

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 SEPTEMBER 2019**

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

TABLE OF CONTENTS	PAGE
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION	1
CONSOLIDATED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY.....	3
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS.....	4
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	5 - 49
NOTE 1 ORGANIZATION OF THE GROUP AND NATURE OF OPERATIONS	5-6
NOTE 2 BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS	7-15
NOTE 3 BUSINESS COMBINATIONS	16
NOTE 4 CASH AND CASH EQUIVALENTS.....	16-17
NOTE 5 FINANCIAL LIABILITIES.....	17-20
NOTE 6 TRADE RECEIVABLES AND PAYABLES	20
NOTE 7 OTHER RECEIVABLES AND PAYABLES	21
NOTE 8 INVENTORIES.....	21
NOTE 9 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD	22
NOTE 10 INVESTMENT PROPERTY.....	22
NOTE 11 PROPERTY, PLANT AND EQUIPMENT	23
NOTE 12 INTANGIBLE ASSETS	24
NOTE 13 PREPAID EXPENSES.....	25
NOTE 14 OTHER ASSETS AND LIABILITIES	25-26
NOTE 15 PROVISIONS.....	27-29
NOTE 16 LIABILITIES FOR EMPLOYEE BENEFITS.....	29
NOTE 17 OTHER PAYABLES.....	29
NOTE 18 DERIVATIVE INSTRUMENTS.....	30-31
NOTE 19 COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES	32-33
NOTE 20 EQUITY.....	33-34
NOTE 21 REVENUE AND COST OF SALES	35
NOTE 22 GENERAL ADMINISTRATIVE EXPENSES MARKETING SELLING AND DISTRIBUTION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	35-36
NOTE 23 OTHER OPERATING INCOME/(EXPENSES)	36
NOTE 24 INCOME FROM INVESTMENT ACTIVITIES.....	37
NOTE 25 FINANCIAL INCOME/(EXPENSES).....	37
NOTE 26 TAX ASSETS AND LIABILITIES.....	37-38
NOTE 27 EARNINGS PER SHARE.....	39
NOTE 28 RELATED PARTY TRANSACTIONS.....	39-42
NOTE 29 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	42-49
NOTE 30 SUBSEQUENT EVENTS.....	49

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

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

Assets	Notes	Reviewed	Audited
		30 September 2019	31 December 2018
Current assets		28,945,418	20,962,205
Cash and cash equivalents	4	10,106,005	5,982,828
Trade receivables	6	6,063,377	5,428,738
Due from related parties	6, 28	1,164,442	1,132,117
Trade receivables from third parties		4,898,935	4,296,621
Other receivables	7	64,775	29,048
Other receivables from third parties		64,775	29,048
Derivative Instruments	18	349,777	175,532
Inventories	8	9,488,710	6,764,745
Prepaid expenses	13	231,036	108,689
Other current assets	14	2,641,738	2,472,625
Non-current assets		26,735,303	19,073,522
Investments accounted for using the equity method	9	1,368,310	1,266,334
Investment properties	10	-	4,621
Property, plant and equipment	11	20,033,798	12,339,167
Right-of-use assets		210,639	-
Intangible assets	12	45,742	58,185
Other intangible assets		45,742	58,185
Derivative instruments	18	121,937	168,266
Prepaid expenses	13	349,124	378,000
Deferred tax assets	26	3,113,651	3,566,132
Other non-current assets	14	1,492,102	1,292,817
Total assets		55,680,721	40,035,727
Liabilities			
Current liabilities		27,357,730	15,949,538
Short-term financial liabilities	5	344,411	1,141,869
Current portion of long term financial liabilities	5	3,515,714	2,971,529
Trade payables	6	17,833,590	7,496,141
Due to related parties	6, 28	172,497	77,096
Trade payables, third parties		17,661,093	7,419,045
Liabilities for employee benefits	16	79,053	127,500
Other payables	17	33,867	39,300
Due to related parties	17, 28	3,960	24,279
Other payables to third parties		29,907	15,021
Derivative instruments	18	288,176	236,050
Deferred income		10,043	4,878
Current income tax liabilities	26	223	98,749
Provisions	15	200,568	80,345
Provisions for employee benefits		78,192	8,863
Other provisions		122,376	71,482
Other current liabilities	14	5,052,085	3,753,177
Non-current liabilities		15,323,147	14,140,360
Long-term financial liabilities	5	14,990,058	13,836,142
Provisions	15	278,165	257,392
Provisions for employee benefits		278,165	257,392
Deferred income		7,593	3,638
Derivative Instruments	18	46,465	42,237
Other non-current liabilities		866	951
Total liabilities		42,680,877	30,089,898
Equity		12,999,844	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		(1,801,196)	(1,822,867)
Currency translation differences		(3,904)	-
Hedging gains/(losses)		(2,073,710)	(2,094,224)
Cash flow hedge gains/(losses)		(2,073,710)	(2,094,224)
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		276,418	271,357
Restricted reserves	20	503,343	597,086
Retained earnings		5,752,162	5,739,481
Net income		339,782	3,712,789
Total equity attributable to equity holders of the parent		12,838,850	9,824,629
Non-controlling interests		160,994	121,200
Total equity and liabilities		55,680,721	40,035,727

