

**CONVENIENCE TRANSLATION OF CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
AUDITOR'S REVIEW REPORT
FOR THE PERIOD 1 JANUARY - 30 JUNE 2019**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

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TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

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

Assets	Notes	Reviewed	Audited
		30 June 2019	31 December 2018
Current assets		29,730,712	20,962,205
Cash and cash equivalents	4	9,889,401	5,982,828
Trade receivables	6	8,699,923	5,428,738
Due from related parties	6, 28	1,695,704	1,132,117
Trade receivables from third parties		7,004,219	4,296,621
Other receivables	7	58,621	29,048
Other receivables from third parties		58,621	29,048
Derivative Instruments	18	270,470	175,532
Inventories	8	8,384,370	6,764,745
Prepaid expenses	13	256,257	108,689
Other current assets	14	2,171,670	2,472,625
Non-current assets		26,550,349	19,073,522
Investments accounted for using the equity method	9	1,307,863	1,266,334
Investment properties	10	-	4,621
Property, plant and equipment	11	20,015,259	12,339,167
Right-of-use assets	2	194,004	-
Intangible assets	12	50,809	58,185
Other intangible assets		50,809	58,185
Derivative instruments	18	140,200	168,266
Prepaid expenses	13	256,617	378,000
Deferred tax assets	26	3,130,689	3,566,132
Other non-current assets	14	1,454,908	1,292,817
Total assets		56,281,061	40,035,727
Liabilities			
Current liabilities		26,991,956	15,949,538
Short-term financial liabilities	5	522,033	1,141,869
Current portion of long term financial liabilities	5	3,540,866	2,971,529
Trade payables	6	17,829,987	7,496,141
Due to related parties	6, 28	247,785	77,096
Trade payables, third parties		17,582,202	7,419,045
Liabilities for employee benefits	16	90,437	127,500
Other payables	17	28,502	39,300
Due to related parties	17, 28	1,973	24,279
Other payables to third parties		26,529	15,021
Derivative instruments	18	192,869	236,050
Deferred income		14,145	4,878
Current income tax liabilities	26	-	98,749
Provisions	15	206,053	80,345
Provisions for employee benefits		75,273	8,863
Other provisions		130,780	71,482
Other current liabilities	14	4,567,064	3,753,177
Non-current liabilities		16,263,547	14,140,360
Long-term financial liabilities	5	15,967,708	13,836,142
Provisions	15	259,270	257,392
Provisions for employee benefits		259,270	257,392
Deferred income		7,854	3,638
Derivative Instruments	18	27,820	42,237
Other non-current liabilities		895	951
Total liabilities		43,255,503	30,089,898
Equity		13,025,558	9,945,829
Share capital	20	250,419	250,419
Adjustment to share capital	20	1,344,243	1,344,243
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		6,450,097	3,478
Gains/(losses) on revaluation and remeasurement		6,430,809	5,021
Gain on revaluation of properties		6,425,788	-
Actuarial gain/(loss) arising from defined benefit plans		5,021	5,021
Actuarial gain/(loss) arising from defined benefit plans using equity method that will not be reclassified to profit or loss		19,288	(1,543)
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		(1,910,451)	(1,822,867)
Currency translation differences		(1,078)	-
Hedging gains/(losses)		(2,187,680)	(2,094,224)
Cash flow hedge gains/(losses)		(2,187,680)	(2,094,224)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		278,307	271,357
Restricted reserves	20	503,343	597,086
Retained earnings		5,752,162	5,739,481
Net income		495,280	3,712,789
Total equity attributable to equity holders of the parent		12,885,093	9,824,629
Non-controlling interests		140,465	121,200
Total equity and liabilities		56,281,061	40,035,727

The condensed interim consolidated financial statements as of and for the period ended 30 June 2019 has been approved for issue by the Board of Directors on 7 August 2019.

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed		Reviewed	
		1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue	21	44,660,839	23,952,951	33,502,180	20,080,772
Cost of sales (-)	21	(41,998,470)	(22,281,875)	(30,212,223)	(17,860,005)
Gross profit		2,662,369	1,671,076	3,289,957	2,220,767
General administrative expenses (-)	22	(570,270)	(289,897)	(410,883)	(214,997)
Marketing, selling and distribution expenses (-)	22	(209,507)	(123,734)	(124,770)	(57,605)
Research and development expenses (-)	22	(13,289)	(6,470)	(9,586)	(4,676)
Other operating income	23	406,725	230,982	269,962	163,922
Other operating expenses (-)	23	(715,395)	(149,456)	(1,258,202)	(1,041,121)
Operating profit / (loss)		1,560,633	1,332,501	1,756,478	1,066,290
Income from investment activities	24	119	259	-	-
Expenses from investment activities (-)	24	-	-	(6,710)	(327)
Income/(loss) from investments accounted by equity method	9	109,748	46,676	144,657	86,071
Operating profit before financial income/(expense)		1,670,500	1,379,436	1,894,425	1,152,034
Financial income	25	1,026,957	322,115	2,102,026	1,448,210
Financial expense (-)	25	(2,423,827)	(1,117,792)	(2,599,434)	(1,675,037)
Profit/(loss) before tax from continued operations		273,630	583,759	1,397,017	925,207
Tax income / (expense)		249,979	302,145	25,060	110,083
Taxes on income (-)	26	(6,388)	(2,966)	(38,460)	(33,342)
Deferred tax income / (expense)	26	256,367	305,111	63,520	143,425
Net profit/(loss) from continued operations		523,609	885,904	1,422,077	1,035,290
Other comprehensive income:					
Items not to be reclassified to profit or loss		6,446,619	-	-	-
Revaluation gain/(loss) on property		7,139,764	-	-	-
Share of other comprehensive income accounted for investment using equity method that will be not reclassified to profit or loss		20,831	-	-	-
Revaluation gain/(loss) on property of investments accounted with using equity method		20,831	-	-	-
Tax effect of other comprehensive income/(loss) not to be reclassified to profit or loss		(713,976)	-	-	-
Deferred tax income/(expense)		(713,976)	-	-	-
Items to be reclassified to profit or loss		(96,648)	32,919	(440,460)	(323,914)
Currency translation differences		(1,078)	(694)	-	-
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		6,950	1,610	9,948	7,666
Gain/(loss) from translation of foreign currency of investments accounted for using equity method		6,950	1,610	9,948	7,666
Income/(expense) relating to avoidance of risk of cash flow		(124,686)	39,986	(558,276)	(408,347)
Income/(loss) of avoidance of risk of cash flow		(124,686)	39,986	(558,276)	(408,347)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		22,166	(7,983)	107,868	76,767
Deferred tax income/(expense)		22,166	(7,983)	107,868	76,767
Other comprehensive income/(expense)		6,349,971	32,919	(440,460)	(323,914)
Total comprehensive income		6,873,580	918,823	981,617	711,376
Distribution of income for the period:					
Non-controlling interests		28,329	15,466	16,949	8,598
Attributable to equity holders of the parent		495,280	870,438	1,405,128	1,026,692
Distribution of total comprehensive income					
Non-controlling interests		19,265	14,070	(930)	(5,431)
Attributable to equity holders of the parent		6,584,315	904,753	982,547	716,807
Earnings (loss) per share from continued operations					
Earnings per share with nominal value kr. 1 each (kr.)	27	1.98	3.48	5.61	4.10

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

	Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss					Accumulated other comprehensive income/(expense) that will be reclassified to profit or loss			Retained earnings					
	Share capital	Adjustment to share capital	Gains/(losses) on valuation and remeasurement	Actuarial gains/(losses) arising from defined benefit plans	Share of other comprehensive income of investments accounted for using equity method that will be not reclassified to profit or loss	Currency translation differences	Cash flow hedge gains/(losses)	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net income/(expense)	Equity holders of parent	Non controlling interest	Total equity
Reviewed														
1 January 2018	250,419	1,344,243	-	(2,211)	(1,150)	-	(1,141,847)	180,874	279,668	5,651,805	3,811,546	10,373,347	104,314	10,477,661
Transfers	-	-	-	-	-	-	-	-	339,393	3,472,153	(3,811,546)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(21,975)	(3,384,477)	-	(3,406,452)	-	(3,406,452)
- Net profit for the period	-	-	-	-	-	-	-	-	-	-	1,405,128	1,405,128	16,949	1,422,077
- Other comprehensive income	-	-	-	-	-	-	(432,529)	9,948	-	-	(422,581)	(17,879)	(440,460)	
Total comprehensive income	-	-	-	-	-	-	(432,529)	9,948	-	-	1,405,128	982,547	(930)	981,617
30 June 2018	250,419	1,344,243	-	(2,211)	(1,150)	-	(1,574,376)	190,822	597,086	5,739,481	1,405,128	7,949,442	103,384	8,052,826
Reviewed														
1 January 2019	250,419	1,344,243	-	5,021	(1,543)	-	(2,094,224)	271,357	597,086	5,739,481	3,712,789	9,824,629	121,200	9,945,829
Transfers	-	-	-	-	-	-	-	-	-	3,712,789	(3,712,789)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(93,743)	(3,700,108)	-	(3,793,851)	-	(3,793,851)
- Net profit for the period	-	-	-	-	-	-	-	-	-	-	495,280	495,280	28,329	523,609
- Other comprehensive income	-	-	6,425,788	-	20,831	(1,078)	(93,456)	6,950	-	-	-	6,359,035	(9,064)	6,349,971
Total comprehensive income	-	-	6,425,788	-	20,831	(1,078)	(93,456)	6,950	-	-	495,280	6,854,315	19,265	6,873,580
30 June 2019	250,419	1,344,243	6,425,788	5,021	19,288	(1,078)	(2,187,680)	278,307	503,343	5,752,162	495,280	12,885,093	140,465	13,025,558

