

NATIONAL GLOBAL CİOBAVT MİTİOMVT

LEADER IN ITS REGION, ACTIVE IN THE WORLD

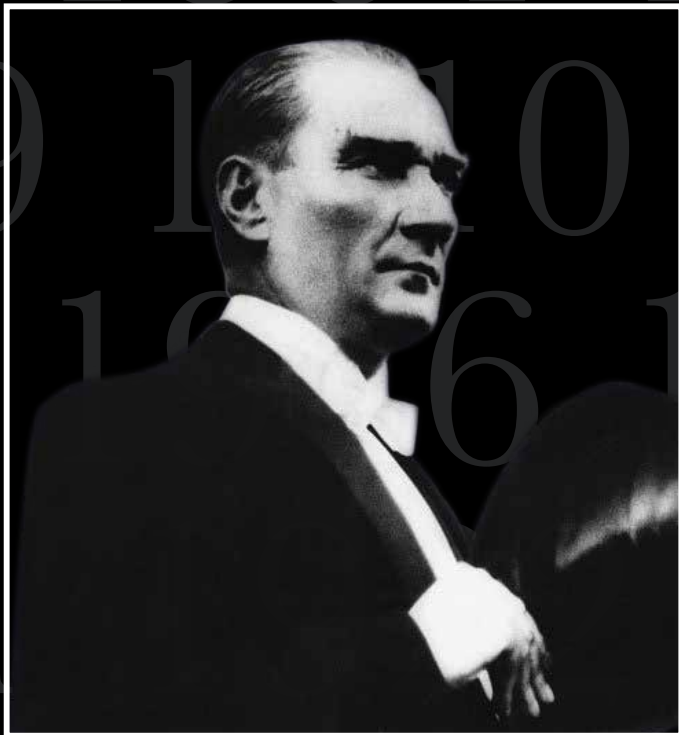


TURKISH PETROLEUM

2015 ANNUAL REPORT

**FIRST OF ALL, WE CARE ABOUT OUR
PEOPLE. WE KNOW THAT CONTENT
EMPLOYEE IS MORE PRODUCTIVE. WE
KNOW THAT THE MORE POWERFUL WE
ARE THE STRONGER WE PROCEED.
IN 61 YEARS SHAPED WITH JOY, WE
CARE ABOUT SMILING FACES.
ON THE WAY OF BEING A GLOBAL BRAND,
WE MAINTAIN OUR INVESTMENTS IN
TECHNOLOGY, PEOPLE AND DOMESTIC
AND INTERNATIONAL FIELDS WITH THE
SUPPORT OF NATIONAL POWER.**





The success of a nation is possible only if all the national powers are formed in one destination. For this reason, the success we have achieved has arisen from the fact that the nation is collaborated and moves together. If we want to re-achieve the same successes and victories in the future, let us rest on the same basis and proceed in the same way.

K. Atatürk

Sincere regards...



**NATIONAL
GLOBAL
СГОВАТ
НАЦИОНАЛ**



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Turkish Petroleum, was founded in 1954 to be involved in hydrocarbon exploration, drilling, production, refinery and marketing activities on behalf of public. With the responsibility of being one of the pioneer actors of our country, TP has proceeded **by breaking new grounds in oil sector its over 60 years' history.**

Turkish Petroleum that brought major institutions like PETKİM, TÜPRAŞ, BOTAŞ and PETROL OFİSİ about our country, continues its activities by involving in important projects and consortia in Turkey and abroad.

Our aim is to be a regionally effective world class company that is desired to be cooperated and meets Turkey's oil and natural gas demands. Besides, we aim to determine the oil and natural gas potential of our country and contribute it to the national economy, to provide a source of income via international activities, to play an active role in energy sector and to make our country an energy corridor.

Turkish Petroleum, with **its approximately 5,000 employees**, was structured as having its general directorate in Ankara and District Managements where oil and natural gas exploration and production activities held intensely in Batman, Thrace and Adiyaman. **To ensure energy supply security of the country, TP conducts its exploration and production activities in Azerbaijan, Iraq, Afghanistan and Russian Federation. Business development activities continue also in Caspian Region, Russian Federation, Middle East, Africa and South America.**

TP pulls out all the stops by using contemporary methods in Crude Oil and Natural Gas Productions, Unconventional Production Activities, International Pipeline Projects.

Turkish Petroleum adopts the values of merit, effectiveness and productivity, teamwork and communication, openness to change and innovativeness, environmental awareness, employee satisfaction, responsibility, knowledge, experience, share of authority, credibility and honesty as principles and proceeds by getting its strength from these lands.



**WE WISELY REFLECT THE POWER
WE GAINED FROM NATIONAL LABOUR,
ON OUR STRATEGIES.**



STRATEGIES



OUR DESIRE TO BE A LEADER IN ITS REGION AND GLOBALLY ACTIVE OIL COMPANY, IS SHAPED NOT ONLY BY OUR TECHNOLOGICAL INVESTMENTS, EXPLORATION AND PRODUCTION ACTIVITIES BUT ALSO WITH VALUE WE ATTACH TO OUR EMPLOYEES AND CONSCIOUSNESS FOCUSING ON INDIVIDUAL DEVELOPMENT.

Core Competency dimension comprises of the following fields:

- Exploration
- Production
- Business Development
- R&D

Strategic objective of the Core Competency dimension is to increase reserves and production at low costs.

Basic approach to the **Exploration** field is to unfold the hydrocarbon potential of Turkey with an emphasis on offshore. Regarding **Production** field, preventing the decline of production in the domestic production fields within the limits of project economics and profitability approach is embraced. In the field of **Business Development**, the goal is to engage in acquisition of development-production fields and joining international exploration projects via partnerships.

Basic approach of **R&D** strategic field is to manage TP with a focus on E&P business. The goal is to develop innovative technologies regarding conventional and unconventional exploration and production.

Corporate Competency dimension comprises of the following fields:

- People & Environment
- Corporate Management
- Commercial Value
- Clients & Shareholders

Strategic objective of the Corporate Competency dimension is to achieve effective, efficient and sustainable corporate structure and management.

Basic approach of **People & Environment** strategic field is to increase employee satisfaction as being an environment and society sensitive company.

Basic approach of **Corporate Management** field is to achieve effective, efficient and sustainable corporate structure.

Commercial Value strategic field emphasizes the prioritization of economic value added in investment decisions, efficient cost management and maintaining sustainable cash flow through structured corporate finance management.

Clients & Shareholders field contains Corporate Communication section that would develop the corporate perception by the society, bureaucracy and business partners. Regarding Domestic Procurement, the goal is to support domestic manufacturing via increasing the share of domestic procurement.



Chairman and President

Besim ŞİŞMAN



Member of the Board

Süleyman ÇALIK



Chairman and President

Besim ŞİŞMAN



Legal Advisory
Erinç KAYA



Inspection Board
Ahmet ASLAN



Department of Strategy Development
Memet Ali KAYA



Department of Internal Audit
Rifat YILMAZ



Advisor to the President



Corporate Communication Management



Secretariat to the President



Bureau of the Board of Directors



**Vice President and
Member of the Board**

Süleyman ÇALIK



Department of
Production
Ali TİREK



Batman District
Management
Güven TULUK (A)



Adıyaman District
Management
Bedih GÜMÜŞ (A)



Thrace District
Management
Murat HACİHALİLOĞLU



Vice President

Mehmet Sait KİRAZOĞLU



Department of Finance
Alper YILDIRIM



Department of
Machinery Supply
M. Talip BEKTAŞ



Department of
Support Services
Erkan İNCE

ORGANIZATION CHART



Member of the Board

Cumali KINACI



Member of the Board

Yalçın YÜKSEL



Vice President

İrfan MEMİŞOĞLU



Vice President

Barış BOZKAYA



Vice President

Mücahit ÖZDEMİR



Department of Human
Resources
Şeref ASLAN



Department of
Exploration
Erdal COŞKUN



Department of
Well Completion
Enver ÇETİNKAYA



Department of Information
Technologies
M. Abuzer OKUTAN



Department of Business
Development
M. Fehmi KARCI



Department of Drilling
Ercan HAYIR



Department of Occupational
Safety & Environmental
Protection
Bahadır EKİZER (A)



TP-ARGEM
Nazan TOPGÜDER (A)



TPOC



Geophysical Operations
Management

TURKISH PETROLEUM HAS REPRESENTED OUR COUNTRY AT THE HIGHEST LEVEL FOR 61 YEARS IN OIL AND NATURAL GAS SECTOR WHICH IS ONE OF THE MOST STRATEGIC AREAS OF THE WORLD ECONOMIC SYSTEM. IT CONTINUES ITS ACTIVITIES IN THE BEST WAY IN ORDER TO REALIZE EFFICIENTLY HIS DUTY OF ENERGY SECURITY OF SUPPLY AND RESOURCE DIVERSIFICATION OF TURKEY.



Turkish Petroleum has represented our country at the highest level for 61 years in oil and natural gas sector which is one of the most strategic areas of the World economic system. It continues its activities in the best way in order to realize efficiently his duty of energy security of supply and resource diversification of Turkey.

Oil prices' slump from \$110/b to \$60/b in the last year, baffled not only oil companies but also the whole world and investors. The ongoing downtrend in 2015 continued into \$40/b and even below. However, that was an opportunity for Turkey to reduce the current budget deficit as it imports 90% of its oil and natural gas demand. Our current deficit, which was announced at the end of 2014 as \$ 46.53 billion, declined to \$ 32.19 billion at the end of 2015, as the decline in oil prices continued. It was reduced to 32.19 billion dollars at the end of 2015. Turkey achieved 4% growth in economy in the same period and overcame the 28 EU countries, that demonstrated how much robust Turkey's economy is.

The year 2015 was financially positive for Turkey. Yet, it was difficult for Turkish Petroleum as well as all other Exploration-Production companies in the World. Throughout 2015, oil supply continued to increase driven by OPEC member countries and the United States.

The stock exchange values and revenues of all integrated oil companies, independent exploration production companies, service companies and to some degree marketing companies suffered a serious decline. A considerable number of exploration Projects were postponed and many were canceled. Tens of thousands employee were dismissed especially in service companies. As cash money shrank in the market and became more precious than before in real terms, the global upstream investments of national and international oil companies declined by \$ 147 billion in 2015, which was a record.

Under these circumstances, all oil companies were forced to return to 80's financial culture by that cash flow shock. Among the measures to be taken, the most obvious measures were to reduce capital investments and hence major exploration projects, to reduce operation costs, to discharge employees and to force suppliers for discounts. One of the major changes on global scale is, NOCs were forced to cut down on the investments to an extreme low level and could not attract the foreign investments.

