor Football Club offers a platform for the local youth wanting to practice sports in a healthy and systematic fashion and become prominent football players in the future.

In 2014, the club had 70 athletes aged 10-17, and earned several prizes at regional and national competitions organized for 8-13 and 19 age groups. One football player trained at the Club was transferred to the National Team while many others joined amateur and professional clubs.

"FOR MY COUNTRY: BARRIER FREE LIFE"

Inspired by the Koç Group's founder Vehbi Koç and his motto, "I exist as long as my country exists," and launched on the 80th anniversary of the Group, the "For My Country" project continued in 2014. "For My Country" serves as an umbrella project to spread the concept of social responsibility among Koç Group companies, employees, dealers and suppliers; and to encourage them to display a participatory attitude toward social issues; support local development; and to implement projects that help improve quality of life. The focus area of the project changes every two years and the concept for 2012 was "Barrier Free Life".

With a focus on the social status of disabled citizens and employees, the project aims to create public sensitivity and awareness about proper approaches to disability issues through efforts that ensure the full participation of people with disabilities in all areas of social life. During the period from June 2012 to December 2014, a total of 3,399 employees and 1,387 stakeholders received disability awareness training, and the Company carried out corporate social responsibility activities supporting the main project.

In addition to contributions to the Sign Language Education, Social Awareness and Representation, TÜRGÖK Reading and Correction Room, Special Children's Festival Support to Special Education Practice Center and Plastic Bottle Cap Collection Campaign; volunteers from the Izmir and Batman Refineries undertook new projects in 2014.

Visually Impaired Children Took to the Stage with the SEK Izmir Theater Club

Tüpraş Izmir Refinery's SEK Theater Club took eight visually impaired children to the theater stage under the project developed by the Izmir Bornova Âşık Veysel School for the Visually Impaired. With the voluntary support of club members, students were offered the opportunity to act in a play for the first time and performed the "Uçan Adam" ("Flying Man") play, written by Dersu Yavuz Altun and directed by Demet Saka. Ali Oruç Yılmaz (13), Burak Korkmaz (12), Ege Cengiz (13), Ferit Ünsal (12), Gizem Ergün (14), Harun Çetinkaya (15), Hatice Çıplak (13), and Melike Bozkaya (15), all of whom are visually impaired, took part in this one-act play staged at the Tüpraş Public Education Center on June 10, 2014. The children memorized their lines from scripts written in Braille alphabet, and acted their parts on the stage by counting their steps and with guidance from volunteers. Anxiety of the children before the play left itself to happiness with the excellent performance they put on the stage. Both their families and Tüpraş were proud of the students who received standing applause for minutes.

"I Have a Special Classroom"

Tüpraş provided support to the "I Have a Special Classroom" project, carried out in collaboration with the Izmir Provincial Directorate of National Education and the National Association for Down Syndrome. The purpose of the project is to help elementary school children with Down's syndrome continue their education and participate in social life more easily.

Under this project, Tüpraş transformed a classroom at the 80th Year Çamlık Elementary School into a disability-friendly classroom.

To Remove All Obstacles "We Collect Plastic Bottle Caps"

Initiated by Ministry of Environment and implemented last year by Batman Refinery volunteers, the "Plastic Bottle Cap Collection Campaign" differs from other blue cap collection campaigns as it aims to collect all types of plastic caps.

In 2014, 980 kilograms of plastic bottle caps were collected and delivered to the Spinal Cord Paralytics Association of Turkey. One manual wheelchair was given to an individual living in Batman, one battery-powered wheelchair was given to a young student (born in 2002) living in Kozluk Batman, and two battery-powered wheelchairs were given to a young student (born in 2008) in Batman and an individual (born in 1990) in Tatvan, Bitlis.

In addition, a manual wheelchair provided by an employee of Tüpraş was given to an individual in Batman, and one battery-powered wheelchair was delivered to the project team to be provided to another person in need.

"Collecting Waste Mineral Oils" to Remove Barriers

Under this campaign, initiated by the employee volunteers of the Batman Refinery, the savings generated from the recovery of waste mineral oils by a licensed contractor are spent on donations such as hearing devices, wheelchairs and other apparatus to support people with disabilities. To that end, Tüpraş provided containers, stickers, posters and brochures to the licensed contractor, and published an Environment Bulletin with regard to the collection of waste mineral oils. Approximately 150 liters of waste mineral oil collected from houses and schools were delivered to the contractor.

Inspired by the Koç Group's founder Vehbi Koç and his motto, "I exist as long as my country exists," and launched on the 80th anniversary of the Group, the "For My Country" project continued in 2014.

Starting out the year at US$ 4.9 billion, the Company's market capitalization increased 20% to US$ 5.9 billion by end 2014, despite the depreciation of the Turkish lira against the US dollar.

Investor Relations

In line with CMB's Corporate Governance Principles, Tüpraş aims to present all information excluding commercial secrets to shareholders, the public and stakeholders in a timely and accessible manner. The Company abides by the principles of fairness, transparency, accountability and responsibility when providing such information. The Company's Disclosure Policy is accessible at www.tupras.com.tr/Investor Relations/Corporate Governance/Disclosure Policy.

GENERAL ASSEMBLY

The 2014 Ordinary General Assembly of Shareholders will be held on Monday, March 30, 2015, at 10.00, at the address: Güney Mahallesi Petrol Caddesi No. 25 Körfez/Kocaeli.

The agenda of the Ordinary General Assembly Meeting, the financial statements for the year 2014, independent audit report, profit distribution proposal, the Annual Report and Corporate Governance Principles Compliance Report, and a separate document including detailed information about compliance with Capital Markets Board regulations will be made available to shareholders three weeks prior to the date of the meeting, within the legally determined period, at the Company's Head Office, via the corporate website www.tupras.com.tr and Central Registry Agency's e-governance and e-company portals and the Electronic General Assembly System.

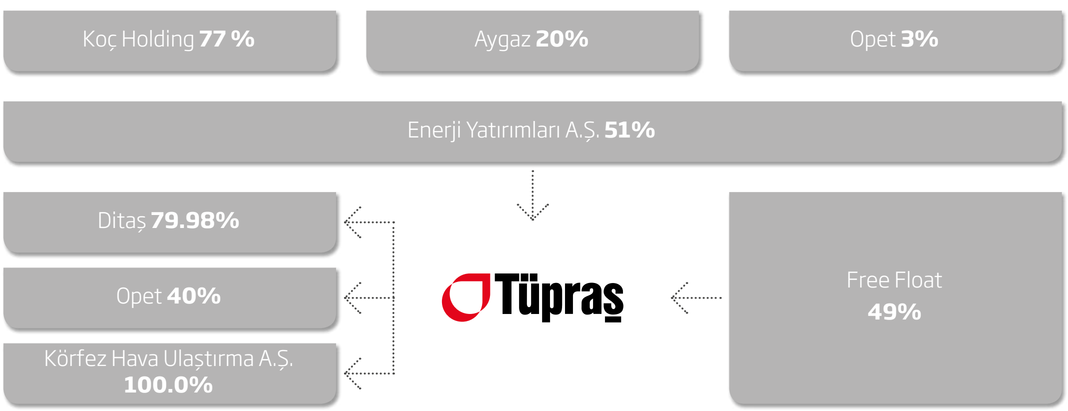
In 2014, the Company met with several investment firms and held one-on-one meetings with 443 fund managers and analysts; additionally, all written and oral queries from shareholders and analysts were answered. Thanks to these activities, investors were kept up-to-date about Tüpraş as well as the changes that had been introduced.

CAPITAL STRUCTURE

Tüpraş's registered capital is TL 500 million, and issued capital is TL 250.4 million.

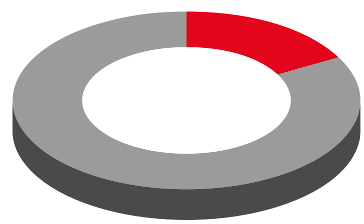
GROUP	NAME OF SHAREHOLDER	VALUE (TL)	TYPE	NUMBER OF SHARES
A	Enerji Yatırımları A.Ş.	127,713,792.22	Registered	12,771,379,222
A	Other (Public Float)	122,705,407.77	Registered	12,270,540,777
C	Özelleştirme İ. Bşk. (Privatization Administration)	0.01	Registered	1
Total		**250,419,200.00**		**25,041,920,000**

TÜPRAŞ SHAREHOLDING STRUCTURE



DISTRIBUTION OF FOREIGN AND DOMESTIC IN TÜPRAŞ SHARES

Some 49% of Tüpraş shares are traded on the BIST-30 and the London Stock Exchange as GDR. As of year-end, foreign investors held 83.34% of the Company's public shares



Domestic Ownership **17%**
Foreign Ownership **83%**

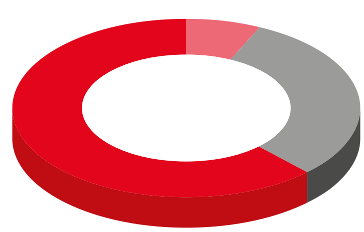
HIGHS AND LOWS OF TÜPRAŞ SHARE PRICES (2006-2014)

The table below shows the highs and lows of Tüpraş share prices denominated in TL and US$ (2006-2014).

	TL		US$	
Date	**High**	**Low**	**High**	**Low**
2006	14.87	11.20	10.94	7.33
2007	19.08	12.26	16.30	8.48
2008	21.24	7.10	17.73	4.27
2009	21.89	8.94	14.63	5.37
2010	32.19	19.87	21.97	13.10
2011	44.50	25.51	29.09	14.39
2012	47.85	31.49	26.87	17.05
2013	53.50	37.40	29.68	18.46
2014	55.65	35.08	23.97	15.75

ANALYST RECOMMENDATIONS

In 2014, according to the most recent reports released by 29 investment companies that actively report on Tüpraş, there were 9 "Buy", 18 "Hold", and 2 "Sell" recommendations.



Hold **18** Buy **9** Sell **2**

Tüpraş outperformed the BIST 30 Index by 274% in 2014.

Investor Relations

LIST OF INVESTMENT COMPANIES AND ANALYSTS COVERING ON TÜPRAŞ

The list below includes the names of companies and analysts that reported on Tüpraş in 2014.

INVESTMENT BANK	ANALYST NAME
Akyatırım	Hakan Deprem
Ata Yatırım	Burak Salman
Bizim Menkul Kıymetler	Eren Gül Karaca
BNP Paribas	Alper Paksoy
Burgan Yatırım	Umut Öztürk
Credit Suisse	Onur Müminoğlu
Deniz Yatırım	Selim Kunter
Deutsche Invest	Koray Pamir
Finansinvest	Can Alagöz
Garanti Securities	Onur Marşan
HSBC	Bülent Yurdagül
İş Yatırım	Aslı Özata Kumbaracı
Oyak Yatırım	Hasan Şener
Merrill Lynch	Osman Memişoğlu
Ünlü Menkul Değerler	Vedat Mizrahi
Tera Stock Brokers	Oğuzhan Albulut
UBS	Henri Patricot
Wood	Robert Rethy
Yapı Kredi Yatırım	Elvin Akbulut Dağlıer
Ziraat Yatırım	Harun Dereli

EARNINGS PER SHARE (TL)

MARKET CAP EXCLUDING GROSS DIVIDEND (US$ BILLION)

TOP 10 COMPANIES HOLDING TÜPRAŞ SHARES (DECEMBER 31, 2014)

INVESTMENT COMPANIES	NUMBER OF SHARES (MILLION)
BlackRock Inv. Man. (UK)	1.26
Robeco Inst. Asset Man. B.V.	1.46
M&G Inv. Man.	1.66
Schroder Inv. Man. (SIM)	1.76
BlackRock Inst. Trust, N.A.	2.38
JP Morgan Ass. Man.	2.65
Templeton Ass. Man. Ltd.	2.86
Fidelity Man. & Rsrch	3.05
Norges bank (NBIM)	3.24
Vanguard Group	3.55

SHARE PERFORMANCE

Tüpraş's share price opened at TL 41.58 at the beginning of 2014, and closed the year at TL 55.3, rising 33% as a result of increased trust in the Company.

Starting out at US$ 4.9 billion at the beginning of 2014, the Company's market capitalization increased 20% to US$ 5.9 billion by the end of the year, despite the depreciation of the Turkish lira against the US dollar.

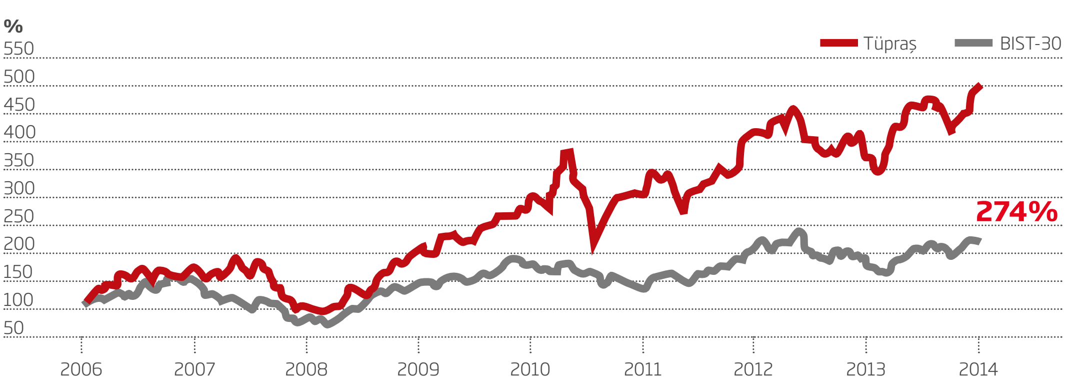
From the beginning of 2006 until year-end 2014, Tüpraş's relative share price, following privatization, increased 384%. The BIST 30 Index rose 110% in the same period, and Tüpraş outperformed the index by 274 percentage points.

RELATIVE SHARE PERFORMANCE

In 2014, Tüpraş's share price denominated in US dollars outperformed the relative share performance of industry peers by 56%.

MARKET CAPITALIZATION

Tüpraş's market capitalization has soared 168% in a period of nine years it increased from US$ 2.2 billion at year-end to US$ 5.9 billion at year-end 2014.



REVENUE PER SHARE

In 2014, Tüpraş's EPS (earnings per share) increased 22% over the previous year, closing the year at TL 5.83 per share.

TÜPRAŞ'S CORPORATE GOVERNANCE RATING

Tüpraş has been constantly improving its compliance with the Corporate Governance Principles. Beginning with an initial score of 7.91 on October 8, 2007, the Company's Corporate Governance Rating rose to 9.31 in October 2014 from 9.28 on April 30, 2014, after seven upgrades in parallel with the Company's achievements.

Tüpraş's dedication to Corporate Governance Principles, the significant progress it has made in identifying and managing risks, its willingness to manage this process dynamically and continuously, and the improvements it has achieved during the 12 months since the last rating were significant factors in its Corporate Governance Rating being upgraded to 9.31 in October 2014 from 9.28 on April 30, 2014.

In addition, Tüpraş is included in the World Corporate Governance Index (WCGI) published by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on July 4, 2014.

22% increase

In 2014, Tüpraş's EPS (earnings per share) increased 22% over the previous year, closing the year at TL 5.83 per share.

TÜPRAŞ'S CORPORATE GOVERNANCE RATING (%)

Evaluation of the Operating Principles and Effectiveness of the Board Committees

According to the Board of Directors' resolution No: 2014/8, dated April 7, 2014, the following individuals have been appointed to the board committees, which have been established in accordance with the Capital Markets Board Communiqué on Corporate Governance, No: II-17.1, issued on January 3, 2014:

Independent Board Member Mr. Kutsan Çelebican was appointed Chairman of the Audit Committee, and Independent Board Member Mr. Osman Mete Altan was appointed as a Committee Member.

Independent Board Member Mr. Kutsan Çelebican was appointed Chairman of the Corporate Governance Committee, and Board Member Mr. Erol Memioğlu was appointed as a Member of the Committee.

Independent Board Member Mr. Gökçe Bayındır was appointed Chairman of the Early Detection of Risk Committee, and Board Member Mr. Temel K. Atay was appointed as a Member of the Committee.

Board Member Mr. Rahmi M. Koç was appointed Chairman of the Executive Committee, and Board Members Ms. Semahat S. Arsel, Mr. Mustafa V. Koç, Mr. M. Ömer Koç, Mr. Y.Ali Koç, Mr. Temel Kamil Atay and Mr. O. Turgay Durak were appointed as Committee Members.

Board Member and General Manager Mr. Yavuz Erkut, Assistant General Manager Mr. Yılmaz Bayraktar, Assistant General Manager Mr. İbrahim Yelmenoğlu, Human Resources Director Mr. Nezih Akçınar, Legal Lead Advisor Mr. Seyran Arslan, and Director of Risk Management and Audit Mr. Ardan Aksade were appointed to the Ethics Committee.

The Corporate Governance Communiqué stipulates that the Investor Relations Department must directly report to the General Manager or an Assistant General Manager, and that the manager in charge must be a Member of the Corporate Governance Committee. Accordingly, at the Board Meeting held on June 26, 2014, it was determined to assign the duties and the responsibilities specified in Article 11 of CMB's Communiqué on Corporate Governance, No: II-17.1 to Mr. İbrahim Yelmenoğlu, Assistant General Manager of Finance, and to appoint Mr. Yelmenoğlu as Member of the Corporate Governance Committee.

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

In 2014, all Board Committees fulfilled their duties and responsibilities in accordance with the Corporate Governance Principles and their respective bylaws. The Committees convened according to the annual meeting program, as follows:

- In 2014, the Audit Committee held a total of six meetings on February 18, March 5, May 8, August 8, and November 6.
- In 2014, the Corporate Governance Committee held a total of six meetings on January 17, February 14, February 18, March 4, October 13, and December 25.
- In 2014, the Early Detection of Risk Committee held a total of six meetings on February 28, May 12, July 24, September 22, November 20, and December 29.
- In 2014, the Executive Committee held a total of twelve meetings on January 13, February 11, March 11, April 8, May 13, June 10, July 8, August 12, September 9, October 13, November 11, and December 9. The Committee submitted its report on activities and meeting results to the Board of Directors. Accordingly:
- The "Audit Committee," which is responsible for ensuring that the accounting and reporting systems run in compliance with applicable laws and regulations, as well as the public disclosure of financial information and effective execution of independent audits and the internal control system, submitted its opinions and recommendations related to these areas to the Board of Directors.
- The "Corporate Governance Committee," established to oversee and improve the Company's compliance with Corporate Governance Principles and make recommendations to the Board of Directors on further improving the corporate governance practices, oversaw whether the Company fully complied with Corporate Governance Principles and, if not, detected the reasons for noncompliance and the conflicts of interest arising from such noncompliance. In addition, the Committee submitted its recommendations on how to improve corporate governance practices to the Board of Directors, reviewed the "Corporate Governance Compliance Report" before public disclosure to ensure that the information contained in the report was accurate and consistent with the information known to the Committee members, and oversaw the activities of the Investor Relations Department.
- The "Early Detection of Risk Committee," which aims to counsel the Board of Directors regarding the early detection and assessment of all kinds of strategic, operational, financial, legal and other risks that may endanger the Company's existence, development and continuation; estimates the impacts and probabilities of these risks; and manages these risks in accordance with the Company's corporate risk-taking profile, oversaw the Company's risk management systems.

Corporate Governance Principles Compliance Report

Türkiye Petrol Rafinerileri A.Ş.
Corporate Governance Committee

Meeting Date : 02.03.2015
Resolution No : 2015/02
Agenda : Corporate Governance Principles Compliance Report

SECTION I: DECLARATION OF CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Being aware of the importance of maintaining trust and stability in its shareholders and particularly in its investors, Tüpraş manages its business processes without compromising its corporate prestige and principles it has developed over many years and targets to maximize its share price in line with these principles.

In 2014, full compliance was achieved with the compulsory principles stipulated within the scope of the Corporate Governance Communiqué (n.II-17.1) in force while compliance was also achieved with most of the non-compulsory principles. Although the aim is to fully comply with the non-compulsory Corporate Governance Principles, full compliance has not yet been achieved due to reasons such as; difficulties in practicing some of the principles, discussions going on about complying with some of the principles both in our country and on international platforms, and incompatibility of some of the principles with the current structure of the market and the company. We are working on the principles that have not yet been implemented; and our plan is to start the implementation process after we finish working on our administrative, legal and technical infrastructure in a manner that will contribute to efficient management of our company. Comprehensive activities carried out in our company within the framework of the Corporate Governance Principles and principles that have not yet been implemented in the related sections and conflicts of interest (if any) caused in consequence, are listed below.

Tüpraş shows utmost care to comply with the Corporate Governance Principles of the Capital Markets Board, as it adopts the concepts – equality, transparency, accountability, and responsibility – of the Corporate Governance Principles while proceeding towards its targets.

As a result of the assessment was carried out by the SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., Tüpraş's Corporate Governance Ranking was revised as 9.28 of 10 on 30.04.2014 by using new methodology based on CMB's Corporate Governance Principles published on January 2014. The Company's ranking was upgraded to 9.31 on October, 2014. Below are the outcomes of assessments weighted according to the main categories of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors as per CMB's Corporate Governance Principles:

MAIN CATEGORIES	WEIGHT	2013 RATING	APRIL 2014 RATING	OCTOBER 2014 RATING
Shareholders	0.25	8.86	9.55	9.55
Public Disclosure and Transparency	0.25	9.25	9.39	9.39
Stakeholders	0.15	9.26	8.68	8.68
Board of Directors	0.35	9.78	9.27	9.35
Total	**1.00**	**9.34**	**9.28**	**9.31**

With this rating, Tüpraş confirmed that it complies, to a large extent, with the Capital Markets Board's Corporate Governance Principles, that it applies most of the necessary policies and measures and that it attaches great importance with the public and its shareholders. The Corporate Governance Rating Reports are accessible at www.tupras.com.tr.

Reasons for Corporate Governance Principles Not Applied

Company's Corporate Governance Committee continues to work on developing corporate governance applications. Principles that have not been included among the currently implemented principles and that have not yet been implemented have not led to any conflict of interest among the stakeholders up until today.

- Regarding the privileged rights to vote mentioned in principle n.1.4.2, provisions in our Articles of Association are specified in section 2.4.
- Although there was no provision in our Articles of Association regarding the Stakeholders' participation in Company management mentioned in principle n.3.2.1, models and mechanisms were created to support Stakeholders' participation in Company management.
- The Company takes into consideration employee, supplier and customer satisfaction surveys as well as advice and opinions of various public organizations and all other Stakeholders.
- Regarding principle n.1.5.2; in our Articles of Association there are no minority rights given to persons who have less than one twentieth of the capital while relevant rights are provided within the framework of the general regulations in the legislation.
- Regarding principle n.4.3.9; currently the only female member in our Company's Board of Directors is Ms. Semahat Arsel. Having set no target ratio or target time for female members in the Board of Directors evaluations on this issue still continue. Detailed information about the issue is given in section 5.1.
- Regarding principle n.4.4.7; as described in section 5.1, there are no restrictions for Members of the Board of Directors to assume tasks and duties outside the Company.
- Because of the shareholders' structure of our Company, some of the members had to assume tasks and duties in more than one committee.
- Regarding principle n.4.6.5; remuneration of the Members of the Board of Directors and Executives (top management) and all other benefits are publicly disclosed via annual report. However, this disclosure is made on "position basis" - not on individual basis - for Board of Directors and Executives.