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

	Notlar	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
Cash flows from operating activities		7.801.098	2.023.996
Profit/(loss)		523.609	1.422.077
Adjustment for reconciliation of profit/(loss)		1.491.036	709.262
Adjustment for depreciation and amortisation expense	1, 12	344.861	310.247
Adjustments for stock impairment(cancellation)		(66.289)	(920)
Adjustments for stock impairment	8	(66.289)	(920)
Adjustment for provisions	15	135.978	27.416
Adjustment for interest (income) and expense	25	999.733	305.547
Adjustment for unrealized foreign currency translation differences		(763.236)	(1.548.823)
Adjustment for fair value (gain) or loss		17.730	(340.798)
Adjustment for income of investments accounted by equity method	9	(109.748)	(144.657)
Adjustment for tax expenses(income)	26	(249.979)	(25.060)
Adjustment for (gain) / loss on sales of property, plant and equipment	24	(119)	6.710
Adjustment for other items related with cash flow of investment or financial activities	25	1.194.954	2.121.391
Other adjustments for reconciliation of profit/(loss)		(12.849)	(1.791)
Changes in working capital		5.965.544	(52.665)
Adjustment for decrease/(increase) in trade receivables		(3.272.484)	(1.769.182)
Adjustment for decrease/(increase) in other receivables related with operations		(38.642)	(533.822)
Adjustment for decrease/(increase) in assets of derivative instruments		(66.872)	40.113
Adjustment for decrease/(increase) in inventories		(1.553.336)	(2.410.367)
Adjustment for increase/(decrease) in trade payables		10.354.976	4.347.017
Adjustment for increase/(decrease) in other payables related with operations		599.500	185.008
Adjustment for decrease/(increase) in liabilities of derivative instruments		(57.598)	88.568
Cash flows from operating activities		7.980.189	2.078.674
Tax returns/(payments)		(105.137)	(23.221)
Other cash inflow/(outflow)		(73.954)	(31.457)
Cash flows from investing activities		(635.251)	(307.964)
Cash inflows from the sales of property, plant and equipment and intangible assets		1.429	810
Cash outflows from the purchase of property, plant and equipment and intangible assets		(732.680)	(428.774)
Dividends received	9	96.000	120.000
Cash flows from financing activities		(4.278.098)	(6.288.683)
Cash inflows from financial liabilities	5	24.960.949	19.020.669
Cash outflows from financial liabilities	5	(24.547.944)	(22.098.167)
Cash inflows from derivative instruments		153.895	585.678
Cash outflows from derivative instruments		(132.390)	(115.305)
Cash outflows from payments of rent agreements	5	(20.427)	-
Dividends paid	20	(3.793.851)	(3.406.452)
Interest paid		(1.044.124)	(441.124)
Interest received		145.794	166.018
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		2.887.749	(4.572.651)
Impact of foreign currency translation differences on cash and cash equivalents	25	762.611	1.548.823
Net increase/(decrease) in cash and cash equivalents		3.650.360	(3.023.828)
Cash and cash equivalents at beginning of period		4.553.080	7.592.735
Cash and cash equivalents at end of period	4	8.203.440	4.568.907

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

1. Organization and nature of operations of the Group

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

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

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

The Company is registered at the Capital Markets Board (“CMB”) of Turkey and its shares have been quoted at Borsa İstanbul A.Ş. (“BIST”) (previously known as Istanbul Stock Exchange (“ISE”)) since 1991. As at 30 June 2019, the shares quoted on the BIST are 49% of the total shares. As of 30 June 2019, the principal shareholders and their respective shareholdings in the Company are as follows (Note 20):

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

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

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

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

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

(*) Established and started its operations as of 15 May 2019.

Joint ventures	Country of Incorporation	Nature of business
OPET Petrolcülük A.Ş. (“Opet”)	Türkiye	Petroleum products retail distribution
THY Opet Havacılık Yakıtları A.Ş.	Türkiye	Jet fuel supply services
Opet International Limited	İngiltere	Petroleum products trading
Opet Trade B.V.	Hollanda	Petroleum products trading
Opet Trade Singapore (In liquidation)(*)	Singapur	Petroleum products trading
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş.(**)	Türkiye	Petroleum products trading
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş.	Türkiye	Lube oil trading
Op Ay Akaryakıt Ticaret Ltd. Şti.	Türkiye	Petroleum products trading
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş.	Türkiye	Petroleum products trading
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti.	Türkiye	Marine services
Opet Aygaz Gayrimenkul A.Ş.	Türkiye	Real estate

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

(**) Opet Market and Akaryakıt İstasyon İşletmeciliği A.Ş. have been established in April 2019.

The average number of employees of the Group as at 30 June 2019 is 6,043 (31 December 2018 – 5,952).

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

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

2. Basis of presentation of consolidated financial statements

2.1. Basis of presentation

2.1.1 Financial reporting standards

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

The consolidated financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

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

Functional and presentation currency

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

2.1.2 Amendments in Turkish Financial Reporting Standards (TFRS)

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

a. Standards, amendments and interpretations applicable as at 30 June 2019 :

- **Amendment to TFRS 9, ‘Financial instruments’;** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The amendments do not have a significant impact in the Group’s consolidated financial statement.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

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

2.1. Basis of presentation (Continued)

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

- **Amendment to TAS 28, ‘Investments in associates and joint venture’;** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9. The amendments do not have a significant impact in the Group’s consolidated financial statement.
- **TFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 ‘Revenue from Contracts with Customers’ is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact of the amendment on The Group’s financial position and performance has been assessed (Note 2.2).
- **TFRS 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This TFRS clarifies how the recognition and measurement requirements of TAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. TFRS 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRS 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The impact of the amendments on The Group’s financial position and performance has been assessed.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23, ‘Borrowing costs’ – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

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

2.1. Basis of presentation (Continued)

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

The impact of the amendments on The Group’s financial position and performance has been assessed.

- **Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The impact of the amendments on The Group’s financial position and performance has been assessed.

b. Standards, amendments and interpretations that are issued but not effective as at 30 June 2019:

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’, and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.
- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **TFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The impact of the amendments on The Group’s financial position and performance has been assessed.

2.1.3 Financial statements of joint ventures operating in foreign countries

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

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

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation

- a) The condensed consolidated financial statements for the interim period ended 30 June 2019 have been prepared in accordance with principles stated on the consolidated financial statements for the year ended 31 December 2018 and include financial statements of Tüpraş, and its Subsidiaries.
- b) At 30 June 2019, there are no changes in voting rights or proportion of effective interest on subsidiaries and joint ventures that are subject to consolidation from the information stated on consolidated financial statements for the year ended 31 December 2018.

	30 June 2019		31 December 2018	
	Direct and indirect voting right possessed by the company (%)	Proportion of effective interest (%)	Direct and indirect voting right possessed by the company (%)	Proportion of effective interest (%)
Subsidiary				
Ditaş	79.98	79.98	79.98	79.98
Üsküdar	79.98	79.98	79.98	79.98
Damla	79.98	79.98	79.98	79.98
Beykoz	79.98	79.98	79.98	79.98
Kadıköy	79.98	79.98	79.98	79.98
Sarıyer	79.98	79.98	79.98	79.98
Kartal	79.98	79.98	79.98	79.98
Maltepe	79.98	79.98	79.98	79.98
Salacak	79.98	79.98	79.98	79.98
Karşıyaka	79.98	79.98	79.98	79.98
Bakırköy	79.98	79.98	79.98	79.98
Karaköy	79.98	79.98	79.98	79.98
Çengelköy	79.98	79.98	79.98	79.98
Pendik	79.98	79.98	79.98	79.98
Tuzla	79.98	79.98	79.98	79.98
Göztepe(*)	79.98	79.98	-	-
Körfez	100.00	100.00	100.00	100.00

(*) Established and started its operations as of 15 May 2019.

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

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

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

2.1. Basis of presentation (Continued)

2.1.4 Principles of consolidation (Continued)

The table below shows the total interest of the Group in its joint ventures accounted by equity method as at 30 June 2019 and 31 December 2018:

	30 June 2019		31 December 2018	
	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)	Direct and indirect voting rights possessed by the Company (%)	Proportion of effective interest (%)
Joint ventures accounted by equity method				
Opet	50.00	40.00	50.00	40.00
Opet International Limited (*)	50.00	40.00	50.00	40.00
Opet Trade B.V. (*)	50.00	40.00	50.00	40.00
Opet Trade Singapore (In liquidation) (*) (**)	50.00	40.00	50.00	40.00
Opet Market ve Akaryakıt İstasyon İşletmeciliği A.Ş. (*) (***)	50.00	40.00	-	-
THY Opet Havacılık Yakıtları A.Ş. (*)	25.00	20.00	25.00	20.00
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (*)	25.00	20.00	25.00	20.00
Op Ay Akaryakıt Ticaret Ltd. Şti. (*)	25.00	20.00	25.00	20.00
Akdeniz Akaryakıt Depolama Nakliyat ve Tic. A.Ş. (*)	16.65	13.32	16.65	13.32
Nemrut Liman ve Boru İşl. Nak. İç ve Dış Tic. Ltd. Şti. (*)	12.50	10.00	12.50	10.00
Opet Aygaz Gayrimenkul A.Ş. (*)	25.00	20.00	25.00	20.00

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

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

(***) Opet Market and Akaryakıt İstasyon İşletmeciliği A.Ş. have been established in April 2019.

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

2.2. Changes in accounting policies

The Group has adopted TFRS 16 “Leases” as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts of the first time adoption of TFRS 16 on the condensed interim consolidated financial statements of the Group are as below:

TFRS 16 Leases

The Group - as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

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

2.2. Changes in accounting policies (Continued)

IFRS 16 Leases (Continued)

To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- The Group has the right to direct use of the asset.
 - a) The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset.
 - b) The Group has the right to direct use of asset if either:
 - i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) Amount of the initial measurement of the lease liability;
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group; and
- d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group re-measure the right of use asset:

- a) After netting-off depreciation and reducing impairment losses from right of use asset,
- b) Adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TMS16 “Property, Plant and Equipment” to amortize the right of use asset and to asses for any impairment.

TAS 36 “Impairment of Assets” is applied to determine whether an asset is impaired and to recognize any impairment loss.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group’s incremental borrowing rate.

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

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

2.2. Changes in accounting policies (Continued)

IFRS 16 Leases (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- a) Fixed payments, including in-substance fixed payments;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- a) Increasing the carrying amount to reflect interest on lease liability
- b) Reducing the carrying amount to reflect the lease payments made and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Variable lease payments

Group’s lease contracts also include variable lease payments which are not in the scope of TFRS 16. Variable lease payments are recognised in profit or loss in the related period.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment)

The Group - as a lessor

The Group as a lessor is composed of operating leases. In operating leases, leased assets are classified in the consolidated balance sheet under investment property, tangible fixed assets or other current assets and the rent income obtained is reflected to the consolidated income statement in equal amounts during the leasing period. Rental income is recognized on a straight-line basis over the period of the lease in consolidated income statement.