Turkish Petroleum which makes great effort to survive in similar periods with minimum damage, aims to support sustainable energy development and attract investors to energy projects while continuing its hydrocarbon exploration and production activities with unconventional methods in Thrace and Southeastern Anatolia. In this context, with the unconventional exploration well we drilled in Thrace Region in 2015, we have achieved promising results for the future.

TURKISH PETROLEUM CONTINUES TO WORK CONSTANTLY TO REALIZE ITS GOAL OF BEING ONE OF THE BEST KNOWN TEN TURKISH BRANDS IN THE WORLD. WE, AS THE FAMILY OF TURKISH PETROLEUM, ON THE WAY OF BEING STRONGER COMPANY WHO MAKES EFFICIENT AND PLANNED WORK A PRINCIPLE, PRIORITIZES TO SUPPORT HUMAN RESOURCES AND THE LIFE IN THE OPERATION AREAS, CONTINUE TO PROCEED WITH DETERMINATION. I STRONGLY BELIEVE THAT WE WILL ACHIEVE MUCH MORE SUCCESS IN THIS PROCESS IN WHICH WE SEEK TO MANAGE THE CHANGE INSTEAD OF FOLLOWING IT.

The efforts to persuade global exploration-production companies, who have been already experiencing serious cash problems, investing in our country have been interrupted by conjectural reasons. Exploration activities with international partners have been carried out in order to transform the high gas potential of the Black Sea into reserve and production.

Şile-1 exploration well drilled together with Shell in the Black Sea and 2D and 3D data acquisition studies carried out by Barbaros Hayreddin Paşa Seismic Ship in the Black Sea and Mediterranean Sea are one the best examples of this. Moreover, activities to be carried out in order to reveal the energy potential of our seas, especially the Black Sea in the following years, are planned in the most appropriate way.

In recent years, depending on Turkey's development strategy, we have turned our route to abroad to meet the increasing energy demand and ensure security of energy supply. In addition to the share increase in the Shah Deniz Project and the field purchase in Russia realized in recent period, we continued our investments in Afghanistan in 2015 with a consortium partner in accordance with the guiding role that our country undertakes in the nearby geography.

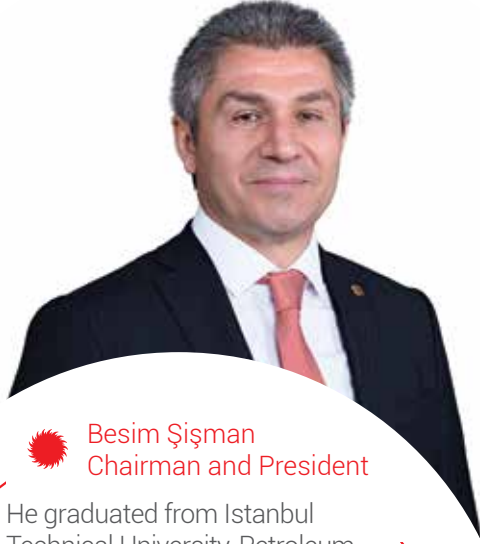
In compliance with our belief that the future depends on the R&D and Innovation, within the framework of the R & D Law No. 5746 and related Regulations, our Research Center Department was registered as the first 100% state-owned R&D Center of Turkey under the name of TP ARGEM the conducted studies together with the Ministry of Science, Industry and Technology. This development, which we believe will make a great contribution to the achievement of our country's 3% target of 2023 R&D, will be beneficial not only for Turkish Petroleum but also for Turkey as a whole.

I would like to proudly say that we are experiencing the happiness of hosting the World Petroleum Congress in Istanbul in 2017, consisted of 65 member countries which meet 95% of the global oil and natural gas production and consumption. The congress hosts more than 5,000 delegates, more than 50 President / Minister, more than 500 CEOs and more than 10,000 participants. In this market where such active and multinational companies are involved, World Petroleum Congress will offer great advantages to our company and country in many fields such as transfer of know-how and technology, sharing of knowledge and experience and mutual investment decisions. Moreover, operational excellence and professional project management are emphasized in 2015 once again are now far more than ideal approaches. In this respect, the sector companies' that have to change the conventional methods of business models, coming together and sharing information will ensure that the market could stay on more solid basis over the long term.

Turkish Petroleum continues to work constantly to realize its goal of being one of the best known ten Turkish brands in the world. We, as the family of Turkish Petroleum, on the way of being stronger company who makes efficient and planned work a principle, prioritizes to support human resources and the life in the operation areas, continue to proceed with determination. I strongly believe that we will achieve much more success in this process in which we seek to manage the change instead of following it.



Besim ŞİŞMAN
Chairman and President



 **Besim Şişman**
Chairman and President

He graduated from Istanbul Technical University, Petroleum Engineering Department in 1988. In 2015, he studied Executive MBA master's degree programme of Bilkent University. He was assigned as a Member of the Board and Vice President of TP in 2009.

He had been Acting Chairman and President from 2013 to 2015 and on May 1, 2015, he was assigned as Chairman and President.



 **Süleyman Çalık**
Member of the Board
and Vice President

He graduated from Istanbul Technical University, Mining Faculty, Petroleum and Natural Gas Engineering Department in 1997. He studied his master's degree of International Relations in Yıldırım Beyazıt University in 2015.

Since April 2016, he has been a Member of the Board and Vice President of TP.



 **Yalçın Yüksel**
Member of the Board

He graduated from Ankara University, Faculty of Political Sciences, Department of Economics. He studied his master's degree of Economics Policy in Illinois University, USA between 2011 and 2012.

Since May 2015, he has been a Member of the Board of TP.



 **Cumali Kınacı**
Member of the Board

He graduated from Istanbul Technical University, Civil Engineering Department. He studied master's degree in Istanbul Technical University Institute of Science, Environmental Engineering in 1982 and doctorate in the same program in 1987.

Since 2003, he has been a member of the Board of TP.

Besim Şişman

Chairman and President

1

He graduated from Istanbul Technical University, Petroleum Engineering Department in 1988. In 2015, he studied Executive MBA master's degree programme of Bilkent University. He was assigned as a Member of the Board and Vice President of TP in 2009.

He had been Acting Chairman and President from 2013 to 2015 and on May 1, 2015, he was assigned as Chairman and President.

Süleyman Çalık

Member of the Board
and Vice President

2

He graduated from İstanbul Technical University, Mining Faculty in 1997. He studied his master's degree of International Relations in Yıldırım Beyazıt University in 2015.

Since April 2016, he has been a Member of the Board and Vice President of TP.

Mehmet Sait Kirazoğlu

Vice President

3

He graduated from Ankara University, Faculty of Political Science in 1998. He studied master's degree of Public Administration in Syracuse University (Maxwell School) in USA in 2011.

Since 2011, he has been Vice President of TP.

İrfan Memişoğlu

Vice President

4

He graduated from Gazi University, Department of Industrial Engineering Department in 1991. He completed his master's degree of Traffic Planning and its Application in Gazi University in 2015.

Since 16 July 2015, he has been Vice President of TP.

Mücahit Özdemir

Vice President

5

He graduated from Boğaziçi University, Political Science and International Relations Department in 1997. He studied his master's degree of International Political Economy in Leeds University in 1998.

Since June 2016, he has been Vice President of TP.

Barış Bozkaya

Vice President

6


He graduated from İstanbul University, Geophysical Engineering Department in 1993.

Since June 2016, he has been Vice President of TP.

GENERAL MANAGEMENT



thousand dollars	2015	2014
sales revenues	1,589,280	3,326,127
net profit	1,170,208	276,672
total current assets	835,843	1,325,059
total fixed assets	7,136,342	7,137,798
shareholder's equity	4,607,913	5,786,845
short-term foreign liabilities	625,972	994,824
long-term foreign liabilities	2,738,300	1,681,188
current ratio (%)	1.34	1.33
cash ratio (%)	0.11	0.12
financial leverage ratio (%)	0.42	0.32

 domestic investment
million dollars



2012



2013



2014



2015

INDICATORS

		2015	2014
geology activities	(km ²)	5,453	10,426
seismic activities	onshore (km)	540	186.8
	2B offshore (km)	-	16,533
	onshore (km ²)	545	525
	3B offshore (km ²)	4,433	6,133
drilling activities	onshore (bin m)	83.8	258.2
	offshore (bin m)	4.5	8.4
production activities	domestic (million barrel oe)	13.2	13.7
	international (million barrel oe)	22.8	19.5

international investment *million dollars*





**NATIONAL
GLOBAL
GLOBAL
NATIONAM**

**ONE BY ONE, WE
REVEAL THE TREASURE LYING BENEATH
OUR LANDS AND WE DESIRE TO FETCH
THE SUCCESS GAINED IN THE WAY
OF BECOMING A GLOBAL COMPANY,
RIGHT BACK TO THIS LAND.**

DOMESTIC PROJECTS



Turkish Petroleum operates in many fields ranging from crude oil and natural gas exploration to production and transportation via pipelines.

Turkey, being in need of energy, has the highest energy demand rate in OECD countries with its developing economy. In parallel to its important investments for the energy supply security of Turkey in the last decade, TP increased its activities and also involved in significant and major activities to reveal new oil resources of our country.

Since the beginning of 2000s, our Corporation has given importance to hydrocarbon exploration and production on offshore fields as well as on onshore fields. In accordance with this strategy, it has realized an intense seismic program by its own and with foreign partners in the context of exploration projects in our seas, especially in the Black Sea and in the Mediterranean Sea. In this manner, 97,500 km² 2D and 24,430 km² 3D seismic data acquisition was performed between 2003 and 2015.

In 2015, 4,433 km² 3D seismic program was realized in our offshore fields. It was operated by Barbaros Hayreddin Paşa seismic ship. In this context, 1,841 km²

3D seismic activities in the Black Sea and 2,592 km² 3D seismic activities in the Mediterranean Sea were completed.

On the other hand, in line with the work plan commitments of Joint Operating Agreement signed between TP and Shell for The Black Sea ultra deep offshore fields licenses, drilling activities were completed in Şile-1 in 4,250 m deep water well under Shell operatorship in 2015.

Unconventional activities continue in the context of Joint Operating Agreement signed between TP and Shell for various licenses in Southeastern Anatolia. We have conducted important activities to reveal the unconventional source potential in Thrace and Southeast Anatolia Region.