Tasks Carried Out within the Period for Complying with the Principles

In the Ordinary General Assembly held in 2014, the processes for the determination and public disclosure of the independent member nominees were finalized and the elections were completed in accordance with the regulations. Established Board of Directors committees continue to carry out their activities effectively. Remuneration (executive compensation) policy for the Board of Directors and executive managers was determined and submitted for the information of the shareholders in the General Assembly. With the prepared General Assembly disclosure document, the issues which must be specified in the principles such as; privileged shares, voting rights, résumés of the Board of Directors' member nominees, Remuneration (executive compensation) policy for the Board of Directors and executive managers, necessary reports that must be prepared for the related party transactions, and other information that must be disclosed, were submitted for the information of the investors 3 weeks prior to the General Assembly. Besides, by reassessing the corporate website and the Annual Report format, necessary revisions were made with regards to the full compliance with the principles.

In the current situation, four out of 15 members of the Board of Directors' members carry the independence criterion specified in the principles. In addition to this; Although the member who is the representative of the Privatization Administration does not meet the following criteria; "a person who has been a member of the Board of Directors more than 6 (six) years in the last decade, cannot be appointed as an independent member of the Board of Directors", and a person shall not work full time in the public institutions and foundations after being elected as a member, he was attributed as an independent member with the approval of the Capital Markets Board. Related committee resolution and the résumés of the members are found in the committee reports which are included on the Company website.

The Corporate Governance Principles Compliance Report concerning the 2014 activity period is presented below, divided in sections; Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors and the applied and as of yet unapplied aspects of the principles have been indicated.

Kutsan Çelebican **Erol Memioğlu** **İbrahim Yelmenoğlu**

Corporate Governance Principles Compliance Report

SECTION II: SHAREHOLDERS

2.1. Investor Relations Unit

Investor Relations and Reporting Directorate aims to present information about Company, to increase Company's awareness and credibility, to provide Corporate Governance Principles application and to provide communication between Board of Directors and Capital Market Investors.

Investor Relations and Reporting Directorate is also responsible for the management of the two-way communication between the shareholders and the management

The main activities of the Investor Relations and Reporting Directorate are:

- Promoting the Company vis-à-vis domestic and foreign existing and potential investors,
- Supplying the analysts and researchers working for intermediary companies with the information that they demand,
- Issuing press releases to disclose financial reports and organizing teleconferences and/or press conferences to provide assessments about the results of these reports
- Answering queries and demands from shareholders,
- Participating in conferences and investor meetings in a proactive and regular manner in order to keep shareholders and potential investors up-to-date about the Company,
- Analyzing the share performance of the Company and of similar companies and determining communication strategies,
- Answering queries from domestic or foreign corporate investors, with the exception of confidential and commercial secrets about the Company not disclosed to the public,
- Ensuring that the General Meeting is held in accordance with applicable legislation,
- Articles of Association and other Company regulations,
- Filing documents to be submitted to the shareholders at the meetings of the General
- Meeting and presenting these documents to the investors three weeks prior to the General Meeting via the Company website,
- Ensuring that the General Meeting minutes including voting results are duly kept and providing shareholders with reports on the results of voting,
- Carrying out all duties of public disclosure required by legislation, such as financial reporting or disclosures of material events,
- Ensuring mutual information flow between the shareholders on the one hand and senior management and Board of Directors on the other and
- Providing information to the general public and shareholders via the frequently updated Tüpraş corporate website.

Studies are carried out in order to transfer detailed information about the activities of the Company to the investors in 2014 are listed at the table below:

Number of investor conferences attended in & outside Turkey	13
Number of investor meetings	443
Number of teleconferences held related to the disclosed financials at the end of 2013 and within 2014 (quarterly)	4

Employees who are responsible for stakeholder relations are listed below:

NAME/SURNAME	TITLE	E-MAIL ADDRESS	PHONE NUMBER
İbrahim Yelmenoğlu	CFO	ibrahim.yelmenoglu@tupras.com.tr	(0262) 316 31 09
Tuncay Önbilgin	Director	tuncay.onbilgin@tupras.com.tr	(0262) 316 30 85
Jonathan David Lamb	Manager	jonathan.lamb@tupras.com.tr	(0262) 316 32 75
Harun Bulgan	Coordinator	harun.bulgan@tupras.com.tr	(0262) 316 32 70
Fettane Sayın	Coordinator	fettane.sayin@tupras.com.tr	(0262) 316 32 72
Mehmet Eder	Coordinator	mehmet.eder@tupras.com.tr	(0262) 316 32 73
Didem Güner	Coordinator	didem.guner@tupras.com.tr	(0262) 316 32 50
Çetin Karaca	Chief	cetin.karaca@tupras.com.tr	(0262) 316 32 74
Filiz Derman	Chief	filiz.derman@tupras.com.tr	(0262) 316 32 69
			Fax: (0262) 316 30 10

Besides, the Company's website features up-to-date information and explanations that enable shareholders to exercise their rights in the best manner.

Investor Relations and Reporting Directorate runs under CFO İbrahim Yelmenoğlu. Regarding the activities it carries out the Investor Relations Department presents the Corporate Governance Committee an annual report that will be subsequently submitted to the Board of Directors. Moreover, at the meetings made throughout the year the Board of Directors was informed about the relative stock performance, benchmarking data, ratio analyses and analyst comments.

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

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

All information sharing is made within the scope of the content that is publicly disclosed previously.

In accordance with the communiqué of the Capital Markets Board, the Disclosures of Material Events (DME) made to Public Disclosure Platform, financial statements and other information about the Company is conveyed in electronic medium, with electronic signatures. Furthermore, London Stock Exchange (LSE) is also informed about company's GDR shares.

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

The Company's Articles of Association does not provide for the appointment of a special auditor as an individual right. The shareholders raised no requests regarding the appointment of a special auditor in 2014. Apart from internal audits, Company activities are periodically controlled by the independent external audit company, Güney Independent Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member of Ernst & Young Global Limited) and the Auditors elected during the General Meeting.

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

The Ordinary General Meetings are held at the end of every fiscal period, as soon as possible, with a maximum delay of three months. The Company held its 54th Ordinary General Meeting on March 31, 2014. Shareholders representing 80.61% of all shares attended the meeting. During the General Meeting, the shareholders used their right to pose questions; apart from the items on the agenda, no other proposals were made.

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

Invitations to the General Meeting are issued by the Board of Directors, according to the Turkish Commercial Code, Capital Markets Law and Articles of Association. As soon as the Board of Directors decides to hold the General Meeting, the public is notified via disclosures of material events made to the POP and the EGAS.

As per an amendment to the Articles of Association, the notice for the General Meeting assembly is made with a minimum advance of 21 days via the website www.tupras.com.tr in addition to the methods required by legislation, so as to reach the largest number of shareholders. The notice is also published in the Turkish Trade Registry Gazette and in an all-Turkey edition of a newspaper with high circulation.

Before the General Meeting, an information sheet is prepared listing all the items on the agenda; it is issued to the public complying with legal processes and legislation. In line with agenda items for the General Meeting, financial statements and reports including the annual report with the audited figures, corporate governance compliance report, profit distribution proposal, independent external auditing reports and legal auditor's report, information sheet for the General Meeting agenda items and other documents providing the basis for the agenda, the final version of Articles of Association and any amendments to the Articles of Association, Information Policy, Remuneration Policy, Profit Distribution Policy, all the CVs of the Board of Directors including independent members, and other documents providing the basis for the agenda are made available to shareholders at the Head Office and branches and via the corporate website, after the publication of the notice for the General Meeting, before three weeks to the General Meeting.

In order to facilitate the attendance to the meetings, our General Assembly meetings are held at the Company Headquarters and in the Electronic General Assembly System. The location of the General Meeting is chosen so as to enable the participation of all shareholders. The agenda items of the General Meeting are written in a clear and unequivocal way and allows for the discussion of each proposal under a separate section. At the latest General Meeting, shareholders made no demands concerning the agenda. During the General Meeting, the agenda items are conveyed to shareholders in an impartial, detailed, clear and comprehensible fashion, shareholders are given the chance to express their opinions and pose questions under equal terms and thus a healthy debate is organized. During the General Meeting, shareholders, audience and members of the press ask questions which are duly replied by the Board Members and senior executives.

Questions asked by the attendees in the General Assembly Meeting of 2013 were answered, and moreover, the annotation made on two items of the agenda by one of the shareholders who attended the meeting electronically was added to the meeting minutes.

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

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

After the General Assembly meeting, minutes to the meeting are kept in the Company's minute book and after being translated into English, are uploaded on the Company's website as both in Turkish and English. Minutes to the meeting can be found in the Public Disclosure Platform, and in the Electronic General Assembly

Corporate Governance Principles Compliance Report

System and on the Tüpraş website. Minutes to the General Assembly, attendance list, agenda and ads are simultaneously submitted to the evaluation of the domestic and foreign investors with an e-mail.

In the Ordinary General Assembly meeting held in 2014, with a separate agenda item, information about the donations and charity made in 2013 was given in the General Assembly the total limit for the donations that will be made in 2014 in line with the donation policy was determined as TL 16 million.

The 55th Ordinary General Meeting for 2014 will be held on March 30, 2015, at the Company's Head Office.

2.4. Voting Rights and Minority Rights

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

No upper limits have been introduced for the voting rights of any shareholders and each shareholder is given the opportunity to exercise his/her voting right in the easiest and most convenient manner. The shareholders who are entitled to vote can vote in person, or exercise their voting right via a third party who may or may not be a shareholder.

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

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

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

As per the Turkish Commercial Code and CMB regulations, the Company shows maximum care to ensure the exercise of minority rights. In 2014, the Company received no complaints or criticisms in this regard. Shareholders representing minority rights constitute the Management with the majority shareholders, through their attendance at the General Meeting.

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

2.5. Dividend Rights

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

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

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

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

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

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

2.6. Transfer of Shares

The Articles of Association includes no any provision which would impede or limit shareholders who hold publicly traded A Class shares from transferring their rights.

In accordance with the mandate vested in the Turkish Prime Ministry Privatization Authority with Law 4046, Class C registered shares can be transferred to another Turkish Public Enterprise enjoying essentially the same level of powers and this transfer is not subject to the approval of the Board of Directors.

CHAPTER III: PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Contents

The Company website can be accessed at www.tupras.com.tr. Both past and current information concerning the following are available in Turkish and English.

- Detailed information about the corporate identity
- Vision, mission and main strategies
- Information about the members of the Board of Directors and the senior management of the Company
- Management and partnership structure
- The Last Articles of Association of the Company and the number and date of commercial registry newspapers which contain changes
- Trade registry data
- Periodical financial statements, financial data, indicators and analysis reports
- Annual reports
- Disclosures of material events to PDP
- Press releases
- Data and charts about the share performance
- Company ratings
- Investor and analyst presentations
- Information on analysts evaluating the Company and their reports
- Date for convention of the General Meeting, items of agenda, explanations about issues on the agenda
- The minutes and list of participants of the General Meeting
- A sample letter of attorney
- Corporate governance practices and compliance report
- Corporate social responsibility reports
- Sustainability index results
- Dividends distribution policy and profit yields per share
- Disclosure policy
- Information about related party transactions
- Information on social responsibility projects
- Ethic rules
- Stakeholder Management System that stakeholders can notify their all questions, advices and complaints
- Other information about the Company

3.2. Annual Report

The contents of the Tüpraş annual report are prepared as to provide full, accurate and detailed information to the public about the Company. In addition to the matters specified in Capital Markets Board (CMB) legislation and other sections of CMB Corporate Governance Principles, annual reports shall include the following information;

- Information on the duties assumed outside the Company by the members of the Board of Directors and executives,
- Independence statements of the members of the Board of Directors,
- Working principles of the committees formed within the Board of Directors, including their members and meeting frequencies and activities they carry out,
- The number of meetings held by the Board of Directors throughout the year and the participation status of such meetings,
- Information on amendments in the legislation which may have significant effect on Company activities,
- Information on corporate social responsibility activities related to Company activities that give rise to social rights, professional training of the employees and other social and environmental consequences.

The Annual Report is submitted to the approval of the Board of Directors and disclosed to the public both in Turkish and English via the Company's website and e-mail. In addition, the hard copies can be obtained from the Investor Relations and Reporting Directorate of Tüpraş.

CHAPTER IV: STAKEHOLDERS

4.1. Informing Stakeholders

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

The stakeholders of the Company are notified about General Meetings via invitations sent to them, notices in newspapers and statements sent to the PDP. Information offered on the Company website is as comprehensive as possible, including conference statements and interviews given to the press and media and presentations, bearing in mind that stakeholders must be informed. Arranging meetings at the highest possible levels, the Company endeavors to respond to the requests for meetings by the shareholders.

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

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

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

4.2. Stakeholder Participation in Management

To encourage the participation of stakeholders in the Company's management, the "Tüpraş Recognition, Appreciation and Award" scheme was devised to reward personnel efforts to support the values and goals of the organization, while the Refined Suggestions initiative was launched to promote and encourage individual and original suggestions concerning process improvement, energy saving, resource efficiency, productivity, protection of environment and work safety.

Tüpraş organizes meetings throughout the year to communicate and exchange ideas with its clients. The Company monitors customer perception of its capability to meet customer demand; it has determined methods to obtain such information and integrate it into its objectives. For this purpose, Tüpraş conducts periodic customer surveys.

Targets concerning the improvement of customer satisfaction and employee satisfaction are integrated into the Company's overall objectives.

4.3. Human Resources Policy

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

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

The principles of the human resources policy are:

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

4.4. Code of Ethics and Social Responsibility

The Code of Ethical Business involves the fundamental principles of conduct. Tüpraş has renewed its Code of Ethical Business toward compliance with the Global Compact signed by Koç Holding, in addition to the changes in legal, social and economic circumstances.

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

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

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

Tüpraş regards the Global Compact, signed by Koç Holding's Chairman of the Board of Directors Mustafa V. Koç and Secretary General of the United Nations. Kofi Annan in New York on March 30, 2006, as the point of reference in fulfilling its requirements of Corporate Social Responsibility.

Tüpraş has further developed its corporate and ethical management philosophy and standards by issuing its first Corporate Social Responsibility Report in 2008 and the second report was completed in 2010. In its Corporate Social Responsibility Report, Tüpraş adopted the Global Reporting Initiative's (GRI) G3 Reporting Principles.

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

In 2014, Tüpraş realized numerous events as part of its Corporate Social Responsibility activities, in areas such as education, culture and arts, health, sports, environmentally friendly actions and employee rights; the details of which are presented under the heading Corporate Social Responsibility.

CHAPTER V: BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

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

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

In 2014, the number of the independent member nominees submitted to the Corporate Governance Committee was five (5). The nomination declarations and résumés of these persons were evaluated in the meeting of the Corporate Governance Committee dated January 17, 2014 and March 04, 2014 and in the meeting of the Board of Directors dated January 20, 2014. Accordingly it was decided to determine 5 members as independent member nominees. All the independent members of the Board of Directors submitted their independence declarations to the Corporate Governance Committee. The approval was received from the Capital Markets Board, with limited validity for one year, for Ahmet Aksu who is the representative of the Privatization Administration, to be an independent member of the Board of Directors. Ahmet Aksu was not completely meeting the independence criteria for two reasons; 1) " a person who has been a member of the Board of Directors more than 6 (six) years in the last decade, cannot be appointed as an independent member of the Board of Directors" and 2) "a person shall not work full time in the public institutions and foundations after being elected as a member, excluding the university faculty members on condition that it is in compliance with the legislation that they are subject to". As of 2014 activity period, there was no condition eliminating the independence.

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

Our Company believes that ensuring a diversity in terms of knowhow, experience, and point of view in the Board of Directors will positively contribute to the activities of the Company and to the efficient performance of the Board of Directors. We continue our evaluations to determine a target ratio for female members of the Board of Directors who have a role in ensuring the representation of different opinions in the Board of Directors. Currently, there is one female member in our Board of Directors.

All the current members of the Board of Directors who are non-executive and elected to serve until the Company's General Assembly which will be held on March 31, 2014 where activities of 2014 will be discussed, the resumes of them is shown on the table below, on the website and in the Annual Report.

BOARD MEMBERS

NAME SURNAME	EXECUTIVE/ NON-EXECUTIVE	INDEPENDENT/ DEPENDENT	DATE OF APPOINTMENT	TERM OF OFFICE	DUTIES ON THE BOARD AND IN OTHER COMMITTEES	DUTIES OUTSIDE THE COMPANY
Ömer M. Koç	Non-Executive	Dependent	31.03.2014	1 year	Chairman of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Mustafa V. Koç	Non-Executive	Dependent	31.03.2014	1 year	Deputy Chairman of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Rahmi M. Koç	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Semahat S. Arsel	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
Ali Y. Koç	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies
O. Turgay Durak	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; Member of the Steering Committee	Member of the Board of Directors of Koç Holding Companies; Koç Holding CEO
Temel Kamil Atay	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; Member of the Steering Committee; Member of the Risk Management Committee	Member of the Board of Directors of Koç Holding Companies
Dr. Bülent Bulgurlu	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors	Member of the Board of Directors of Koç Holding Companies
Erol Memioğlu	Non-Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; Member of the Corporate Governance Committee	Member of the Board of Directors of Koç Holding Companies; President of Energy Group
Yavuz Erkut	Executive	Dependent	31.03.2014	1 year	Member of the Board of Directors; CEO	Member of the Board of Directors of Tüpraş; Member of the Board of Directors of DİTAŞ
Ahmet Aksu	Non-Executive	Independent	31.03.2014	1 year	Independent Member of the Board of Directors (PA Representative)	Deputy President of the Privatization Administration
Gökçe Bayındır	Non-Executive	Independent	31.03.2014	1 year	Independent Member of the Board of Directors; Member of the Risk Management Committee	Independent Member of the Board of Directors of Koç Holding Companies
Kutsan Çelebican	Non-Executive	Independent	31.03.2014	1 year	Independent Member of the Board of Directors; Member of the Corporate Governance Committee; Member of the Audit Committee	Independent Member of the Board of Directors of Koç Holding Companies
Osman Mete Altan	Non-Executive	Independent	31.03.2014	1 year	Independent Member of the Board of Directors; Member of the Audit Committee	Independent Member of the Board of Directors of Koç Holding Companies
Ahmet Turul	Non-Executive	Independent	31.03.2014	1 year	Independent Member of the Board of Directors	Independent Member of the Board of Directors of Koç Holding Companies

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The Board of Directors consists of at least five members, elected at the General Meeting. In the selection of the Board of Directors, one member has to be appointed by the Class C shareholders. The Class A shareholders, in order to determine their representatives, votes among themselves in the General Meeting. Those receiving the highest number of votes become members of the Board. The number and qualifications of the independent members who will join the Board of Directors are determined as per the CMB's regulations on corporate governance.

The Board of Directors is authorized in determining the number of its members and election of the members. Without prejudice to the stipulations provided under the regulations of the Capital Market Board concerning the Corporate Governance Principles, the members of the Board of Directors may always be replaced by the General Assembly if deemed necessary under the article 364 of the Turkish Commercial Code taking the provisions of this Articles of Association in to account.

In case of any vacancy in the Board of Directors for any reason or if the Independent Board Member loses its independency, or resigns or becomes incapable of executing its duties, the Board of Directors elects the nominee nominated by the group of shareholders, which had nominated the previous member of the Board temporarily in conformity with the procedures set out in the provisions of the Turkish Commercial Code and Capital Market Board regulations and submits to the approval of the General Assembly in the next meeting.

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

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

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

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

At Board of Directors meetings, all affirmative/negative votes on the issues at hand, votes and meeting minutes are kept in the official records. The agenda of the regular meetings is prepared by the secretariat of the Board of Directors in consultation with the members, by taking into consideration decisions previously taken or the issues that need to be settled.The agenda of other meetings consist of issues that need to be settled according to legal obligations. The CFO is in charge of the secretariat of the Board of Directors. During the year, none of the related party transactions or significant transactions brought to the attention of the independent Board members were disapproved or submitted for approval to the General Meeting.

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

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

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

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

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

5.3. Number, Organization and Independence of Board Committees

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

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

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

Corporate Governance Committee

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

In the current situation there are three members one of which is the Chairman. In 2014, the Committee convened six times.

CORPORATE GOVERNANCE COMMITTEE

NAME SURNAME	RELATION WITH COMPANY	INDEPENDENT/ NON-DEPENDENT	DUTIES IN OTHER COMMITTEES
Kutsan Çelebican	Member of the Board of Directors (Non-Executive)	Independent	Yes
Erol Memioğlu	Member of the Board of Directors (Non-Executive)	Dependent	No
İbrahim Yelmenoğlu	Vice General Director (Executive)	Dependent	Yes

RISK MANAGEMENT COMMITTEE

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

AUDIT COMMITTEE

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

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

Risk Management Committee

The Risk Management Committee was established with the Board of Directors decision dated 28.07.2010. The aim of the committee is to counsel the Board of Directors about the following issues; early detection and assessment of all kinds of strategic, operational, financial, legal and other risks that may endanger the Company's existence, development and continuation, estimating the impacts and probabilities of these risks, managing and reporting these risks in accordance with the Company's corporate risk taking profile, carrying out the necessary measures regarding the detected risks, taking these risks into consideration in decision mechanisms and establishing and integrating internal control systems in this aspect. The Committee convened six times in 2014. The experience of the member of the Board of Directors required him to assume duties in more than one committee.

Audit Committee

Established with the Board of Directors decision dated 26.12.2003, the Committee is responsible for the Audit process in order to oversee the compliance of the accounting and reporting systems with the relevant laws and regulations; public disclosure of the financial information and performance and effectiveness of the independent audit and internal control system. The Committee convened six times in 2013.

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

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Steering Committee

The Steering Committee was established on 4 May 2012 in order to counsel the Board of Directors with the aim of increasing the effectiveness of the Board of Directors by ensuring the coordination between the Board of Directors and the administrative structure; ensuring the enhancement of investment and business development in areas that comply with its strategic targets.

The Steering Committee ensures that the analysis and assessment of the matters such as; impacts on the activities; financial aspects; legal situation; compliance with the strategic priorities regarding the important issues which will be resolved by the Board of Directors is completed by the Board of Directors. The Steering Committee aims to set the strategies that will increase the competitive power of the Company by monitoring and analyzing the impacts of the developments in the economic, social and political environment of the sector in which the Company has been carrying out its activities. The committee aims to make sure that the opportunities are uncovered through monitoring the sector dynamics in accordance with the determined strategies. With this objective, the Steering Committee carries out the following tasks and counsels the Company Management and the Board of Directors.