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

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

2.2. Changes in accounting policies (Continued)

IFRS 16 Leases (Continued)

First time adoption of IFRS 16 Leases

The Group has applied IFRS 16 “Leases”, which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying IFRS 16 is accounted in the condensed interim consolidated financial statements retrospectively (“cumulative impact approach”) at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

With the transition to IFRS 16 “Leases”, a “lease liability” is recognized in the condensed interim consolidated financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under IFRS 16 as of 1 January 2019 is as below:

	1 January 2019
Operating lease commitments within the scope of TAS 17	413,589
- Short term leases (-)	(10,044)
- Low value leases (-)	(133)
- Contracts evaluated within the scope of service procurement (-)	(41,871)
- Adjustments for extension or early termination options	20,188
Total lease liabilities within the scope of IFRS 16 (non-discounted)	381,729
Total lease liabilities within the scope of IFRS 16 (discounted with alternative borrowing rate)	198,739
- Short term lease liabilities	23,629
- Long term lease liabilities	175,110

The weighted average of alternative borrowing rates used by the Group is 20.80% for TRY and 3.23% for EUR as of 1 January 2019.

The rights of use assets recognized in the consolidated financial statements on the basis of asset groups are as follows as of 1 January 2019 and 30 June 2019:

	30 June 2019	1 January 2019
Land improvements	79,297	122,143
Buildings	80,884	38,816
Machinery and equipment	1,831	2,543
Motor vehicles	31,992	35,237
Total right of use	194,004	198,739

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

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

2.2. Changes in accounting policies (Continued)

Property, plant and equipment

The Group has revaluated all of the lands in its assets amounting to TRY66,782 thousand in accordance with TAS 16 Property, Plant and Equipment as of 31 March 2019 and included the revaluation amount amounting to TRY7,139,764 thousand in consolidated financial statements (Note 11). The items other than lands in property, plant and equipment are carried at cost less accumulated depreciation and impairment, if any, in the consolidated financial statements.

“Market Comparison Approach” is used to determine the fair value of the Group's lands.

The revaluation increase in property is recognized in the balance sheet after the deferred tax effect has been offset to the revaluation gain(loss) in equity. Land are not depreciated as their economic lives are considered to be unlimited.

The evaluation assessment of lands of Tüpraş has been carried by namely Açık Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. which is accredited by the CMB; the valuation of lands of OPET and its subsidiaries, which is consolidated according to equity share method, is carried by TSKB Gayrimenkul Değerleme A.Ş. which is accredited by the CMB.

	Fair value level as of reporting period			
	30 June 2019	Level 1	Level 2	Level 3
Lands	7,139,764	-	7,139,764	-

2.2.1 Comparative information

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

The Group presented the consolidated statement of financial position as of 30 June 2019 comparatively with the consolidated statement of financial position as of 31 December 2018. Also the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the interim period ended 30 June 2019 are presented comparatively with the consolidated financial statements for the interim period ended 30 June 2018.

2.2.2 Offsetting

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

2.2.3 Seasonality of operations

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

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 30 June 2019, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 June 2019 have been prepared applying accounting policies which are consistent with the accounting policies used for the preparation of consolidated financial statements for the year ended 31 December 2018. Thus, these condensed consolidated financial statements must be evaluated together with the consolidated financial statements for the year ended 31 December 2018.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

3. Business Combinations

No business combinations occurred during the period 30 June 2019.

4. Cash and cash equivalents

	30 June 2019	31 December 2018
Cash at banks		
Revenue share (blocked)	1,670,657	1,425,142
Time deposit	8,187,537	4,551,877
Demand deposits	15,903	1,203
Time deposit interest accruals	15,304	4,606
Total	9,889,401	5,982,828

Revenue Share (blocked)

As required by the Petroleum Market License Regulation, the revenue share collected from the customers by the Group is held at banks and considered as blocked deposit in the Company’s books. The revenue share was invested as demand deposits with government debt securities interest rate and overnight interest rate as at 30 June 2019 and 31 December 2018 (Note 14).

Time deposits and other cash and cash equivalents

As at 30 June 2019 and 31 December 2018, the maturity and the currency information of the time deposits, is as follows:

30 June 2019

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	24.09	2,004,055	-	2,004,055
USD	3.66	5,100,643	-	5,100,643
EUR	1.32	1,081,279	-	1,081,279
GBP	1.25	1,560	-	1,560
Time deposit		8,187,537	-	8,187,537

31 December 2018

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	23.91	149,375	-	149,375
USD	4.68	2,635,014	107,196	2,742,210
EUR	2.71	1,653,547	6,631	1,660,178
GBP	1.40	114	-	114
Time deposit		4,438,050	113,827	4,551,877

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH INTERIM PERIOD ENDED 30 JUNE 2019

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

4. Cash and cash equivalents (Continued)

Cash and cash equivalents included in the consolidated statements of cash flows for the periods ended 30 June 2019 and 30 June 2018 are as follows:

	30 June 2019	30 June 2018
Cash and cash equivalents	9,889,401	5,886,217
Less: Blocked deposits (Revenue share)	(1,670,657)	(1,311,533)
Less: Time deposit interest accruals	(15,304)	(5,777)
Cash and cash equivalents	8,203,440	4,568,907

5. Financial liabilities

	30 June 2019	31 December 2018
Short-term financial liabilities:		
Short-term bank borrowings	521,771	1,139,773
Interest accruals of bank borrowings	262	2,096
Total	522,033	1,141,869
Short-term portion of long-term financial liabilities:		
Short-term portion of long-term bank borrowings	3,225,808	2,780,773
Lease liabilities	22,556	-
Interest accruals of bank borrowings	228,123	156,611
Interest accruals of bonds issued	64,379	34,145
Total	3,540,866	2,971,529
Long-term financial liabilities:		
Long-term bank borrowings	11,101,936	10,148,979
Bonds issued	4,678,570	3,682,630
Lease liabilities	170,480	-
Interest accruals of bank borrowings	16,722	4,533
Total	15,967,708	13,836,142
Total financial liabilities	20,030,607	17,949,540

Tüpraş has issued a bond on 8 February 2019 with a nominal value of TRY400 million, with a maturity of 728 days years, coupon payment every 3 months and repayment of principal and coupon at maturity, with 75 bps additional yields on 3MTRLIBOR reference rate.

Tüpraş has issued a bond on 25 January 2019 with a nominal value of TRY250 million, with a maturity of 728 days years, coupon payment every 3 months and repayment of principal and coupon at maturity, with 75 bps additional yields on 3MTRLIBOR reference rate.

Tüpraş has issued a bond with a nominal value of USD700 million, with a maturity of 7 years, coupon payment every 6 months and repayment of principal and coupon at maturity, with an annual interest rate of 4.5%, on the London Stock Exchange on 12 October 2017.

As explained in material disclosure, Tüpraş signed a long term loan facility agreement with a group of lenders, consisting of HSBC (Coordinator), ING (Facility Agent), The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citibank N.A., Intesa Sanpaolo and JPMorgan Chase Bank, N.A. London Branch, to meet the working capital requirements for forthcoming period and extent the weighted-average of debt maturities. The loans amounting to USD157,5 million and EUR261,5 million were utilized on 29 March 2016 and the loans have semi-annual interest payments, 5 years maturity with 3 years grace period.

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5. Financial liabilities (Continued)

In 2011, Tüpraş has signed three loan agreements in order to finance Residuum Upgrading Project (“RUP”) and further to the agreements the loans amounting to USD1,998 million were utilized between 2011 and 2015 for credit insurance payments and capital expenditures. According to financing package loan was insured by SACE and CESCE have 12 years to maturity also there will be no principal and interest payment in first 4 years. The third loan has 7 years to maturity and there will be no principal payment in the first four years. The repayment of the loans has started in 2015 and as at 30 June 2019 the outstanding amount of the loans is USD860 million (31 December 2018 - USD954 million).

Foreign currency balances and effective interest rates for the short and long-term financial liabilities as at 30 June 2019 and 31 December 2018 are as follows:

		30 June 2019	
	Effective interest rate (%)	Original Currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	3.19	50,000,000	287,755
TRY borrowings (*)	24.25	234,015,516	234,016
Interest accruals			262
Total short-term financial liabilities			522,033
Long-term portion of long-term financial liabilities:			
USD borrowings	4.29	293,713,197	1,690,349
EUR borrowings	2.02	113,369,727	742,652
TRY borrowings	20.34	792,807,473	792,807
GBP lease liabilities	4.16	158,397	1,154
EUR lease liabilities	3.22	1,350,075	8,844
TRY lease liabilities	21.53	12,558,493	12,558
			3,248,364
Interest accruals			292,502
Total short-term portion long-term financial liabilities		-	3,540,866
Long-term financial liabilities:			
USD borrowings	4.58	1,074,429,538	6,183,450
USD bonds issued	4.55	700,000,000	4,028,570
EUR borrowings	1.89	117,798,227	771,661
TRY borrowings	24.44	4,146,825,397	4,146,825
TRY bonds issued	26.34	650,000,000	650,000
GBP lease liabilities	4.16	1,160,385	8,454
EUR lease liabilities	3.19	7,666,095	50,218
TRY lease liabilities	21.84	111,808,173	111,808
			15,950,986
Interest accruals			16,722
Total long-term financial liabilities			15,967,708

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY181,016 thousand as of 30 June 2019 (31 December 2018 - TRY245,028 thousand).