"Seismic data acquisition" has been carried out by our two onshore seismic crews and a seismic ship. Non-seismic data acquisition surveys are carried out by one gravity - magnetic acquisition crew.

In 2015, we have conducted 27 8/30 man/month field geology works in different oil exploration fields. 5,454 km² field evaluation was completed in total.



We bent on maintaining our drilling activities without any cease both in domestic and international areas. In 2015, we performed 88,358 m drilling in 53 wells. With these activities, we discovered 9 oil and 2 natural gas wells.

With our highly experienced staff, the wells are drilled in a safe, secure and high quality manner with low cost by applying the everchanging technology.

Activities in this context;

- Drilling Experiences in 3,203 wells,
- Deep Well Experience,
- Directional and Horizontal Wells,
- Multi-Lateral Well Drillings,
- Extended Reach Drillings,
- Unconventional Drillings.

JOINT EXPLORATION ACTIVITIES

Onshore Field

TP-NVT PERENCO

Within the scope of Joint Venture Agreement between TP and NVT Perenco, activities continued in X. and XI. Oil Field exploration licenses by TP operatorship and in operating licenses by NVT operatorship in Southeast Anatolia.

Geological and geophysical evaluation activities in the XI. Oil Field continued under TP operatorship. In this context, activities continued for an appraisal well in Hançerli formation. As decided in the OCM, test studies of the data that is considered to be reprocessed, were completed. The results and the cost information was shared with Perenco. The test was approved by Perenco and it is expected to receive approval of senior management for an appraisal well.

Activities continue on dynamic model in G. Kırtepe Karacan Field Reservoir Modelling and Simulation.

The activities in X. Oil Field under joint venture and exploration licenses are going on under TP operatorship. In Eylül-Çıralı field near K.Hazro, geological and geophysical evaluation studies continue. Koban-3D, Kastel-3B and Softek-2B

seismic data evaluation continues in Softek-Gercüş license field. Well completion in Bukat-1 and Kedil-2 will start within the year.

In the context of the partnership, production in Kastel, Karaali, Yalankoz and G. Kırtepe Fields.

TP-TIWAY OIL (Norway)

In the context of the Cendere Field Development Project that has production already, re-completion activities continue in joint wells.

TP-AMITY OIL (Australia)

Under the Joint Operation Agreement between TP and Amity Oil for Thrace Basin; natural gas and condensate production continue in Göçerler, Adatepe, D.Adatepe, Reisdere, Eskitaşlı, Dikilitaş, Yenibağ, Pelit and Batı Pelit Fields. Drilling of G. Reisdere well was completed in August in joint license area and exploration activities carry on.



Offshore Fields

TP-TIWAY TURKEY LIMITED (Norway) - TIWAY TURKEY PETROL ARAMA ÜRETİM A.Ş. (Norway) - FOINAVON (Canada)

Within the context of joint project, gas production continue in Ayazlı, Akkaya and Akçakoca Fields in operating license area. Perforation operations were executed in production wells when required.

TP - SHELL BLACK SEA / AR / TPO / 3920 Block

Farm-in and Joint Operation Agreement was signed on February 14, 2013 between Shell and TP for the area out of license No: 3920. In this context Şile-1 well was drilled and evaluation studies were completed. Studies continue for a second exploration well in this area.

**NATIONAL
GLOBAL
GLOBAL
NATION**

**WE ARE INSPIRED BY THE NATIONAL
SOUL AND WITH UNCONVENTIONAL
EXPLORATION, WE REVEAL THE REAL
VALUE OF THESE LANDS.**

UNCONVENTIONAL
ACTIVITIES





**LOOKING DIFFERENT BY UNUSUAL THINKING,
PRODUCING INNOVATIVE SOLUTIONS AND
PROCEEDING ARE OUR PRIOR PRINCIPLES
THAT WILL STEP US UP.**

Unconventional exploration is an opportunity for our country, as the discoveries and commercial production in the world, especially in North America show us. In this regard, TP first initiated its unconventional studies in 2011 with Shell in order to reveal the unconventional hydrocarbon potential of our country and whether it has commercial value or not. It has accelerated its unconventional exploration activities, in the light of the positive results obtained from Thrace and Southeastern Anatolia.

2 pilot drillings were completed in the context of the partnership agreement signed in 2011 with Shell for Southeast Anatolia Region. 500 m horizontal drilling was completed in one these wells and Dadas formation was tested for shale oil with hydraulic fracturing technique. Following the tests held nearly a month, shale oil with high gravity was acquired.

TP has continued its own projects without any partner in domestic fields. It has prioritized its activity fields as Thrace and Southeast Region and completed a pilot drilling in 2015. Crucial information was obtained from this well, it is planned to realize a hydraulic fracturing in this well. Apart from the license covered by the agreement with Shell in Southeast Anatolia, evaluation studies for Shale Oil/ Gas continued in Dadaş formation.

Turkish Petroleum continued its unconventional exploration activities with great enthusiasm in order to contribute national sources and increasing energy demand of our country. TP is preparing Geological, Geophysical and Drilling work plans for the following years in regard to this purpose.

Crude Oil and Natural Gas Production

In 2015, TP produced 12 million barrels of crude oil domestically. 74% of our total oil production is from Batman Region, 25% from Adiyaman Region and 1% from Thrace Region.

The total number of production wells reached to 1,443 by the end of 2015 with addition of 52 new and 8 re-completed wells and abandonment of 14 wells.

Reserve enhancement and production activities carried on in 2015. Fields with heavy crude oil requires special technical implementations. Various reservoir works initiated in order to avoid decreasing production and utilize the current potential.

In 2015, our total natural gas production was 211.2 million sm³, 94.5% of which is from Thrace Region, 5% from Batman Region and 0.5% from Adiyaman Region. The oil equivalent of natural gas production is 1.24 million barrels.

In the context of Western Black Sea Joint Exploration and Development Project under TP (operator), Tiway Petrol Üretim A.Ş., Tiway Turkey Ltd. and Foinavon Partnership, natural gas production continues in Akçakoca, Ayazlı, Doğu Ayazlı an Akkaya Fields in 2015.

In 2015, perforation operations realized in order to increase the production in Akçakoca-3 and Akkaya-1A wells. The average daily production is 113,000 sm³ in Western Black Sea Fields throughout the year.

Production Enhancement Projects

391,000 barrels of crude oil produced from 40 exploration and appraisal wells in the context of production enhancement projects in 2015. 12,206 barrels of crude oil were produced from 8 re-completed wells, 2 of which in Raman, 4 in Garzan, 1 in Adiyaman, 1 in Lilan field.

In 2015, 141.6 million barrels of produced water was injected into safe zones in different fields by 145 waste water injection wells.

In the context of Natural Gas Production Enhancement Project; 9 new natural gas production wells, 6 in Değirmenköy, 1 in Silivri, 1 in Fidanlık, 1 in Alacaoglu fields in Thrace Region were put into use in 2015.

2.6 million barrels of crude oil were produced within the year by Batı Raman Crude Oil Production Enhancement Project.

Water injection carried on, on the purpose of increasing the effectiveness of CO₂ and 77,000 barrels of water and gas alternately were injected to 4 wells in Batı Raman.

In the context of Garzan Water Injection Project, Garzan-B and Garzan-C fields are among the most productive fields of Turkey, with 300 million barrels of crude oil reservoir.



TO UTILIZE THE CURRENT POTENTIAL IN DOMESTIC FIELDS, WE CONTINUE OUR RESERVOIR ACTIVITIES.

A total 1.4 million barrels of water were injected to 3 injection wells of Garzan-B field in 2015. Currently, 4,700 barrels of water per day is being injected and 470 barrels of crude oil per day is being produced from 18 wells.

437,000 barrels of water injected from 1 injection well in Garzan-C field in 2015. 2,650 barrels of water per day is being injected and 200 barrels of crude oil per day is being produced from 14 wells.

**WE THINK ABOUT FUTURE AND
SUPPORT OUR DISTRICT MANAGERMENTS
WITH INVESTMENTS.**



Batman District Management

In Batman District Management exploration, drilling and production activities of crude oil and natural gas, which are vital inputs of national economy, have been carried out continuously since 1954.

The first oil discovery in Turkey was realized in Raman Field, in 1945 by MTA and the first production in economical means was realized in Raman-8 well in 1948.

After the foundation of TP in 1954, Batman District Management played a leading role in the exploration, drilling, production and refinery activities of the country. A total amount of 10.7 million sm³ natural gas and 9 million barrels of crude oil were produced in 2015.

Thrace District Management

TP initiated its exploration and drilling activities in Thrace Basin with Uluman-1

well, in 1960. As a result of the operations performed in Thrace District, the first economical natural gas discovery was made in 1970 in Hamitabat and Kumrular fields, and the first oil discovery was realized in K. Osmançık and Deveçatak wells which were drilled in 1973-1974.

A total amount of 200 million sm³ natural gas and 13,000 barrels of crude oil were produced in 2015.

Adiyaman District Management

In 1954, after the adoption of the Petroleum Law No. 6326 foreign companies came to Turkey for oil exploration and in 1958, the first petroleum exploration of Adiyaman Region was made by California Asiatic Oil and Texaco Overseas Petroleum at Kahta-1 well in Adiyaman District.

A total amount of 326,000 sm³ natural gas and 2.9 million barrels of crude oil were produced in 2015.

**NATIONAL
GLOBAL
ГЛОБАЛ
NATIONAM**

**TOGETHER WITH OUR EMPLOYEES,
WE CARRY OUR FLAG FORWARD
ON THE WAY OF BEING NATIONAL GLOBAL.**

INTERNATIONAL PROJECTS



Moscow



New York



London



Tokyo





As Turkish Petroleum, we not only focus on domestic fields, but also on hydrocarbon rich countries like Azerbaijan, Iraq, Russia and Afghanistan, in order to meet the energy demand of our country. Our business development activities continue in Caspian Region, Russian Federation, Middle East, Africa and South America. We believe that our activities attach a great importance to secure Turkey's energy supply.

To achieve its strategic targets, it is necessary for our Corporation to add new reserves and turn them into production immediately. For this reason, international activities have become gradually more important. Being aware of the strategic importance of energy, for ensuring Turkey's security of supply, we have set up the roadmaps and action plans for achieving its objectives in the years ahead.

We have become an important actor in the region with the international exploration, production and development projects

since 1990s. Within the context of these activities, most of our international production is generated from Azeri-Chirag-Guneshli Project in Azerbaijan.