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

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

EXECUTIVE COMMITTEE

NAME SURNAME	RELATIONSHIP WITH COMPANY	INDEPENDENT/ DEPENDENT	DUTIES IN OTHER COMMITTEES
M. Ömer Koç	Board of Directors Chairman (Non-Executive)	Dependent	No
Mustafa V. Koç	Board of Directors Deputy Chairman (Non-Executive)	Dependent	No
Rahmi M. Koç	Board of Directors Member (Non-Executive)	Dependent	No
Semahat S. Arsel	Board of Directors Member (Non-Executive)	Dependent	No
Ali Y. Koç	Board of Directors Member (Non-Executive)	Dependent	No
Temel Kamil Atay	Board of Directors Member (Non-Executive)	Dependent	Yes
O. Turgay Durak	Board of Directors Member (Non-Executive)	Dependent	No

Ethics Committee
Ethic Committee the Code of Ethical Business involves the fundamental principles of conduct of the Company. Tüpraş has renewed its Code of Ethical Business toward compliance with the Global Compact signed by Koç Holding, in addition to the changes in legal, social and economic circumstances and was approved by the General Assembly on April 2011.

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

ETHICS COMMITTEE

NAME SURNAME	RELATIONSHIP WITH COMPANY	INDEPENDENT/ DEPENDENT	DUTIES IN OTHER COMMITTEES
Yavuz Erkut	General Manger (Executive)	Dependent	No
Yılmaz Bayraktar	Assistant General Manger (Executive)	Dependent	No
İbrahim Yelmenoğlu	Assistant General Manger (Executive)	Dependent	Yes
Nezih Akçınar	Director of Human Resources (Executive)	Dependent	No
Seyran Aslan	Legal Lead Advisor (Executive)	Dependent	No
Ardan Aksade	Director of Risk Management and Audit	Dependent	No

5.4. Risk Management and Internal Control Mechanism
Risk Management Committee was founded on July 28, 2010 in Tüpraş pursuant to Corporate Governance Principles announced by Capital Markets Board. Tüpraş Risk Management Committee functions; in order to ensure risks that may threaten existence, development and continuity of the company, are diagnosed, measures are implemented on time and risks are efficiently managed; so that compliance with Article 378 of Turkish Commercial Code No.6102, which has entered force on July 1, 2012, can be maintained. Service Policy which made for this target; with the "Information Document" (dated 31st of March 2014) published three weeks in prior to the Ordinary General Assembly; it was submitted for the information of our shareholders on our corporate website and was put into practice after the General Assembly.

The committee conducted six meetings in 2014, where Tüpraş Risk Management System was evaluated and risk reporting principles were determined. Reports and committee evaluations are periodically submitted to Board of Directors in accordance with the principles determined.

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

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

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

In 2014 the refineries were visited by the Risk Management and Audit Office 13 times, involving a total of 52 person-day.

The determined audit items are shared with the Company's relevant units at the beginning of every year to develop the annual risk-based audit plans. The audit findings are published within the Company without delay, and the required corrective actions are taken. These findings are reviewed on a regular basis to follow up the improvements in activities.

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

5.6. Financial Rights
Principles of the remuneration of the Members of the Board of Directors and Executives (top management) were printed and submitted as a separate item for the information of the shareholders at the General Assembly meeting while shareholders were given the opportunity to present their opinions on this issue. The remuneration policy structured with this purpose, was announced on our corporate website with the "Information Document" published for our shareholders' review three weeks in prior to the Ordinary General Assembly held on the 31st of March 2014 and was put into practice after the General Assembly. Furthermore; payments made to the executives are publicly disclosed in the financial statement footnotes. A separate Remuneration Committee was not established among the Board of Directors Committees. Thus, Remuneration Committee's tasks determined within the scope of the CMB Corporate Governance Principles are carried out by the Corporate Governance Committee in conformity with the CMB Principles.

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

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

Every year in the Ordinary General Assembly meeting, fixed wage is determined which will be valid for all the members of the Board of Directors. In the 2013 Ordinary General Assembly meeting; a unanimous decision was taken to pay a gross amount of TL 13,500 monthly to the members and the Chairman of the Board of Directors.

Tüpraş's primary risks are categorized under five headings: danger safety, financial, commercial, operational, and strategic risks.

Risk Management and Activities of the Risk Management Committee

A. RISK MANAGEMENT

Tüpraş implements an effective risk management policy in order to avoid and minimize all risks, either controllable or uncontrollable.

The underlying philosophy for the risk management of Tüpraş is based on protection of asset values as well as operational safety and sustainability. Proactive methods have been adopted to predict, manage, monitor potential risks in every field of risk management, and to develop the required activity plans in advance.

The main risks sustained by Tüpraş are categorized in a total of five headings: danger risks, financial risks, commercial risks, operational risks, and strategic risks.

Danger Risks

Technical safety is at all times given particular importance at Tüpraş, in order to minimize the effects of danger risks such as fire, power/water cuts, occupational accidents, earthquake, flood, terrorism and sabotage. All employees, including those of the contractors, are expected to comply with the Health, Safety and Environmental (HSE) standards, without compromising and on a determined and careful manner. The aim is to minimize any loss that may be suffered by environment, employees, contractors, customers, society and all stakeholders due to reasons attributable to the activity of Tüpraş.

Technical safety and fire-fighting systems have been equipped with the cutting edge technology fire sprinklers, fire water pumps, tugs for fighting against fire and environmental pollution, and other equipment, whereby the risks that may be caused from fire and acts of God have been minimized. The refineries are inspected for HSE operations by a commission formed under the presidency of Safety Quality Manager once a year in order to raise awareness, ensuring that the employees act safely in case of emergency. Firefighting and Evacuation Drills, Distress Plan Drills, and for those refineries with a coast, drills under ISPS Code are performed.

Thanks to the Distributed Control System (DCS) installed in the refinery units, human errors and minimized under the operation process conditions, ensuring that operation under safer conditions are maintained.

Case Classification, Research and Reporting (CCRR) Guidelines published for monitoring, assessment and improvement for HSE performance in the refineries has been put into practice. Furthermore, Risk Assessment Table (RAT) methodology intended for eliminating or reducing the risks to an acceptable level is now effectively used.

In addition, "Management of Hazards and Effects" (MDE) ensures that the priority is given to recognition and management of risks as well as allocation of resources to critical operations. To this effect, dangers are recorded and risk assessments made.

Tüpraş refineries, which are fully covered with a special security zone, are secured by private armed security units. The refineries are also protected with environmental safety systems, which consist of modern and integrated units, including hydraulic barriers, number-plate detectors, fence-top detectors as well as CCTV and crisis centers to allow local and central monitoring of the site.

Besides all these, the refinery equipment and stocks are covered under insurance policies with extended coverage against safety risks.

Financial Risks
Efforts are made to ensure that the effects of financial risks that may arise out of the variations and uncertainties in financial markets are minimized. These include currency, liquidity and interest risks.

Currency Risk: Tüpraş does business with high monetary value in foreign currency, especially in case of procurements as needed by its field of activity. Foreign currency positions in connection with these transactions are followed up by Finance Department on a regular basis. The required amount of foreign currency assets is available, considering the fact that existing stocks are priced in foreign currency. Thus, a natural hedge is maintained to keep the open foreign exchange position in acceptable level.

Liquidity Risk: A significant portion of the receivables arising out of the sales to private sector customers is secured in order to get rid of the collection risk. Material part of the sales and receivables is attributable to public enterprises and free from the collection risk. Furthermore, average figures of receivables and stocks are kept shorter as far as practicable, due to Tüpraş's policies and economic conjuncture. Long-term cash valuation is not done because of lower number of days. So, there is no liquidity risk.

Interest Risk: The negative effects of the interest risk are eliminated with natural measures implemented by balancing the interest rates and maturity dates of interest sensitive assets and liabilities.

Commercial Risk
The most important commercial risk in the oil industry in which the crude oil prices and thus the prices of products are set in the international market is the rapid change in prices. Tüpraş's prices are based on the price levels and foreign exchange rates, as announced by the CIF Mediterranean (Genova/Lavera), which is "the closest accessible international market," pursuant to the Oil Market Law and Energy Market Regulation Authority's applicable criteria.

In order to mitigate the effects of quick changes in crude oil prices, the price averages of longer periods are used in the pricing of crude oil, rather than periods of a few days. Besides, the crude oil pricing days are determined closer to the potential selling days of products. Thus, time-related risks caused from the difference of purchasing and selling prices are eliminated as much as possible.

Additionally, the crude oil and product stocks are kept in optimum level in order to eliminate the risks caused from price changes.

Commercial receivables for petroleum products are under control by completing the sales in cash or on basis of very short terms, and the products are delivered to the customers subject to certain credit limits.

Operational Risks
Occupational Safety and Health/ Environment: Tüpraş considers that its one of the most important aim and responsibility is to mitigate the effects of fields of activity on human-being and environment. To this end, innovations are pursued to improve the processes, and successfully manage every environmental risk such as emissions, noise, wastes, soil and water pollution, solid wastes, and sea pollution within the context of national and international standards.

The aim of Occupational Health & Safety/ Environment practices is to determine and control the risks in advance. For this purpose, the risks are defined in the refineries, ensuring that result-oriented and permanent preventive measures are taken. Risk Assessment Table (RAT) Guidelines has been published and put into practice. In this Risk Assessment Table, the potential risks are determined by evaluating the effects of Tüpraş activities on human-being, assets, environment, and reputation, and the required action are taken, which are defined as a result of root-cause analyses for medium- and high-degree risks.

Environmental performance of all refineries is regularly audited by:
- Head Office HSE Audit
- Koç Holding Environment Commission
- British Standards Institute
- Insurance Companies
- Provincial Directorates of Environment and Forestry
- Municipality Environmental Protection and Control Departments

Supply/Transportation: The entire supply process in Tüpraş consists of raw petroleum, semi-product, final product and material supply operations. As being used for production of other products; raw material is the major supply item. Continuity of the production is maintained partially by using domestically supplied and predominantly imported raw materials. Purchase operations of raw materials have been optimized; in order to diversify supply sources, distribute risk in supply chain, provide advantage in price and freight costs; and to increase operational capability of the company.

Risk Management and Activities of the Risk Management Committee

One of the most critical phases of such operations is the physical supply of raw materials and products. There are many items among the supplied products, which may be harmful to environment and human health due to problems, which may possibly occur during their transportation. In order to eliminate such risks during transportation of these products; it is expected that measures and working conditions specifically determined for related products to be completely provided by suppliers. Raw material supply is done only by sea transportation to Izmit and Izmir Refineries. Therefore; to ensure supply safety, suppliers are expected to maintain specific standards for (vessel tankers) to be used for transportation. Especially for import of raw materials, suppliers has to use (vessel tankers), which are acceptable by ports as having ISO 9001 and class certificates and complying with ISPS (International Ship and Port facility Security Code) requirements; so that the risks that may occur during transportation can be eliminated. In addition; required equipment is kept ready for use and regular exercises are done to fight against any kinds of accidents or leakage incidents, which may occur despite all aforementioned measures. With all such measures taken; safety, environment and human health threatening risks are minimized.

To ensure safety of product supply between refineries and to customers; transportation is diversified among delivery via sea-land-railways and pipelines. This way; risk distribution among transportation operations is provided as well as enhancement in operation capability.

Besides raw material and products; hundreds of materials are supplied every year in Tüpraş.

All these operations are actualized according to specifications entirely prepared by expert personnel. It is strongly expected that suppliers show performance in compliance with terms specifically based on product features and explicitly defined in purchase specification together with minimum standards required in aspects of features, production and delivery conditions of such product. Environmental impacts of the products to be purchased are also involved in aforementioned specification. Each party of product is examined by various tests done in laboratories in the company and other institutions. Purchase of any product failing any of these tests is aborted.

Product Feature: In Tüpraş refineries, there are laboratories, which have excellence certificates granted by international institutions and accreditation certificates given by Turkish Accreditation Institution. These laboratories help to eliminate product feature based risks by performing necessary measurements in each phase of production and sale.

Information Technology: Implementations regarding management of possible risks in areas of Information Technologies have been defined in Standard for Management of Electronic Information Environment. Improvements have been done also in line with recommendations obtained based on periodical tests and examinations performed by Koç Holding Information Technologies audit team and expert companies; in addition to this standard, which include management of user-originated risks, hardware and software; detailed applications about information and data safety.

Strategic Risks

Most strategic risks, which Tüpraş may be exposed to, are composed of international trends influencing political, legal and customer preferences.

For tracking legal risks early warning systems and online databases are used.

In order to prevent negative effects of customer preferences; international standards are followed. Besides; investments required for providing highly environment friendly product criteria; such as Euro V, has been accomplished. Furthermore; Izmit Refinery Residuum Upgrading project is still in progress to enhance production of diesel fuel instead of fuel oil, use of which is rapidly being abandoned.

B. WORK PERFORMED BY RISK MANAGEMENT COMMITTEE

A Risk Management Committee was founded on July 28, 2010 in Tüpraş pursuant to Corporate Governance Principles announced by Capital Markets Board. Tüpraş Risk Management Committee functions; in order to ensure risks that may threaten existence, development and continuity of the company, are diagnosed, measures are implemented on time and risks are efficiently managed; so that compliance with Article 378 of Turkish Commercial Code No.6102, which has entered force on July 1, 2012 can be maintained. Independent member of board of directors, Mr. Gökçe Bayındır has been holding chairman position for the committee whereas Mr. Temel K. Atay has been assigned as a member.

The Risk Management Committee is established for:

- Establishing effective internal control systems in order to describe, evaluate, track and manage of risk factors, which may cause negative impacts in reaching targets;
- Integrating Risk management and internal control systems with corporate structure and tracking efficiency;
- Measuring, reporting risk factors by risk management and internal control systems and considering appropriate controlling methods; and using obtained results in decision mechanisms.

The committee conducted six meetings in 2014, where Tüpraş Risk Management System was evaluated and risk reporting principles were determined. Reports and committee evaluations are periodically submitted to board of directors in accordance with the principles determined.

C. INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

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

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

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

In 2014 the refineries were visited by the Risk Management and Audit Office 13 times, involving a total of 52 person-day.

The determined audit items are shared with the Company's relevant units at the beginning of every year to develop the annual risk-based audit plans. The audit findings are published within the Company without delay, and the required corrective actions are taken. These findings are reviewed on a regular basis to follow up the improvements in activities.

TÜPRAŞ RISK SUMMARY

Safety Risks

- Fire
- Energy/Water Interruption
- Work Accident
- Earthquake
- Flood
- Terrorism and Sabotage

Financial Risks

- Currency
- Liquidity
- Interest

Commercial Risks

- Raw Material Prices
- Product Prices
- Customer Loans

Operational Risks

- Occupational Health and Safety/Environment
- Supply/Transport
- Product Features
- Information Technology

Strategic Risks

- Customer Preferences/Consumption Trends
- Legal
- Political

Ordinary General Assembly Agenda

AGENDA FOR TURKISH PETROL REFINERIES CORP. ORDINARY GENERAL ASSEMBLY MEETING TO BE HELD 30TH OF MARCH 2015

1. Opening and election of the Chairmanship Committee,

2. The reading, discussion and approval of the Annual Report of the Company for the year 2014 as prepared by the Board of Directors,

3. The presentation of the summary of the Independent Audit Report for the year 2014,

4. The reading, discussion and approval of the 2014 Financial Statements,

5. Release of the members of the Board of Directors from liability for the affairs of the Company for the year 2014,

6. Within the framework of the Company's dividend policy, the Approval, approval with modifications, or disapproval of the Board of Directors' proposal on profit distribution of year 2014,

7. Determination of the number of Board Members and their term of office, and election of Members in accordance with the number determined and determination of independent board members,

8. In accordance with the Corporate Governance Principles, presentation to the shareholders and approval by the General Assembly, of the "Remuneration Policy" for the members of the Board of Directors and the Senior Executives and the payments made thereof,

9. Determination of monthly gross fees to be paid to the Members of the Board of Directors,

10. Approval of the Independent Audit Firm as selected by the Board of Directors, in accordance with the provisions of the Turkish Commercial Code and the Capital Markets Board regulations,

11. In accordance with the Articles of Association of the Company, the Turkish Commercial Code, Capital Markets Law, Capital Markets Regulations and the relevant legislation that allows the amount much until the dividend advance payment with regard to the determination of the issuance of the time and conditions of granting authority to the Board of Directors and submitted for approval,

12. Presentation to the shareholders, of the donations made by the Company in 2014, and resolution of an upper limit for donations for the year 2015,

13. In accordance with the Capital Markets Board legislation, presentation to the shareholders, of the securities, pledges and mortgages granted in favour of the third parties in the year 2014 and of any benefits or income thereof,

14. Authorization of the shareholders with management control, the members of the Board of Directors, the senior executives and their spouses and relatives related by blood or affinity up to the second degree as per the provisions of articles 395 and 396 of the Turkish Commercial Code and presentation to the shareholders, of the transactions carried out thereof in the year 2014 pursuant to the Corporate Governance Communique of the Capital Markets Board,

15. Requests and Opinions.

Declaration on Distribution of Dividends of the Year 2014

At the Board of Directors meeting dated 02.03.2015, the Financial Statements relating to the accounting period of 1 January - 31 December 2014, prepared on the basis of Turkey Accounting / Financial Reporting Standards (TAS / TFRS) by the management of Turkish Petroleum Refineries Corporation and audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and, were accepted in accordance with TAS / TFRS, and will be presented to the General Assembly

As a result of the examination of these financial statements of Turkish Petroleum Refineries Corporation, legal records kept in accordance with Tax Procedure Law (TPL):

- The financial statements prepared in accordance with TFRS / TAS has a net profit of TL 1,458,962,783.42, and as a result of the addition of TL 7,190,241.32 of donations reached 1,466,153,024.74 which constitutes the first dividend base. According to Tax Procedure Law (TPL) however, the Company recorded current year losses of TL 84,529,511.09.
- Due to the lack of net profit a general legal reserve is not to be put aside, according to Tax Procedure Law.
- In the Financial Statements prepared in accordance with the Tax Procedural Law records; due to a loss of TL 85,248,765.78 in the current year result, in accordance with Capital Market Law and the Capital Markets Board dividend regulations, Dividends will not be distributed for the year 2014.
- The loss of TL 85,248,765.78 in the financial statements prepared in accordance with the Tax Procedural Law is to be offset against the Losses of Previous Years.

These matters above are to be submitted to our shareholders for approval at the Ordinary General Meeting of the Company which will be held on March 30, 2015

Profit Distribution Proposal

01.01.2014 - 31.12.2014 PROFIT DISTRIBUTION PROPOSAL

TÜRKİYE PETROL RAFİNERİLERİ A.Ş. 2014 PROFIT DISTRIBUTION TABLE (TL)			
1.	Paid in Capital/Issued Capital		250,419,200.00
2.	Total Legal Reserves (According to Statutory Income Statements)		163,401,852.42
Information on privileges in profit distribution if any in the Articles of Association			
		According to CMB	**According to Statutory Records**
3.	Current period profit	172,326,332.80	(81,658,079.75)
4.	Taxes payable (-)	(1,286,636,450.62)	2,871,431.34
5.	Net profit (=)	1,458,962,783.42	(84,529,511.09)
6.	Previous years losses (-)	0.00	0.00
7.	1st Legal reserves (-)	0.00	0.00
8.	NET DISTRIBUTABLE NET PROFIT FOR THE PERIOD (=)	1,458,962,783.42	0.00
9.	Donations made during the year (+)	7,190,241.32	
10.	Net Distributable Profit added donations	1,466,153,024.74	
11.	First dividend to Shareholders		
	Cash	0.00	0.00
	Bonus		
	Total	0.00	0.00
12.	Dividend to privileged shareholders		
13.	Dividend to the Board members and Employees	0.00	0.00
14.	Dividend to redeemed shareholders		0.00
15.	Secondary dividends to shareholders	0.00	0.00
16.	Secondary legal reserves		
17.	Statutory reserves		
18.	Special reserves		
19.	EXTRAORDINARY RESERVES	1,458,962,783.42	0.00
20.	Other resources payable	0.00	0.00
	Previous year's profit		
	Extraordinary reserves		
	Other distributable reserves as per the law and the Articles of Association	0.00	0.00

(*) The concept of participation has been defined to include the participation, affiliation and partnership subject to collective management of the parent company.

DIVIDEND PER SHARE

	GROUP	TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND PER SHARE WITH NOMINAL VALUE OF TL 1	
			AMOUNT (TL)	**RATE (%)**
Net *	A	0.00		0.000
	C	0.00		0.000
	TOTAL	**0.00**	**0**	**0**

Affiliated Companies Report 2014

AFFILIATED COMPANIES REPORT PREPARED UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

In accordance with Article 199 of the Turkish Commercial Code No. 6102 which entered into force on 1 July 2012, The Board of Directors of Turkey Petroleum Refineries Corporation is obligated to prepare a report about the relations of the company with its controlling shareholder and affiliated companies within first three months of the year of operation and to include the result of the report in the activity report. Necessary explanations about the transactions of Turkey Petroleum Refineries Corporation with related parties are located in the footnote of the financial report No. 30.

In the Report dated March 4, 2015 prepared by Turkey Petroleum Refineries Corporation, it is said that "In all transactions of Turkey Petroleum Refineries Corporation with its controlling shareholder and its subsidiaries in 2014, the conclusion has been reached that a suitable counter action was provided in all transactions and there is no measure taken or ignored which can harm the corporation and there is no need for an action or measure for equalization in this framework considering the states and conditions known by us at the moment of transaction or when the measure is taken or ignored."

Related Party Transactions Report 2014

RELATED PARTY TRANSACTIONS REPORT REALIZED IN 2014 AND WILL BE REALIZED IN 2015 UNDER THE SAME CONDITIONS

The Related Party Transaction Report has been prepared under Article 10 of the Communiqué Serial II.17.1 of the Capital Market (CMB).

According to the mentioned Article, it is mandatory for the Board Members to prepare a report on the conditions of transactions and their comparison with market conditions and to publish it on KAP (Platform of Disclosure), if it is foreseen that the ratio of the amount of transactions in a financial year, which are common and ongoing between companies of which shares are processed in Istanbul Stock Exchange (BIST) and their related parties to the costs of sales arising according to the last annual account statement declared to the public in purchase transactions, will reach 10% or more of the ratio of amount of revenues in sales transactions according to the last annual account statement declared to the public.

The purpose of this report is; to disclose the related party transactions - specified in the International Accounting Standard n.24 (IAS 24) within the scope of CMB legislation - performed by Türkiye Petrol Rafinerileri A.Ş. (our Company) provided that confidential business information are not violated and; to show that they do not have any negative outcomes against our Company.

Detailed information about the transactions which have been realized by Turkey Petroleum Refineries Corporation in 2014 with related parties has been published in the footnote No. 31 of the publicly disclosed financial statement regarding our activities in 2014. Only the suitability of sales to market conditions of THY OPET Aviation Fuels Inc. which exceed the limit of 10% to have been evaluated in this Report.

It is expected that transactions of same nature will exceed the 10% limit determined in the notification also in 2015 and transactions will be conducted according to the principles described in the Report. Related report can be found on www.tupras.com.tr.

Remuneration Policy

REMUNERATION POLICY FOR SENIOR EXECUTIVES AND BOARD MEMBERS

This policy document describes wages systems and applications of our Board members and senior executives with administrative responsibility within the scope of CMB regulations.

A fixed wage is determined each year in the Annual General Meeting valid for all the members of the Board of Directors.

Executive Board members are paid under the policy set up for senior executives as detailed below.