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5. Financial liabilities (Continued)

		31 December 2018	
	Effective interest rate (%)	Original currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	3.83	160,000,000	841,745
TRY borrowings	24.25	298,027,981	298,028
Interest accruals			2,096
Total short-term financial liabilities			1,141,869
Short-term portion of long-term financial liabilities:			
USD borrowings	4.34	303,932,787	1,598,959
EUR borrowings	2.07	117,138,055	706,108
TRY borrowings	18.80	475,705,563	475,706
Total			2,780,773
Interest accruals			190,756
Total short-term portion of long-term financial liabilities			2,971,529
Long-term financial liabilities:			
USD borrowings	4.36	1,194,244,687	6,282,802
USD bonds issued	4.55	700,000,000	3,682,630
EUR borrowings	2.05	174,435,583	1,051,498
TRY borrowings	24.11	2,814,678,778	2,814,679
			13,831,609
Interest accruals			4,533
Total long-term financial liabilities			13,836,142

As at 30 June 2019 and 31 December 2018, the redemption schedule of long-term bank borrowings is as follows:

	30 June 2019	31 December 2018
1-2 years	7,488,395	4,188,207
2-3 years	1,580,320	2,860,518
3-4 years	1,505,957	1,349,307
4-5 years	966,214	1,347,878
Over 5 years	4,426,822	4,090,232
Total	15,967,708	13,836,142

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5. Financial liabilities (Continued)

The movement of borrowings as of 30 June 2019 and 30 June 2018 is as follows:

	2019	2018
1 January	17,949,540	15,050,984
New financial borrowings	24,960,949	19,020,669
Principal payments	(24,547,944)	(22,098,167)
Increase due to lease liabilities	209,452	-
Decrease due to payment of lease liabilities	(20,427)	-
Changes in interest accruals	112,101	25,095
Changes in foreign exchange rates	1,366,936	2,810,951
30 June	20,030,607	14,809,532

6. Trade receivables and payables

Short-term trade receivables:

	30 June 2019	31 December 2018
Trade receivables	7,035,950	4,327,765
Due from related parties (Note 28)	1,695,704	1,132,117
Doubtful trade receivables	5,444	4,740
Other trade receivables	16	21
Less: Unearned credit finance income	(31,747)	(31,165)
Less: Provision for doubtful receivables	(5,444)	(4,740)
Total short-term trade receivables (net)	8,699,923	5,428,738

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

As at 30 June 2019, Tüpraş has offsetted TRY600,000 thousand (31 December 2018 - TRY2,232,000 thousand) from trade receivables that are collected from factoring companies as part of the irrevocable factoring.

Movement of the provision for doubtful receivables for the periods ended 30 June 2019 and 2018 is as follows:

	2019	2018
1 January	4,740	3,184
Charge for the period	717	1,439
Payments during the period	(13)	(264)
30 June	5,444	4,359

Short-term trade payables:

	30 June 2019	31 December 2018
Trade payables	17,609,453	7,425,166
Due to related parties (Note 28)	247,785	77,096
Less: Unrealised credit finance charges	(27,251)	(6,121)
Total short term trade payables (net)	17,829,987	7,496,141

Tüpraş discounts short-term trade payables by using monthly libor rates.

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7. Other receivables and payables

Other short-term receivables:

	30 June 2019	31 December 2018
Receivable from insurance recoveries	39,497	8,151
Receivable from personnel	11,838	12,809
Deposits and guarantees given	7,286	8,088
Other doubtful receivables	324	324
Less: Provision for other doubtful receivables	(324)	(324)
Total	58,621	29,048

8. Inventories

	30 June 2019	31 December 2018
Raw materials and supplies	1,252,441	1,117,820
Work-in-progress	1,863,254	1,799,367
Finished goods	2,766,657	2,122,910
Trade goods	58,145	76,043
Goods in transit	2,426,943	1,705,496
Other	38,496	30,964
	8,405,936	6,852,600
Less: Provision for impairment in inventories	(21,566)	(87,855)
Total	8,384,370	6,764,745

Movement of the provision for inventories for the periods ended 30 June 2019 and 2018 is as follows:

	2019	2018
1 January	87,855	1,246
Charge for the period	21,566	326
Provisions no longer required	(87,855)	(1,246)
30 June	21,566	326

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9. Investments accounted for using the equity method

	30 June 2019		31 December 2018	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40.00	1,307,863	40.00	1,266,334
		1,307,863		1,266,334

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

The movement in the investments accounted for using the equity method during the period ended 30 June 2019 and 2018 is as follows:

	2019	2018
1 January	1,266,334	1,134,364
Investments accounted for using the equity method;		
Shares in current year profit	109,748	144,657
Dividend payment	(96,000)	(120,000)
Gain on revaluation of property	20,831	-
Currency translation differences	6,950	9,948
30 June	1,307,863	1,168,969

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

	30 June 2019	31 December 2018
Current assets	5,514,818	4,948,159
Non-current assets	3,486,250	2,963,133
Total assets	9,001,068	7,911,292
Short term liabilities	4,306,183	3,282,386
Long term liabilities	1,897,911	1,935,753
Equity	2,796,974	2,693,153
Total liabilities	9,001,068	7,911,292

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Sales (net)	21,323,824	11,744,867	19,065,371	10,781,175
Gross profit	941,317	490,756	965,035	556,692
Operating profit	459,261	252,679	546,096	348,026
Net income for the period	274,370	116,690	361,643	215,179

10. Investment property

Investment properties have been reclassified to lands as of 31 March 2019 due to absence of rent income purpose and revaluated together with lands (31 December 2018 - TRY4,621 thousand). As of 31 December 2018, the fair value of the investment property has been determined as TRY156,767 thousand as a result of fair value assessments.

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11. Property, plant and equipment

The movements in property, plant and equipment and related depreciation expenses as of 30 June 2019 and 2018 are as follows:

	1 January 2019	Gain on revaluation of property	Currency translation differences	Additions	Transfers	Disposals	30 June 2019
Cost:							
Lands	62,161	7,139,764	-	-	4,621	-	7,206,546
Land improvements	3,721,772	-	-	-	6,019	-	3,727,791
Buildings	789,073	-	-	-	624	(17)	789,680
Machinery and equipment	12,657,231	-	665	281	(63,923)	(305)	12,593,949
Motor vehicles	1,249,363	-	-	331,061	-	(1)	1,580,423
Furniture and fixtures	128,559	-	-	1,146	(18,267)	(2,238)	109,200
Construction in progress	339,919	-	-	514,868	75,547	-	930,334
Special costs	1,070	-	-	2,965	-	(1,276)	2,759
Other tangible assets	4,057	-	-	23	-	-	4,080
	18,953,205	7,139,764	665	850,344	4,621	(3,837)	26,944,762
Accumulated depreciation:							
Land improvements	(1,456,256)	-	-	(77,011)	(2,230)	-	(1,535,497)
Buildings	(210,688)	-	-	(8,564)	(8)	14	(219,246)
Machinery and equipment	(4,611,075)	-	(40)	(199,777)	(13,462)	293	(4,824,061)
Motor vehicles	(252,335)	-	-	(24,831)	-	-	(277,166)
Furniture and fixtures	(81,852)	-	-	(7,137)	15,700	2,070	(71,219)
Special costs	(44)	-	-	(490)	-	150	(384)
Other tangible assets	(1,788)	-	-	(142)	-	-	(1,930)
	(6,614,038)	-	(40)	(317,952)	-	2,527	(6,929,503)
Net book value	12,339,167						20,015,259

	1 January 2018	Additions	Transfers	Disposals	30 June 2018
Cost:					
Lands	48,814	-	17,700	-	66,514
Land improvements	3,645,079	-	4,481	(3)	3,649,557
Buildings	771,147	-	276	-	771,423
Machinery and equipment	12,001,323	77	29,277	(13,355)	12,017,322
Motor vehicles	1,221,669	7,294	9,101	(230)	1,237,834
Furniture and fixtures	134,130	338	5,985	(1,012)	139,441
Construction in progress	500,802	297,926	(70,822)	-	727,906
Other tangible assets	2,614	112	-	-	2,726
	18,325,578	305,747	(4,002)	(14,600)	18,612,723
Accumulated depreciation:					
Land improvements	(1,304,166)	(75,928)	-	2	(1,380,092)
Buildings	(193,944)	(8,174)	-	-	(202,118)
Machinery and equipment	(4,235,088)	(181,056)	-	6,062	(4,410,082)
Motor vehicles	(206,631)	(25,100)	-	50	(231,681)
Furniture and fixtures	(80,869)	(9,329)	-	966	(89,232)
Other tangible assets	(1,443)	(144)	-	-	(1,587)
	(6,022,141)	(299,731)	-	7,080	(6,314,792)
Net book value	12,303,437				12,297,931

Total depreciation expense amounting to TRY317,952 thousand (30 June 2018 - TRY299,731 thousand) in the consolidated statement of comprehensive income for the period ended 30 June 2019 has been allocated to cost of goods sold amounting to TRY303,715 thousand (30 June 2018 - TRY 283,797 thousand), to marketing, sales and distribution expenses amounting to TRY3 thousand (30 June 2018 - TRY2 thousand), to general administration expenses amounting to TRY14,234 thousand (30 June 2018 - TRY15,932 thousand).

The depreciation expense related to right-of-use assets in the consolidated statement of comprehensive income for the period ended as of 30 June 2019 is TRY15,449 thousand and has been classified to general administration expenses (30 June 2018 - None).

As of 30 June 2019, there are no mortgages on property, plant and equipment, (31 December 2018 - None). The Company has decided to account its lands from fair values as of 31 March 2019. Related details have been disclosed in Note 2.2.

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12. Intangible assets

Other intangible assets:

The movements of intangible assets and related accumulated amortisation for the period ended 30 June 2019 and 2018 are as follows:

	1 January 2019	Additions	Transfers	Disposals	30 June 2019
Cost:					
Rights and software	91,242	2,706	-	-	93,948
Development expenses	85,407	1,378	-	-	86,785
	176,649	4,084	-	-	180,733
Accumulated amortisation:					
Rights and software	(54,295)	(6,588)	-	-	(60,883)
Development expenses	(64,169)	(4,872)	-	-	(69,041)
	(118,464)	(11,460)	-	-	(129,924)
Net book value	58,185				50,809
	1 January 2018	Additions	Transfers	Disposals	30 June 2018
Cost:					
Rights and software	81,464	21	1,589	-	83,074
Development expenses	80,039	-	2,413	-	82,452
	161,503	21	4,002	-	165,526
Accumulated amortisation:					
Rights and software	(43,060)	(5,142)	-	-	(48,202)
Development expenses	(53,256)	(5,374)	-	-	(58,630)
	(96,316)	(10,516)	-	-	(106,832)
Net book value	65,187				58,694

Total amortisation expenses amounting to TRY11,460 thousand (30 June 2018 – TRY10,516 thousand) in the consolidated statement of comprehensive income for the period ended 30 June 2019 have been allocated to the general administration expenses.