The condensed interim consolidated financial statements as of and for the period ended 30 September 2019 has been approved for issue by the Board of Directors on 7 November 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

	Notes	Reviewed		Reviewed	
		1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Revenue	21	67,970,220	23,309,381	63,749,246	30,247,066
Cost of sales (-)	21	(64,150,485)	(22,152,015)	(56,549,450)	(26,337,227)
Gross profit		3,819,735	1,157,366	7,199,796	3,909,839
General administrative expenses (-)	22	(892,254)	(321,984)	(648,235)	(237,352)
Marketing, selling and distribution expenses (-)	22	(332,771)	(123,264)	(205,683)	(80,913)
Research and development expenses (-)	22	(18,754)	(5,465)	(15,663)	(6,077)
Other operating income	23	601,840	195,115	508,152	238,190
Other operating expenses (-)	23	(1,008,882)	(293,487)	(4,279,650)	(3,021,448)
Operating profit / (loss)		2,168,914	608,281	2,558,717	802,239
Income from investment activities	24	385	266	-	112
Expenses from investment activities (-)	24	-	-	(6,598)	-
Income/(loss) from investments accounted by equity method	9	172,084	62,336	191,202	46,545
Operating profit before financial income/(expense)		2,341,383	670,883	2,743,321	848,896
Financial income	25	963,760	(63,197)	5,162,486	3,060,460
Financial expense (-)	25	(3,177,916)	(754,089)	(5,830,612)	(3,231,178)
Profit/(loss) before tax from continued operations		127,227	(146,403)	2,075,195	678,178
Tax income / (expense)		256,210	6,231	(102,431)	(127,491)
Taxes on income (-)	26	(6,392)	(4)	(174,730)	(136,270)
Deferred tax income / (expense)	26	262,602	6,235	72,299	8,779
Net profit/(loss) from continued operations		383,437	(140,172)	1,972,764	550,687
Other comprehensive income:					
Items not to be reclassified to profit or loss					
Revaluation gain/(loss) on property		6,446,619	-	-	-
Share of other comprehensive income accounted for investment using equity method that will be not reclassified to profit or loss		7,139,764	-	-	-
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		20,831	-	-	-
Deferred tax income/(expense)		(713,976)	-	-	-
		(713,976)	-	-	-
Items to be reclassified to profit or loss					
Currency translation differences		17,810	114,458	(1,526,355)	(1,085,895)
Share of other comprehensive income accounted for investment using equity method that will be reclassified to profit or loss		(3,904)	(2,826)	-	-
Gain/(loss) from translation of foreign currency of investments accounted for using equity method		5,061	(1,889)	29,092	19,144
Income/(expense) relating to avoidance of risk of cash flow		5,061	(1,889)	29,092	19,144
Income/(loss) of avoidance of risk of cash flow		17,760	142,446	(1,933,822)	(1,375,546)
Tax effect of other comprehensive income/(loss) to be reclassified to profit or loss		17,760	142,446	(1,933,822)	(1,375,546)
Deferred tax income/(expense)		(1,107)	(23,273)	378,375	270,507
		(1,107)	(23,273)	378,375	270,507
Other comprehensive income/(expense)		6,464,429	114,458	(1,526,355)	(1,085,895)
Total comprehensive income		6,847,866	(25,714)	446,409	(535,208)
Distribution of income for the period:					
Non-controlling interests					
Attributable to equity holders of the parent		43,655	15,326	26,034	9,085
		339,782	(155,498)	1,946,730	541,602
Distribution of total comprehensive income					
Non-controlling interests					
Attributable to equity holders of the parent		39,794	20,529	(23,205)	(22,275)
		6,808,072	(46,243)	469,614	(512,933)
Earnings (loss) per share from continued operations					
Earnings per share with nominal value kr, 1 each (kr.)	27				
		1.36	(0.62)	7.77	2.16