Support of which the amount is determined by the board at the end of the year in accordance with the opinion of Corporate Governance Committee can be provided to the head and members of the executive committee which will provide support to the board of directors on all matters actively, considering their contributions, participation in meetings and their functions. If members of the executive board have been paid in this regard, it will be deducted from the amount determined at the end of the year.

Performance-based payment plans of the company are not used by determining the salaries of independent board members.

Members of the Board of Directors are paid on pro-rata basis taking into account the appointment and separation dates of their terms of office. Expenses of board members because of their contribution to the company (transportation, telephone, insurance, expenses) can be covered by the company.

Wages for senior executives consist of two components: fixed and performance-based.

Fixed wages for senior executives are determined in accordance with international standards and legal obligations taking into account market and macroeconomic data, the prevailing wage policies, the company's size and long-term goals and taking into account the positions of individuals.

Senior executive premiums are calculated according to premium basis, company performance and individual performance. Information on these criteria is summarized below:

- **Premium Basis:** Premium bases are being updated in each year and vary according to the size of business of executive positions. When updating premium bases, senior management premium policies on the market are considered.
- **Company Performance:** Company performance is obtained by measuring financial and operational targets given to the company each year at the end of the period (market share, exports, overseas operations, productivity) By determining the Company's objectives, a sustainable success and improvements compared to previous years are the principles strongly taken into consideration.
- **Individual Performance:** By determining individual performance, targets related to employee, customer, process, technology and long-term strategies are taken into account along with Company goals. By measuring the principle of Individual performance, long-term sustainable improvement principle is considered in parallel with the company's performance and besides financial areas.

If senior executives of our Company leave their job, a redundancy payment may be paid by taking into account the information on their work time, the time they served as a senior manager, their contribution, last premium target before their separation and last year's salary and premiums.

The total amount determined according to the above principles and paid to Senior Executives and Members of the Board of Directors during the year will be submitted to the shareholders for information and/or approval following the general meeting and in accordance with legislation.

Statements of Independence

I declare that:

I was nominated to serve as "independent member" under the criteria set out in the legislation, contract and in the Corporate Governance Principles which was announced by Capital Markets Board and in the context:

a) No significant relationship in the nature of capital was established between the company, one of the parties associated with the company or legal entities who are related in terms of management or capital to the shareholders who own 5% or more shares in the company's capital directly or indirectly and myself, my wife/husband, my second degree blood and affinity relatives in the last five years regarding important duties and responsibilities directly or indirectly employed in managerial positions.

b) In the last five years, I have not worked and was not involved as a Board Member, senior executive, or a partner (holding 5% or more shares) in companies that provide or procure from Tüpraş a significant portion of goods or services in the framework of agreements, particularly in the areas of auditing (including tax audits, legal audits, internal audits), rating and counseling.

c) I have the professional training, knowledge and experience to fulfill the duties I assume as an Independent Board Member.

d) Pursuant to the applicable legislation, I will not work in state institutions and organizations full time, except as a university lecturer, after being elected as a member.

e) I am a resident in Turkey according to the Income Tax Code No. 193, dated December 12, 1960.

f) I possess strong work ethics, and the professional reputation and experience to contribute positively to the Company's operations; to maintain my neutrality in conflicts of interest between the Company and its shareholders; and to make objective decisions by taking into account the rights of stakeholders.

g) I will commit the time necessary to oversee the Company's operations and to fulfill my duties in full.

h) During the last ten years, I have not served as a Board Member at the Company for a period longer than six years.

i) I do not serve as an Independent Board Member in more than three companies in which the Company or its majority shareholders have a controlling interest; or in more than five companies that are listed on the stock exchange.

j) I am not registered and declared to act on behalf of any legal person elected as Board Member.

Kutsan Çelebican

Statements of Independence

I declare that:

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h) During the last ten years, I have not served as a Board Member at the Company for a period longer than six years.

i) I do not serve as an Independent Board Member in more than three companies in which the Company or its majority shareholders have a controlling interest; or in more than five companies that are listed on the stock exchange.

j) I am not registered and declared to act on behalf of any legal person elected as Board Member.

Osman Mete Altan

Statements of Independence

I declare that:

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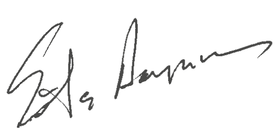

Gökçe Bayındır

Statements of Independence

I declare that:

I was nominated to serve as "independent member" under the criteria set out in the legislation, contract and in the Corporate Governance Principles which was announced by Capital Markets Board and in this context:

a) No significant relationship in the nature of capital was established between the company, one of the parties associated with the company or legal entities who are related in terms of management or capital to the shareholders who own 5% or more shares in the company's capital directly or indirectly and myself, my wife/husband, my second degree blood and affinity relatives in the last 5 years regarding important duties and responsibilities directly or indirectly employed in managerial positions.

b) In the last five years, I have not worked and was not involved as a Board Member, senior executive, or a partner (holding 5% or more shares) in companies that provide or procure from Tüpraş a significant portion of goods or services in the framework of agreements, particularly in the areas of auditing (including tax audits, legal audits, internal audits), rating and counseling.

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d) Pursuant to the applicable legislation, I will not work in state institutions and organizations full time, except as a university lecturer, after being elected as a member.

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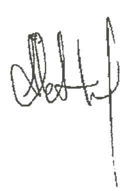

Ahmet Turul

Statements of Independence

I declare that:

I was nominated to serve as "independent member" under the criteria set out in the legislation, contract and in the Corporate Governance Principles which was announced by Capital Markets Board and in this context:

a) No significant relationship in the nature of capital was established between the company, one of the parties associated with the company or legal entities who are related in terms of management or capital to the shareholders who own 5% or more shares in the company's capital directly or indirectly and myself, my wife/husband, my second degree blood and affinity relatives in the last five years regarding important duties and responsibilities directly or indirectly employed in managerial positions.

b) In the last five years, I have not worked and was not involved as a Board Member, senior executive, or a partner (holding 5% or more shares) in companies that provide or procure from Tüpraş a significant portion of goods or services in the framework of agreements, particularly in the areas of auditing (including tax audits, legal audits, internal audits), rating and counseling.

c) I have the professional training, knowledge and experience to fulfill the duties I assume as an Independent Board Member.

d) I am a resident in Turkey according to the Income Tax Code No. 193, dated December 12, 1960.

e) I possess strong work ethics, and the professional reputation and experience to contribute positively to the Company's operations; to maintain my neutrality in conflicts of interest between the Company and its shareholders; and to make objective decisions by taking into account the rights of stakeholders.

f) I will commit the time necessary to oversee the Company's operations and to fulfill my duties in full.

g) I do not serve as an Independent Board Member in more than three companies in which the Company or its majority shareholders have a controlling interest; or in more than five companies that are listed on the stock exchange.

h) I am not registered and declared to act on behalf of any legal person elected as Board Member.

Ahmet Aksu

Audit Committee Report

TURKEY PETROLEUM REFINERIES CORPORATION
AUDIT COMMITTEE REPORT

Decision Date : 27.02.2015
Decision No : 2015 /2
Subject : Consolidated Financial Statements Dated 31.12.2014

TÜPRAŞ
To the Chairman of the Board:
We are gathered to examine and express an opinion on the independent audit report prepared by Güney Independent Auditor and Certified Public Accountant Corporation (A member firm of Ernst & Young Global Limited) for the financial statements and consolidated financial statements for the period January 1 – December 31, 2014 by the management of TÜPRAŞ compatible with the formats determined by CMB and Turkey Accounting Standards/Turkey Financial Reporting Standards (TMS/TFRS) in accordance with the ii- 14.1. Principles of Financial Reporting in Capital Markets Communiqué by Capital Markets Board and the Turkish Commercial Code.

In this review, assessments have been made regarding the accuracy and reliability of the mentioned consolidated financial statements with accounting policies of the company and with facts. If necessary, opinions of the independent auditor of the auditing company and responsible managers of the company were taken.

We hereby decided positively for the accuracy and convenience of the consolidated financial statements from the period January 1-December 31, 2014 with the principles of accounting and we present them for approval.

Sincerely,

27/02/2015

Kutsan Çelebican	**Osman Mete Altan**
Chairman of the Audit Committee	*Member of the Audit Committee*

Statement of Responsibility

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE II-14.1 PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS COMMUNIQUE BY THE CAPITAL MARKETS BOARD

DECISION DATE: 02.03.2015
RESOLUTION NO: 3
REGARDING THE APPROVAL OF FINANCIAL STATEMENTS BY THE BOARD OF DIRECTORS

We hereby accept our responsibility for the statement made and thus present that:

The "Financial Statements" – issued as per the 9th article of the Capital Markets Board's (CMB) "Communiqué II-14.1. (Communiqué) on the principles of financial reporting in capital markets" in conformity with the Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and with the formats stipulated by the CMB – for the accounting period between 01.01.2014-12.31.2014, including the footnotes, consolidated financial situation statement, comprehensive income statement, cash flow statement and statement of changes in equity prepared by our Company and audited independently by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member firm of Ernst & Young Global Limited);

> were reviewed by our company,
> within the framework of the information we have obtained in our area of duty and responsibility at our company – do not include any statements on the important issues contrary to facts and do not have any imperfections that could be misleading as of the date the statement was made,
> and that the financial statements, together with the consolidated statements, issued as per the Communiqué
> within the framework of the information we have obtained in our area of duty and responsibility at our company – truly reflect the facts about the Company's assets, liabilities, financial situation, and profit and loss,

in accordance with the CMB regulations.

Best regards,

Kutsan Çelebican	**Osman Mete Altan**	**İbrahim Yelmenoğlu**
Chairman of the Audit Committee	*Member of the Audit Committee*	*Executive Vice President*

Audit Committee Report

TURKEY PETROLEUM REFINERIES CORPORATION
AUDIT COMMITTEE REPORT

Decision Date : 04.03.2015
Decision No : 2015/03
Subject : Annual Report dated 31.12.2014

TÜPRAŞ
To the Chairman of the Board:
We are gathered to examine and express an opinion on the independent audit report prepared by Güney Independent Auditor and Certified Public Accountant Corporation (A member firm of Ernst & Young Global Limited) for the annual report for the period January 1 – December 31, 2014 by the management of TÜPRAŞ compatible with the formats determined by CMB and Turkey Accounting Standards/Turkey Financial Reporting Standards (TMS/TFRS) in accordance with the ii- 14.1. Principles of Financial Reporting in Capital Markets Communiqué by Capital Markets Board and the Turkish Commercial Code.

In this review, assessments have been made regarding the accuracy and reliability of the mentioned annual report related to January 01 – December 31, 2014 period with accounting policies of the company and with facts. If necessary, opinions of the independent auditor of the auditing company and responsible managers of the company were taken.

We hereby decided positively for the accuracy and convenience of the consolidated financial statements from the period January 1-December 31, 2014 with the principles of accounting and we present them for approval.

Sincerely,

04/03/2015

Kutsan Çelebican
Chairman of the Audit Committee

Osman Mete Altan
Member of the Audit Committee

Statement of Responsibility

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE II- 14.1. PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS COMMUNIQUÉ BY THE CAPITAL MARKETS BOARD

DECISION DATE: 05.03.2015
RESOLUTION NO: 5
REGARDING THE APPROVAL OF THE ANNUAL REPORT BY THE BOARD OF DIRECTORS

Our annual report from 2013 approved by the Board of Directors on 05/03/2015 with resolution no. 5 is presented as attachment which has been prepared in accordance with the II- 14.1. Principles of Financial Reporting in Capital Markets Communiqué by Capital Markets Board and the Turkish Commercial Code.

We declare it to your information and accept that we are responsible for the statement, that:

> The annual report prepared by our Company has been examined in accordance with the regulations of CMB,
> It does not contain any gaps that could result in misleading statements as of the date of announcement or false statements about important matters in the framework of our areas of duties and responsibilities in our company,
> The annual report which has been prepared in accordance with the Communiqué reflects the performance and development of business and the financial state of the company together with those factors under consolidation and uncertainties and risks clearly.

Sincerely,

Kutsan Çelebican	**Osman Mete Altan**	**İbrahim Yelmenoğlu**
Chairman of the Audit Committee	*Member of the Audit Committee*	*Executive Vice President*

Independent Auditor's Report on the Annual Report of the Board of Directors

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(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of
Türkiye Petrol Rafinerileri Anonim Şirketi,

Report on the Audit of the Annual Report of the Board of Directors in accordance with the Independent Auditing Standards

We have audited the annual report of Türkiye Petrol Rafinerileri Anonim Şirketi ("Tüpraş") and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2014.

The responsibility of the Board of Directors on the Annual Report

In accordance with Article 514 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Markets Board ("CMB") of Turkey, the management of the Group is responsible for the preparation and fair presentation of the annual report consistent with the consolidated financial statements and for the internal controls considered for the preparation of a report of such quality.

Responsibility of the Independent Auditor

Our responsibility is to express and opinion, based on the independent audit we have performed on the Group's annual report in accordance with article 397 of the TCC and the Communiqué, on whether the financial information provided in this annual report is presented fairly and consistent with the Group's consolidated financial statements there on which auditor's report dated March 2, 2015 has been issued.

Our independent audit has been performed in accordance with the Independence Auditing Standards as endorsed by CMB and Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report is free from material misstatement and consistent with the consolidated financial statements. This independent audit involves the application of auditing procedures in order to obtain audit evidence on the historical financial information. The selection of these procedures is based in the professional judgment of the independent auditor. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report on the Annual Report of the Board of Directors

Opinion

In our opinion, the financial information provided in the annual report of the Board of Directors is presented fairly and consistent with the audited consolidated financial statements in all material respects.

Independent auditor's responsibilities arising from other regulatory requirements

In accordance with paragraph 3 of Article 402 of the Turkish Commercial Code ("TCC") 6102, within the framework of the Independent Auditing Standards 570 "Going Concern", no material uncertainty has come to our attention which causes us to believe that the Group will not be able to continue as a going concern in the foreseeable future.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular
Partner, SMMM

5 March 2015
İstanbul, Turkey

Türkiye Petrol Rafinerileri A.Ş.

Consolidated financial statements at 31 December 2014 together with the independent auditor's report

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

Independent auditors' report on the consolidated financial statements

To the Shareholders of Türkiye Petrol Rafinerileri A.Ş;

We have audited the accompanying consolidated balance sheet of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ"- "the Company") and its subsidiaries (together "the Group") as at 31 December 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's responsibility for the financial statements

The Group's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 2 March 2015.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2014 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Ethem Kutucular, SMMM
Partner

2 March 2015
Istanbul, Turkey

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.

Consolidated financial statements for the period 1 January-31 December 2014

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(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Consolidated Statements of Financial Position as at 31 December 2014

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

			Audited
Assets	**Notes**	**31 December 2014**	31 December 2013
Current assets		**6.991.378**	9.764.538
Cash and cash equivalents	4	**3.898.396**	3.663.114
Trade receivables	6	**169.835**	1.956.634
Due from related parties	6, 31	**7.383**	343.355
Trade receivables from third parties		**162.452**	1.613.279
Other receivables	7	**30.866**	38.933
Other receivables from third parties		**30.866**	38.933
Derivative Instruments	20	**64.606**	-
Inventories	8	**2.370.534**	3.456.300
Prepaid expenses	14	**124.031**	198.693
Current income tax assets	29	**1.235**	1.330
Other current assets	15	**331.875**	449.534
Non-current assets		**14.941.182**	11.374.849
Financial investments	9	**4.000**	4.000
Investments accounted by equity method	10	**726.494**	804.168
Investment properties	11	**4.621**	4.621
Property, plant and equipment	12	**10.663.393**	8.321.563
Intangible assets	13	**60.569**	39.367
Other intangible assets		**60.569**	39.367
Prepaid expenses	14	**260.314**	405.292
Deferred tax assets	29	**2.623.134**	1.330.197
Other non-current assets	15	**598.657**	465.641
Total assets		**21.932.560**	21.139.387
Liabilities			
Current liabilities		**8.561.001**	10.396.466
Short-term financial liabilities	5	**40.248**	909.587
Current portion of long term financial liabilities	5	**737.056**	165.084
Trade payables	6	**5.610.001**	6.793.651
Due to related parties	6, 31	**67.849**	40.555
Trade payables, third parties		**5.542.152**	6.753.096
Liabilities for employee benefits	18	**93.297**	65.524
Other payables	19	**10.282**	9.563
Other payables to third parties		**10.282**	9.563
Derivative Instruments	20	**68**	-
Deferred income	16	**17.366**	10.656
Current income tax liabilities	29	**5.147**	6.178
Provisions	17	**108.824**	363.747
Provisions for employee benefits		**6.870**	4.097
Other provisions		**101.954**	359.650
Other current liabilities	15	**1.938.712**	2.072.476
Non-current liabilities		**7.158.929**	5.604.407
Long-term financial liabilities	5	**6.977.706**	5.447.345
Provisions	17	**176.023**	152.003
Provisions for employee benefits		**176.023**	152.003
Other non-current liabilities	15	**4.709**	5.059
Derivative Instruments	20	**491**	-
Equity		**6.212.630**	5.138.514
Share capital	23	**250.419**	250.419
Adjustment to share capital	23	**1.344.243**	1.344.243
Share premiums/discounts		**172**	172
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		**(11.186)**	(2.672)
Actuarial gain/(loss) arising from defined benefit plans		**(11.186)**	(2.672)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		**65.867**	57.039
Hedging gains/(losses)		**(447)**	-
Currency translation differences		**12.058**	9.375
Revaluation and reclassification gains/(losses)		**54.256**	47.664
Restricted reserves	23	**163.401**	221.417
Retained earnings		**2.884.837**	2.025.761
Net income		**1.458.963**	1.197.223
Total equity attributable to equity holders of the parent		**6.156.716**	5.093.602
Non-controlling interests		**55.914**	44.912
Total equity and liabilities		**21.932.560**	21.139.387

The consolidated financial statements for the year ended 31 December 2014 have been approved by the Board of Directors on 2 March 2015 and signed by İbrahim Yelmenoğlu, Assistant General Manager and Deniz Köseoğlu, Financial Reporting Manager.

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2014

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

	Notes	Audited 1 January- 31 December 2014	1 January- 31 December 2013
Revenue (net)	24	39.722.712	41.078.427
Cost of sales (-)	24	(38.459.914)	(39.605.121)
Gross profit		1.262.798	1.473.306
General administrative expenses (-)	25	(545.943)	(494.754)
Marketing, selling and distribution expenses (-)	25	(169.639)	(186.542)
Research and development expenses (-)	25	(16.220)	(18.428)
Other operating income	26	173.845	165.919
Other operating expenses (-)	26	(269.098)	(898.310)
Operating profit		435.743	41.191
Income/(expense) from investment activities	27	(319)	1.318
Income/(loss) from investments accounted by equity method	10	(16.380)	80.546
Operating profit before financial income/(expense)		419.044	123.055
Financial income	28	498.917	1.005.707
Financial expense (-)	28	(734.300)	(1.115.713)
Profit before tax from continued operations		183.661	13.049
Tax income	29	1.286.460	1.186.141
Taxes on income (-)		(5.147)	(6.178)
Deferred tax income		1.291.607	1.192.319
Net income from continued operations		1.470.121	1.199.190
Other comprehensive income:			
Items not to be reclassified to profit or loss		(8.670)	4.369
Actuarial gain/(loss) arising from defined benefit plans		(10.390)	5.432
Tax effect of other comprehensive income/(loss) not to be reclassified to profit or loss		1.720	(1.063)
-Deferred tax income/(expense)		1.720	(1.063)
Items to be reclassified to profit or loss		8.828	9.485
Revaluation gains of available-for-sale investments		7.094	5.506
Changes in currency translation differences		2.683	4.254
Gains/losses on cash flow hedge		(559)	-
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		(390)	(275)
-Deferred tax income/(expense)		(390)	(275)
Other comprehensive income/(expense) after taxation		158	13.854
Total comprehensive income		1.470.279	1.213.044
Distribution of income for the period:			
Non-controlling interests		11.158	1.967
Attributable to equity holders of the parent		1.458.963	1.197.223
Distribution of total comprehensive income:			
Non-controlling interests		11.002	2.000
Attributable to equity holders of the parent		1.459.277	1.211.044
Earnings per share wit h nominal value Kr 1 each (Kr)	30	5,83	4,78

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Consolidated Statement of Changes in Equity for the Year Ended 31 December 2014

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

				Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss	Accumulated other comprehensive income/(expense) to be reclassified to profit or loss				Retained earnings				
	Share capital	Adjustment to share capital	Share premiums/ discounts	Actuarial gain/(loss) arising from defined benefit plans	Gains/ losses on hedging	Currency translation differences	Revaluation gains/ (losses)	Restricted reserves	Accumulated profit	Profit for the period	Equity holders of the parent	Non-controlling interests	Total equity
1 January 2013	250.419	1.344.243	172	(7.008)	-	5.121	42.433	223.321	1.523.852	1.464.119	4.846.672	42.912	4.889.584
Transfers	-	-	-	-	-	-	-	(1.904)	1.466.023	(1.464.119)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(964.114)	-	(964.114)	-	(964.114)
-Net profit for period	-	-	-	-	-	-	-	-	-	1.197.223	1.197.223	1.967	1.199.190
-Other comprehensive income	-	-	-	4.336	-	4.254	5.231	-	-	-	13.821	33	13.854
Total comprehensive income	-	-	-	4.336	-	4.254	5.231	-	-	1.197.223	1.211.044	2.000	1.213.044
31 December 2013	250.419	1.344.243	172	(2.672)	-	9.375	47.664	221.417	2.025.761	1.197.223	5.093.602	44.912	5.138.514
1 January 2014	**250.419**	**1.344.243**	**172**	**(2.672)**	**-**	**9.375**	**47.664**	**221.417**	**2.025.761**	**1.197.223**	**5.093.602**	**44.912**	**5.138.514**
Transfers	-	-	-	-	-	-	-	(58.016)	1.255.239	(1.197.223)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(396.163)	-	(396.163)	-	(396.163)
-Net profit for period	-	-	-	-	-	-	-	-	-	1.458.963	1.458.963	11.158	1.470.121
-Other comprehensive income	-	-	-	(8.514)	(447)	2.683	6.592	-	-	-	314	(156)	158
Total comprehensive income	-	-	-	(8.514)	(447)	2.683	6.592	-	-	1.458.963	1.459.277	11.002	1.470.279
31 December 2014	**250.419**	**1.344.243**	**172**	**(11.186)**	**(447)**	**12.058**	**54.256**	**163.401**	**2.884.837**	**1.458.963**	**6.156.716**	**55.914**	**6.212.630**

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Consolidated Statement of Cash Flows for the Year Ended 31 December 2014

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

		Audited	
	Notes	1 January- 31 December 2014	1 January- 31 December 2013
A. Cash flows from operating activities		**2.432.547**	2.549.122
Profit/(loss) before taxation		**1.470.121**	1.199.190
Adjustment for reconciliation of profit/(loss) before taxation		**(296.511)**	243.118
-Adjustment for depreciation and amortisation expense	12,13	**258.123**	240.281
-Adjustments for stock impairment	8	**90.204**	(2.621)
-Adjustment for provisions	17	**101.242**	358.005
-Adjustment for interest income and expense	28	**157.114**	76.385
-Adjustment for unrealized foreign currency translation differences		**(2.683)**	(4.254)
-Adjustment for fair value gain or loss		**(64.606)**	-
-Adjustment for income of investments accounted by equity method	10	**16.380**	(80.546)
-Adjustment for tax income/expenses		**(1.286.460)**	(1.186.141)
-Adjustment for (gain)/loss on sales of property, plant and equipment, net	27	**319**	(1.318)
-Adjustment for other items related with cash flow of investment or financial activities	28	**438.328**	841.277
-Other adjustments		**(4.472)**	2.050
Changes in working capital		**1.607.179**	1.183.228
-Adjustment for increase/decrease in inventories		**995.562**	(329.437)
-Adjustment for increase/decrease in trade receivables		**1.791.340**	124.820
-Adjustment for increase/decrease in other receivables related with operations		**(7.290)**	(125.898)
-Adjustment for increase/decrease in trade payables		**(1.183.719)**	1.729.489
-Adjustment for increase/decrease in other payables related with operations		**11.286**	(215.746)
Cash flows from operating activities		**2.780.789**	2.625.536
-Tax payments/returns		**(6.083)**	(39.899)
-Payments for penalty	17	**(309.011)**	-
-Other cash inflow/outflow		**(33.148)**	(36.515)
B. Cash flows from investing activities		**(2.187.284)**	(2.158.810)
Cash inflows from the sale of property, plant and equipment and intangible assets		**343**	3.180
Cash outflows from the purchase of property, plant and equipment and intangible assets		**(2.257.627)**	(2.254.754)
Cash inflows from the sale of other long-term assets		**-**	12.764
Dividends received	10	**70.000**	80.000
C. Cash flows from financing activities		**(124.410)**	(71.205)
Cash inflows from financial liabilities		**421.841**	970.714
Dividends paid		**(396.163)**	(964.114)
Interest received		**136.237**	191.906
Interest paid		**(286.325)**	(269.711)
Net increase/decrease in cash and cash equivalents before the effect of foreign currency translation differences		**120.853**	319.107
D. Impact of foreign currency translation differences on cash and cash equivalents		**2.683**	4.254
Net increase/decrease in cash and cash equivalents		**123.536**	323.361
E. Cash and cash equivalents at beginning of period		**3.087.870**	2.764.509
Cash and cash equivalents at end of period	4	**3.211.406**	3.087.870

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2014

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

1. Organization and nature of operations of the Group

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

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

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

The Company is registered at the Capital Markets Board ("CMB") of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. ("BİST") (previously known as Istanbul Stock Exchange ("ISE")) since 1991. As at 31 December 2014, the shares quoted on the BİST are 49% of the total shares. As at 31 December 2014, 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.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2014

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

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

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

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

(*) Körfez, a subsidiary of the Group, which has been established in June 2009 has not been included in the scope of consolidation in the consolidated financial statements for the year ended 31 December 2014 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 2014 total assets of Körfez is TL 8.559 thousand and net income of Körfez is TL 3.044 thousand.