13. Prepaid expenses

Short term prepaid expenses:

	30 June 2019	31 December 2018
Insurance and other expenses	168,288	81,320
Advances given	87,969	27,369
Total	256,257	108,689

Long term prepaid expenses:

	30 June 2019	31 December 2018
Advances given to related parties for property, plant and equipment (Note 28)	182,546	252,101
Advances given to third parties for property, plant and equipment	72,692	124,885
Other prepaid expenses	1,379	1,014
Total	256,617	378,000

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14. Other assets and liabilities

Other current assets:

	30 June 2019	31 December 2018
Deferred Value Added Tax (“VAT”)	1,102,667	843,703
VAT Receivable	726,222	622,111
Deferred Special Consumption Tax (“SCT”)	111,563	67,912
Spare parts and material stocks	89,018	67,081
Income accruals	55,942	16,141
Deferred VAT	42,613	2,579
Taxes and funds to be offsetted	29,465	57,120
Income accruals from commodity hedge	-	761,184
Other current assets	14,180	34,794
Total	2,171,670	2,472,625

As of 31 December 2018, income accruals consists of commodity derivatives transactions for inventory of Tüpraş which are exposed to commodity price risk (swap transactions and zero-cost transactions). Weighted average price of outstanding commodity derivatives transactions is USD71.43/barrel for 5,625 thousand crude oil barrel, Weighted average buying price of zero cost derivatives transactions is USD69.37 /barrel for 5,625 thousand crude oil barrel inventory weighted average selling price of zero cost derivatives transactions is USD74.21 /barrel. The expense accruals recognition made as of 31 December 2018 is recognized under cost of goods sold and paid as of 8 January 2019.

Other long-term liabilities:

	30 June 2019	31 December 2018
Spare parts and materials	1,439,721	1,284,892
Other	15,187	7,925
Total	1,454,908	1,292,817

Other non-current assets:

	30 June 2019	31 December 2018
Revenue share	1,677,077	1,430,111
SCT payable	1,595,325	1,254,611
Deferred VAT	1,102,667	843,703
Deferred SCT	111,563	67,912
Other taxes and liabilities	26,052	66,127
VAT payable	5,552	11,873
Other	48,828	78,840
Total	4,567,064	3,753,177

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

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14. Other assets and liabilities (Continued)

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

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

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

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

As a result of these regulations, the revenue share amounting to TRY1,667,077 thousand accumulated as at 30 June 2019 (31 December 2018: TRY1,430,111 thousand) which is not recognized in the comprehensive income statement, has been classified as “Revenue Share” within “Other short-term liabilities”, TRY1,670,657 thousand is (31 December 2018: TRY1,425,142 thousand) blocked in banks as demand deposits with government debt securities interest rate and overnight interest rate related to the calculated revenue share has been classified as Revenue share “Blocked” within “Cash and cash equivalents”(Note 4).

15. Provisions

Provision for employee benefits:

Short-term provision for employee benefits:

	30 June 2019	31 December 2018
Personnel bonus accruals	70,904	5,342
Seniority incentive bonus provision	4,369	3,521
Total	75,273	8,863

Long-term employee benefits:

	30 June 2019	31 December 2018
Provision for employment termination benefits	182,984	186,525
Provision for unused vacation	63,776	59,787
Seniority incentive bonus provision	12,510	11,080
Total	259,270	257,392

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15. Provisions (Continued)

Seniority incentive bonus provision:

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

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

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

	2019	2018
1 January	14,601	13,196
Charge for the period	12,408	3,126
Payments during the period	(10,130)	(2,466)
30 June	16,879	13,856

Provision for employment termination benefits:

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

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

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

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

	30 June 2019	31 December 2018
Discount rate (%)	%5.65	%5.65
Turnover rate to estimate probability of retirement (%)	%99.39	%99.39

The principal assumption is that maximum liability of employment termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Employment termination benefits of the joint ventures of the Group, which are registered in Turkey are calculated from the maximum amount of TRY6,379.86 which is effective as at 1 July 2019 (31 December 2018: TRY6,017.60).

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

	2019	2018
1 January	186,525	167,907
Interest expense	15,597	4,941
Increase during the period	5,356	1,995
Payments during the period	(24,494)	(15,404)
30 June	182,984	159,439

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15. Provisions (Continued)

Provision for unused vacation:

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

	2019	2018
1 January	59,787	50,655
Increase during the period	9,846	6,261
Payments during the period	(5,857)	(3,238)
30 June	63,776	53,678

Other short term provisions:

	30 June 2019	31 December 2018
EMRA participation share	51,261	33,473
Provision for demurrage	31,296	18,108
Provisions for pending claims and law suits	19,370	19,038
Other	28,853	863
Total	130,780	71,482

Movement of the short-term provisions for the period ended 30 June 2019 and 2018 are as follow:

	Provision for pending claims and lawsuits	EMRA participation share	Provision for demurrage	Other	Total
1 January 2019	19,038	33,473	18,108	863	71,482
Changes for the period, net	332	51,261	13,188	27,990	92,771
Payments during the period, net	-	(33,473)	-	-	(33,473)
30 June 2019	19,370	51,261	31,296	28,853	130,780
1 January 2018	12,523	20,159	13,787	5,016	51,485
Changes for the period, net	4,045	23,823	(2,303)	20,763	46,328
Payments during the period, net	(359)	(20,159)	-	-	(20,518)
30 June 2018	16,209	23,823	11,484	25,779	77,295

EMRA participation share is the participation fee that is paid by the refinery license owners in accordance with the Petroleum Market License Regulation, calculated by multiplying net sales with the participation share rate determined by EMRA.

16. Liabilities for employee benefits

	30 June 2019	31 December 2018
Social security withholdings payment	50,342	26,646
Due to the personnel	40,095	100,854
Total	90,437	127,500

17. Other payables

	30 June 2019	31 December 2018
Deposits and guarantees received	26,529	15,021
Other payables to related parties (Note 28)	1,973	24,279
Total	28,502	39,300

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18. Derivative instruments

	30 June 2019				31 December 2018			
	Fair values				Fair values			
	Purchase contract amount	Sales contract amount	Assets	Liabilities	Purchase contract amount	Sales contract amount	Assets	Liabilities
<i>Cash flow hedge</i>								
Interest rate swap	567,411	567,411	7,388	7,648	519,039	519,039	12,607	2,694
Cross currency swap	504,810	443,065	136,228	19,326	463,224	438,266	95,282	42,123
Commodity derivative	1,603,898	1,603,898	41,834	68,510	2,146,042	2,146,042	66,580	184,388
<i>Derivatives held for trading</i>								
Currency forwards	5,772,385	5,901,776	1,903	68,356	2,156,969	2,177,520	1,063	6,845
Commodity derivative	3,043,024	3,043,024	83,117	29,029	-	-	-	-
Short term derivative financial instruments			270,470	192,869			175,532	236,050
<i>Cash flow hedge</i>								
Interest rate swap	2,658,488	2,658,488	5,274	21,345	2,096,063	2,096,063	21,942	5,648
Cross currency swap	711,508	547,543	134,926	6,475	884,668	759,476	146,324	36,589
Long term derivative financial instruments			140,200	27,820			168,266	42,237
Total			410,670	220,689			343,798	278,287

As of 30 June 2019, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY5,536,242 thousand in exchange of USD940,400 thousand and TRY365,534 thousand in exchange of EUR55,000 thousand which will expire in 2019. (As of 31 December 2018, forward foreign exchange transactions consist of forward transactions which generate a sales obligation of TRY2,177,520 thousand in exchange of USD410,000 thousand which has expired on January 2019).

As of 30 June 2019, interest rate swap consists of exchange of floating rate instalment payments of long term borrowings and bonds amounting to USD422,382 thousand (31 December 2018: USD466,637 thousand), EUR22,143 thousand (31 December 2018: EUR26,571) and TRY650,000 thousand with fixed rate instalment payments for cash flow hedging.

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18. Derivative instruments (Continued)

As of 30 June 2019, cross currency swap transactions consist of swaps with fixed interest rate transaction of foreign currency indexed, fixed interest rate long-term bonds amounting to USD179,006 thousand (31 December 2018: USD216,395 thousand) with foreign currency indexed floating interest long-term borrowing of TRY809,805 thousand, EUR11,071 thousand long-term borrowing (31 December 2018: EUR13,286 thousand) foreign currency indexed interest rate of long-term borrowing of TRY41,073 thousand (31 December 2018: TRY49,288 thousand) foreign currency indexed interest rate swap transactions with TRY currency indexed fixed interest payments amounting to TRY41,073 thousand (31 December 2018: TRY49,288 thousand) and TRY currency indexed of swap transactions with total of USD11,671 thousand (31 December 2018: USD14,005 thousand) with foreign currency indexed fixed interest payments and swap transaction of EUR11,071 thousand (31 December 2018: EUR13,286 thousand) foreign currency indexed interest rate of long-term borrowing and USD12,608 thousand (31 December 2018: USD15,130 thousand) foreign currency indexed fixed interest payments.

The commodity future purchase and sales transactions consist of transactions of product crack margin fixing, swap transactions and zero cost collar transactions as of 30 June 2019. Future sales product crack margin fixing transactions have been made for gasoline of 2,466 thousand barrels, jet fuel stocks of 1,800 thousand barrels, diesel stock stocks of 4,758 thousand barrels and fuel oil stocks of 2,256 thousand barrels for third quarter of 2019, gasoline stocks of 1,176 thousand barrels, jet fuel stocks of 828 thousand barrels, diesel stocks of 2,337 thousand barrels and fuel oil of 543 thousand barrels for fourth quarter of 2019 and gasoline stocks of 374 thousand barrels, jet fuel stocks of 265 thousand barrels, diesel stocks of 749 thousand barrels and fuel oil stocks of 172 thousand barrels for first quarter of 2020. The weighted average of the fixed margin of these transactions are USD6.70 for gasoline, USD14.88 for jet fuel, USD17.24 for diesel and USD-11.91 for fuel oil per barrel. The total of swap transactions for crude oil stocks is 3,100 thousand barrels with weighted average fixed price of USD64.70. The zero cost collar option transactions were made for total of 2,500 thousand barrels and the the weighted average purchase price of the option transactions giving the right to sell was USD62.93/barrel, and the weighted average selling price of the option transactions that resulted in sales obligation was USD68.34/barrel.

The commodity future purchase and sales transactions consist of transactions of product crack margin fixing and swap transactions as of 31 December 2018. Future sales product crack margin fixing transactions have been made for, jet stocks of 4,515 thousand barrels, diesel stocks of 5,580 thousand barrels and fuel oil stocks of 4,371 thousand barrels for first quarter of 2019, gasoline stocks of 315 thousand barrels, jet fuel stocks of 4,188 thousand barrels, diesel stocks of 5,910 thousand barrels and fuel oil stocks of 3,957 thousand barrels for second quarter of 2019, fuel oil stocks of 1,650 thousand barrels for third quarter of 2019. The weighted average of the fixed margin of these transactions are USD9.54 for gasoline, USD13.98 for jet fuel, USD15.92 for diesel and USD-10.05 for fuel oil per barrel.