BTC Main Export Crude Oil Pipeline was put into service in 2006. Through this pipeline, the oil produced in Azerbaijan is sold to the world markets by TP. Following the completion of SCP Gas Pipeline in 2006 and the proceeding operations, our first international natural gas production, as a shareholder of Shah Deniz Project, started in March 2007 and continues.

Azerbaijan

It is estimated that, Caspian Region holds 4% of the world oil reserves and 6% of the gas reserves. Because of the cultural and historical ties, Caspian Region has a special importance and value for Turkey.

As a result of our country's being a potential market, having the significant role in transportation of energy resources to western markets and becoming an energy hub, Turkey's strategic and geopolitical power in the area will increase accordingly.

We are currently a participant of three exploration, development and production projects which are Azeri-Chirag-Guneshli (6.75%), Shah Deniz (19%) and Alov (10%) Projects in Azerbaijan.

Furthermore, we have a share of 6.53% in the BTC Co. which is carrying out all activities of Baku-Tbilisi-Ceyhan Main Export Crude Oil Pipeline Project and 19% share in South Caucasus Natural Gas Pipeline Project which transports Shah Deniz gas to Turkish-Georgian border.

Azeri-Chirag-Guneshli (ACG) Project

"The Joint Development and Production Sharing Agreement" for ACG Project was signed in Baku among the State Oil Company of the Azerbaijan Republic (SOCAR) and the consortium constituted by the foreign companies in 1994.

Azeri-Chirag-Guneshli structure is located in the south of Caspian Sea and about 100 km east of Baku. The license area of Azeri-Chirag-Guneshli is almost 432 km² with water depth varying between 100 and 300 m.

ACG Project has been developed in phases. The production has started from Chirag Field (the early oil project) in November 1997. Chirag Oil Project (COP) which aims to produce oil from undepleted area between the existing platforms in Chirag and Deep Water Guneshli, is on the execution phase and production started in January 2014.

The oil reserve of the project is estimated to be 4.63 billion barrels by the end of 2024 and around 2.85 billion barrels of crude oil has been produced from the area by the end of 2015. 2015 production of the project is 231.3 million barrels. Our share from the area was 6.73 million barrels in 2015 while cumulative production of TP is 107.55 million barrels.



Alov Project

Turkish Petroleum Overseas Company (TPOC), a wholly owned subsidiary of TP, joined the Project after signing EDPSA, by an "Agreement on Participating Interest to be Vested" on 29 July 1998. As of 21 December 2011 TPOC was assigned as the operator of the Alov Exploration Project.

Alov Exploration Project covers three different prospective structures named Araz-Alov-Sharg in the Middle of the Southern Caspian Sea. In this Project which has three-year exploration period, 1,400 km² 3D seismic surveys completed. The first exploration well drilling depends on the legal status determination of Caspian Sea.

Shah Deniz Project

The project was signed in 1997 and after the completion of the Minimum Obligatory Work Program of the Exploration and the Extended Exploration Periods in 2001, commerciality of natural gas and condensate was declared.

TP's share was increased to 19% after the agreement realized on 26 May 2014 related with purchasing TOTAL's 10% of share in Shah Deniz and SCP Projects.

The Shah Deniz Structure is located in the offshore South Caspian Sea, 70 km southeast of Baku and 70 km southwest of the Azeri-Chirag-Guneshli Field. The concession has area coverage of approximately 860 km² with water depth varying between 150 and 600 m. Within the scope of the project having 450 billion m³ natural gas and 640 million barrel condensate reserves, the produced gas has been exported through Turkey, Azerbaijan and Georgia.

By the end of 2015, the cumulative produced natural gas amounted to 52.82 billion m³ (TP share is 4.85 billion m³) and produced condensate to 117.9 million barrels (TP share is 9.79 million barrels). For 2015, the amount of them was 9.9

billion m³ (TP share is 1.5 billion m³) and 18.27 million barrels (TP share is 2.7 million barrels), respectively.

The expected annual plateau production in Phase-1 is specified as 8.6 billion m³ and 6.6 billion m³ of this amount is segregated to Turkey for 15-years period. For Phase-2, it is estimated that construction decision will be taken in 2013 and first gas delivery will be realized in the late 2018.

Pipeline Projects of TP Contributing to the Energy Corridor

Turkey resides at the intersection of Middle East and Caspian Regions having the major portion of the world oil reserves. The basis of the energy corridor to carry the energy resources to the world market was initiated by the constructions of BTC and SCP Pipeline Projects. Following the determination of the Black Sea hydrocarbon potential, it will be transported through our country to the markets in safe way on time. In this regard, our Corporation is taking its own part in meeting the natural gas and oil demand of our country and we also continue our activities of increasing our efficiency and control through the east-west energy corridor.

WE AIM TO PROVIDE ENERGY SUPPLY SECURITY WITHIN THE COUNTRY BY NATIONAL APPROACHES AND STRATEGIC STEPS.

Baku-Tbilisi-Ceyhan Main Export Crude Oil Pipeline (BTC) Project

By the end of 2015, 2.3 billion barrels of crude oil were carried by 3,115 vessels. Currently, transportation of a large portion of ACG oil, all of Shah Deniz condensate and some Kazakh Tengiz and Turkmenian is proceeding and 271 million barrels of oil was loaded to 364 tankers from Haydar Aliyev Terminal in 2015.

South Caucasus Natural Gas Pipeline (SCP) Project

The pipeline has a transportation capacity of 9 billion m³ of natural gas to Turkish border with one compressor station in Sangachal Terminal. However, it is possible to expand this capacity up to 24 billion m³ annually by adding new compressor stations and/or looping.

In 2015, totally 9.85 billion m³ natural gas was transported and 5.93 billion m³ of this amount was sold to BOTAS. The main target of the project is to transport the gas produced from Caspian Region to Europe via Turkey in the future.

Siba Project

TP Siba Ltd. was founded on 30 May 2013 for the purpose of carrying out oil activities and trade according to laws and regulations of foreign state for the Iraq Siba Oil and Gas Exploration-Production Project.

Kuwait Energy Iraq Limited (KEIL) is the operator with 60% share. TP has 40% investment share. Income shares are; KEIL with 45%, TP with 30% and Missan Oil Co. (MOC) with 25%.

Project duration is 20+5 years following the effective date (July 2011). It is expected to produce 25 million scf/day minimum in the 3rd quarter of 2015 and to reach plateau production of 100 million scf/day in 2017. Yet, surface facility tender was completed in 2015 and Iraq Ministry of Oil approved the tender in October 2015. Thus, production is expected to be initiated in January 2017.

3D seismic data processing and interpretation, advanced interpretation and static modelling studies were completed. Drilling operations of Siba-1 well were completed in 2014, well completion and test studies also completed in the beginning of 2015. Drilling of Siba-5 well

was initiated in January 2015 but ceased at 927 m due to technical issues. Siba-1, Siba-4 and Siba-6 which was completed in 2015, are estimated to be adequate for preliminary production targets.

Mansuria Project

TP Mansuria Ltd. was founded on 30 May 2013 for the purpose of carrying out oil activities and trade (exploration, drilling, production, transportation, marketing, service and refinery) according to laws and regulations of foreign state for the Iraq Mansuria Oil and Gas Exploration-Production Project.

The consortium including TP as the operator with 50% share, KEC and KOGAS as partners with respectively 30% and 20% share, won the field in the third round. The consortium continued its activities.

Up to now, 3D seismic studies were completed and detailed interpretation and modelling studies are ongoing. Under the project, reservoir modelling studies were held in the light of 3D seismic data and well data. Updates will go on by acquiring new data. The operations were suspended due to the security reasons in Iraq by June 2014.

Missan Project

TP Missan Ltd. was founded on 10 August 2010 for the purpose of carrying out oil activities and trade according to laws and regulations of foreign state for the Iraq Missan Development and Production Project.

TP became the partner with Chinese company CNOOC on 17 May 2010 in Missan Development-Production Project. According to the agreement, CNOOC is the operator with its 85% of investment share and TP with its 15% meeting the projects expenses. The projects income shares are CNOOC 63.75%, TP 11.25% and OEC 25%.

Missan Field Development Production Service Contract (DPSC) was signed on 17 May 2010. In the project, necessary works are ongoing to increase 88 thousand barrels/day of current production to 450 thousand barrels/day until the end of 2016 according to the contractual liability.

In 2015, 44 wells' drillings were completed and 41 of these were taken into production. Since the effective date of the project, 63 wells were drilled.

The cumulative production of the project is 50.9 million barrels (TP Missan share is 7.63 million barrels). 2015 production of the project is 22.07 million barrels (TP share is 3.31 million barrels).

Badra Project

TP Badra Ltd. was founded on 15 March 2011 for performing "Oil Production, Development and Service Contract" in Iraq Badra Oil Field on behalf of TP.

The consortium including Gazprom Operator (40%), Kogas (30%), Petronas (20%) and TP (10%) has maintained its activities since 18 February 2010.

The cumulative production of the project is 12.36 million barrels (TP Badra Ltd. share is 741,722 barrels). 2015 production of the project is 10.22 million barrels (TP share is 613,226 barrels).



Afghanistan

TP Afghanistan Ltd. was founded on 30 May 2013 for the purpose of carrying out oil activities and trade according to laws and regulations of foreign state for oil and gas Exploration-Production Project in Afghanistan.

In this respect, Mazar-i Shariff (TP is operator) and Sanduqli (Dragon Oil is operator) license tenders were won by consortium of TP (40%), Dragon Oil (40%) and Gazanfar (20%).

Oil & Gas Exploration, Production and Sharing Agreement was signed on 8 October 2013.

As to exploration studies, gravity and magnetic data acquisition which was initiated in January 2015, was completed on 26 September 2015. Data processing and interpretation continue.

Libya

TP Libya Ltd. was founded on 30 May 2013 for the purpose of carrying out oil activities and trade according to laws and

regulations of foreign state for Libya Oil and Gas Exploration-Production Project. Within the scope of Block 147 Project, forced major announcement was realized in the block because of negative security conditions in the region. TP Libya Ltd. was liquidated on November 7, 2016.

Russia

In the context of the Baytugan Project in Russia, 49% share of the MK Oil and Gas (MKOG) B.V. company was purchased, having the whole share of Baitex LLC company which is one the sub-companies MOL. With the share transfer completed on 31 March 2014, TP Europe Ltd. became a partner to MKOG BV and indirectly a partner to BaiTex LLC legally.

Oil production, transportation and sales-related works continue. Project total production of 2015 is 3.44 million barrels, whereas TP share is 1.68 million barrels.