Joint venture	Country of incorporation	Nature of business
OPET Petrolcülük A.Ş. ("Opet")	Turkey	Petroleum products retail distribution
THY Opet Havacılık Yakıtları A.Ş.	Turkey	Jet fuel supply services
Opet International Limited	United Kingdom	Petroleum products trading
Opet Trade B.V.	Netherlands	Petroleum products trading
Opet Trade Singapore	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 total number of employees of the Group as at 31 December 2014 is 5.067 (31 December 2013 – 4.986).

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

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
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2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

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

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

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in TL, which is the functional and presentation currency of Tüpraş.

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2014 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2014. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation-Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the consolidated financial statements of the Group.

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

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Group and did not have any impact on the financial position or performance of the Group.

TAS 36 Impairment of Assets (Amended)-Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets have been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the consolidated financial statements of the Group.

TAS 39 Financial Instruments: Recognition and Measurement (Amended)-Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the consolidated financial statements of the Group.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Group.

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

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

TFRS 9 Financial Instruments – Classification and measurement

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
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2. Basis of presentation of consolidated financial statements (continued)

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Group.

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

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

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TAS/TFRSs

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements-2010–2012 Cycle" and "Annual Improvements-2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

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

Annual Improvements-2010-2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

TFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

Annual Improvements – 2011-2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2014

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

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

Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Group do not expect that these amendments will have significant impact on the financial position or performance of the Group.

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

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

Annual Improvements – 2010-2012 Cycle

IFRS 13 Fair Value Measurement

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

IFRS 15 Revenue from Contracts with Customers

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

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

IFRS 9 Financial Instruments-Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

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

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39),
  Or
- Using the equity method.

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Annual Improvements to IFRSs-2012-2014 Cycle

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

-IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
-IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
-IAS 19 Employee Benefits – regional market issue regarding discount rate
-IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In December 2014, IASB issued amendments to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

2.1.3 Financial statements of joint ventures operating in foreign countries

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2014

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

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

2.1.4 Basis of consolidation

a) Consolidated financial statements have been prepared in accordance with principles stated on consolidated financial statements for the year ended 31 December 2014 and include financial statements of Tüpraş and its Subsidiaries.

b) At 31 December 2014, 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 2013.

	31 December 2014		31 December 2013	
	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Subsidiary				
Ditaş	79,98	79,98	79,98	79,98
Üsküdar	79,98	79,98	79,98	79,98
Damla	79,98	79,98	79,98	79,98
Beykoz	79,98	79,98	79,98	79,98
Kadıköy	79,98	79,98	79,98	79,98
Sarıyer	79,98	79,98	79,98	79,98
Kartal	79,98	79,98	79,98	79,98
Maltepe	79,98	79,98	79,98	79,98
Salacak	79,98	79,98	79,98	79,98
Karşıyaka	79,98	79,98	79,98	79,98

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

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

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

Türkiye Petrol Rafinerileri A.Ş.
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

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

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 31 December 2014 and 31 December 2013.

	31 December 2014		31 December 2013	
	Direct and indirect voting rights possessed by the Company (%)	**Proportion of effective interest (%)**	Direct and indirect voting rights possessed by the Company (%)	Proportion of effectiveinterest (%)
Investments accounted by equity method				
Opet	**50,00**	**40,00**	50,00	40,00
Opet Gıda ve İhtiyaç Maddeleri Turizm Sanayi İç ve Dış Ticaret A.Ş. (in liquidation)(*)(**)	-	-	50,00	39,99
Opet International Limited	**50,00**	**40,00**	50,00	40,00
Opet Trade B.V(*)	**50,00**	**40,00**	50,00	40,00
Opet Trade Singapore(*)	**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.
(**) Opet Gıda ve İhtiyaç Maddeleri Turizm Sanayi İç ve Dış Ticaret A.Ş. merged with Opet Petrolcülük on February 12, 2014.

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

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

2.2. Changes in accounting policies

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 31 December 2014 comparatively with the consolidated statement of financial position as of 31 December 2013, presented the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 December 2014 comparatively with the consolidated financial statements for the year ended 31 December 2013.

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

2.2.2 Offsetting

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

2.2.3 Convenience translation into English of consolidated financial statements

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

2.3. Summary of significant accounting policies

The significant accounting policies followed in the preparation of the consolidated financial statements are summarized below:

2.3.1 Cash and cash equivalents

The cash and cash equivalents are carried at cost in the consolidated balance sheet at cost. Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with maturity periods of three months or less (Note 4).

2.3.2 Trade receivables and provision for impairment

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost.

A credit risk provision for trade receivables is established when there is objective evidence that the Group is not able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income (Note 6).

2.3.3 Related parties

For the purpose of these consolidated financial statements, shareholders, key management personnel, Board of Directors members and Koç Group companies including their family members and companies controlled by or affiliated with them are considered and referred to as related parties (Note 31).

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

2.3.4 Inventories

Inventories are valued at the lower of acquisition cost or net realisable value. The cost components of inventories include materials, conversion costs and other costs that are necessary to bring the inventories to their present location and condition. The cost of inventories is determined on the weighted average cost basis. As during the production process more than one product is produced from single raw material inputted, the costs of conversion of each product are not separately identifiable. In order to allocate the costs of conversion between the products on a rational and consistent basis, the approach used by the Company for the allocation is based on the relative sales prices of each product.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 8).

2.3.5 Spare parts and material stocks

Spare parts and material stocks are valued at the lower of cost or net realisable value. The cost elements of spare parts and material stocks include materials and other costs that are necessary to bring them to their present location and condition. The cost of spare parts and material stocks is determined on the weighted average cost basis. The Group has provided provision for the slow-moving spare parts (Note 15).

2.3.6 Financial investments

All investment securities are recognized at cost including acquisition charges associated with the investment. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in macro-economic environment are classified as "available-for-sale investments". These investments are included in non-current assets unless management has not indented to realize gain from asset in short term or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The Group management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such classification on a regular basis.

At every balance sheet date, the Group assesses whether there is objective evidence that a financial asset on a group of financial assets is impaired. For financial instruments classified as available for sale a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator of impairment. If such evidence exists for an available for sale financial asset, cumulative net loss recorded by decreasing the fair value gain on the financial asset previously recorded as "financial asset fair value reserve" within equity. The amount of impairment exceeding the fair value reserve is recorded as expense in the statement of comprehensive income for the year.

The unrealised gains and losses arising from changes in the fair value of available-for-sale securities are deferred in the equity under "financial assets fair value reserve" until the financial asset is sold, collected or otherwise disposed of. When available-for-sale securities are sold, collected or otherwise disposed of, related deferred gains and losses in equity are released to the statement of comprehensive income.

When the financial asset is not traded in an active market and fair value of the asset cannot be measured reliably, the fair value of the financial asset is identified by using valuation techniques. These valuation techniques include the use of recent transactions under market conditions or by considering other similar investment instruments and discounted cash flows performed by considering the specific conditions of the company invested in.

Other financial assets in which the Group has an interest below 20%, that do not have a quoted market price in active markets and whose fair value cannot be measured reliably, are carried at cost, if applicable, less any provision for diminution in value. Available-for-sale investments that have a quoted market price in active markets and whose fair values can be measured reliably are carried at fair value (Note 9).

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

2.3.7 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Historical costs include the costs directly related to the acquisition of property plant and equipment. Costs incurred after the acquisition can be added to the net book value of the assets or can be booked as another asset if and only if it is probable that the future economic benefits will flow to the Group and cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of comprehensive income for the period. Depreciation is provided using the straight line method based on the estimated useful lives of gross book value of assets (Note 12).

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful life
Land and land improvements	3-50 years
Buildings	5-50 years
Machinery and equipment	3-50 years
Motor vehicles	4-25 years
Furniture and fixtures	2-50 years

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Recoverable amount is the higher of asset net selling price or value in use. Net selling price is calculated by deducting the selling costs from the fair value of the asset. Value in use is calculated as the discounted value of the estimated future cash flows the entity expects to derive from the asset. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the related income and expense accounts, as appropriate.

2.3.8 Intangible assets

Intangible assets include rights and software and development costs (Note 13).

a) Rights and software

Rights and software are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful lives of such assets not exceeding 5 years.

b) Development costs

The accounting policy of development costs are explained in Note 2.3.24.

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

2.3.9 Investment property

Lands held for the purposes of long-term rental yields, for capital appreciation or both rather than land held in the production or supply of goods or services, for administrative purposes and for sale in the ordinary course of business, are classified as "investment property". Investment properties are carried at cost and any accumulated impairment losses. Investment properties are depreciated with the straight-line depreciation method over their useful lives.

Investment properties are reviewed for possible impairment losses and where the carrying amount of the investment property is greater than the estimated recoverable amount, it is written down to its recoverable amount. The recoverable amount of the investment property is the higher of future net cash flows from the utilisation of this investment property or fair value less costs to sell (Note 11).

2.3.10 Impairment of assets

The Group reviews all tangible and intangible assets except goodwill for indicators of impairment at every balance sheet date. If any indication of impairment exists, carrying value of the asset is compared with its recoverable amount which is the higher of value in use or fair value less costs to sell. Impairment exists when carrying value of the asset or cash generating unit that the asset belongs to is higher than the recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

An impairment loss recognised in prior periods for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognised. Such a reversal amount cannot be higher than the previously recognised impairment and is recognized as income in the consolidated financial statements. The reversal of the impairment is recognized in the comprehensive income statement. Net book value of goodwill is evaluated annually and impairment is recorded when necessary considering a significant on prolonged decline.

2.3.11 Borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings.

The Company compares borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project (RUP) with functional currency equivalent borrowing's interests and capitalizes borrowing costs by using cumulative approach in its financial statements (Note 12).

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

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

2.3.12 Operating leases

The Group as the lessee

Operational leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the lessor

Operational leases

Assets leased out under operating leases are classified under property, plant and equipment in the consolidated balance sheet and rental income is recognized on a straight-line basis over the lease term.

2.3.13 Deferred taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated statement of income, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Government incentives enabling reduced corporate tax payments are considered within the scope IAS-12 "Income Taxes" and the deferred tax asset is recognized at the rate of the earned tax benefit under the condition that benefitting from this advantage by earning taxable income in the future is highly probable.

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities in the consolidated financial statements (Note 29).

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

2.3.14 Employment termination benefits

Long-term employee benefits/Retirement pay liability

a) Defined benefit plans:

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

In the financial statements, the Group has recognized a liability using the "Projected Unit Credit Method" based upon factors derived using the Company's experience of personnel terminating and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds (Note 17). All actuarial gains and losses are recognized in the other comprehensive income statement.

b) Defined contribution plans

The Company pays contributions to the Social Security Institution on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due.

2.3.15 Seniority incentive bonus provision

The Group has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. Seniority incentive bonus provision represents the present value at the date of the consolidated balance sheet of the estimated total reserve of the probable future obligations (Note 17).

2.3.16 Transactions in foreign currency

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the consolidated statement of comprehensive income except the ones that are capitalised (Note 2.3.11).

2.3.17 Revenue recognition

Revenue is based on the invoiced amount of products sold and services given. Revenues are recognised on an accrual basis at the time deliveries or acceptances are made, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, at the fair value of consideration received or receivable. Risks and rewards are transferred to customers, when the transfer of ownership has realised. Net sales represent the invoiced value of goods sold less sales returns and commission and exclude related taxes. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as interest income on a time proportion basis that takes into account the effective yield on the asset.

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

2.3.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions, as of the balance sheet date, are recorded with the best estimate of management in order to provide for the estimated obligation and are discounted, if they are material for the consolidated financial statements.

2.3.19 Commitments, contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are disclosed as contingent assets or liabilities (Note 22).

2.3.20 Dividends

Dividend income is recognised by the Group at the date the right to collect the dividend is realised. Dividend payables are recognised as liability in the consolidated financial statements in the period they are declared as a part of profit distribution.

2.3.21 Earnings per share

Earnings per share for each class of shares disclosed in the consolidated statement of comprehensive income is determined by dividing the consolidated net income for the year attributable to that class of shares by the weighted average number of shares of that class that have been outstanding during the year concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to shareholders' equity. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the period in which they were issued and for each earlier period.

2.3.22 Segment reporting

According to TFRS 11 " Joint Arrangements" standard, accounting for joint ventures in the consolidated financial statements by the equity method is mandatory. The amendment has been implemented retrospectively by the Group. Opet Petrolcülük A.Ş. is accounted by the equity method and petroleum distribution division is excluded from segment reporting scope. Since only refining segment remained within the consolidation scope, segment reporting is not presented effective January 1, 2013.

As of December 31, 2014, sales revenue from two customers amounting to TL 11.057.743 thousand, which is more than 10% of total sales of the Company's sales, consists of oil sales. (December 31 2013 – TL 9.863.219 thousand)

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

2.3.23 Statement of cash flow

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

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

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

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

2.3.24 Research and development costs

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

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

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

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

2.3.25 Government grants

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

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

2.3.26 Business combinations and goodwill

Business combinations are accounted for using the acquisition method in accordance with TFRS 3. The cost of a business combination, before January 1, 2011, is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Any excess of the acquirer's interest over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination cost is accounted for as goodwill. In business combinations, the acquirer recognizes identifiable assets, intangible assets (such as trademarks) and/or contingent liabilities which are not included in the acquiree's financial statements and which can be separated from goodwill, at their fair values in the consolidated financial statements. Goodwill recognised in business combinations is tested for impairment annually or more often under when circumstances indicating impairment risk.

The excess of the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is accounted for as income in the related period.

Revised TFRS 3 "Business Combinations" effective as at 1 January 2011 has been applied to Business combinations occurring after 1 January 2011. The main difference of revised TFRS 3 is to account for transaction costs of a purchase in comprehensive income statement. There has been no business combination in 2014 which requires the application of revised TFRS 3.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of combination. The Group considered the significant position of Opet in the domestic market and the synergy expected from its cooperation with Tüpraş as the main reason leading to generation of goodwill related to the Opet acquisition dated 28 December 2006. Therefore, the Group management evaluated Opet, its subsidiaries and its joint ventures as one cash-generating unit.

2.3.27 Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

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

Classified as asset/liability correlated with income statement and evaluating by fair value of financial derivative instruments' differences are reflected to income statement.

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

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

Cash flow hedge

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

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

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

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

2.4. Changes in accounting policies, accounting estimates and errors

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

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

2.5. Significant accounting evaluations, assumptions and estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

a) Provision for employment termination benefits:

To calculate the employee benefit provision actuarial assumptions relating to turnover ratio, discount rate and salary increase are used. Calculation details are given in Employee benefits disclosure (Note 17).

b) Economic useful lives:

Tangible assets, investment property and intangible assets, except for goodwill, have been depreciated and amortized by using estimated useful lives. Estimated useful lives determined by management have been disclosed in Note 2.3.7 and Note 2.3.8.

c) Goodwill impairment tests:

As explained in Note 2.3.10, the Group performs impairment tests on goodwill annually, or more often under circumstances indicating impairment risk. The recoverable amount of the cash generating unit has been determined based on the fair value less costs to sell calculations. Those calculations are based on specific expectations and assumptions. The Group has not identified any impairment on the goodwill amount as at 31 December 2014 and 2013, as a result of these tests. The goodwill arising from the purchase of Opet shares were classified on the investment account in the financial statements.

d) Deferred tax asset:

Deferred tax asset is recognised to the extent that taxable profit will be available against which the deductible temporary differences can be utilized. When taxable profit is probable, deferred tax asset is recognised for all temporary differences. For the year ended December 31, 2014, since the assumptions related to the Group's future taxable profit generation are considered adequate, deferred tax asset is recognized (Note 29).

3. Business combinations

No business combinations occurred during the year 2014.

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4. Cash and cash equivalents

	31 December 2014	31 December 2013
Cash at banks		
Revenue share (blocked)	676.881	566.744
Time deposit	3.180.801	3.043.234
Demand deposits	30.605	44.636
Interest income accruals	10.109	8.500
Total	**3.898.396**	3.663.114

Revenue Share (blocked)

As required by the Petroleum Market License Regulation, the revenue share collected by the Group is held in banks and evaluated as blocked deposit in the Company's books. The revenue share was invested as demand deposits with overnight interest rate as at 31 December 2014 and 31 December 2013 (Note 15).

Time deposits and other cash and cash equivalents

As at 31 December 2014 and 31 December 2013, the maturity and the currency information of the time deposits, is as follows:

31 December 2014			
	Less than 1 month	**1-3 months**	**Total**
TL	**1.816.266**	**-**	**1.816.266**
USD	**1.054.841**	**274.414**	**1.329.255**
EUR	**34.477**	**564**	**35.041**
GBP	**239**	**-**	**239**
Time deposit	**2.905.823**	**274.978**	**3.180.801**

31 December 2013			
	Less than 1 month	1-3 months	Total
TL	40.890	-	40.890
USD	2.973.808	23.619	2.997.427
EUR	3.254	1.478	4.732
GBP	185	-	185
Time deposit	3.018.137	25.097	3.043.234

Effective interest rate of TL time deposits is 11,28%, effective interest rate of USD time deposits is 2,44%, effective interest rate of EUR time deposits is 1,65% and effective interest rate of GBP time deposits is 1,65% (31 December 2013-TL 6,38%, USD 3,04%,EUR 2,10% and GBP 2,10%)

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4. Cash and cash equivalents (continued)

Cash and cash equivalents included in the consolidated statements of cash flows for the years ended 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Cash and cash equivalents	3.898.396	3.663.114
Blocked deposits (Revenue share)	(676.881)	(566.744)
Less: Time deposit interest accruals	(10.109)	(8.500)
Cash and cash equivalents for cash flow purposes	**3.211.406**	3.087.870

5. Financial liabilities

	31 December 2014	31 December 2013
Short term financial liabilities:		
Short-term bank borrowings	40.248	904.163
Interest accruals	-	5.424
Total	**40.248**	909.587

	31 December 2014	31 December 2013
Current portion of long-term bank borrowings:		
Current portion of long-term bank borrowings	707.211	149.298
Interest accruals of bank borrowings	18.992	5.802
Interest accruals of bonds issued	10.853	9.984
Total	**737.056**	165.084
Long-term financial liabilities:		
Long-term bank borrowings	5.354.476	3.953.335
Bonds issued (*)	1.623.230	1.494.010
Total	**6.977.706**	5.447.345
Total financial liabilities	**7.755.010**	6.522.016

(*) 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 700.000 thousand with an interest rate of 4,125% and maturity of 2 May 2018.

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5. Financial liabilities (continued)

Foreign currency balances and interest rates for the short and long-term financial liabilities as at 31 December 2014 and 31 December 2013 are as follows:

			31 December 2014
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
TL borrowings (*)	-	40.247.808	40.248
			40.248
Current portion of long-term financial liabilities:			
USD borrowings	2,39	195.450.402	453.230
EUR borrowings	1,98	16.593.295	46.805
TL borrowings	12,39	207.176.471	207.176
			707.211
Interest expense accruals			29.845
Total short-term financial liabilities			777.304
Long-term financial liabilities:			
USD borrowings	2,32	1.880.608.765	4.360.943
USD bonds issued	4,17	700.000.000	1.623.230
EUR borrowings	2,84	58.392.764	164.709
TL borrowings	11,42	828.823.529	828.824
			6.977.706
Interest expense accruals			-
Total long-term financial liabilities			6.977.706

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TL 40.248 thousand as of 31 December 2014 (31 December 2013-TL 85.219 thousand).

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5. Financial liabilities (continued)

			31 December 2013
	Effective interest rate (%)	Original currency	Thousand TL
Short term financial liabilities:			
EUR borrowings	4,18	37.100.000	108.944
TL borrowings	8,33	795.219.165	795.219
			904.163
Current portion of long-term financial liabilities:			
USD borrowings	2,02	57.588.516	122.913
EUR borrowings	0,99	7.878.151	23.134
TL borrowings	7,49	3.251.152	3.251
			149.298
Interest expense accruals			21.210
Total short-term financial liabilities			1.074.671
Long-term financial liabilities:			
USD borrowings	2,39	1.834.184.024	3.914.699
USD bonds issued	4,17	700.000.000	1.494.010
EUR borrowings	1,11	12.986.059	38.134
TL borrowings	7,49	502.304	502
			5.447.345
Interest expense accruals			-
Total long-term financial liabilities			5.447.345

As at 31 December 2014 and 31 December 2013, the redemption schedule of long-term bank borrowings is as follows:

	31 December 2014	31 December 2013
2015	**-**	409.676
2016	**1.489.233**	619.674
2017	**840.452**	596.621
2018	**2.343.280**	2.071.729
2019	**477.335**	356.637
2020 and after	**1.827.406**	1.393.008
	6.977.706	5.447.345

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5. Financial liabilities (continued)

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

	31 December 2014	31 December 2013
1-90 days	338.682	972.491
91-365 days	4.170.531	3.430.383
1-5 years	2.861.834	1.777.068
Over 5 years	383.963	342.074
	7.755.010	6.522.016

(*) Total amount of bonds issued USD 700.000 thousand equivalent to TL 1.623.230 thousand with fixed interest will be paid in 2018, presented in 1-5 years, in the table above (31 December 2013-TL 1.494.010 thousand, between1-5 years).