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19. Commitments and contingent assets and liabilities

	30 June 2019		31 December 2018	
Guarantees received:	Original currency:	TRY amount:	Original currency:	TRY amount:
Letter of guarantees received		1,134,245		1,369,463
- Letter of guarantees in TRY	722,604	722,604	726,627	726,627
- Letter of guarantees in USD	49,080	282,463	99,623	524,106
- Letter of guarantees in EUR	19,224	125,928	18,830	113,509
- Letter of guarantees in other currencies	-	3,250	-	5,221
Guarantee notes received		1,287		1,137
- Guarantee notes in TRY	1,287	1,287	1,137	1,137
Guarantee letters received		337,755		313,045
- Guarantee letters received in TRY	50,000	50,000	50,000	50,000
- Guarantee letters received in USD	50,000	287,755	50,000	263,045
Guarantee letters of credit		162,633		784,400
- Letters of credit in USD	28,259	162,633	149,100	784,400
Direct debiting limits		492,752		405,337
- TRY direct debiting limits	492,752	492,752	405,337	405,337
Total guarantees received		2,128,672		2,873,382
Guarantees given:				
Letter of credits given		3,495,206		310,392
- Letter of credits in USD	603,935	3,475,706	40,260	211,804
- Letter of credits in EUR	2,817	18,454	1,309	7,888
- Letter of credits in other currencies	-	1,046	-	90,700
Letter of guarantees given		1,805,663		1,067,670
- Letter of guarantees in TRY	1,076,936	1,076,936	941,808	941,808
- Letter of guarantees in USD	125,200	720,539	20,200	106,271
- Letter of guarantees in EUR	1,250	8,188	3,250	19,591
Letters of guarantee given to customs offices		1,374,198		1,399,598
- Letter of guarantees in TRY	1,361,097	1,361,097	1,399,598	1,399,598
- Letter of guarantees in EUR	2,000	13,101	-	-
Letters of guarantee given to banks		1,039,281		970,480
- Letter of guarantees in USD	144,909	833,966	139,129	731,946
- Letter of guarantees in EUR	31,343	205,315	39,571	238,534
Total guarantees given		7,714,348		3,748,140

As at 30 June 2019 and 31 December 2018, letter of guarantees received are composed of guarantees from customers and suppliers, Guarantees given are mainly composed of guarantees given to government entities and customs offices, As at 30 June 2019, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY923,190 thousand (31 December 2018: TRY863,992 thousand) and for derivative financial instruments amounting to TRY116,091 thousand (31 December 2018: TRY106,488 thousand),

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19. Commitments and contingent assets and liabilities (Continued)

Collaterals, pledges, mortgages given by the Group as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
A. CPMs given for companies in the name of its own legal personality	6,675,067	2,777,660
- TRY	2,438,033	2,341,406
- USD	4,196,245	318,075
- EUR	39,743	27,479
- Other	1,046	90,700
B. CPMs given on behalf of the fully consolidated companies	1,039,281	970,480
- USD	833,966	731,946
- EUR	205,315	238,534
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPMs	-	-
i) Total amount of CPMs given on behalf of the majority shareholder	-	-
ii) Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C,	-	-
iii) Total amount of CPMs given on behalf of third parties which are not in scope of C,	-	-
Total	7,714,348	3,748,140

20. Equity

The Company’s shareholders and their shareholding percentages as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	Share (%)	31 December 2018	Share (%)
Enerji Yatırımları A.Ş.	127,714	51	127,714	51
Publicly Owned	122,705	49	122,705	49
Total	250,419	100	250,419	100
Adjustment to share capital	1,344,243		1,344,243	
Total paid-in capital	1,594,662		1,594,662	

Adjustment to share capital represents the difference between the inflation adjusted amounts of cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

Registered capital of the Company is TRY500,000 thousand and is divided into 50,000,000,000 shares with a registered nominal value of 1 Kuruş (“Kr”) (31 December 2018: 1Kr) each, The authorised and paid-in share capital of the Company comprises 25,041,919,999 Group A shares with a registered nominal value of 1Kr and one Group C share with privileges belonging to the Privatisation Administration.

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

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

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20. Equity (Continued)

Restricted reserves

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

In accordance with Turkish Financial Reporting Standards the aforementioned amounts should be classified under “Restricted Reserves”. At 30 June 2019, the restricted reserves of the Company amount to TRY503,343 thousand (31 December 2018 - TRY597,086 thousand).

Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No, II-19,1 issued by the CMB which is effective from 1 February 2014.

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

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

The total amount of net income of the Company in the statutory records and other equity accounts subject to dividend distribution amount to TRY2,002,637 thousand as at 30 June 2019. This amount includes inflation adjustment differences of the equity accounts amounting to TRY1,698,998 thousand and other reserves amounting to TRY14,426 thousand which are subject to corporate taxation when distributed as dividends.

In the period ended as of 30 June 2019, the Company committed to make dividend payment in cash amounting to TRY3,793,851 thousand which is the total amount remained after first and second composition legal reserves deducted from 2018 distributable net profit of the period and a portion of second composition legal reserves. The Company paid a cash dividend at the rate of 1,515.0% which corresponds to TRY15,15 gross and TRY15,15 net cash dividend for the shares with a nominal value of TRY1,00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 1,515.0%, which corresponds to TRY15,15 gross and TRY12,875 net cash dividend for the shares with a nominal value of TRY1,00 to other shareholders.

In the period ended as of 31 December 2018, the Company committed to make dividend payment in cash amounting to TRY3,406,452 thousand which is the total amount remained after first and second composition legal reserves deducted from 2017 distributable net profit of the period and a portion of second composition legal reserves. The Company paid a cash dividend at the rate of 1,360,3% which corresponds to TRY13,603 gross and TRY13,603 net cash dividend for the shares with a nominal value of TRY1,00 to institutional shareholders who are full taxpayers or limited liable taxpayers and obtain dividends through a business or permanent representative in Turkey. The Company paid also a cash dividend at the rate of 1,360,3%, which corresponds to TRY13,603 gross and TRY11,563 net cash dividend for the shares with a nominal value of TRY1,00 to other shareholders.

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21. Revenue and cost of sales

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Domestic revenue	34,508,281	19,014,508	29,856,104	18,379,542
Export revenue	10,662,596	5,231,496	4,238,073	2,070,198
Gross sales	45,170,877	24,246,004	34,094,177	20,449,740
Less: Sales discounts	(438,251)	(241,741)	(556,489)	(342,870)
Less: Sales returns	(71,787)	(51,312)	(35,508)	(26,098)
Sales (net)	44,660,839	23,952,951	33,502,180	20,080,772
Cost of goods sold	(41,998,470)	(22,281,875)	(30,212,223)	(17,860,005)
Gross profit	2,662,369	1,671,076	3,289,957	2,220,767

Cost of sales:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Raw material, manufactured and consumable material	39,320,470	20,902,334	28,526,363	16,966,620
Energy expenses	1,286,520	674,015	625,348	333,179
Personnel expenses	396,677	170,305	358,449	179,922
Depreciation and amortization (Note 11)	303,715	153,080	283,797	141,365
Other production expenses	691,088	382,141	418,266	238,919
Cost of sales	41,998,470	22,281,875	30,212,223	17,860,005

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

General administrative expenses:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	243,682	120,719	170,669	83,884
Insurance expenses	70,774	39,986	49,855	27,937
Taxes and duties	59,306	25,165	48,483	27,583
Depreciation and amortization (Note 11-12)	41,143	20,731	26,448	13,419
Outsourced services	40,560	21,288	32,631	17,065
Office expenses	33,051	17,669	16,468	9,903
Subscription fees	20,961	10,473	15,477	9,115
Lawsuit and consultancy expenses	14,019	9,672	10,735	6,751
Donations	10,490	5,299	7,817	2,074
Rent expenses	4,135	909	7,579	4,047
Transportation and travel expenses	2,725	1,591	2,192	827
Other	29,424	16,395	22,529	12,392
Total general administrative expenses	570,270	289,897	410,883	214,997

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22. General administrative expenses, marketing expenses and research and development expenses (Continued)

Marketing expenses:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	78,834	37,317	57,114	29,546
Transportation, storage and insurance expenses	62,039	52,958	31,061	7,143
Advertising expenses	13,837	6,980	1,594	1,270
Energy expenses	13,324	6,880	5,640	2,976
Outsourced services	7,663	1,528	4,453	2,688
Depreciation and amortization (Note 11)	3	2	2	1
Other	33,807	18,069	24,906	13,981
Total marketing expenses	209,507	123,734	124,770	57,605

Research and development expenses:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Personnel expenses	8,472	3,709	6,746	3,149
Licence expenses	1,805	909	1,216	612
Outsourced services	532	305	286	93
Lawsuit and consultancy expenses	182	63	131	97
Other	2,298	1,484	1,207	725
Total research and development expenses	13,289	6,470	9,586	4,676

23. Other operating income/(expenses)

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Other operating income:				
Credit finance gains	350,736	194,962	191,281	117,272
Foreign exchange gain from trade receivables	7,234	5,996	16,558	10,439
Rent income	2,277	1,385	1,319	443
Provisions no longer required	12	-	18,310	18,196
Other	46,466	28,639	42,494	17,572
Total other operating income	406,725	230,982	269,962	163,922
Other operating expense:				
Foreign exchange loss from trade payables	(545,771)	(52,921)	(1,198,241)	(1,010,360)
Credit finance charges	(142,465)	(89,729)	(41,199)	(20,176)
Other	(27,159)	(6,806)	(18,762)	(10,585)
Total other operating expense	(715,395)	(149,456)	(1,258,202)	(1,041,121)

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24. Income/(expense) from investment activities

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Gain/(loss) on sales of property plant and equipment and intangible assets	119	259	(6,710)	(327)
Total income/(expense) from investment activities	119	259	(6,710)	(327)

25. Financial income/(expenses)

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Financial income:				
Interest income on deposits	156,492	84,505	160,672	61,537
Foreign exchange gains on deposits	762,611	293,537	1,548,823	1,103,127
Foreign exchange gains on derivative instruments	107,854	(55,927)	392,531	283,546
Total financial income	1,026,957	322,115	2,102,026	1,448,210
Finansman giderleri:				
Foreign exchange losses on borrowings	(1,194,954)	(436,964)	(2,121,391)	(1,410,693)
Interest expenses	(1,156,225)	(654,024)	(466,219)	(262,328)
Foreign exchange losses on derivative instruments	(69,970)	(29,157)	(9,491)	(963)
Other	(2,678)	2,353	(2,333)	(1,053)
Total financial expense	(2,423,827)	(1,117,792)	(2,599,434)	(1,675,037)

26. Tax assets and liabilities

i) Corporate tax:

	30 June 2019	31 December 2018
Current period corporate tax provision	6,388	218,388
Current year tax assets	(6,388)	(119,639)
Corporation tax provision	-	98,749

Turkish tax legislation does not permit a parent company, its subsidiaries and its joint ventures to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on an individual-entity basis.