Drilling of 60 wells completed in 2015 and they were taken into production. Besides, 198 workover operations were completed.

WE HAVE CROSSED THE CONTINENTS



istanbul
22nd W O R L D
P E T R O L E U M
C O N G R E S S
09 - 13 July **2017**

World Petroleum Congresses, first of which was held in 1933, are the most prestigious organization of the oil and natural gas sector and it is held in every three years. Today, 70 countries including Turkey are the members of the World Petroleum Congress, the most comprehensive organization in the sector.

İstanbul, carrying its promotion activities with the motto of "this time İSTANBUL", was chosen as the host city in this huge organization known as "Olympics" of the oil and natural gas sector by electing respectively Copenhagen, Astana and Houston in the contentious voting held in Calgary, Canada on 23 October 2013.

In closing ceremony of 21st WPC held in Moscow between 15-20 June 2014, to which Minister of Energy of Russian Federation and Minister of Energy and Natural Resources of Republic of Turkey attended, handover ceremony was also held for Congress take over from Russia to Turkey.

It is estimated that more than 500 CEOs of several companies, nearly 50 ministerial level attendee as well as 7,000 delegates and 15,000 visitors will participate to 22nd World Petroleum Congress in İstanbul in 2017.



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**BENEFITTING FROM OUR EXPERIENCES,
WE TAKE BRAVER STEPS;
WE ARE MAKING MOVES THAT WILL DEVELOP
OUR COUNTRY, ENERGY AND TECHNOLOGY.**

R&D



R&D Center participates in various research projects with the other departments of TP, universities, state institutions and organizations.

These projects are aimed to solve problems faced/will be faced during the exploration, drilling and production activities or to increase the quality and efficiency of the business process.

Research Center provides projects related to Research and Development studies, consultancy services and is an efficient Research Center with its expertise experiences.

In this context, a total of 108 projects were performed which are in collaboration with exploration, production, occupational safety and environmental protection departments. Quality control tests were performed in the Geology and Engineering Laboratories within the scope of these projects. 43,389 analyses and quality control tests were conducted. 441 technical reports were prepared related to these activities. Throughout the year, totally 1,357 man/day of field/well activities were carried out in domestic and international operations.

R&D

Research Center combined the knowledge gained through R&D studies and new technology and reflected them to laboratory supported projects in the exploration and production activities. R&D Projects were not only carried out in TP but

also in other institutions and organizations. In this context; projects of evaluation of bituminous shale sources, revealing the gas hydrate potential of Western Black Sea, production of heavy oil through microwave techniques were carried out with TKİ, TÜBİTAK and universities.

On the other hand, in the R&D projects pioneer in exploration-production activities of TP, projects of chemical techniques and utilizing nanotechnology also continue.

These technologies are;

- Isotope Geochemistry,
- Determination of Oil and Gas Composition,
- Determination of Oil Molecular Parameters,
- Surface Geochemical Prospection,
- Soil Gas Analyses,
- Determination of Source Rock Parameters,
- Scanning Electron Microscope,
- X-Ray Microanalysis Spectrometer,
- Core Gamma Ray Logger,
- Determination of Solid Phase Behavior under Reservoir Conditions,
- Interfacial Tension and Contact Angle Measurements,
- Reservoir Conditions Core Flood System
- GC Analysis to Determine Oxygen Compounds in Gasoline, Fatty Acid in Biodiesel,
- LC Analysis for PAH (Poly Aromatic Hydrocarbons) Measurements,
- Computer-Aided Mud-Cement Systems,
- ICP-MS,
- FTIR.

Research Center Laboratory Services

In 2015; training, consulting and engineering services were performed on due basis requests.

On behalf of the private domestic and foreign oil companies, sedimentological, mineralogical, petrographical, biostratigraphical and geochemical analyses were carried out.

In this context;

- Stratigraphy,
 - Sedimentology and Reservoir Geology,
 - Drilling Technology,
 - Reservoir Technology,
 - Production Technology,
 - Organic Geochemistry,
- laboratory services were provided.

In Drilling, Reservoir and Production Technologies laboratories, studies and tests related to drilling fluid and cement program, additives quality control, rock mechanics, well bore stability simulation, simulation of hydraulic and acid fracturing, basic and special core analyses, reservoir fluids (PVT) analysis and EOR subjects, corrosion and scale control, injection water quality, fuel oil analyses, are conducted. In order to register Research Center Laboratories as contemporary, dependable and umpire laboratories at international level, studies were carried out in accordance with TS EN ISO/IEC 17025:2005 "General Requirements for the Competence of Calibration and Testing Laboratories" standards. Total of 37 analyses are being conducted which are Oil Products Analyses, Water, Drilling Fluids Additives Analyses, Natural Gas Analyses.

Research Center Training Activities

Applied Well Control Courses given in TP Well Control Training Center are accredited for Rotary Drilling Well Control Assessment Center and Introductory Rotary Drilling Well Control Assessment Center by "International Well Control Forum" (IWCF) between November 2011 and November 2015.

Thus, in 17 weeks of courses, 105 IWCF Well Control Certificates, 103 TP Well Control Certificates were given to 208 personnel. Totally 487 trainees were given occupational and technical trainings with 40 courses on 15 different subjects.

- Applied Well Control,
- Basic Principles of Biostratigraphy,
- Applied Lithostratigraphy II of Southeast Anatolia Autochthonous Formations
- Clay Mineralogy and Microanalysis Techniques and Their Usage in Exploration,
- Diesel Engines,
- Applied Drilling Fluids Technology,
- Well Cementing Slurry Design,
- Matrix Acidizing,
- Core Analyses,
- PVT Analyses,
- Oilfield Water Treatment & Injection Quality Determination,
- Corrosion Control in Oil & Natural Gas Production,
- Oil and Gas Geochemistry,
- Hydraulics and Pneumatics Course,
- Pumps and Compressors Course.



**WE KNOW THE VALUE OF MAN AND LABOUR
AND ABOVE ALL WE CARE ABOUT THE
ENVIRONMENT AS IT SUITS TO OUR CULTURE.**



**OCCUPATIONAL SAFETY AND
ENVIRONMENTAL PROTECTION**



As Turkish Petroleum, the importance we attach to human and environment is increasing day by day. As an indicator to this, we realize our activities in the context of OHSAS 18001 – ISO 14001 Occupational Health, Safety and Environment Integrated Management System giving priority to our staff and environment.

Environment Management Unit, founded with the purpose of obtaining the Temporary Operating Certificate/ Environmental Permits for the facilities affecting the environment, continued its activities. These Temporary Operating Certificate/Environmental Permits were received for TP facilities.

Bioremediation products, barriers and pads were used in the fields of District Managements for rehabilitation and response to the oil pollution. Emergency Response kits were obtained and used in chemical and oil spilt in 2015 and they were being used in General Directorate.

The Project of Management of Waste Water Arising by the Oil and Natural Gas Production Activities was realized.

All of our activities were carried out in terms of OHSAS 18001 Occupational Health and Safety Management System. As occupational health and safety policy of TP is based on attendance of all personnel, each of them participated in this process. Dangers and risks that may occur in work environment were evaluated by risk evaluation teams created in this context, and protective and preventive cautions were taken.

In the context of preparation studies for emergency cases, emergency squads were organized, staff's awareness raised by training and drills together with current situation assessments. Improvement activities were carried out for determined matters following the evaluation.

In field examinations, both our personnel and subcontracted workers were supervised. In the context of observation card/near-miss applications, the matters related to occupational health and safety determined by the staff were evaluated. Precautions were taken in order to minimize the risks in work environment.

In order to keep staff healthy, analysis and surveys were held for occupational disease of staff at risk under the supervision of occupational physician and also ambulatory care service was provided.

Activities of ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System that were certified in 2014 by TSE, continued in 2015. Necessary internal examinations were carried out to control the operability of the system, detected defects were eliminated by amendatory and preventive cautions. Moreover, performance report was evaluated in Management Revision Meeting, new targets were determined to improve the system and required actions were planned.



In order to improve the productivity of EYS (Integrated Management System) activities, to ease process monitoring and to achieve the ability of taking rapid action, system will be monitored by software.

In order to improve Occupational Health, Safety and Environment consciousness

in TP, training activities continued in 2015. Drills of 25 different topics like Emergency Cases, Waste Management, Advanced Driving, OHS in Environment with Hydrogen Sulfide were given to 2,699 staff in General Directorate and District Managements.



**WE DO NOT LIMIT OUR EXPERIENCE
IN THESE LANDS AND SIGN OUR
NATIONALITY ALL OVER THE WORLD.**

HUMAN RESOURCES





**WE ARE GROWING WITH OUR EMPLOYEES
AND WE RAISE THE SUCCESS RATE OF OUR
COMPANY TOGETHER.**

We have been conducting our activities for 61 years with our worldwide technological infrastructure and qualified manpower representing our Corporation successfully in international projects.

In this context, TP continuously invests in human resources development in line with its vision to become regionally effective "World-class Energy Company".

In TP, having a rooted company culture with its staff's great endeavor and dedication, total number of employees is 4,780; 1,642 in General Directorate, 1,634 in Batman, 964 in Adiyaman and 540 in Thrace District Management at the end of 2015.

TP's qualified and experienced staff (1,549 white-collar and 3,231 blue-collar), having the values of team work, communication, innovativeness and sense of responsibility, will carry our Corporation to great success in the future.

In 2015, training and development programs continue for the staff to follow up-to-date information and developing technology. In this context, our staff participated in 7,763 in Turkey and 145 abroad, a total of 7,908 training programs.

11 students in the UK, 121 in the USA, in total 132 students study for master's degree on behalf of our Corporation by the end of 2015.