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project and utilization of the loans started in accordance with the agreements in 2011 and continued in 2012-2014. According to financing package, the loan amounting to USD 1.111,8 million which was insured by CESCE and the loan amounting to USD 624,3 million which was insured by SACE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan amounting to USD 359 million has 7 years to maturity and there will be no principal payment in first four years. The loan amounts of CESCE and SACE has been decreased respectively to USD 1.078,5 million and USD 597,4 million with letter on 24 October 2013 and these amounts have been valid as of 26 November 2013. Tüpraş has used loan amounting to USD 1.984,5 million as of 31 December 2014 to finance loan insurance payments and capital expenditures (31 December 2013-USD 1.742,8 million)

6. Trade receivables and payables

Short-term trade receivables:

	31 December 2014	31 December 2013
Trade receivables	162.968	1.618.353
Due from related parties (Note 31)	7.383	343.355
Doubtful trade receivables	2.593	2.593
Other trade receivables	28	11
Less: Unearned credit finance income	(544)	(5.085)
Less: Provision for doubtful receivables	(2.593)	(2.593)
Total short-term trade receivables (net)	169.835	1.956.634

As at 31 December 2014, Tüpraş has offsetted TL 2.276.683 thousand (31 December 2013-TL 1.609.499 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

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

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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 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Group 1	1.308	2.159
Group 2	429	2.348
Group 3	60.869	1.371.374
Group 4	34.020	25.177
	96.626	1.401.058

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 dueare 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 2014 and 31 December 2013 is as follows:

	31 December 2014	31 December 2013
Up to 3 months	56.040	458.042
3 to 12 months	17.169	97.534
	73.209	555.576

The Group management does not estimate a collection risk for these past due but not impaired receivables as the significant portion of these receivables is due from government entities where sales are made regularly.

Movement of the provision for doubtful receivables for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	2.593	17
Charge for the period	-	2.576
31 December	2.593	2.593

Short-term trade payables:

	31 December 2014	31 December 2013
Trade payables	5.542.547	6.753.560
Due to related parties (Note 31)	67.849	40.555
Less: Unrealised credit finance charges	(395)	(464)
Total short-term trade payables (net)	5.610.001	6.793.651

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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7. Other receivables and payables

Other short-term receivables:

	31 December 2014	31 December 2013
Advances and guarantees given	20.339	26.588
Receivable from personnel	7.203	6.116
Receivable from insurance recoveries	3.324	6.229
Other doubtful receivables	645	645
Less: Provision for other doubtful receivables	(645)	(645)
	30.866	38.933

8. Inventories

	31 December 2014	31 December 2013
Raw materials and supplies	567.290	572.796
Work-in-progress	485.648	719.379
Finished goods	691.302	1.105.603
Trade goods	24.229	17.462
Goods in transit	681.325	1.030.203
Other	10.944	10.857
	2.460.738	3.456.300
Less: Provision for impairment in inventories	(90.204)	-
	2.370.534	3.456.300

As of December 31, 2014, stock impairment amounting to TL 88.949 thousand comes from finished goods and TL 1.255 thousand comes from trade goods and recognized under cost of goods sold account. Movement of the provision for inventories for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	-	2.621
Charge for the period	90.204	-
Cancellations within the period	-	(2.621)
31 December	90.204	-

9. Financial investments

Long term financial investments

	31 December 2014		31 December 2013	
	Participation share (%)	Amount	Participation share (%)	Amount
Körfez Hava Ulaştırma A.Ş.	100,00	4.000	100,00	4.000
		4.000		4.000

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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10. Investments accounted by equity method

	31 December 2014		31 December 2013	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	726.494	40,00	804.168
		726.494		804.168

The goodwill amounting to TL 189.073 thousand arising from the purchase of Opet shares on December 28, 2006 were classified on the investment account in the financial statements.

The movement in the investments accounted by equity method during the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
1 January	804.168	793.862
Shares in current year profit of investments accounted by equity method	(16.380)	80.546
Financial assets revaluation fund of investments accounted by equity method	7.094	5.506
Dividend payment of investments accounted by equity method	(70.000)	(80.000)
Currency translation differences of investments accounted by equity method	2.683	4.254
Actuarial gains/losses form investments accounted by equity method	(1.071)	-
31 December	726.494	804.168

Consolidated summary financial statements of investments accounted by equity method are as follows;

	31 December 2014	31 December 2013
Current assets	2.267.632	2.534.055
Non-current assets	1.840.536	1.623.590
Total assets	4.108.168	4.157.645
Short term liabilities	1.810.634	2.018.685
Long term liabilities	942.950	599.715
Equity	1.354.584	1.539.245
Total liabilities	4.108.168	4.157.645

	1 January- 31 December 2014	1 January- 31 December 2013
Sales	20.831.159	17.845.630
Gross profit	656.677	906.748
Operating profit	86.062	361.558
Net income for period	(40.949)	201.365

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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10. Investments accounted by equity method (continued)

Goodwill impairment test

The Group considers the significant position of Opet in the domestic market and the synergy expected from its cooperation with Tüpraş and Opet as the main source of generation of goodwill. Therefore, the Group management evaluated Opet, its subsidiaries and its joint ventures as a single cash generating unit and goodwill is allocated on Opet.

The recoverable amount of the cash generating unit is determined using discounted cash flow analyses based on fair value less costs to sell calculations. These fair value calculations include post tax cash flow projections denominated in USD and are based on the financial budgets approved by Opet management covering a 10 year period. The Group considers analysis covering a period longer than five years is more appropriate as to evaluation of operating results and prospective assumptions in the sector and therefore impairment test is based on ten years budget. The cash flows for the periods beyond 10 years are extrapolated using the long term growth rate of 2%. During fair value calculations, the value denominated in USD is converted to TL by using the USD currency rate on the balance sheet date. Therefore, the fair value model is affected by fluctuations in the foreign currency market. As of 31 December 2014, fair value of Opet is TL 2.897 million. (With Group's effective interest, TL 1.159 million.) As of 31 December 2014, had the USD rate strengthened/weakened by 1%, with all other variables held constant, the fair value would be affected by TL 11.587 thousand.

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

Gross margin	4,2%-5,7%
Discount rate	9,8%

The budgeted gross margin has been determined by Opet management based on past performance of the company and expected market growth rate. The discount rate used is the post-tax discount rate and includes company specific risks. An increase/decrease of 1% on the post-tax discount rate used in the discounted cash flow calculations (10,8% or 8,8% instead of 9,8%), would lead to a decrease by TL 268.933 thousand/increase by TL 355,581 thousand in the fair value as at 31 December 2014.

As a result of the tests performed by using the assumptions above, no impairment on goodwill has been identified as at 31 December 2014. Since the asset's fair value less cost to sell is higher than its carrying amount, the Group management did not calculate the asset's value-in-use.

11. Investment property

At 31 December 2014, investment property represents the land amounting to TL 4.621 thousand (31 December 2013-TL 4.621 thousand). The fair value of the investment property has been determined as TL 38.117 thousand as a result of fair value assessments (31 December 2013 – TL 38.117 thousand).

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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12. Property, plant and equipment

	1 January 2014	Additions	Transfers	Disposals	31 December 2014
Cost:					
Land	46.147	-	2.715	-	48.862
Land improvements	1.531.714	-	127.370	(2.165)	1.656.919
Buildings	377.543	-	66.621	(42)	444.122
Machinery and equipment	5.448.935	44	244.953	(1.333)	5.692.599
Motor vehicles	365.446	89.094	62.352	(39)	516.853
Furniture and fixtures	69.486	206	13.066	(1.803)	80.955
Construction in progress	4.939.958	2.532.403	(550.387)	-	6.921.974
Other tangible assets	1.367	-	-	-	1.367
	12.780.596	2.621.747	(33.310)	(5.382)	15.363.651
Accumulated depreciation:					
Land improvements	(935.561)	(64.967)	-	1.832	(998.696)
Buildings	(152.117)	(8.371)	-	27	(160.461)
Machinery and equipment	(3.237.724)	(145.068)	-	1.044	(3.381.748)
Motor vehicles	(95.330)	(17.189)	-	39	(112.480)
Furniture and fixtures	(37.199)	(10.260)	-	1.778	(45.681)
Other tangible assets	(1.102)	(90)	-	-	(1.192)
	(4.459.033)	(245.945)	-	4.720	(4.700.258)
Net book value	8.321.563				10.663.393

	1 January 2013	Additions	Transfers	Disposals	31 December 2013
Cost:					
Land	46.083	-	64	-	46.147
Land improvements	1.450.279	-	83.821	(2.386)	1.531.714
Buildings	354.779	-	23.946	(1.182)	377.543
Machinery and equipment	5.367.432	15	87.075	(5.587)	5.448.935
Motor vehicles	366.312	2.357	6.617	(9.840)	365.446
Furniture and fixtures	58.611	250	11.111	(486)	69.486
Construction in progress	2.447.971	2.714.268	(222.281)	-	4.939.958
Other tangible assets	1.248	119	-	-	1.367
	10.092.715	2.717.009	(9.647)	(19.481)	12.780.596
Accumulated depreciation:					
Land improvements	(878.158)	(59.757)	-	2.354	(935.561)
Buildings	(144.785)	(8.514)	-	1.182	(152.117)
Machinery and equipment	(3.106.948)	(136.363)	-	5.587	(3.237.724)
Motor vehicles	(88.546)	(14.843)	-	8.059	(95.330)
Furniture and fixtures	(27.153)	(10.489)	-	443	(37.199)
Other tangible assets	(1.010)	(92)	-	-	(1.102)
	(4.246.600)	(230.058)	-	17.625	(4.459.033)
Net book value	5.846.115				8.321.563

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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12. Property, plant and equipment (continued)

The Company compared borrowing costs arising from foreign currency borrowings for Residuum Upgrading Project with functional currency equivalent borrowing's interests and capitalized TL 1.079.536 thousand borrowing cost in construction in progress by using cumulative approach in its financial statements for the year ended 31 December 2014 (31 December 2013 – TL 593.829 thousand).

Total depreciation expense amounting to TL 245.945 thousand (31 December 2013-TL 230.058 thousand) in the consolidated statement of comprehensive income for the year ended 31 December 2014 has been allocated to cost of goods sold amounting to TL 216.923 thousand (31 December 2013-TL 211.117 thousand), to marketing, sales and distribution expenses amounting to TL 3 thousand (31 December 2013-TL 4 thousand), to general administration expenses amounting to TL 16.906 thousand (31 December 2013-TL 13.943 thousand) and to other expenses amounting to TL 12.113 thousand (31 December 2013-TL 4.994 thousand).

13. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the year ended 31 December 2014 is as follows:

	1 January 2014	Additions	Transfers	Disposals	31 December 2014
Cost:					
Rights and software	34.892	70	14.978	(7)	49.933
Development expenses	35.764	-	18.332	-	54.096
Other intangible assets	-	-	-	-	-
	70.656	70	33.310	(7)	104.029
Accumulated amortisation:					
Rights and software	(21.920)	(3.523)	-	7	(25.436)
Development expenses	(9.369)	(8.655)	-	-	(18.024)
Other intangible assets	-	-	-	-	-
	(31.289)	(12.178)	-	7	(43.460)
Net book value	39.367				60.569

The movements of intangible assets and related accumulated amortisation for the year ended 31 December 2013 is as follows:

	1 January 2013	Additions	Transfers	Disposals	31 December 2013
Cost:					
Rights and software	32.371	45	2.481	(5)	34.892
Development expenses	28.598	-	7.166	-	35.764
Other intangible assets	18	-	-	(18)	-
	60.987	45	9.647	(23)	70.656
Accumulated amortisation:					
Rights and software	(17.546)	(4.379)	-	5	(21.920)
Development expenses	(3.525)	(5.844)	-	-	(9.369)
Other intangible assets	(12)	-	-	12	-
	(21.083)	(10.223)	-	17	(31.289)
Net book value	39.904				39.367

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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13. Intangible assets (continued)

Total amortisation expenses amounting to TL 12.178 thousand (31 December 2013-TL 10.223 thousand) in the consolidated statement of comprehensive income for the year ended 31 December 2014 have been allocated to the cost of goods sold amounting to TL 6 thousand (31 December 2013-TL 7 thousand) and to general administration expenses amounting to TL 12.172 thousand (31 December 2013-TL 10.216 thousand).

14. Prepaid expenses

Short term prepaid expenses:

	31 December 2014	31 December 2013
Prepaid insurance and other expense	34.970	47.351
Prepaid investment loan insurance expenses (*)	26.013	-
Advances given	29.391	20.904
Taxes and funds to be offsetted	33.657	130.438
	124.031	198.693

Long term prepaid expenses:

	31 December 2014	31 December 2013
Prepaid investment loan insurance expenses (*)	141.406	167.419
Advances given to related parties for property, plant and equipment (Note 31)	75.720	134.928
Advances given to third parties for property, plant and equipment	41.530	90.408
Prepaid other expenses	1.658	12.537
	260.314	405.292

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

15. Other assets and liabilities

Other current assets:

	31 December 2014	31 December 2013
Deferred Value Added Tax ("VAT")	245.986	321.027
Deferred Special Consumption Tax ("SCT")	73.203	123.050
Other current assets	12.686	5.457
	331.875	449.534

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15. Other assets and liabilities (continued)

Other non-current assets:

	31 December 2014	31 December 2013
Spare parts and materials	625.131	495.283
Other	2.338	770
Provision for spare parts and materials	(28.812)	(30.412)
	598.657	465.641

Other short-term liabilities:

	31 December 2014	31 December 2013
SCT payable	826.276	970.807
VAT payable	66.543	38.692
Deferred VAT	245.986	321.027
Deferred SCT	73.203	123.050
Revenue share	679.543	569.013
Other taxes and liabilities	36.112	41.656
Other	11.049	8.231
	1.938.712	2.072.476

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

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

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

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

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

As a result of these regulations, the revenue share amounting to TL 679.543 thousand accumulated as at 31 December 2014 (31 December 2013 – TL 569.013 thousand) which is not recognized in the comprehensive income statement, has been classified as "Revenue Share" within "Other short-term liabilities". TL 676.881 thousand that is (31 December 2013-TL 566.744 thousand) blocked in banks as demand deposits related to the calculated revenue share has been classified as Revenue share "Blocked" within "Cash and cash equivalents" (Note 4).

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

15. Other assets and liabilities (continued)

Other long-term liabilities:

	31 December 2014	31 December 2013
Deferred revenue	2.648	2.544
Other	2.061	2.515
	4.709	5.059

16. Deferred income

	31 December 2014	31 December 2013
Advances taken	17.366	10.656
Total	17.366	10.656

17. Provisions

Provision for employee benefits:

Short term provision for employee benefits:

	31 December 2014	31 December 2013
Seniority incentive bonus provision	4.679	2.601
Personnel bonus accruals	2.191	1.496
Total	6.870	4.097

Long term employee benefits:

	31 December 2014	31 December 2013
Provision for employment termination benefits	132.587	114.551
Provision for unused vacation	37.265	31.727
Seniority incentive bonus provision	6.171	5.725
Total	176.023	152.003

Seniority incentive bonus provision:

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

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

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17. Provisions (continued)

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

	2014	2013
1 January	8.326	7.737
Charge for the period	5.736	6.389
Payments during the period	(3.212)	(5.800)
31 December	**10.850**	8.326

Provision for employment termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 (31 December 2013-TL 3.254,44) for each year of service as at 31 December 2014.

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

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

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

	31 December 2014	31 December 2013
Discount rate (%)	3,50%	4,78%
Turnover rate to estimate probability of retirement (%)	99,52%	99,53%

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.438,22, which is effective as at 31 December 2014, has been taken into consideration in calculating the provision for employment termination benefits of the Group (31 December 2013-TL 3.254,44).

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

	2014	2013
1 January	114.551	113.316
Interest expense	10.940	8.499
Actuarial (gain)/loss	9.319	(5.432)
Increase during the period	7.284	11.950
Payments during the period	(9.507)	(13.782)
31 December	**132.587**	114.551

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17. Provisions (continued)

The sensitivity analysis of the assumption which was used for the calculation of provision for employment termination benefits as of 31 December 2014 and 2013 is below:

	31 December 2014		31 December 2013	
	Net discount rate		Net discount rate	
Sensitivity level	**İncrease of 100 base points**	**Decrease of 100 base points**	İncrease of 100 base points	Decrease of 100 base points
Rate	**4,50%**	**2,50%**	5,78%	3,78%
Change in employee benefits liability	**(7.049)**	**8.590**	(5.119)	5.818

Provision for unused vacation:

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

	2014	2013
1 January	**31.727**	27.710
Charge for the period	**7.658**	6.720
Payments during the period	**(2.120)**	(2.703)
31 December	**37.265**	31.727

Other short term provisions:

	31 December 2014	31 December 2013
Short-term provisions:		
Provision for Competition Authority penalty	**-**	309.011
Provision for tax penalty	**54.998**	-
Provision of pending claims and lawsuits	**13.743**	12.305
EMRA participation share	**14.635**	13.989
Other	**18.578**	24.345
Total short-term provisions	**101.954**	359.650

Competition Authority Penalty

The investigation started against Tüpraş and OPET Petrolcülük A.Ş. by the resolution of the authority dated July 4, 2012 and numbered 12-36/1040-M(2) for the identification of a possible breach of Article 4 and Article 6 of the Law No. 4054 on the Protection of Competition, communicated to Tüpraş by the Competition Authority ("CA") through the letter dated July 11, 2012, was concluded with the announcement made on the Competition Authority's website on January 17, 2014. The announcement made of the Competition Authority, on 17th of January 2014, the Ankara Administrative Court had been of its decision for judicial review, numbered 14-03/60-24, on the same date that the Company has abused its market dominant position, in breach of article 6 of Law 4054, The Protection of Competition Act, through its pricing and contractual arrangements and that for this reason as made provision for in article 16, paragraph 3, for competition inhibiting contracts, concerned action and abuse of market position, the monetary penalty is calculated based on the Company's revenues for the year 2013 as given in Regulations Concerning Penalties, article 5, paragraph 1, and a penalty of 1% of the revenues of the given year was decided, totaling TL 412,015 thousand. Tüpraş paid TL 309.011 thousand at a rate of three quarters of TL 412.015 thousand on May 23, 2014 in accordance with Article 17 of the Law of Misdemeanor numbered 5326, and Tüpraş filed a lawsuit to the Council of State for the cancellation of the administrative fine and the related regulation.

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17. Provisions (continued)

Tax Penalty

As a result of the tax inspection on the Company started by the Ministry of Finance Tax Inspection Board, the "Tax Inspection Reports and Tax and Penalty Notices" prepared with regard to the issues criticized by the tax inspectors, mentioned in the material disclosure dated July 24, 2013, were communicated to the Company on January 8, 2015. regarding the Tax and Penalty Notices for which a total principle tax of TL 65,6 million and a tax penalty of TL 94,4 million was claimed, a settlement was reach as a result of the discussions held with the Central Reconciliation Committee on February 26, 2015 within the scope of the settlement provisions of the Tax Procedure Law for the Company to pay a total of TL 54.998 thousand for the amounts imposed including interest, and the legal process regarding the dispute was concluded. In its financial statements dated December 31, 2014, the Company recognized the provision amounting to TL 54.998 thousand in the short-term provisions.

Movement of the short-term provisions for the years ended 31 December 2014 and 2013 is as follows:

	Provision for pending claims and lawsuits	EMRA participation share	Competition Authority penalty	Provision for tax penalty	Other	Total
1 January 2014	12.305	13.989	309.011	-	24.345	359.650
Charges for the period, net	1.566	18.827	-	54.998	(5.767)	69.624
Payments during the period	(128)	(18.181)	(309.011)	-	-	(327.320)
31 December 2014	13.743	14.635	-	54.998	18.578	101.954
1 January 2013	12.193	12.426	-	-	24.814	49.433
Charges for the period, net	167	14.875	309.011	-	394	324.447
Payments during the period	(55)	(13.312)	-	-	(863)	(14.230)
31 December 2013	12.305	13.989	309.011	-	24.345	359.650

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

18. Liabilities for employee benefits

	31 December 2014	31 December 2013
Due to the personnel	79.677	53.416
Social security withholdings payment	13.620	12.108
Total	**93.297**	65.524

19. Other payables

	31 December 2014	31 December 2013
Deposits and guarantees received	10.282	9.563
	10.282	9.563

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20. Derivative instruments

	31 December 2014			31 December 2013		
			Fair values			Fair values
	Contract amount	Assets	Liabilities	Contract amount	Assets	Liabilities
Cash flow hedge						
Interest rate swap	1.159.450	-	68	-	-	-
Derivatives held for trading						
Currency forwards	1.646.419	64.606	-	-	-	-
Short term derivative financial instruments		64.606	68		-	-
Cash flow hedge						
Interest rate swap	1.159.450	-	491	-	-	-
Long term derivative financial instruments		-	491		-	-
Total derivative financial instruments		64.606	559		-	-

Forward foreign exchange transactions consist of forward transactions signed between Tüpraş and various finance institutions which generate a sales obligation of TL 1.709.110 thousand in exchange for a purchase of USD 710.000 thousand and which will expire on December 31, 2015.

Interest rate swap consists of exchange of floating rate installment payments of Tüpras's long term borrowings amounting to USD 500.000 thousand with fixed rate installment payments for cash flow hedging.

21. Government grants

The Company has obtained certificate of research and development center and the execution of Technology and Innovation Support Programs Administration Project with incentive and the existence of research and development center have enabled the Company to benefit from government incentives (research and development deduction, income tax stoppage incentive, social security premium support and stamp tax exemption) according to Law, no 5746, Supporting Research and Development Activities. In this context, as of December 31, 2014, Company's expenditures within scope of R&D center amounted to TL 11.893 thousand (December 31 2013-TL 11.607 thousand), within scope of TEYDEB amounted to TL 3.742 thousand (December 31 2013 – TL 7.187 thousand), in total, the Company has TL 15.635 thousand expenditures in the scope of incentive (December 31 2013 – TL 18.794 thousand) and TL 16.199 thousand expenditures are not in the scope of incentive (December 31 2013 – TL 18.064 thousand). As of December 31 2014, TL 3.411 thousand (December 31 2013 – TL 3.815 thousand) is recorded as incentive income out of total R&D expenditures amounted to TL 31.834 thousand (December 31 2013-36.858 thousand).