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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		Share of other comprehensive income of investments accounted for using equity method that will be not reclassified to profit or loss	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
			Gain on revaluation of properties	Actuarial gains/(losses) arising from defined benefit plans		Currency translation differences	Cash flow hedge gains/(losses)							
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	-	-	-	-	-	-	-	-	-	1,946,730	1,946,730	26,034	1,972,764	
- Other comprehensive income	-	-	-	-	-	-	(1,506,208)	29,092	-	-	(1,477,116)	(49,239)	(1,526,355)	
Total comprehensive income	-	-	-	-	-	-	(1,506,208)	29,092	-	1,946,730	469,614	(23,205)	446,409	
30 September 2018	250,419	1,344,243	-	(2,211)	(1,150)	-	(2,648,055)	209,966	597,086	5,739,481	1,946,730	7,436,509	81,109	7,517,618
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	-	-	-	-	-	-	-	-	-	339,782	339,782	43,655	383,437	
- Other comprehensive income	-	-	6,425,788	-	20,831	(3,904)	20,514	5,061	-	-	6,468,290	(3,861)	6,464,429	
Total comprehensive income	-	-	6,425,788	-	20,831	(3,904)	20,514	5,061	-	339,782	6,808,072	39,794	6,847,866	
30 September 2019	250,419	1,344,243	6,425,788	5,021	19,288	(3,904)	(2,073,710)	276,418	503,343	5,752,162	339,782	12,838,850	160,994	12,999,844

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

	Notlar	Reviewed 1 January - 30 September 2019	Reviewed 1 January - 30 September 2018
Cash flows from operating activities		9,846,733	2,854,585
Profit/(loss)		383,437	1,972,764
Adjustment for reconciliation of profit/(loss)		2,146,018	1,136,031
Adjustment for depreciation and amortisation expense	11, 12	522,790	466,184
Adjustments for stock impairment (cancellation)		(87,855)	1,708
Adjustments for stock impairment	8	(87,855)	1,708
Adjustment for provisions	15	127,509	113,040
Adjustment for interest (income) and expense	25	1,207,948	573,958
Adjustment for unrealized foreign currency translation differences		(549,113)	(4,766,116)
Adjustment for fair value (gain) or loss		239,835	(131,742)
Adjustment for income of investments accounted by equity method	9	(172,084)	(191,202)
Adjustment for tax expenses (income)	26	(256,210)	102,431
Adjustment for (gain)/ loss on sales of property, plant and equipment	24	(385)	6,598
Adjustment for other items related with cash flow of investment or financial activities	25	1,141,543	4,971,880
Other adjustments for reconciliation of profit/(loss)		(27,960)	(10,708)
Changes in working capital		7,476,015	(167,733)
Adjustment for decrease/(increase) in trade receivables		(626,039)	(4,402,088)
Adjustment for decrease/(increase) in other receivables related with operations		(527,138)	(1,237,992)
Adjustment for decrease/(increase) in assets of derivative instruments		(127,916)	(288,577)
Adjustment for decrease/(increase) in inventories		(2,636,110)	(3,205,933)
Adjustment for increase/(decrease) in trade payables		10,360,445	8,491,217
Adjustment for increase/(decrease) in other payables related with operations		976,419	(296,578)
Adjustment for decrease/(increase) in liabilities of derivative instruments		56,354	772,218
Cash flows from operating activities		10,005,470	2,941,062
Tax returns/(payments)		(104,918)	(25,183)
Other cash inflow/(outflow)		(53,819)	(61,294)
Cash flows from investing activities		(909,665)	(535,140)
Cash inflows from the sales of property, plant and equipment and intangible assets		1,695	970
Cash outflows from the purchase of property, plant and equipment and intangible assets		(1,007,360)	(656,110)
Dividends received	9	96,000	120,000
Cash flows from financing activities		(5,742,921)	(6,126,036)
Cash inflows from financial liabilities	5	39,137,343	29,690,145
Cash outflows from financial liabilities	5	(39,655,310)	(32,194,993)
Cash inflows from derivative instruments		68,357	547,234
Cash outflows from derivative instruments		(376,228)	(345,057)
Cash outflows from payments of rent agreements	5	(24,191)	-
Dividends paid	20	(3,793,851)	(3,406,452)
Interest paid		(1,478,721)	(685,768)
Interest received		379,680	268,855
Net increase/(decrease) in cash and cash equivalents before the effect of foreign currency translation differences		3,194,147	(3,806,591)
Impact of foreign currency translation differences on cash and cash equivalents	25	548,364	4,766,116
Net increase/(decrease) in cash and cash equivalents		3,742,511	959,525
Cash and cash equivalents at beginning of period		4,553,080	7,592,735
Cash and cash equivalents at end of period	4	8,295,591	8,552,260