The corporation tax rate for the fiscal year 2019 is 22% (2018: 22%). Corporation tax is payable at a rate of 22% on the total income of the companies after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc.) and allowances (as research and development expenditures deduction).

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26. Tax assets and liabilities (Continued)

The analysis of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred income tax has been provided as at 30 June 2019 and 31 December 2018 using the enacted tax rates are as follows:

	Cumulative temporary differences		Deferred tax (liability)/asset	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
Fair value difference of derivative instruments	198,805	68,004	(43,737)	(14,961)
Gain on revaluation of property	7,139,764	-	(713,976)	-
Prepaid expenses	42,750	51,680	(9,405)	(11,370)
Deferred tax liability			(767,118)	(26,331)
Investment incentive income	10,689,427	10,029,879	3,513,718	3,228,333
Difference between the carrying values and tax base of property, plant, equipment and intangible assets	1,350,574	1,210,352	297,126	266,277
Employment termination benefits and seniority incentive bonus provision	191,190	190,477	42,062	41,905
Provision for unused vacation liability	54,947	51,646	12,088	11,362
Provisions for pending claims and lawsuits	19,123	18,547	4,207	4,080
Provision for inventory impairment	21,568	87,855	4,745	19,328
Deferred financial income, (net)	4,496	25,044	989	5,510
Other	103,968	71,219	22,872	15,668
Deferred tax assets			3,897,807	3,592,463
Deferred tax asset - net			3,130,689	3,566,132

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

The movement of deferred taxes is as follows:

	2019	2018
Deferred tax asset/(liability), net		
1 January	3,566,132	3,067,871
Charge for the period	256,367	63,520
Charge to equity:		
- Hedging cash flow gains/(losses)	22,166	107,868
- Revaluation of property gains/(losses)	(713,976)	-
30 June	3,130,689	3,239,259

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27. Earnings per share

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Profit for the year attributable to shareholders of the Company	495,280	870,438	1,405,128	1,026,692
Weighted average number of Shares with nominal value of Kr1 each	25,041,920,000	25,041,920,000	25,041,920,000	25,041,920,000
Basic and diluted earnings per share in Kr	1.98	3.48	5.61	4.10

28. Related party transactions

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

- (1) Joint ventures
- (2) Koç Holding group companies
- (3) Parent, ultimate parent

a) Deposits:

	30 June 2019	31 December 2018
Yapı ve Kredi Bankası A.Ş. (2)	1,829,018	2,428,620
Total	1,829,018	2,428,620

b) Due from related parties:

	30 June 2019	31 December 2018
Opet Petrolcülük A.Ş. (1)	1,398,662	642,361
THY OPET Havacılık Yakıtları A.Ş. (1)	198,623	420,121
Aygaz A.Ş. (2)	91,747	64,500
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	6,251	5,055
Other (2)	421	80
Total	1,695,704	1,132,117

As of 30 June 2019, Tüpraş has offset TRY100,000 thousand (31 December 2018: TRY650,000 thousand) from its trade receivables due from related parties that are collected from factoring companies as a part of irrevocable factoring agreements.

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28. Related party transactions (Continued)

c) Trade payables:

	30 June 2019	31 December 2018
Aygaz Doğal Gaz Toptan Satış A.Ş. (2)	121,047	-
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	72,299	9,348
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	15,807	15,021
Koç Sistem Bilgi ve İletişim A.Ş. (2)	9,202	18,343
Aygaz A.Ş. (2)	8,667	6,885
Opet Petrolcülük A.Ş. (1)	8,388	6,368
THY OPET Havacılık Yakıtları A.Ş. (1)	4,049	4,022
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	3,678	5,144
Setur Servis Turistik A.Ş. (2)	757	1,421
Ark İnşaat A.Ş. (2)	94	5,126
Other (2)	3,797	5,418
Total	247,785	77,096

d) Other payables:

	30 June 2019	31 December 2018
Koç Holding A.Ş. (3)	1,973	24,279
Total	1,973	24,279

e) Advances given for property, plant and equipment:

	30 June 2019	31 December 2018
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşl. A.Ş. (2)	168,907	243,379
Ark İnşaat A.Ş. (2)	12,223	8,722
Other (2)	1,416	-
Total	182,546	252,101

f) Bank loan:

	30 June 2019	31 December 2018
Yapı ve Kredi Bankası A.Ş. (2)	112,801	7,948
Total	112,801	7,948

g) Lease liabilities:

	30 June 2019	31 December 2018
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	30,311	-
Koç Ailesi (3)	23,457	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	595	-
Total	54,363	-

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28. Related party transactions (Continued)

h) Product and service sales:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Opet Petrolcülük A.Ş. (1)	6,859,233	3,967,343	5,762,680	3,492,849
THY OPET Havacılık Yakıtları A.Ş. (1)	3,244,850	867,073	4,166,748	2,487,196
Aygaz A.Ş. (2)	385,689	209,439	264,584	133,534
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	20,710	9,480	21,305	8,000
Other (2)	6,459	5,254	222	214
Toplam	10,516,941	5,058,589	10,215,539	6,121,793

i) Product and service purchases:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	571,871	384,114	-	-
Ram Sigorta Aracılık Hizmetleri A.Ş. (2) (**)	149,421	148,586	111,008	109,922
Aygaz A.Ş. (2)	92,181	47,570	114,527	64,832
Opet Petrolcülük A.Ş. (1)	67,964	38,554	50,129	31,114
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	42,415	21,824	38,785	19,996
Opet International Limited (1)	40,626	20,253	131,301	95,127
THY OPET Havacılık Yakıtları A.Ş. (1)	21,807	10,333	16,449	8,864
Koç Sistem Bilgi ve İletişim A.Ş. (2)	13,441	5,586	9,405	6,782
Koç Holding A.Ş. (3) (*)	12,660	7,645	13,455	8,970
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	10,088	5,341	5,700	2,747
Other (2)	30,399	17,184	24,925	13,323
Total	1,052,873	706,990	515,684	361,677

(*) Consists of the Group’s share of invoices issued by Koç Holding, the ultimate parent of Tüpraş in accordance with the “11-Intra-group Services” of General Communique numbered 1 on Distribution of Hidden Income through Transfer Pricing which represents the services provided for financing, legal, tax and remuneration of senior management by the ultimate parent to its group companies,

(**) Includes paid and accrued insurance premiums in the periods ended 30 June 2019 and 2018 in connection with insurance policies signed with insurance companies through RAM Sigorta Aracılık Hizmetleri A.Ş acting as an intermediary insurance agent,

j) Fixed asset purchases:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş. (2)	47,855	47,855	-	-
Entek Elektrik Üretimi A.Ş. (2)	46,100	46,100	-	-
Ark İnşaat A.Ş. (2)	23,609	16,911	5,577	5,577
Aygaz A.Ş. (2)	-	-	17,800	100
Other (2)	5,043	1,689	6,482	5,417
Total	122,607	112,555	29,859	11,094

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28. Related party transactions (Continued)

k) Remuneration of board of directors and executive management:

The senior management of the Company is determined as members and chair of the Board of Directors and General Manager and General Manager Deputies, The total amount of benefits provided to senior management is TRY14,035 thousand as of period ending on 30 June 2019 (30 June 2018 - TRY5,516 thousand). TRY6,700 (30 June 2018 - None) of this amount is related to payments due to termination of employment and the remaining portion consists of short-term benefits.

l) Financial expenses paid to related parties:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Yapı Kredi Faktoring A.Ş. (2)	8,167	6,348	1,215	825
Yapı ve Kredi Bankası A.Ş. (2)	11,623	5,761	267	267
Yapı Kredi Bank Nederland N.V.(2)	179	1	-	-
Total	19,969	12,110	1,482	1,092

m) Time deposit interest income:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Yapı ve Kredi Bankası A.Ş. (2)	51,413	23,776	89,925	36,637
Total	51,413	23,776	89,925	36,637

n) Donations:

As of 30 June 2019, total donation is amounting to TRY26 thousand (30 June 2018 - TRY6,143 thousand).

29. Financial instruments and financial risk management

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

Credit risk:

The Group is subject to credit risk arising from trade receivables related to credit sales, deposits at banks. These risks are managed by limiting the aggregate risk from any individual counterparty and obtaining sufficient collateral where necessary and making only cash based sales to customers considered as having a higher risk. Collectability of trade receivables are evaluated by management depending on their past experiences and current economic condition, and are presented in the consolidated financial statements net of adequate doubtful provision.

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29. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

Credit risks of the Group for each financial instrument type as at 30 June 2019 and 31 December 2018 are as follows:

30 June 2019	Receivables				Bank deposits	Derivative instruments	Other
	Trade Receivables		Other Receivables				
	Related parties	Other parties	Related parties	Other parties			
Maximum exposed credit risk as of reporting date	1,695,704	7,004,219	-	58,621	9,889,401	410,670	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	725,060	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,695,704	6,969,215	-	58,621	9,889,401	410,670	-
B. Net book value of overdue but not impaired financial assets	-	35,004	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	5,444	-	324	-	-	-
- Impairment (-)	-	(5,444)	-	(324)	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

31 December 2018	Receivables				Bank deposits	Derivative instruments	Other
	Trade Receivables		Other Receivables				
	Related parties	Other parties	Related parties	Other parties			
Maximum exposed credit risk as of reporting date	1,132,117	4,296,621	-	29,048	5,982,828	343,798	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	593,892	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,132,117	4,225,420	-	29,048	5,982,828	343,798	-
B. Net book value of overdue but not impaired financial assets	-	71,201	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue(gross book value)	-	4,740	-	324	-	-	-
- Impairment (-)	-	(4,740)	-	(324)	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
- Not due yet (gross book value)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-
D. Components which are including credit risk except financial statement	-	-	-	-	-	-	-

30 June 2019	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	7,999	-	-	-	-
Overdue (1-3 months)	15,734	-	-	-	-
Overdue (3-12 months)	11,266	-	-	-	-
Overdue (1-5 years)	5	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

31 December 2018	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	44,990	-	-	-	-
Overdue (1-3 months)	16,751	-	-	-	-
Overdue (3-12 months)	9,459	-	-	-	-
Overdue (1-5 years)	1	-	-	-	-
Overdue (5+ years)	-	-	-	-	-

During the impairment test of financial assets, the Group has considered the indicators regarding uncollectibility of receivables that are due. The Group has guarantees received amounting to TRY35,037 thousand (31 December 2018: TRY70,540 thousand) for trade receivables overdue but not impaired, Major part of receivables without guarantees are from government entities which regularly made sales, any collection risk is not projected.