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NATIONAM**

**MOVING TOWARDS FUTURE WITH FIRMS
STEPS WITH OUR INVESTMENTS, WE ENSHRINE
OUR PEOPLE'S LABOUR IN OUR HEART.**



**TP and its Subsidiaries Consolidated Balance Sheets as of
31 December 2015 and 31 December 2014 (thousand dollars)**

ASSETS	31 December 2015	31 December 2014
CURRENT ASSETS		
Cash and cash equivalents	67,159	121,011
Trade receivables	213,695	408,017
Inventories	422,233	451,795
Other receivables and current assets	132,756	342,840
Derivative financial instruments	-	1,396
Total Current Assets	835,843	1,325,059
NON-CURRENT ASSETS		
Cushion gas and linefill	740,331	740,331
Trade receivables	143,729	46,423
Investment property	167,156	167,959
Property, plant and equipment	5,760,330	5,753,876
Intangible fixed assets	243,108	238,580
Goodwill	19,676	19,676
Other non-current assets	62,012	170,953
Total Non-Current Assets	7,136,342	7,137,798
TOTAL ASSETS	7,972,185	8,462,857

**TP and its Subsidiaries Consolidated Balance Sheets as of
31 December 2015 and 31 December 2014 (thousand dollars)**

LIABILITIES AND EQUITY	31 December 2015	31 December 2014
CURRENT LIABILITIES		
Trade payables	412,570	578,512
Bank loans	48,078	109,290
Current tax liabilities	12,716	28,202
Provisions	31,117	31,366
Other payables and expense accruals	121,491	247,454
Total Current Liabilities	625,972	994,824
NON-CURRENT LIABILITIES		
Bank loans	1,797,650	850,000
Asset retirement obligation	390,282	325,302
Provision for employment termination benefits	107,547	121,459
Deferred tax liabilities	339,085	371,053
Other non-current liabilities	103,736	13,374
Total Non-Current Liabilities	2,738,300	1,681,188
EQUITY		
Capital	1,664,158	1,664,158
Legal reserves	2,684,310	2,582,495
Accumulated gain/loss on remeasurement of defined benefit plans	-	(41)
Currency translation reserves	(7,648)	(52,157)
Retained earnings	267,093	1,592,390
Total Equity	4,607,913	5,786,845
TOTAL LIABILITIES AND EQUITY	7,972,185	8,462,857

TP and its Subsidiaries Consolidated Statement of Comprehensive Income as of 31 December 2015 and 31 December 2014 (thousand dollars)

	1 January- 31 December 2015	1 January- 31 December 2014
Revenue	1,589,280	3,326,127
Cost of sales	(904,891)	(2,024,570)
Gross Profit	684,389	1,301,557
General administrative expenses	(130,215)	(234.962)
Exploration and evaluation expenses	(273,997)	(110.825)
Marketing and sales expenses	(28,846)	(74.685)
Impairment charges	(1,081,229)	(462.437)
Income from derivative instruments - net	-	16.908
Finance income / (expense) - net	(76,739)	4.486
Foreign currency gain / (losses)	(54,329)	-
Other gains / (losses)	(130,899)	(30.853)
(Loss) / Profit before taxation	(1,091,865)	486,657
Income tax	(78,343)	(209,985)
(Loss) / Profit for the year	(1,170,208)	276,672
Other comprehensive income /(loss)		
Change in currency translation reserves	(8,765)	(14,557)
Total comprehensive (loss) / income	(1,178,973)	262,115

Financial Ratios Derived from Consolidated Financial Statements of TP for 2015

Current Ratio (Working Capital Ratio)	1,34
Acid - Test Ratio	0,66
Financial Leverage	0,42
Equity / Total Assets	0,58
Equity / Liabilities	1,37
Gross Sales Revenue / Net Sales Revenue	0,43
Net Profit / Asset	-0,15



DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Merkez: Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34398
İstanbul, Türkiye
Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010

Şube: Armada İş Merkezi
A Blok Kat:7 No:8
06510 Söğütözü, Ankara, Türkiye
Tel : +90 (312) 295 4700
Fax : +90 (312) 295 4747
www.deloitte.com.tr

Mersis No: 0291001097600038
Ticari Sicil No : 263645

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of TÜRKİYE PETROLLERİ ANONİM ORTAKLIĞI ANKARA

We have audited the accompanying consolidated financial statements of Türkiye Petrolleri Anonim Ortaklığı and its subsidiaries (together will be referred as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such; internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Deloitte; İngiltere mevzuatına göre kurulmuş olan Deloitte Touche Tohmatsu Limited ("DTTL") şirketini, üye firma ağındaki şirketlerden ve ilişkili tüzel kişililerden bir veya birden fazlasına ifade etmektedir. DTTL ve üye firmalarının her biri ayrı ve bağımsız birer tüzel kişidir. DTTL, "Deloitte Global" olarak da anılmaktadır; müşterilere hizmet sunmaktadır. Global üye firma ağımda ilgili daha fazla bilgi almak için www.deloitte.com/about adresini ziyaret ediniz.

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Basis for Qualified Opinion

In the statutory books, based on the local laws and regulations Türkiye Petrolleri Anonim Ortaklığı expenses all costs related to exploration activities as they are incurred. However, Türkiye Petrolleri Anonim Ortaklığı capitalizes the costs incurred for oil and gas assets as the accounting policy in the consolidated financial statements in accordance with IFRS. However, data regarding costs incurred prior to the year 2000 could not be gathered by the Company management. Therefore, in the accompanying consolidated financial statements, oil and gas asset balances do not include costs incurred before year 2000. Since the costs incurred before the year 2000 related to oil and gas assets could not be provided by the management, we do not express an opinion regarding the completeness and carrying value of oil and gas assets under property, plant and equipment and the possible effects of capitalization of cost before 2000 on net asset value, deferred tax and depletion in the accompanying consolidated financial statements.

In 2014, the Group has changed the accounting policy used for subsequent measurement of its investment properties from cost model to fair value model. According to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", changes in accounting policies shall be applied retrospectively. As valuation of the investment properties are performed as of 31 December 2014 and no valuation is performed as of 31 December 2013, it is not possible to differentiate the revaluation gain to be reflected to consolidated statement of profit or loss for the period ended 31 December 2014. Therefore, the total valuation difference between the cost of investment properties and their fair values amounting to USD 26,712 Thousand is presented under "Other Gains / (Losses)" for the period ended 31 December 2014. We do not express an opinion on the possible effect of such fair value adjustment on statement of profit or loss as of 31 December 2014 if such fair value adjustment had been properly accounted in the consolidated financial statements as of 31 December 2013.

Qualified Opinion

In our opinion, except for the effects of the matters mentioned in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Petrolleri Anonim Ortaklığı and its subsidiaries as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

DRT BAĞIMSIZ DENETİM VE ŞMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Ankara, 18 September 2016

ORGANIZATION AND OPERATIONS OF THE GROUP

Türkiye Petrolleri Anonim Ortaklığı (the "Company" or "TP") was established in 1954 upon the authorization granted by the Türkiye Petrolleri Law dated 7 March 1954 numbered 6327, by the Council of Ministers. The main activities of the Company are exploration and production of hydrocarbons, natural gas storage and participation to oil and natural gas pipeline projects in Turkey and abroad. Furthermore, the Company engages in petroleum and natural gas operations in Turkey and abroad as the national oil company of Turkey, petroleum and natural gas operations include all operations relating to exploration, appraisal, development, extraction, production, stabilization, treatment (including processing of natural gas), stimulation, injection, gathering, storage, handling, lifting, transportation, of petroleum to the delivery point and marketing of petroleum therefrom, and abandonment operations with respect to the contract area.

The Company's head office is located in Ankara and has three district managements in Batman, Thrace and Adıyaman. The Company manages its foreign operations and investments via subsidiaries and branch offices.

Number of employees of the Company is 4,888 as at 31 December 2015 (31 December 2014: 4,829).

The operations of the main consolidated entities are summarized below:

Turkish Petroleum Overseas Company

Turkish Petroleum Overseas Company ("TPOC") was established on 6 February 1996 on Channel Islands; Jersey. The objective of TPOC is to carry out oil exploration projects outside Turkey or take part in existing international exploration projects and related operational ventures on behalf of the Company. TPOC maintains its activities through Branches in Libya, Azerbaijan, Iraq and Cyprus.

In Libya, TPOC has signed Exploration and Production Sharing Agreements ("EPSA") with the National Oil Company ("NOC") of Libya in order to perform exploration and production activities and the Company is currently conducting exploration and appraisal work as operator in the Area 147/3&4, Murzuq Basin in Libya.

In Azerbaijan, TPOC represents and manages 19% (2014: 19%) interest in the Agreement on the Exploration, Development and Product Sharing for the Shah Deniz Prospective Area in the Azerbaijan Sector of the Caspian Sea (the "SD PSA"), which was enacted by the legislature of the Republic of Azerbaijan giving it the full force of law in the Republic of Azerbaijan and which became effective on 4 June 1996. Construction activities are completed by the end of 2006 and first gas delivery to BOTAŞ was made in 2007. In 2014, expansion agreement is signed for Shah Deniz project (Shah Deniz Stege-2). First natural gas production of the Project is estimated as December 2018. On 29 August 2014, TPOC acquired an additional 10% participating interest in SD PSA, from TOTAL ERP Azerbaijan B.V. for a consideration of USD 1.4 billion. TPOC is also the operator of Exploration, Development and Production Sharing for the Exploration Block including Araz, Alov and Sharg Prospective Structures in the Azerbaijan Sector of the Caspian Sea dated 20 July 1998 since 21 December 2011. The project is currently inactive.

In Cyprus, TPOC engaged in service activities for the Company's exploration, drilling, production, distributing and marketing of hydrocarbon. According to agreement between TP and Ministry of Economics and Energy of Turkish Republic of Northern Cyprus, the exploration activities has been resulted unsuccessfully.

Major subsidiaries of TPOC are as follows:

Azerbaijan Gas Supply Company Limited

Azerbaijan Gas Supply Company Limited ("AGSC") was incorporated in Cayman Islands as an exempted, limited liability company on 21 May 2002. In accordance with a deed of assignment dated 24 February 2003, the State Oil Company of the Azerbaijan Republic ("SOCAR") assigned and transferred to the AGSC the rights and obligations of the Natural Gas Sales and Purchase Contract dated 12 March 2001, as amended by an agreement dated 31 October 2002, with BOTAŞ in accordance with the "Agreement between the Republic of Turkey and the Azerbaijan Republic Concerning the Delivery of Azerbaijan Natural Gas to the Republic of Turkey" signed on 12 March 2001. TPOC's participation rate to AGSC equals to 15.2% (2014: 15.2%). On 15 November 2013 Transportation Confirmation ("TAP GTA") was signed between Trans Adriatic Pipeline AG and the Company with the purpose of transporting of natural gas through the TAP Transportation System.

TP Badra Limited

TP Badra Limited ("TP Badra") was established in Jersey, Channel Islands on 10 August 2010 as a subsidiary of the TPOC to carry out all activities related with technical and commercial oil and gas trade. TP Badra Ltd. currently participates in Badra Project (10%) in Iraq in the Middle East. The Badra Project has started at the end of 2010, and the aim of the project is to increase the production capacity of the Badra field. The construction of the capacity increase has been completed and the oil field has started to produce in 2 June 2014. The participants of the project are Gazprom and the Company. Gazprom is the operator of the project. Production of oil from Badra field is commenced in the second quarter of 2014. TP Badra was registered in Jersey as an affiliate of TP on 1 March 2011. As at 24 December 2013, shares of TP Badra have been transferred by TP to TPOC.