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 2019, the shares quoted on the BIST are 49% of the total shares. As of 30 September 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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 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 and retail
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 September 2019 is 6,074 (30 September 2018 – 5,907).

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 NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2019 :

- **Amendment to IFRS 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 IAS 39. The amendments do not have a significant impact in the Group’s consolidated financial statement.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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.
- **IFRS 16, ‘Leases’;** effective from annual periods beginning on or after 1 January 2019. The effect of the amendments impact in the Group’s consolidated financial statement is detailed in Note 2.2.
- **IFRIC 23, ‘Uncertainty over income tax treatments’;** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 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. IFRIC 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.
- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - IFRS 3, ‘Business combinations’, – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - IFRS 11, ‘Joint arrangements’, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - IAS 12, ‘Income taxes’ – a company accounts for all income tax consequences of dividend payments in the same way.
 - IAS 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.

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

- **Amendments to IAS 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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)

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

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

- **Amendments to IAS 1 and IAS 8 on the definition of material**; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs:
 - i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 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.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform**; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The impact of the amendments on The Group’s financial position and performance has been assessed.
- **IFRS 17, ‘Insurance contracts’**; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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)

2.1.4 Principles of consolidation

- a) The condensed consolidated financial statements for the interim period ended 30 September 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 September 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 September 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 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 2019 and 31 December 2018:

	30 September 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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)

TFRS 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 either:
 - 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 for the defined period of time.
 - 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 for the useful life.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration of right of use asset and lease liability in the contract.

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 assess 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

(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 IFRS 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 IFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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)

TFRS 16 Leases (Continued)

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 “Leases”, which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 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 TFRS 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 TFRS 16 simplified transition approach.

The reconciliation of operating lease commitments under TAS 17 before the transition date and the lease liabilities measured under TFRS 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 TFRS 16 (non-discounted)	381,729
Total lease liabilities within the scope of TFRS 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 September 2019:

	30 September 2019	1 January 2019
Land improvements	79,084	122,143
Buildings	103,138	38,816
Machinery and equipment	1,469	2,543
Motor vehicles	26,948	35,237
Total right of use	210,639	198,739

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

(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 September 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 September 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 September 2019 are presented comparatively with the consolidated financial statements for the interim period ended 30 September 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.

2.3. Summary of significant accounting policies

Condensed consolidated financial statements for the period ended 30 September 2019, have been prepared in compliance with TAS 34, the TFRS standard on interim financial reporting. Furthermore, condensed consolidated financial statements as of 30 September 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

3. Business Combinations

No business combinations occurred during the period 30 September 2019.