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29. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

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

The Group categorizes the details of credit quality of trade receivables that are neither past due nor impaired or receivables whose conditions are examined under four groups. The details of credit quality of such trade receivables as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Group 1	145	4,842
Group 2	2,729,667	2,102,638
Group 3	5,862,587	3,137,892
Group 4	72,520	112,165
Totaş	8,664,919	5,357,537

Group 1 - New customers (less than three months)

Group 2 - State owned enterprises

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

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

Market risk:

Tüpraş identifies commodity price, interest rate and currency risk as major components of market risk, Foreign exchange and interest risk are evaluated separately based on portfolio and product.

Commodity price risk

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

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

Since instability in crude oil prices may cause unwanted and unexpected fluctuations in net profit and cash flows, the Company has consituted hedging policy in order to eliminate this risk, Within this framework, short and long term hedging transactions are made by using various derivative instruments (Note 18).

Product crack risk

Besides the fluctuations in crude oil prices, in order to eliminate fluctuation risk in product prices profit margins of the products (crack) can be fixed by using various derivative instruments (hedging). Therefore, a hedging policy has been created by comparing historical price levels and by hedging a certain percentage of the total sales volume at certain crack levels (Note 18).

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29. Financial instruments and financial risk management (Continued)

Foreign exchange risk

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

The table below summarizes the net balance sheet foreign currency position risk and components that are managed within the risk tracking system of the Group as at 30 June 2019 and 31 December 2018:

	30 June 2019		31 December 2018	
	TRY	USD(*)	TRY	USD(*)
Monetary assets	6,560,878	1,140,011	5,288,783	1,005,300
Monetary liabilities	(26,700,944)	(4,639,527)	(20,841,883)	(3,961,657)
Monetary assets / (liabilities) foreign currency position	(20,140,066)	(3,499,516)	(15,553,100)	(2,956,357)
Non-monetary assets	77,409	13,451	807,947	153,576
Net foreign currency position of derivative financial instruments	6,807,901	1,182,934	3,302,295	627,705
Net foreign currency asset / (liability) position	(13,254,756)	(2,303,132)	(11,442,858)	(2,175,076)
Cash flow hedging (**)	5,172,240	898,723	5,166,635	982,082
Net foreign currency position after cash flow hedging	(8,082,516)	(1,404,409)	(6,276,223)	(1,192,994)
Inventory in natural hedge scope (***)	8,090,851	1,405,858	6,333,567	1,203,894
Net foreign currency position after cash flow hedging and natural hedge	8,335	1,448	57,344	10,900

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

(**) The Group uses investment loans amounting to USD898,723 thousand, which is equivalent to TRY5,172,240 thousand (USD982,082 thousand / TRY5,166,635 thousand in 31 December 2018) as prevention against USD/TRY spot foreign exchange risk of USD denominated export revenue, which is highly probable to be realized. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 30 June 2019, TRY2,739,885 (31 December 2018 - TRY2,575,965 thousand) thousand of foreign exchange loss that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement. As of 30 June 2019, the foreign exchange loss amounting to TRY345,304 thousand corresponding to the export income of investment loans denominated in USD has been transferred to the foreign exchange loss in the income statement from "Cash flow hedge gains (losses)" account under equity. Moreover, as of 30 June 2019, foreign exchange loss of these loans in 2019 amounting to TRY509,224 were added to the "Cash flow hedge gains (losses)" account under equity.

(***) The Group manages its foreign currency risk arising from foreign currency denominated financial liabilities and trade payables by regularly considering and reflecting the foreign exchange rate changes in the determination of petroleum product prices. As at 30 June 2019, the Group has crude oil and petroleum products inventories amounting to TRY8,090,851 thousand (31 December 2018: TRY6,333,567 thousand).

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29. Financial instruments and financial risk management (Continued)

	Foreign exchange position table									
	30 June 2019					31 December 2018				
	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other	TRY equivalent (In terms of functional currency)	USD	EUR	GBP	Other
Trade receivables	203,740	35,303	45	-	273	744,813	141,461	57	-	257
Monetary financial assets (including cash, banks)	6,341,517	909,785	168,518	233	-	4,505,691	537,016	278,764	-	114
Other	77,409	13,150	82	148	123	807,947	153,492	73	-	-
Current assets	6,622,666	958,238	168,645	381	396	6,058,451	831,969	278,894	-	371
Monetary financial assets	13,552	-	2,069	-	-	38,279	4,171	2,710	-	-
Other	2,069	-	-	284	-	-	-	-	-	-
Non-current assets	15,621	-	2,069	284	-	38,279	4,171	2,710	-	-
Total assets	6,638,287	958,238	170,714	665	396	6,096,730	836,140	281,604	-	371
Trade payables	12,622,479	2,188,176	3,292	14	7,643	6,266,612	1,173,998	12,276	-	16,326
Financial liabilities	2,861,073	364,925	115,979	158	-	3,278,691	486,945	118,932	-	-
Other monetary liabilities	147,322	21,529	119	3,108	-	260,178	49,313	124	-	-
Current liabilities	15,630,874	2,574,630	119,390	3,280	7,643	9,805,481	1,710,256	131,332	-	16,326
Financial liabilities	11,042,250	1,774,429	125,449	1,160	-	11,016,934	1,894,245	174,436	-	-
Other monetary liabilities	27,820	4,756	69	-	-	19,468	3,578	107	-	-
Non-current liabilities	11,070,070	1,779,185	125,518	1,160	-	11,036,402	1,897,823	174,543	-	-
Total liabilities	26,700,944	4,353,815	244,908	4,440	7,643	20,841,883	3,608,079	305,875	-	16,326
Net asset/(liability) position of off-balance sheet foreign currency derivatives	6,807,901	1,095,127	77,142	-	-	3,302,295	597,260	26,571	-	-
Total amount of off-balance sheet derivative financial assets	6,947,630	1,119,406	77,142	-	-	3,455,571	626,395	26,571	-	-
Total amount of off-balance sheet derivative financial liabilities	(139,729)	(24,279)	-	-	-	(153,276)	(29,135)	-	-	-
Net foreign currency asset/(liability) position	(13,254,756)	(2,300,450)	2,948	(3,775)	(7,247)	(11,442,858)	(2,174,679)	2,300	-	(15,955)
Cash flow hedging	5,172,240	898,723	-	-	-	5,166,635	982,082	-	-	-
Net foreign currency position after cash flow hedging	(8,082,516)	(1,401,727)	2,948	(3,775)	(7,247)	(6,276,223)	(1,192,597)	2,300	-	(15,955)
Net monetary foreign currency asset/(liability) position	(20,142,135)	(3,408,727)	(74,276)	(4,207)	(7,370)	(15,553,100)	(2,925,431)	(24,344)	-	(15,955)
Fair value of derivative instruments										
Used for hedging	178,900	24,215	5,342	-	-	157,112	23,154	5,856	-	-

As at 30 June 2019, the Group has TRY8,335 thousand as net foreign currency surplus after natural hedging (31 December 2018: TRY57,344 thousand net foreign currency surplus.)(Page 44).

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29. Financial instruments and financial risk management (Continued)

The table below summarizes the effect of foreign currency rate changes on net balance sheet foreign currency position of the Group as at 30 June 2019 and 31 December 2018.

Statement of foreign currency risk sensitivity				
30 June 2019				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(1,961,756)	1,961,756	(506,834)	506,834
Amount hedged for USD risk (-)	1,144,345	(1,144,345)	-	-
USD net effect	(817,411)	817,411	(506,834)	506,834
10% change in EUR rate:				
Euro net assets/ liabilities	(48,656)	48,656	-	-
Amount hedged for Euro risk (-)	50,533	(50,533)	-	-
EUR net effect	1,877	(1,877)	-	-
Total	(815,534)	815,534	(506,834)	506,834
31 December 2018				
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate:				
USD net assets/ liabilities	(1,539,040)	1,539,040	(516,663)	516,663
Amount hedged for USD risk (-)	838,835	(838,835)	-	-
USD net effect	(700,205)	700,205	(516,663)	516,663
10% change in EUR rate:				
Euro net assets/ liabilities	(14,675)	14,675	-	-
Amount hedged for Euro risk (-)	16,017	(16,017)	-	-
EUR net effect	1,342	(1,342)	-	-
TOTAL	(698,863)	698,863	(516,663)	516,663

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

Export and import

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Export				
USD (equivalent of thousand TRY)	10,658,378	5,227,367	4,238,073	2,070,198
Total	10,658,378	5,227,367	4,238,073	2,070,198
Import				
USD (equivalent of thousand TRY)	36,499,638	19,202,149	27,026,476	16,197,690
Total	36,499,638	19,202,149	27,026,476	16,197,690

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

29. Financial instruments and financial risk management (Continued)

Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The gearing ratios as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Total financial liabilities (Note 5)	20,030,607	17,949,540
Less: Cash and cash equivalents (Note 4)	(8,218,744)	(4,557,686)
Net financial liabilities	11,811,863	13,391,854
Total shareholders’ equity	13,025,558	9,945,829
Total capital invested	24,837,421	23,337,683
Gearing ratio	%47.56	%57.38

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

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

Financial assets

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

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

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

Financial liabilities

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

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

29. Financial instruments and financial risk management (Continued)

Fair value hierarchy table:

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

Fair value hierarchy table as at 30 June 2019 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	410,670	-
Financial investment	-	-	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	220,689	-

Fair value hierarchy table as at 31 December 2018 is as follows:

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	343,798	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	278,287	-

30. Subsequent events

None.

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