TP Missan Limited

TP Missan Limited ("TP Missan") was established in Jersey, Channel Islands on 10 August 2010 as subsidiary of TPOC to carry out all activities related with technical and commercial oil and gas trade. TP Missan Ltd. currently participates in Missan Project (15%) in Iraq region. The Missan Project has started at the end of 2010, and the aim of the project is to increase the production capacity of the Missan field. The participants of the project are Cnooc International Limited ("CNOOC") and The Company. CNOOC is the operator of the project. Production of oil from Missan field is commenced in the first quarter of 2013. TP Missan is registered in Jersey as an affiliate of TP on 1 March 2011. As at 24 December 2013, shares of TP Missan have been transferred by TP to TPOC.

Türkiye Petrolleri Petrol Dağıtım A.Ş.

Türkiye Petrolleri Petrol Dağıtım A.Ş. ("TPPD") was incorporated in Turkey on 16 February 2006. The company's main activity is the distribution and sales of all kinds of petroleum products, is to perform the installation of infrastructure based on these activities. Based on the Council of Minister decision dated 24 December 2012, following the transfer of shares of Turkish Petroleum International Company ("TPIC") to BOTAŞ free of charge, TPPD shares were transferred to TPOC. TPPD was included into privatization program based on the Privatization High Council decision dated 15 June 2015. Based on this decision, Republic of Turkey Prime Ministry Privatization Administration organized a tender for the block sale of shares of TPPD and determined 30 September 2016 as the latest bid date. The Company does neither have any cash inflow expectancies from the tender nor have any control over the process. Consequently, the Company lost its control power over TPPD and TPPD is not consolidated in the accompanying consolidated financial statements dated 31 December 2015.

TP Afghanistan Limited

TP Afghanistan Limited ("TP Afghanistan") was established in Jersey, Channel Islands on 24 December 2013 as subsidiary of TPOC to carry out all activities related with rehabilitating petroleum wells in Afghanistan. TP Afghanistan Limited is resisted as a branch office of the Company with the Afghanistan Investment Support Agency, under License No. I-57641 (the "Branch"). The Branch is a partner with 40% share as an Operator in Mazar-e-Sharif Block with Dragon Oil Mazare Limited (DOML) and Ghazanfar Investment Limited (GIL) under Exploration and Production Sharing Contract signed on 08 October 2013 with Ministry of Mines Afghanistan. The Branch is also partner with 40% share as a non-operator in Sanduqli Block under Exploration and Production Sharing Contract signed on 8 October 2013 with Ministry of Mines Afghanistan under the with Dragon Oil Sanduqli Limited (DOSL) and Ghazanfar Investment Limited (GIL). In 2016, Turkish personnel employed in TP Afghanistan are returned to Turkey and working for the project from Turkey. Operations of Afghanistan Office are handled by local employees.

TP Africa Limited (former TP Kyrgyzstan Limited)

TP Africa Limited (former TP Kyrgyzstan Limited, "TP Africa") was established in Jersey, Channel Islands on 24 December 2013 as subsidiary of TPOC to carry out all activities related with technical and commercial oil and gas trade. The company has not started its operations as of 31 December 2015.

TP Mansuria Limited

TP Mansuria Limited ("TP Mansuria") was established in Jersey, Channel Islands on 24 December 2013 as subsidiary of TPOC to carry out all activities related with technical and commercial oil and gas trade in Mansuria filed, in Iraq. All project related costs are written off in the accompanying financial statements as there is a material uncertainty regarding continuance of the project due to security related incidences realized in the fields in 2015. Operator of the project is negotiating with the Iraq authorities for ameliorating the terms of the contract of the project.

TP Siba Limited

TP Siba Limited ("TP Siba") was established in Jersey, Channel Islands on 24 December 2013 as subsidiary of TPOC to carry out all activities related with technical and commercial oil and gas trade in Siba, Iraq. The company has not started its operations as at 31 December 2015.

Turkish Petroleum Oil Field Services Company Limited

Turkish Petroleum Oil Field Services Company Limited ("TPOFSCO") was established in Jersey, Channel Islands on 24 December 2013 as subsidiary of TPOC to carry out all activities related with providing service activities for technical and commercial oil and gas trade. The company's liquidation decision was taken in 2016 and a liquidation commission is established with the participation of TP staff. Liquidation process was ongoing as of the report date.

TP Europe Limited

TP Europe Limited ("TP Europe") was established in Jersey, Channel Islands as a subsidiary of TPOC to carry out all activities related with technical and commercial oil and gas trade in Europe. On 10 October 2013 TP Europe signed an agreement with MH Oil Gas B.V. for taking over 49% of MK Oil and Gas B.V. who wholly owns BaiTex LLC ("BaiTex"). BaiTex performs oil exploration and production activities on the Baitugan oil field in Volga-Ural regions in Russia. Transfer of the shares of MK Oil and Gas B.V. is realized on 31 March 2014.

Turkish Petroleum BTC Limited

Turkish Petroleum BTC Limited ("TPBTC") was established in 2002 in Cayman Islands. The main activity of the TPBTC is to participate in Baku-Tbilisi-Ceyhan Pipeline Company ("BTC Co.") that is engaged in development, financing, construction and operation of a dedicated crude oil pipeline system from Sangachal terminal near Baku in Azerbaijan, through Georgia, to an export terminal at Ceyhan on the Mediterranean coast of Turkey with a capacity of 1.2 million barrels per day ("BTC Project").

Turkish Petroleum SCP Limited

Turkish Petroleum SCP Limited ("TPSCP") was established in 2002 in Cayman Islands. TPSCP's main activity is to participate in the South Caucasus Pipeline Project. South Caucasus Pipeline Project is administered by South Caucasus Pipeline Company ("SCP Co.") and South Caucasus Pipeline Holding Company ("SCP Ho."). The SCP Co. engages in the construction, ownership, operation, expansion and abandonment of a pipeline to transport natural gas from the Sangachal terminal near Baku, Azerbaijan, crossing through Georgia and ending at the border of Georgia and Turkey, together with all processing and treatment facilities, compressor stations, meters, pumps and other equipment and facilities necessary for its installation and operation. The SCP pipeline system was constructed to primarily transport

production from the Shah Deniz gas field. The pipeline commenced operations on 25 November 2006. Commercial delivery of natural gas to Georgia and Turkey border was started on 3 July 2007. TPSCP's shareholding rates in SCP Ho. and SCP Co. is equal to 19 % (2014: 19%) after the acquisition of additional 10% participating interest from TOTAL ERP Azerbaijan B.V in 2014.

Azerbaijan International Operating Company

The Azerbaijan International Operating Company ("AIOC") was incorporated in Cayman Islands. The purpose of the AIOC is to undertake petroleum activities under the Agreement on the Joint Development and Production Sharing for the Azeri and Chirag Fields and the Deep Water Portion of the Gunashli Field in Azerbaijan Sector of the Caspian Sea dated 20 September 1994. The Company's participation rate to AIOC equals to 6.75 %.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

None.

b) New and revised IFRSs applied with no material effect on the consolidated financial statements

Amendments to IAS 19

*Defined Benefit Plans: Employee Contributions*¹

Annual Improvements to 2010-2012 Cycle

*IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24*¹

Annual Improvements to 2011-2013 Cycle

*IFRS 1, IFRS 3, IFRS 13, IAS 40*¹

¹ Effective for annual periods beginning on or after 1 July 2014.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

IFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

IFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

IFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

IFRS 13: Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

IAS 16 and IAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

IAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2011-2013 Cycle

IFRS 1: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

IFRS 3: Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

IFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

IAS 40: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

c)New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9
IFRS 14
Amendments to IFRS 11
Amendments to IAS 16 and IAS 38

Amendments to IAS 16 and IAS 41
IFRS 15
Amendments to IAS 27
Amendments to IFRS 10 and IAS 28

Annual Improvements to
2012-2014 Cycle
Amendments to IAS 1
Amendments to IFRS 10, IFRS 12 and
IAS 28
IFRS 16

*Financial Instruments*²
*Regulatory Deferral Accounts*¹
*Accounting for Acquisition of Interests in Joint Operations*¹
Clarification of Acceptable Methods of Depreciation and
*Amortisation*¹
*Agriculture: Bearer Plants*¹
*Revenue from Contracts with Customers*²
*Equity Method in Separate Financial Statements*¹
Sale or Contribution of Assets between an Investor and its
*Associate or Joint Venture*¹

*IFRS 5, IFRS 7, IAS 19, IAS 34*¹
*Disclosure Initiative*¹
*Investment Entities: Applying the Consolidation Exception*¹

*Leases*³

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulatory Deferral Accounts permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendments to IFRS 11 Accounting for Acquisition of Interests in Joint Operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected

to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

Amendments to IAS 27 Equity Method in Separate Financial Statements

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

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

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Amendments to IAS 1 Disclosure Initiative

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

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

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

IFRS 16 Leases

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

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain properties acquired through business combination that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of presentation of consolidated financial statements

The Company other than foreign branches and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. Subsidiaries that are registered in foreign countries maintain their books of account and prepare their statutory statements in accordance with the prevailing accounting principles in their registered countries. The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities in the normal course of operations and in the foreseeable future.

Basis of consolidation

The details of the Company's subsidiaries and branches as at 31 December 2015 and 31 December 2014 are as follows:

Name of Subsidiary and Branches	Place of Incorporation and Operation	Proportion of ownership interest and voting power held by the Group		Principal Activity
		2015	2014	
		%	%	
Türkiye Petrolleri Azerbaijan Branch	Azerbaijan	100	100	Petroleum Activities
Türkiye Petrolleri Cyprus Branch	Cyprus	100	100	Petroleum Activities
Turkish Petroleum Overseas Company	Jersey	100	100	Petroleum Activities
Turkish Petroleum Overseas Company Azerbaijan Branch	Azerbaijan	100	100	Petroleum Activities
Turkish Petroleum Overseas Company Cyprus Branch	Cyprus	100	100	Petroleum Activities
Turkish Petroleum Overseas Company Iraq Branch	Iraq	100	100	Petroleum Activities
Turkish Petroleum BTC. Ltd.	Cayman Islands	100	100	Oil Transportation
Turkish Petroleum SCP. Ltd.	Cayman Islands	100	100	Natural Gas Transportation
TP Badra Ltd.	Jersey	100	100	Petroleum Activities
TP Missan Ltd.	Jersey	100	100	Petroleum Activities
TP Petrol Dağıtım A.Ş. ("TPPD") (**)	Turkey	-	100	Petroleum Distribution and Sales
TP Afghanistan Ltd.	Jersey	100	100	Petroleum Activities
TP Africa Ltd.(*)	Jersey	100	100	Petroleum Activities
TP Mansuria Ltd.	Jersey	100	100	Petroleum Activities
TP Siba Ltd.(*)	Jersey	100	100	Petroleum Activities
Turkish Petroleum Oil Field Services Company Limited ("TPOFSCO")	Jersey	100	100	Petroleum Service Activities
TP Europe Ltd.	Jersey	100	100	Petroleum Activities

(*) These subsidiaries are not operational as at 31 December 2015.