4. Cash and cash equivalents

	30 September 2019	31 December 2018
Cash at banks		
Revenue share (blocked)	1,770,092	1,425,142
Time deposit	8,292,824	4,551,877
Demand deposits	2,767	1,203
Time deposit interest accruals	40,322	4,606
Total	10,106,005	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 September 2019 and 31 December 2018 (Note 14).

Time deposits and other cash and cash equivalents

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

30 September 2019

	Effective rate of interest (%)	Less than 1 month	1 - 3 months	Total
TL	16.15	4,672,689	1,644,581	6,317,270
USD	3.07	1,857,761	36,237	1,893,998
EUR	0.67	59,777	20,588	80,365
GBP	1.00	1,191	-	1,191
Time deposit		6,591,418	1,701,406	8,292,824

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 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 September 2019 and 30 September 2018 are as follows:

	30 September 2019	30 September 2018
Cash and cash equivalents	10,106,005	9,957,795
Less: Blocked deposits (Revenue share)	(1,770,092)	(1,388,509)
Less: Time deposit interest accruals	(40,322)	(17,026)
Cash and cash equivalents	8,295,591	8,552,260

5. Financial liabilities

	30 September 2019	31 December 2018
Short-term financial liabilities:		
Short-term bank borrowings	344,411	1,139,773
Interest accruals of bank borrowings	-	2,096
Total	344,411	1,141,869
Short-term portion of long-term financial liabilities:		
Short-term portion of long-term bank borrowings	3,147,455	2,780,773
Lease liabilities	26,251	-
Interest accruals of bank borrowings	239,844	156,611
Interest accruals of bonds issued	102,164	34,145
Total	3,515,714	2,971,529
Long-term financial liabilities:		
Long-term bank borrowings	10,193,064	10,148,979
Bonds issued	4,611,370	3,682,630
Lease liabilities	185,624	-
Interest accruals of bank borrowings	-	4,533
Total	14,990,058	13,836,142
Total financial liabilities	18,850,183	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 extend 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

5. Financial liabilities (Continued)

In 2011, Tüpraş has signed three loan agreements in order to finance Res iduumUpgrading 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 September 2019 the outstanding amount of the loans is USD861 million (31 December 2018 - USD954 million).

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

		30 September 2019	
	Effective interest rate (%)	Original Currency	Thousand TRY
Short-term financial liabilities:			
USD borrowings	3.32	22,000,000	124,500
TRY borrowings (*)	-	219,911,230	219,911
Interest accruals			-
Total short-term financial liabilities			344,411
Long-term portion of long-term financial liabilities:			
USD borrowings	4.34	322,250,162	1,823,646
EUR borrowings	2.02	113,364,742	701,002
TRY borrowings	18.07	622,807,473	622,807
GBP lease liabilities	4.16	218,949	1,595
EUR lease liabilities	3.24	969,441	6,351
TRY lease liabilities	20.05	18,304,646	18,305
			3,173,706
Interest accruals			342,008
Total short-term portion long-term financial liabilities			3,515,714
Long-term financial liabilities:			
USD borrowings	4.45	1,009,818,072	5,714,662
USD bonds issued	4.55	700,000,000	3,961,370
EUR borrowings	2.15	63,325,121	391,577
TRY borrowings	21.43	4,086,825,397	4,086,825
TRY bonds issued	26.41	650,000,000	650,000
GBP lease liabilities	4.16	974,497	7,100
EUR lease liabilities	3.24	7,170,714	46,973
TRY lease liabilities	22.35	129,831,488	131,551
			14,990,058
Interest accruals			-
Total long-term financial liabilities			14,990,058

(*) Banks provide interest-free loans to the Group for the payment of SCT, Customs and Social Security debts amounting to TRY219,911 thousand as of 30 September 2019 (31 December 2018 - TRY245,028 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 September 2019 and 31 December 2018, the redemption schedule of long-term bank borrowings is as follows:

	30 September 2019	31 December 2018
1-2 years	6,827,477	4,188,207
2-3 years	1,529,075	2,860,518
3-4 years	1,481,884	1,349,307
4-5 years	949,401	1,347,878
Over 5 years	4,202,221	4,090,232
Total	14,990,058	13,836,142