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21. Government grants (continued)

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2014, investment expenditures amounting to TL 6.297.223 thousand (31 December 2013-TL 4.163.798 thousand) has been made and tax advantages amounting to TL 2.888.214 thousand (31 December 2013 – TL 1.579.992 thousand) has been realized to be used in future periods. Moreover, as of 31 December 2014 within the scope of the Strategic Investment the Company offset TL 72.933 thousand from tax base (31 December 2013-TL 41.082 thousand). Besides, the Company benefits from VAT exemption, VAT refund, exemption from customs duty, incentive for employer share of insurance premium and interest incentive within scope of Strategic Investment Incentive.

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

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

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

As of 31 December, 2014 and 2013, the revenues (totally recognized in consolidated statements of profit or loss) of the Group from government incentives and grants are as follows:

	31 December 2014	31 December 2013
Interest incentive	**22.705**	169
Social security withholdings incentives	**21.138**	18.492
Research and development incentives	**3.411**	3.815
Other	**-**	5
	47.254	22.481

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22. Commitments and contingent assets and liabilities

		31 December 2014		31 December 2013
Guarantees received:	**Original balances:**	**TL Amount:**	Original balances:	TL amount:
Letter of guarantees received		**1.957.607**		2.181.580
-Letter of guarantees in TL	***768.269***	***768.269***	*1.061.071*	*1.061.071*
-Letter of guarantees in USD	***470.579***	***1.091.224***	*489.909*	*1.045.613*
-Letter of guarantees in EUR	***32.306***	***91.126***	*22.761*	*66.839*
-Letter of guarantees in other currencies	-	***6.988***	-	*8.057*
Guarantee notes received		**65.955**		49.179
-Guarantee notes in TL	***62.273***	***62.273***	*47.775*	*47.775*
-Guarantee notes in EUR	-	-	*478*	*1.404*
-Guarantee notes in other currencies	-	***3.682***	-	-
Guarantee letters received		**165.945**		106.715
-Guarantee letters received-TL	***50.000***	***50.000***	-	-
-Guarantee letters received-USD	***50.000***	***115.945***	*50.000*	*106.715*
Commitments received		**8.351**		9.768
-Commitment in USD	***2.350***	***5.449***	*3.070*	*6.552*
-Commitment in other currencies	-	***2.902***	-	*3.216*
Total guarantees received		**2.197.858**		2.347.242

Guarantees given:				
Letter of credits given		**511.663**		1.210.166
-Letter of credits in USD	***218.838***	***507.463***	*560.357*	*1.195.970*
-Letter of credits in EUR	***1.379***	***3.890***	*3.537*	*10.387*
-Letter of credits in other currencies	-	***310***	-	*3.809*
Letter of guarantees given		**306.474**		112.201
-Letter of guarantees in TL	***259.632***	***259.632***	*67.786*	*67.786*
-Letter of guarantees in USD	***20.200***	***46.842***	*20.810*	*44.415*
Letters of guarantee given to customs offices		**1.429.270**		522.264
-Letter of guarantees in TL	***1.395.422***	***1.395.422***	*487.026*	*487.026*
-Letter of guarantees in USD	-	-	-	-
-Letter of guarantees in EUR	***12.000***	***33.848***	*12.000*	*35.238*
Letters of guarantee given to banks		**258.950**		222.879
-Letter of guarantees in USD	***36.253***	***84.067***	*53.383*	*113.935*
-Letter of guarantees in EUR	***62.000***	***174.883***	*37.100*	*108.944*
Total guarantees given		**2.506.357**		2.067.510

As at 31 December 2014 and 31 December 2013, letter of guarantees received are composed of guarantees from customers and suppliers. Guarantees given are mainly composed of guarantees given to government entities and customs offices. As at 31 December 2014, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TL 258.950 thousand. (31 December 2013-TL 222.879 thousand)

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22. Commitments and contingent assets and liabilities (continued)

Collaterals, pledges, mortgages given by the Group as at 31 December 2014 and 31 December 2013 are as follows:

	December 31 2014	December 31 2013
A. CPMs given for companies in the name of its own legal personality	2.247.407	1.844.631
B.CPMs given on behalf of the fully consolidated companies	258.950	222.879
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C.	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C.	-	-
	2.506.357	2.067.510

Environmental pollution liability:

The Group is responsible for cleaning environmental pollution that could be caused as a result of its operations. There are no lawsuits against the Group regarding environmental matters as of date of these consolidated financial statements.

The environmental impact of the storage of chemical materials, environmental air quality and emission, collection and quality of waste water, garbage dump, surface and underground water and overall refinery operations have been analyzed by an expert advisor company of the Group. As a result of the evaluation regarding the expenditures to be made the Group management is of the opinion that necessary expenditures have been completed as at 31 December 2014 and 2013.

Requirement to keep the national petroleum stocks:

The storage of the national petroleum stocks is the responsibility of petroleum products and LPG distributor license owners should hold a minimum of twenty days' average reserves at their own or other licensed storages, either together or separately. According to Petroleum Market Law, for continuous supply and prevention of risks in extraordinary circumstances, fulfilment of the liabilities related with petroleum reserves during extraordinary situations according to international agreements, the national petroleum reserves are stored with the amount defined as the net imported amount included in the prior year's average daily usage, with minimum duration of 90 days. Refineries are held responsible for holding the supplementary portion of the national petroleum reserves.

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23. Equity

The Company's shareholders and their shareholding percentages as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	Share (%)	31 December 2013	Share (%)
Enerji Yatırımları A.Ş	127.714	51	127.714	51
Publicly owned	122.705	49	122.705	49
Total	250.419	100	250.419	100
Adjustment to share capital	1.344.243		1.344.243	
Total paid-in capital	1.594.662		1.594.662	

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

Registered capital of the Company is TL 500.000 thousand and is divided into 50.000.000.000 shares with a registered nominal value of 1 Kuruş ("Kr") (31 December 2013-1 Kr) each. The authorised and paid-in share capital of the Company comprises 25.041.919.999 Group A shares with a registered nominal value of Kr 1 and one Group C share with privileges belonging to the Privatisation Administration.

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

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

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under "Restricted Reserves". At 31 December 2014, the restricted reserves of the Company (Tüpraş) amount to TL 163.401 thousand (31 December 2013-TL 221.417 thousand).

23. Equity (continued)

Dividend distribution

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

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

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

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TL 1.675.191 thousand as at 31 December 2014. This amount includes inflation adjustment differences of the equity accounts amounting to TL 1.698.998 thousand and other reserves amounting to TL 19.460 thousand which are subject to corporate taxation when distributed as dividends.

In the year ended 31 December 2014, the Company committed to make dividend payment in cash amounting to TL 396.163 thousand which is the total amount remained after first and second composition legal reserves deducted from 2013 distributable net profit of the period and a portion of second composition legal reserves. The Company paid the above mentioned dividend. The Company paid a cash dividend at the rate of 158,2% which corresponds to TL 1,582 gross and TL 1,582 net cash dividend for the shares with a nominal value of TL 1,00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 158,2%, which corresponds to TL 1,582 gross and TL 1,3447 net cash dividend for the shares with a nominal value of TL 1.00 to other shareholders.

In the year ended 31 December 2013, the Company committed to make dividend payment in cash amounting to TL 964.114 thousand which is the total amount remained after first and second composition legal reserves deducted from 2012 distributable net profit of the period and a portion of second composition legal reserves. The Company paid the above mentioned dividend. The Company paid a cash dividend at the rate of 385% which corresponds to TL 3,85 gross and TL 3,85 net cash dividend for the shares with a nominal value of TL 1, 00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 385%, which corresponds to TL 3,85 gross and TL 3,2725 net cash dividend for the shares with a nominal value of TL 1.00 to other shareholders.

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24. Revenue and cost of sales

	1 January- 31 December 2014	1 January- 31 December 2013
Domestic revenue	31.608.288	33.293.436
Export revenue	8.164.696	7.836.246
Service revenue	90.779	61.650
Gross revenue	**39.863.763**	41.191.332
Less: Sales discounts	(120.401)	(95.436)
Less: Sales returns	(20.650)	(17.469)
Sales (net)	**39.722.712**	41.078.427
Cost of goods sold	(36.200.903)	(38.109.417)
Cost of trade goods sold	(2.197.324)	(1.449.834)
Cost of services	(61.687)	(45.870)
Gross profit	**1.262.798**	1.473.306

Cost of sales:

	1 January- 31 December 2014	1 January- 31 December 2013
Raw materials	34.580.380	36.606.499
Cost of trade goods sold	2.197.324	1.449.834
Energy expenses	794.905	776.244
Personnel expenses	332.779	309.778
Depreciation and amortization (Note 12-13)	216.929	211.124
Other production expenses	337.597	251.642
Cost of sales	**38.459.914**	39.605.121

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

General administrative expenses:

	1 January-31 December 2014	1 January-31 December 2013
Personnel expenses	230.141	208.572
Taxes and duties	73.824	81.956
Insurance expenses	45.798	27.330
Outsourced services	45.106	32.281
Lawsuit and consultancy expenses	29.454	14.780
Depreciation and amortisation expenses (Note 12-13)	29.078	24.159
Office expenses	22.740	23.776
Rent expenses	16.827	16.952
Subscription fees	15.456	15.119
Donations	7.191	10.050
Transportation and travel expenses	2.073	2.285
Other	28.255	37.494
Total general administrative expenses	**545.943**	494.754

Marketing, selling and distribution expenses:

	1 January-31 December 2014	1 January-31 December 2013
Personnel expenses	60.696	55.664
Outsourced services	34.908	30.480
Carriage, storage and insurance expenses	33.348	69.808
Advertising expenses	10.226	1.057
Rent expenses	7.092	5.059
Energy expenses	4.878	5.261
Depreciation and amortisation expenses (Note 12-13)	3	4
Other	18.488	19.209
Total marketing, selling and distribution expenses	**169.639**	186.542

Research and development expenses:

	1 January-31 December 2014	1 January-31 December 2013
Personnel expenses	13.579	13.985
Outsourced services	1.203	3.600
Lawsuit and consultancy expenses	378	294
Other	1.060	549
Total research and development expenses	**16.220**	18.428

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26. Other operating income/(expenses)

Other operating income:	1 January-31 December 2014	1 January-31 December 2013
Credit finance gains	144.854	137.719
Provision no longer required	7.900	-
Foreign exchange gain from trade receivables	6.233	17.102
Rent income	2.741	3.407
Other	12.117	7.691
Total other operating income	**173.845**	165.919

Other operating expense:	1 January-31 December 2014	1 January-31 December 2013
Idle capacity expenses		
-Amortisation expenses (Note 12)	(12.113)	(4.994)
-Other idle capacity expenses	(39.167)	(27.024)
Foreign exchange loss from trade payables	(149.016)	(538.316)
Provision for Competition Authority penalty (Note 17)	-	(309.011)
Provision for tax penalty (Note 17)	(54.998)	-
Credit finance charges	(9.093)	(10.273)
Other	(4.711)	(8.692)
Total other operating expense	**(269.098)**	(898.310)

27. Income/(expense) from investment activities

	1 January-31 December 2014	1 January-31 December 2013
Gain on sales of property plant and equipment and intangible assets	(319)	1.318
Total income/(expense) from investment activities	**(319)**	1.318

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28. Financial income/(expenses)

	1 January – 31 December 2014	1 January – 31 December 2013
Financial income:		
Foreign exchange gains on deposits	296.465	808.789
Interest income on deposits	137.846	196.918
Foreign exchange gains on derivative instruments	64.606	-
Total financial income	498.917	1.005.707

Financial expense:		
Foreign exchange losses on borrowings	(438.328)	(841.277)
Interest expenses	(294.960)	(273.303)
Other	(1.012)	(1.133)
Total financial expense	(734.300)	(1.115.713)

29. Tax assets and liabilities

i) Corporation tax:

	31 December 2014	31 December 2013
Current period corporate tax provision	5.147	6.178
Current year tax assets	(1.235)	(1.330)
Corporation tax provision	3.912	4.848

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 2014 is 20% (2013-20%). 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).

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29. Tax assets and liabilities (continued)

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

	2014	2013
Profit before taxation	183.661	13.049
Expected tax expense (%20)	(36.732)	(2.610)
Investment incentive income	1.308.222	1.223.551
Deductions and exemptions	30.094	35.847
Disallowable expenses and differences not subject to taxation	(15.124)	(70.647)
Taxation on income	**1.286.460**	1.186.141

Investment incentive income

In the first period of 2011, within the scope of the decree of the Council of Ministers dated 14 July 2009 and numbered 2009/15199, the Company was granted a large-scaled investment incentive. Within the scope of the subject legislation, the Company can deduct 30% of its investment expenditures related with the new investment, with a discount rate of 50% from tax base in accordance with the legislation provisions, at the time investment is completed and the revenue is started to be recognized. As of 7 October 2013, Residuum Upgrading Project was granted Strategic Investment Incentive by Incentive Implementation and Foreign Investment Department of Ministry of Economy of Republic of Turkey that would be applicable after 19 October 2012. Within the scope of the Strategic Investment, the Company can deduct 50% of its investment expenditures related with the new investment, with a discount rate of 90% from tax base in accordance with the legislation provisions. Accordingly, as of 31 December 2014, investment expenditures amounting to TL 6.297.223 thousand (31 December 2013-TL 4.163.798 thousand) has been made and tax advantages amounting to TL 2.888.214 thousand (31 December 2013 – TL 1.579.992 thousand) has been realized to be used in future periods. Moreover, as of 31 December 2014 within the scope of the Strategic Investment the Company offset TL 72.933 thousand from tax base (31 December 2013 – TL 41.082 thousand)

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29. Tax assets and liabilities (continued)

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 31 December 2014 and 31 December 2013 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax asset/(liability)	
	December 31, 2014	December 31, 2013	**December 31, 2014**	December 31, 2013
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	**1.274.666**	1.226.381	**(254.933)**	(245.276)
Gain on derivative instruments	**64.606**	-	**(12.921)**	-
Financial assets fair value difference	**57.112**	46.790	**(2.856)**	(2.340)
Other	**-**	14.760	**-**	(2.952)
Deferred tax liability			**(270.710)**	(250.568)
Investment incentive income	**6.297.223**	4.163.798	**2.888.214**	1.579.992
Investment incentive income net-offed by tax base within the scope of Strategic Investment Incentive			**(72.933)**	(41.082)
Employment termination benefits and seniority incentive bonus provision	**141.395**	121.452	**28.279**	24.290
Impairment on inventories	**90.204**	-	**18.041**	-
Provision for unused vacation liability	**35.550**	30.905	**7.110**	6.181
Provision for tax penalty	**31.302**	-	**6.260**	-
Provision for impairment on spare parts	**28.812**	30.412	**5.762**	6.082
Provisions for pending claims and lawsuits	**13.743**	12.305	**2.749**	2.461
Fair value difference of derivative financial instruments	**559**	-	**112**	-
Unearned credit finance income, (net)	**148**	4.621	**30**	924
Other	**51.100**	9.587	**10.220**	1.917
Deferred tax assets			**2.893.844**	1.580.765
Deferred tax asset/(liability), net			**2.623.134**	1.330.197

The movement of deferred taxes is as follows:

	2014	2013
Deferred tax asset/(liability), net		
1 January	**1.330.197**	139.216
Charge for the period	**1.291.607**	1.192.319
Actuarial gain/(losses)	**1.720**	(1.063)
Financial assets fair value reserve	**(502)**	(275)
Gains/(losses) on cash flow hedge	**112**	-
31 December	**2.623.134**	1.330.197

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30. Earnings per share

	1 January- 31 December 2014	1 January- 31 December 2013
Profit for the year attributable to shareholders of the Company	1.458.963	1.197.223
Weighted average number of shares with nominal value of Kr 1 each	25.041.920.000	25.041.920.000
Basic and diluted earnings per share in Kr	5,83	4,78

31. Related party transactions

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

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

a) Deposits:

	31 December 2014	31 December 2013
Yapı ve Kredi Bankası A.Ş. (2)	2.508.007	2.006.485
Total	2.508.007	2.006.485

b) Due from related parties:

	31 December 2014	31 December 2013
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.(1)	2.337	-
THY OPET Havacılık Yakıtları A.Ş. (1)	1.869	50.364
Opet Petrolcülük A.Ş. (1)	1.671	216.148
Aygaz A.Ş. (2)	1.503	75.991
Other (2)	3	852
Total	7.383	343.355

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31. Related party transactions (continued)

c) Due to related parties:

	31 December 2014	31 December 2013
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	13.459	6.761
Aygaz A.Ş. (2)	11.863	8.311
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	10.704	6.882
RAM Sigorta Aracılık Hizmetleri A.Ş. (2) (*)	8.583	4.152
Koç Sistem Bilgi ve İletişim A.Ş. (2)	4.985	4.046
Opet Petrolcülük A.Ş. (1)	4.719	5.171
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	2.596	2.264
Setur Servis Turistik A.Ş. (2)	2.234	188
Other (2)	8.706	2.780
Total	**67.849**	40.555

(*) Includes paid and accrued insurance premiums in the year ended 31 December 2014 and 2013 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agency.

d) Advances given for property, plant and equipment:

	31 December 2014	31 December 2013
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	75.720	117.704
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	-	17.224
Total	**75.720**	134.928

e) Bank borrowings:

	31 December 2014	31 December 2013
Yapı ve Kredi Bankası A.Ş. (2)	22.791	32.519
Total	**22.791**	32.519

f) Product and service sales:

	1 January-31 December 2014	1 January-31 December 2013
THY OPET Havacılık Yakıtları A.Ş. (1)	5.561.385	4.435.677
Opet Petrolcülük A.Ş. (1)	3.635.021	3.516.767
Aygaz A.Ş. (2)	432.032	441.817
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	36.778	29.955
Ram Dış Ticaret A.Ş. (2)	4.782	59.585
Other (2)	1.727	1.743
Total	**9.671.725**	8.485.544

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31. Related party transactions (continued)

g) Product and service purchases:

	1 January-31 December 2014	1 January-31 December 2013
Aygaz A.Ş. (2)	389.392	277.471
THY OPET Havacılık Yakıtları A.Ş. (1)	59.958	58.626
Opet Petrolcülük A.Ş. (1)	57.858	70.327
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	52.206	40.797
Eltek Elektrik Enerjisi İthalat, İhracat ve Toptan Tic. A.Ş. (2)	21.843	8.242
Koç Sistem Bilgi ve İletişim A.Ş. (2)	20.694	17.514
Koç Holding A.Ş. (3)	19.074	10.626
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	7.889	6.557
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	7.159	9
Setair Hava Taşımacılığı ve Hizmetleri A.Ş. (2)	6.527	4.916
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	5.507	9.357
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	1.856	2.143
Other (2)	40.908	74.735
Total	**690.871**	581.320

h) Fixed asset purchases:

	1 January-31 December 2014	1 January-31 December 2013
Ark İnşaat Sanayi ve Ticaret A.Ş. (2)	156.442	70.754
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	87.938	-
Koç Sistem Bilgi ve İletişim A.Ş. (2)	48	2.801
Other (2)	733	386
Total	**245.161**	73.941

i) Remuneration of board of directors and executive management:

	1 January-31 December 2014	1 January-31 December 2013
Short term remunerations	57.859	43.355
Total	**57.859**	43.355

Remuneration of board of directors and executive management for the years ended 31 December 2014 and 2013 includes salaries, bonuses, employer shares of Social Security Institution and Koç Holding Emeklilik Vakfı and board of directors' honorarium expenses paid by the Company.

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31. Related party transactions (continued)

j) Financial expenses paid to related parties:

	1 January- 31 December 2014	1 January- 31 December 2013
Yapı Kredi Faktoring A.Ş. (2)	10.185	17.056
Yapı ve Kredi Bankası A.Ş. (2)	6.479	9.699
Yapı Kredi Bank Netherland (2)	194	-
Total	**16.858**	26.755

k) Time deposit interest income:

	1 January- 31 December 2014	1 January- 31 December 2013
Yapı ve Kredi Bankası A.Ş. (2)	63.709	99.018
Total	**63.709**	99.018

l) Donations:

	1 January- 31 December 2014	1 January- 31 December 2013
Koç Üniversitesi (2)	6.580	510
Rahmi Koç Vakfı Müzesi (2)	172	1.335
Vehbi Koç Vakfı (2)	20	4.800
DenizTemiz Derneği (2)	3	3
Total	**6.775**	6.648

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 2014 and 2013. The amounts demonstrated are undiscounted cash flows on agreements and the Group manages its liquidity risk by taking into account its expected undiscounted cash flows.

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32. Financial instruments and financial risk management (continued)

31 December 2014

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Total liabilities (non derivative)	**15.412.011**	**16.294.932**	**7.852.402**	**781.958**	**5.728.051**	**1.932.521**
Financial liabilities	6.120.927	6.779.952	199.715	715.000	3.932.716	1.932.521
Bonds & notes issued	1.634.083	1.857.584	-	66.958	1.790.626	-
Trade payables	5.610.001	5.610.396	5.610.396	-	-	-
Other liabilities	2.047.000	2.047.000	2.042.291	-	4.709	-

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments (net):	**64.047**	**(56.080)**	**-**	**(61.955)**	**4.319**	**1.556**
Derivative cash inflows	64.606	1.758.344	-	1.658.872	73.130	26.342
Derivative cash outflows	559	1.814.424	-	1.720.827	68.811	24.786

31 December 2013

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Total liabilities(non derivative)	15.473.675	16.367.992	9.498.145	608.867	4.293.276	1.967.704
Financial liabilities	5.018.022	5.644.533	834.089	264.231	2.578.509	1.967.704
Bonds & notes issued	1.503.994	1.771.336	-	61.628	1.709.708	-
Trade payables	6.799.037	6.799.501	6.516.493	283.008	-	-
Other liabilities	2.152.622	2.152.622	2.147.563	-	5.059	-

Contractual maturities	Carrying value	Contractual cash-flows	Up to 3 months	3 months-12 months	1 year-5 years	More than 5 years
Derivative instruments (net):	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

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

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32. Financial instruments and financial risk management (continued)

Credit risk:

The Group is subject to credit risk arising from trade receivables related to credit sales, deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customers considered as having a higher risk. Collectability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and are presented in the consolidated financial statements net of adequate doubtful provision.

Major portion of Tüpraş's customers are composed of financially strong companies or government entities. As at 31 December 2014 and 2013, trade receivables from the top 5 customers of the Group constitute 47% and 25% of total receivables, respectively. When these factors are considered together with the insignificant historical default experience for the Group's receivables, the Group management considers the credit risk as low. The Group uses the same risk management principles for the management of financial assets. Investments are made to highly liquid instruments and the banks that the Group deposits its cash and cash equivalents in are selected among the financially strong institutions. As the Group did not have any uncollected, past due, impaired or renegotiated bank deposits, the Group believes that it does not have any impairment risk related to bank deposits.