(**) Based on the decision of Privatization Authority dated 15 June 2015, TPPD is included in privatization program.

As, consequently the Group lost its control over TPPD, TPPD is ceased to be consolidated in the accompanying consolidated financial statements as of 31 December 2015 (Note: 1).

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Interests in joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The details of the Company's interests in joint ventures at 31 December 2015 and 31 December 2014 are as follows:

Name of Joint-Operation	Place of Incorporation and Operation	Proportion of ownership interest and voting power held by the Group		Principal Activity
		2015 %	2014 %	
Azerbaijan International Operating Company	Azerbaijan	6.75	6.75	Petroleum Activities
Azerbaijan Gas Supply Company Limited	Cayman Islands	15.2	15.2	Natural Gas Activities
Baku-Tbilisi-Ceyhan Pipeline Holding B.V. ("BTC Ho.")	Cayman Islands	6.53	6.53	Administration
The Baku-Tbilisi-Ceyhan Pipeline Company ("BTC Co.")	Cayman Islands	6.53	6.53	Petroleum Transportation
Baku-Tbilisi-Ceyhan Pipeline Finance B.V.	Cayman Islands	6.53	6.53	Finance
The South Caucasus Pipeline Company ("SCP Co.")	Cayman Islands	19.00	19.00	Natural Gas Transportation
The South Caucasus Pipeline Holding Company ("SCP Ho.")	Cayman Islands	19.00	19.00	Administration

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognized in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of share premium. Any cash paid for the acquisition is recognized directly in equity.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue from the sale of crude oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party.

Revenues associated with the transportation of oil are recorded when oil passes the related export meter. The tariff revenue of the Group is recognized as the amount of tariffs for the volume of throughput measured at the redelivery points.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, or receivable, net of discounts, value-added tax ("VAT"), or other sales-related taxes.

Sale of goods:

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income:

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Exploration expenses

Exploration expenses relate exclusively to oil and gas exploration and production operations and comprise the costs associated with unproved reserves. These include geological and geophysical costs for the identification and investigation of areas with possible oil and gas reserves, administrative, legal and consulting costs in connection with exploration. They also include all impairments on exploration wells no proved reserves could be demonstrated. All other exploration costs are recognized in the statement of income / (loss) in the period in which they are incurred. Depletion of economically successful exploration wells forms part of cost of sales.

Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The functional currency of TPPD is TRY (consolidated as of 31 December 2014) and the functional currency of BaiTex is Russian Ruble ("RUB"), since the functional and presentation currency of the Group is USD, financial statements of TPPD and BaiTex are expressed in USD.

In preparing the financial statements of the individual entities, transactions in currencies other than USD (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's operations having functional currency other than USD are translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of an operation whose functional currency is different than USD, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company is reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income and accumulated in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the statement of income / (loss) in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are carried at cost of acquisition or construction (where and to the extent applicable) less accumulated depreciation, amortization and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation and amortization is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method except for oil and gas production assets; where depletion occurs to a large extent on a unit of production basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Group accounts for its oil and gas exploration, development and production activities under the successful efforts method of accounting, having regard to the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources. Under this method, costs of acquiring properties (including the cost of rights to operate a license area), costs of drilling development wells, and costs of drilling successful exploratory wells are capitalized.

Costs without any identifiable future benefit are expensed, like geological and geophysical costs, and the costs of drilling exploratory wells that do not find or expected to find proved reserves are written off through the statement of profit or loss. Costs for future abandonment, or asset retirement obligations, of the offshore and onshore facilities are capitalized as part of the investment, and the present value of future liability accrued as a liability.

Development and production assets are accumulated on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the exploration expenditures incurred in finding commercial reserves transferred from intangible assets.

Capitalized costs and production equipment are depreciated under the units-of-production method based on estimated proven oil and natural gas reserves. The depreciation base includes total capitalized costs and it is reduced with salvage value. Changes in the estimates of commercial reserves or future field development are accounted prospectively.

In classifying costs, a distinction is made between tangible and intangible assets. This assessment is made on a field-by-field basis. Costs relating to drilling exploratory wells and costs relating to acquisition of exploration licenses are initially classified as intangible assets. Such assets will be re-classified to tangible assets when the technical feasibility and commercial viability of extracting the resources are demonstrable.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of tangible and intangible assets other than goodwill

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Intangible assets like capitalized exploration costs and license acquisition costs are subject to management review at least annually to confirm that the carrying amount does not exceed the recoverable amount. The evaluation includes technical, commercial and management reviews and the assessment of whether plans for future drilling in the license exists or whether a development decision is planned in the near future. When this is no longer the case, the costs are written off through the statement of profit or loss.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Taxation

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation

of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For SD PSA related temporary differences, no deferred tax is recognized in the accompanying consolidated financial statements as tax liabilities are reimbursed by the government of the Republic of Azerbaijan according to the terms of SD PSA.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Employee Benefits

Termination and retirement benefits

For the Company and subsidiary located in Turkey, lump sum payments are made to employees retiring or involuntarily leaving the Group under Turkish Law and union agreements. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No.19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation of the employees working in the company and subsidiaries located in Turkey.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held on call with banks with maturity less than three months. Restricted cash balances represent funds held as bank guarantees on certain exploration licenses and are excluded from cash and cash equivalents for the purposes of the consolidated cash flow statement. Balances restricted from being exchanged or used to settle a liability are included in other current assets.

The Group's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derivative financial instruments

In 2014, TPPD, entered into a forward contracts in UK markets to hedge significant fluctuations in oil prices. According to the risk management policies of the Company, these forward contracts are classified as derivatives held-for trading in the accompanying consolidated financial statements, since they do not satisfy the conditions for hedge accounting in IAS 39 (Financial Instruments: Recognition and Measurement). Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. Fair value is generally determined by using the quoted prices in an active market, otherwise it is determined by using either discounted cash flow model or option pricing model. If fair value is positive, the derivative is recognized as an asset and if fair value is negative, it is recognized as a liability in the balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Where a material liability for dismantling and removal, asset retirement, soil remediation and site restoration at the end of the productive life of a field exists, a provision for asset retirement obligation (or "ARO") is recognised. Net present value of the estimated ARO is recognized as soon as the obligation to dismantle and remove production assets, pipelines and other installations exists. The corresponding cost of the retirement obligation is capitalized as part of the development cost or acquisition cost and depreciated using the unit of production method. The unwinding of discounting leads to interest expense and accordingly to increased obligations at each balance sheet date until decommissioning or restoration.

The effects of changes in estimates on the units of production calculation are accounted for prospectively over the estimated remaining proven reserves of each pool.

Comparative information

Financial statements of the Group have been prepared comparatively with prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes. Amounts paid for the licenses amounting to USD 34,373 that was previously presented as "Goodwill" is presented as "Intangible Asset". Also, provisions for legal cases amounting to USD 19,613 that was previously presented as "Other Payables and Expense Accruals" are reclassified to "Provisions" in the current year. Revenue and cost of sales due to royalties paid are netted off from "Revenue" and "Cost of Sales" amounting to USD 147,950 in the accompanying consolidated financial statements dated 31 December 2014.

General Directorate

Turkish Petroleum Corporation

Söğütözü, 2180th Avenue, No: 10
06530 Çankaya / Ankara / TURKEY
Phone : +90 312 207 20 00
Fax : +90 312 286 90 00-01
e-mail : tpaocc@tp.gov.tr
web : www.tp.gov.tr

District Managements

Batman District Management

72100, Batman / TURKEY
Phone : +90 488 213 27 10
Fax : +90 488 213 41 49-39 14

Thrace District Management

39750, Lüleburgaz / Kırklareli / TURKEY
Phone : +90 288 417 38 90
Fax : +90 288 417 22 03

Adıyaman District Management

02040, Türmüz Yolu Üzeri
Adıyaman / TURKEY
Phone : +90 416 227 28 11
Fax : +90 416 227 28 07-18

International Offices

Azerbaijan TP / TPOC / TPBTC / TPSCP Office

69, Nizami Street, ISR Plaza, 4th Floor,
AZ 1005 Baku / AZERBAIJAN
Phone : +99 412 498 95 26-493 14 98
Fax : +99 412 498 14 35
e-mail : info@tpao-az.com

TPOC Iraq Office

Al Waziriyah, District 301
St-5, No-6, Baghdad / IRAQ
Phone : +90 312 207 20 00 / 18 58-18 59
e-mail : mansuriya@tp.gov.tr

TPOC Afghanistan Office

Burj Ghazanfar Sixth Floor, Baihaqi Street
Mazar-e Sharif / AFGHANISTAN
e-mail: buyukgoz@tp.gov.tr

TPOC East Mediterranean Office

Şht. Ecvet Yusuf Cad. No: 44/D 3.Kat
Yenişehir, Lefkoşa / KKTC
Phone : +90 392 228 68 00
Fax : +90 392 228 28 28
e-mail : ecimen@tp.gov.tr

Company Type

Mersis

Trade Register Office

Trade Register Number

Trade Name

Capital

Paid In Capital

Date Of Establishment And Registry

Tax Office

Tax Id Number

Sector

Trademark

Trademark Abbreviation

Corporation

5345 4719 4697 3614

Ankara

5602

Türkiye Petrolleri Anonim Ortaklığı

3.500 Billion TL

3.310 Billion TL

Law No. 16.03.1954 6357; 10.12.1954 Dated Official Gazette

Ulus

8790 032 784

Petroleum And Natural Gas

Türkiye Petrolleri-Turkish Petroleum

TP



**NATIONAL
GLOBAL
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NATIONAM**



TURKISH PETROLEUM