Credit risks of the Group for each financial instrument type as at 31 December 2014 and 2013 are as follows:

31.12.2014	Receivables						
	Trade Receivables		Other Receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Derivative instruments	Other
Maximum exposed credit risk as of reporting date	**7.383**	**162.452**	-	**30.866**	**3.898.396**	**64.606**	-
-Secured portion of the maximum credit risk by guarantees, etc.	-	111.925	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	7.383	89.243	-	30.866	3.898.396	64.606	-
B. Net book value of overdue but not impaired financial assets	-	73.209	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
-Overdue(gross book value)	-	2.593	-	645	-	-	-
-Impairment (-)	-	(2.593)	-	(645)	-	-	-
-Secured portion of the net value by guarantees, etc.*	-	-	-	-	-	-	-
-Not due yet (gross book value)	-	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
-Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

31.12.2013	Receivables						
	Trade Receivables		Other Receivables				
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Derivative instruments	Other
Maximum exposed credit risk as of reporting date	**343.355**	**1.613.279**	-	**38.933**	**3.663.114**	-	-
-Secured portion of the maximum credit risk by guarantees, etc.	-	919.199	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	343.355	1.057.703	-	38.933	3.663.114	-	-
B. Net book value of overdue but not impaired financial assets	-	555.576	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
-Overdue(gross book value)	-	2.593	-	645	-	-	-
-Impairment (-)	-	(2.593)	-	(645)	-	-	-
-Secured portion of the net value by guarantees, etc.*	-	-	-	-	-	-	-
-Not due yet (gross book value)	-	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-
-Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

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32. Financial instruments and financial risk management (continued)

31 December 2014	**Receivables**				
	Trade receivables	**Other receivables**	**Bank deposits**	**Derivative instruments**	**Other**
Overdue (1-30 days)	**38.813**	**-**	**-**	**-**	**-**
Overdue (1-3 months)	**17.228**	**-**	**-**	**-**	**-**
Overdue (3-12 months)	**17.168**	**-**	**-**	**-**	**-**
Overdue (1-5 years)	**-**	**-**	**-**	**-**	**-**
Overdue (+5 years)	**-**	**-**	**-**	**-**	**-**

31 December 2013	Receivables				
	Trade receivables	Other receivables	Bank deposits	Derivative instruments	Other
Overdue (1-30 days)	118.272	-	-	-	-
Overdue (1-3 months)	339.770	-	-	-	-
Overdue (3-12 months)	97.534	-	-	-	-
Overdue (1-5 years)	-	-	-	-	-
Overdue (+5 years)	-	-	-	-	-

During the impairment test of financial assets, the Group has considered the indicators regarding uncollectibility of receivables that are due.

Market risk

Tüpraş identifies commodity price, interest rate and currency risk as major components of market risk. Foreign exchange and interest risk are evaluated separately based on portfolio and product.

Commodity price risk

Tüpraş is exposed to risk arising from fluctuations in crude oil prices due to raw material inventory held for production. The Group management manages the risk by regularly reviewing the amount of inventory held.

Tüpraş sets its sales price according to Petroleum Market Law No: 5015 considering the product prices at the Mediterranean market, which is the closest reachable world competitive market and USD currency rates. The changes in prices in the Mediterranean market and USD currency rate are evaluated daily by the Company management and sales prices are updated when prices calculated according to the aforementioned factors differ significantly from current sales prices.

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32. Financial instruments and financial risk management (continued)

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by balancing interest rate sensitive assets and liabilities.

The Group's interest rate position as at 31 December 2014 and 2013 is demonstrated below:

	31.12.2014	31.12.2013
Financial instruments with fixed interest rate		
Financial assets		
Time deposits	**3.867.791**	3.618.478
Financial liabilities	**3.602.023**	3.073.854
Financial instruments with floating interest rate		
Financial liabilities (*)	**4.152.987**	3.448.162

(*) As of December 31 2014, threre is interest rate swap amounting to USD 500.000 thousand classified as hedging entered for borrowings with floating rate for Tupras' Residuum Upgrading Project.(December 31 2013-None)(Note 20)

As at 31 December 2014, had the interest rate for borrowings denominated in USD strengthened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 628 thousand lower. (31 December 2013-TL 3.374 thousand). As at 31 December 2014, had the interest rate for borrowings denominated in USD weakened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 628 thousand higher. (31 December 2013-TL 2.942 thousand). As at 31 December 2014, had the interest rate for borrowings denominated in EURO strengthened/weakened by 100 base points (1%), with all other variables held constant, profit before tax would be TL 544 thousand lower/higher (31 December 2013-TL 200 thousand).
As at 31 December 2014, there is not any interest rate risk for borrowings denominated in TL. (As at 31 December 2013, there is not any interest rate risk for borrowings denominated in TL.)

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 2014 and 2013 based on their contractual repricing dates are disclosed in Note 5.

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32. Financial instruments and financial risk management (continued)

Foreign exchange risk

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

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

The table below summarizes the foreign currency position risk of the Group as at 31 December 2014 and 31 December 2013. Foreign currency denominated assets and liabilities of the Group and related foreign currency position are as follows:

	31 December 2014	31 December 2013
Assets	**1.474.548**	3.239.877
Liabilities	**(10.046.577)**	(10.218.215)
Net balance sheet foreign currency position	**(8.572.029)**	(6.978.338)
Net foreign currency position of derivative financial instruments	**1.646.419**	-
Net foreign currency position	**(6.925.610)**	(6.978.338)

(Convenience translation of the independent auditor's report and consolidated financial statements originally issued in Turkish (See Note 2.2.3))

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32. Financial instruments and financial risk management (continued)

Foreign currency position table

	31 December 2014					31 December 2013				
	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TL equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	9.089	3.919	-	-	-	27.605	12.934	-	-	-
Monetary financial assets(including cash, banks)	1.365.609	573.657	12.450	66	-	3.053.472	1.428.357	1.615	53	-
Other	3.008	1.294	3	-	-	2.217	1.039	-	-	-
Current assets	**1.377.706**	**578.870**	**12.453**	**66**	**-**	3.083.294	1.442.330	1.615	53	-
Other	96.842	720	33.133	-	1.715	156.583	1.106	47.281	984	11.926
Non-current assets	**96.842**	**720**	**33.133**	**-**	**1.715**	156.583	1.106	47.281	984	11.926
Total assets	**1.474.548**	**579.590**	**45.586**	**66**	**1.715**	3.239.877	1.443.436	48.896	1.037	11.926
Trade payables	3.379.589	1.430.395	21.048	685	805	4.496.742	2.088.905	12.386	339	829
Financial liabilities	516.692	202.028	17.090	-	-	274.628	64.871	46.372	-	-
Other monetary liabilities	923	398	-	-	-	2	1	-	-	-
Current liabilities	**3.897.204**	**1.632.821**	**38.138**	**685**	**805**	4.771.372	2.153.777	58.758	339	829
Financial liabilities	6.148.882	2.580.609	58.393	-	-	5.446.843	2.534.184	12.986	-	-
Other monetary liabilities	491	212	-	-	-	-	-	-	-	-
Non-current liabilities	**6.149.373**	**2.580.821**	**58.393**	**-**	**-**	5.446.843	2.534.184	12.986	-	-
Total liabilities	**10.046.577**	**4.213.642**	**96.531**	**685**	**805**	10.218.215	4.687.961	71.744	339	829
Net asset/liability position of off-balance sheet foreign currency derivatives	**1.646.419**	**710.000**	**-**	**-**	**-**	-	-	-	-	-
Total amount of off-balance sheet derivative financial assets	**1.646.419**	**710.000**	**-**	**-**	**-**	-	-	-	-	-
Total amount of off-balance sheet derivative financial liabilities	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
Net foreign currency asset/(liability) position	**(6.925.610)**	**(2.924.052)**	**(50.945)**	**(619)**	**910**	(6.978.338)	(3.244.525)	(22.848)	698	11.097
Net monetary foreign currency asset/(liability) position	**(8.671.879)**	**(3.636.066)**	**(84.081)**	**(619)**	**(805)**	(7.137.138)	(3.246.670)	(70.129)	(286)	(829)
Fair value of derivative instruments	**64.606**	**27.861**	**-**	**-**	**-**	-	-	-	-	-

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32. Financial instruments and financial risk management (continued)

The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 31 December 2014, the Group has raw materials and petroleum products amounting to TL 2.263.213 thousand (31 December 2013-TL 3.375.937 thousand) (Note 8).

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 2014 and 31 December 2013.

Statement of foreign currency risk sensitivity				
	31 December 2014			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
	10% change in USD rate:			
USD net assets/liabilities	(843.167)	843.167	-	-
Amount hedged for USD risk (-) [*]	395.635	(603.196)	-	-
USD net effect	**(447.532)**	**239.971**	**-**	**-**
	10% change in EUR rate:			
Euro net assets/liabilities	(23.717)	23.717	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	**(23.717)**	**23.717**	**-**	**-**
TOTAL	**(471.249)**	**263.688**	**-**	**-**

	31 December 2013			
	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	(692.937)	692.937	-	-
Amount hedged for USD risk (-) (*)	12.142	(327.601)	-	-
USD net effect	(680.795)	365.336	-	-
	10% change in EUR rate:			
Euro net assets/liabilities	(20.593)	20.593	-	-
Amount hedged for Euro risk (-)	-	-	-	-
EUR net effect	(20.593)	20.593	-	-
TOTAL	(701.388)	385.929	-	-

[*] The Company has compared the currency differences arising from the RUP investment loan, which the Company has used, with the interest rates in TL and capitalized the exceeding amount of foreign currency interests in construction in progress account. The impact of the 10% rise or fall in the foreign exchange rates was calculated using the same method and the capitalized foreign exchange losses were classified as the amount hedged against US dollar in the statement of exchange rate sensitivity analysis.

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32. Financial instruments and financial risk management (continued)

Export and import

	1 January- 31 December 2014	1 January- 31 December 2013
Export		
USD (equivalent of thousand TL)	8.162.742	7.833.772
Total	8.162.742	7.833.772
Import		
USD (equivalent of thousand TL)	31.544.417	34.440.960
Total	31.544.417	34.440.960

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 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Total financial liabilities (Note 5)	7.755.010	6.522.016
Less: Cash and cash equivalents (Note 4)	(3.898.396)	(3.663.114)
Net financial liabilities	3.856.614	2.858.902
Total shareholders' equity	6.212.630	5.138.514
Total capital invested	10.069.244	7.997.416
Gearing ratio	38,30%	35,75%

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.

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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. When fixed interest rate applicable as of balance sheet is applied to long term bank borrowings with fixed interest rate, the fair values of long-term bank borrowings with fixed interest approximate to their respective carrying values.

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 2014 is as follows:

Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3
Derivative financial assets	-	64.606	-
Financial investments	-	-	-
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	-	559	-

As of December 31 2013, there is no financial instrument related to fair value hierarchy table.

33. Subsequent events

As announced by Tüpraș in material event disclosure on December 18, 2014, December 31, 2014, January 16, 2015 and January 19, 2015, Tüpraș has obtained necessary permissions to issue bonds to qualified investors without public offering in Turkey with a maximum amount of TL1 billion; bond issuance with a nominal value of TL200 million with a maturity of 728 days and fixed coupon payment in every six months completed on 19 January 2015.

Glossary

GLOSSARY OF TERMS

	TURKISH	ENGLISH
APC	İleri Proses Kontrolü	Advanced Process Control
API	Amerikan Petrol Enstitüsü (API) tarafından çıkarılan ve özgül ağırlığa bağlı API gravite tanımı, petrolün sınıflandırılması için kullanılır.	American Petroleum Institution
ASRFO	Atmosferik Straight Run Fuel oil	Atmosferik Straight Run Fuel oil
ASTM	Uluslararası Standartlar	American Society for Testing and Materials
BAT	Mevcut en iyi teknoloji	Best Available Technology
CCR REFORMER	Katalist Rejenerasyonlu Reformer	Continuous Catalytic Regeneration
CDU	Ham Petrol Distilasyon Ünitesi	Crude Distillation Unit
CIF	İthalatta, mal fiyatının üzerine sigorta ve navlun giderlerinin de eklendiği bir alım-satım şeklidir.	Cost, insurance & freight
ÇED	Çevresel Etki Değerlendirmesi	Environmental Impact Assessment
DCS	Kontrol Sistemi	Distributed Control System
DECOKER	Koklaştırma Ünitesi	Delayed Coker
DSS	Sürdürülebilir Çözümler	Dupont Sustainable Solutions
DUPONT	Bir işletmede aktiflerin devir hızı ile satışların kârlılık oranının bir araya getirilerek işletmenin yaptığı yatırımlar üzerinden kârlılığı ortaya koyan sistem	A company active in the transfer speed with which demonstrate the profitability of the company through investments made by combining the profitability of sales system
DWT	Uluslararası Denizcilik Ticaretinde ve Denizcilik Endüstrisinde kullanılan bir ölçüm birimidir	Deadweight Tonnage
DYS	Değişiklik Yönetim Sistemi	Change Management System
EBH	Kaynayan Yataklı Hidrkraker	Ebullated Bed Hydrocraker
EDC	Solomon'un normalizasyon yapmak için kullandığı bir katsayıdır	is a normalization factor that is used to make Solomon
EFQM	Avrupa Kalite Yönetimi Vakfı	European Foundation for Quality Management
EII	Enerji Yoğunluğu Endeksi	Energy Intensity Index
ENVER	Enerji Verimliliği	Energy Efficiency
EPDK	Enerji Piyasası Düzenleme Kurumu	Energy Market Regulatory Authority
ESD	Elektrostatik deşarj	Electrostatic discharge
EUREKA	Avrupa Araştırma Koordinasyon Ajansı	European Research Coordination Agency
EURO 3	Euro Emisyon Standardı (Maks. Kükürt 350ppm)	Euro Emission Standard (Max. Kükürt 350ppm)
EURO 4	Euro Emisyon Standardı (Maks. Kükürt 50ppm)	Euro Emisyon Standard (Max. Kükürt 50ppm)
EURO 5	Euro Emisyon Standardı (Maks. Kükürt 10ppm)	Euro Emisyon Standard (Max. Kükürt 10ppm)
FAVÖK	Faiz, Vergi ve Amortisman Öncesi Kâr	EBITDA
FCC	"Fonksiyonu, ağır hidrokarbon petrol fraksiyonlarını benzin, orta damıtıklar ve hafif olefinler gibi daha faydalı ürünlere dönüştürmektir. "	Fluid catalytic cracking
FED	Amerika Merkez Bankası	Bank of America
FOB	Tedarikçinin malzemeyi nakliye yapılacağı geminin güvertesine taşıyana kadar olan sorumluluğunu içerir	Free on Board
FP7	Avrupa Birliği'nde çokuluslu araştırma ve teknoloji geliştirme projelerinin desteklendiği başlıca Topluluk Programları'dır.	The Seventh Framework Programme
GDR	Global Depo Sertifikası	Global Depositary Receipt
GMB	Güvenlik Merkezli Bakım	Security Centered Care
GTL/CTL	Gazdan Sıvı, Kömürden Sıvı	Gas To Liquid, Coal to Liquid
HAY	Hata Ayıklama Yöntemi	Debugging Method
HAZOP	Tehlike ve işletilebilme çalışması metodu	Hazard and Operatibilty Study
HDS	Kükürt Giderme	Hydro Desulphurization
HORİZON	AB Araştırma ve Yenilikçi Çerçeve Programı	EU Research and Innovation Framework Programme
HRSG	Isı recovery buhar jeneratörü	Heat recovery steam generator
HSRN	Ağır Nafta	Heavy Straight-Run Naphtha
HVGO	Hydrocracker ünitesi, vakum distilasyon ünitesinden elde edilen HVGO daha değerli beyaz ürünlere çeviren bir dönüşüm ünitesidir. Ünite bu işlemi molekül ağırlığı yüksek hidrokarbonların hidrojenli ortamda, yüksek basınç ve sıcaklık şartlarında bir parçalanmaya tabi tutulduğu yüksek teknoloji gerektiren " Hydrocracking Prosesi" ile gerçekleştirilmektedir.	Heavy Vacuum Gas Oil
HYDROKRAKER	Rafinerilerin en önemli dönüşüm ünitelerinden biridir. Vakum ünitelerinde üretilen ağır vakum yağı ürünün bu üniteye şarj edilerek düşük kükürtlü LPG, nafta, benzin, jet yakıtı, motorin, ve fuel oil üretimi için kullanılır.	Hydrocracker
IEA, UEA	Uluslar Arası Enerji Ajansı	International Energy Agency
IOPC	Uluslararası Petrol Kirliliği Tazminat Fonu	International Oil Pollution Compensation Funds
ISM	Uluslararası Emniyetli İşletim	International Safety Management
ISPO	Uluslararası Pilotaj Standartları	International Flight Training Standards
ISPS	Uluslararası Gemi ve Liman Güvenlik Kuralları	International Ship and Port Security Rules

	TURKISH	ENGLISH
İTA	İş Tehlike Analizleri	Job Hazard Analysis
KBS	Kazan Besleme Suyu	Boiler Feed Water
KKDF	Kaynak Kullanımı Destekleme Fonu	Resource Utilization Support Fund
KKO	Kapasite Kullanım Oranı	Capacity Utilization Rate
KOK	Kalıcı Organik Kirleticiler	Persistent Organic Pollutants
KPI	Proses Emniyeti Temel Performans Göstergeleri	Process Safety Key Performance Indicators
LASTFIRE	Büyük Athmosperic Depolama Tankı Yangın Grubu	Large Athmosperic Storage Tank Fire Group
LCGO	Light Cycle Gas Oil	Light Cycle Gas Oil
LCGO/HCGO	Hafif/Ağır Koklaştırma Dizeli	Light/Heavy Gas Oil
LSRN	Hafif Nafta	Light Straight Run Naphtha
LVGO	Vakum kolonundan HVGO bölgesi üzeri, API gravitesi 23-26 arasında olan ve %95 kaynama noktası 360-390oC civarında olan hidrokarbon ürünüdür.	Light Vacuum Gasoil
ME	Mekanik Emreamadelik	Mechanical Availabilities
MTBE	Benzinin oktanını artırmak ve aromatik miktarını düşürmek amacıyla kullanılan yüksek oktanlı hidrokarbon'dur.	Methyl tertiary-butyl ether
NELSON COMPLEX	Beyaz Ürün Üretebilme Kapasitesi	White Goods able to produce Capacity
OBCE	Open Book Conversion Estimate	Open Book Conversion Estimate
OCIMF	Petrol Şirketleinin Uluslararası Denizcilik Forumu	The Oil Companies International Marine Forum
OEA	Operasyonel Emreamadelik	Operational Availabilities
OSAR	Olay Sınıflandırma, Araştırma ve Raporlama	Event Classification, Research and Reporting
OSAR	Sınıflandırma, Araştırma ve Raporlama	Classification, Research and Reporting
P&I	Koruma ve Tazminat	Protection and Indemnity
PAJ	Pet. Association of Japan	Pet.Association of Japan,
PCT	Uluslararası Patent Koruması	International Patent Protection
PETDER	Petrol Sanayi Derneği	Petroleum Industry Association
POX	Kısmı Oksidasyon Ünitesi	Partial Oxidation
PPM	Yakıtta çok düşük konsantrasyonda bulunan maddeleri ifade etme amacıyla ppm (parts per million-milyonda bir) terimi kullanılmaktadır. Ppm bir kilogram yakıtta mg cinsinden kükürt miktarını gösterir.	Parts Per Million
PT	Penetrant Test	Penetrant Test
QDMS	Tüpraş Kalite Yönetim ve Doküman Sistemi	Quality Documentation Management System
RAYEP	Rafinerici Yetiştirme Programı	Refining Training Program
RBI	Risk Tabanlı Teknik Kontrol	US-based Technical Risk Control
RDT	Risk Değerlendirme Tablosu	Risk Evaluation Chart (REC)
RGY	Risk ve Güvenirlilik Yönetimi	Risk and Reliability Management
RON	Oktan sayısı, benzinin kalitesini gösteren en önemli parametre olup motordaki vuruntunun ölçümüdür.	Research Octane Number
RTK	Risk Tabanlı Kontrol	Risk-Based Control
RUP	Fuel Oil Dönüşüm Ünetisi	Residium Upgrading
SDA	Çözücü Yardımıyla Asfalt Ayırma Ünitesi	Solvent Deasphaltıng Unit
SEÇ	Sağlık, Emniyet ve Çevre	HSE
SEÇ-K	Sağlık, Emniyet, Çevre ve Kalite	Health, Safety, Environment and Quality
SEVESO-II	Büyük Endüstriyel Kazaların Önlenmesi ve Etkilerinin Azaltılması Hakkında Yönetmelik	Prevention of Major Industrial Accidents and Mitigation of Impacts on Regulation
SMR	Hidrojen Üretim Ünitesi	Stream Methane Reformer
SRD	Sağlık Risk Değerlendirmesi	Health Risk Assessment
TA	Duruş Yönetimi	Posture Management
TAEK	Türkiye Atom Enerji Kurumu	Turkey Atomic Energy Agency
TEYDEB	Teknolojik ve Destek Programları Başkanlığı	Technological and Support Programs Department
TEYS	Tehlike ve etkilerin yönetim süreci	Management process of the dangers and effects
TKLS	Anahtar Teslimi	Turn Key Lump Sum
TMSA 2	Petrol Tankeri Yönetimi ve Değerlendirmesi	Tanker Management Self-Assessment 2 (TMSA2).
TPE	Ton Petrol Eşdeğeri	Tons Petroleum Equivalent
TPP	Termal Power Plant	Thermal Power Plant
TÜRKAK	Türk Akreditasyon Kurumu	Turkish Accreditation Agency
VAP	Verimlilik Artırıcı Proje	Efficiency Enhancement Project
VDU	Vakum Destilasyon Ünitesi	Vacuum Distillation Unit
VGO	Vakum Gasoil	Vacuum Gasoil
VLCC	Çok Büyük Hampetrol Gemisi	Very Large Crude Carrier
VOC	Uçucu Organik Bileşenler	Volatile Organic Compounds
WTI	Kuzey denizinden çıkarılan varili uluslararası standart olarak kabul edilen kaliteli ham petrol. dünya genelinde parasal ölçü birimi olarak kullanılır. Uluslararası Petrol Borsası'nda işlem görür.	West Texas Intermediate

Glossary

GLOSSARY OF UNITS

	TURKISH	ENGLISH
TEP	Ton Eşdeğer Petrol	Tons of oil Equivalent
ROE	Özkaynak Kârlılığı	Return on Equity
m3	metre küp	Cubic meter
MW	mega wat	Megawatt
KG	Kilogram	Kilogram
GRT	Gros tonaj	Gros tonaj
M/T	Milyon Ton	Million tonnes
Kv	Kilovat	Kilowatt
kWh	Kilovatsaat	Kilowatt Hour
m2	Metre kare	Square meter
CO2	Karbondiyoksit	Carbon dioxide
GCAL	Giga kalori	Gcal/year
Ton CO2e	Ton Karbondioksit Eşleniği	Ton Carbon dioxide Equivalent
TJ	Terajoule	Terajoule
MJ	Megajoule	Megajoule
j	Joule	Joule
Mt	Milyon Ton	Million ton
t	ton	ton
bpd	Bir Günde Üretilen Petrol Varil Sayısı	Barrel Per Day
MtOE	Milyon Ton Petrol Eşdeğeri	Million Tons of oil Equivalent
mmcf	Milyon Küp Feet	Milyon Cubic Feet,
g/l	Gram/Litre	Gram/Litre
ppm	Milyon Başına Düşen Parça Sayısı	Number of Parts Per Million
b/cd	Günlük Ham Petrol Varil Sayısı	Number of Daily Crude Oil Drum
N	Newton	Newton