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

5. Financial liabilities (Continued)

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

	2019	2018
1 January	17,949,540	15,050,984
New financial borrowings	39,137,343	29,690,145
Principal payments	(39,655,310)	(32,194,993)
Increase due to lease liabilities	234,891	-
Decrease due to payment of lease liabilities	(24,191)	-
Changes in interest accruals	144,623	162,948
Changes in foreign exchange rates	1,063,287	6,912,621
30 September	18,850,183	19,621,705

6. Trade receivables and payables

Short-term trade receivables:

	30 September 2019	31 December 2018
Trade receivables	4,920,752	4,327,765
Due from related parties (Note 28)	1,164,442	1,132,117
Doubtful trade receivables	5,374	4,740
Other trade receivables	31	21
Less: Unearned credit finance income	(21,848)	(31,165)
Less: Provision for doubtful receivables	(5,374)	(4,740)
Total short-term trade receivables (net)	6,063,377	5,428,738

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

As at 30 September 2019, Tüpraş has offsetted TRY2,129,000 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 September 2019 and 2018 is as follows:

	2019	2018
1 January	4,740	3,184
Charge for the period	717	1,799
Payments during the period	(83)	(383)
30 September	5,374	4,600

Short-term trade payables:

	30 September 2019	31 December 2018
Trade payables	17,690,210	7,425,166
Due to related parties (Note 28)	172,497	77,096
Less: Unrealised credit finance charges	(29,117)	(6,121)
Total short term trade payables (net)	17,833,590	7,496,141

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

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

7. Other receivables and payables

Other short-term receivables:

	30 September 2019	31 December 2018
Receivable from insurance recoveries	44,645	8,151
Receivable from personnel	14,814	12,809
Deposits and guarantees given	5,316	8,088
Other doubtful receivables	324	324
Less: Provision for other doubtful receivables	(324)	(324)
Total	64,775	29,048

8. Inventories

	30 September 2019	31 December 2018
Raw materials and supplies	1,137,424	1,117,820
Work-in-progress	1,871,569	1,799,367
Finished goods	2,164,124	2,122,910
Trade goods	28,420	76,043
Goods in transit	4,249,814	1,705,496
Other	37,359	30,964
	9,488,710	6,852,600
Less: Provision for impairment in inventories	-	(87,855)
Total	9,488,710	6,764,745

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

	2019	2018
1 January	87,855	1,246
Charge for the period	-	2,954
Provisions no longer required	(87,855)	(1,246)
30 September	-	2,954

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

9. Investments accounted for using the equity method

	30 September 2019		31 December 2018	
	Participation share (%)	Amount	Participation share (%)	Amount
OPET Petrolcülük A.Ş.	40,00	1,368,310	40,00	1,266,334
		1,368,310		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 September 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	172,084	191,202
Dividend payment	(96,000)	(120,000)
Gain on revaluation of property	20,831	-
Currency translation differences	5,061	29,092
30 September	1,368,310	1,234,658

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

	30 September 2019	31 December 2018
Current assets	5,816,726	4,948,159
Non-current assets	3,409,010	2,963,133
Total assets	9,225,736	7,911,292
Short term liabilities	4,052,080	3,282,386
Long term liabilities	2,225,564	1,935,753
Equity	2,948,092	2,693,153
Total liabilities	9,225,736	7,911,292

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Sales (net)	34,327,719	13,003,895	31,920,969	12,855,598
Gross profit	1,450,092	508,775	1,514,478	549,443
Operating profit	721,513	262,252	878,849	332,753
Net income for the period	430,209	155,839	478,004	116,361

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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

11. Property, plant and equipment

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

	1 January 2019	Gain on revaluation of property	Currency translation differences	Additions	Transfers	Disposals	30 September 2019
Cost:							
Lands	62,161	7,139,764	-	-	4,621	-	7,206,546
Land improvements	3,721,772	-	-	-	11,162	(176)	3,732,758
Buildings	789,073	-	-	-	799	(17)	789,855
Machinery and equipment	12,657,231	-	752	159	(49,053)	(334)	12,608,755
Motor vehicles	1,249,363	-	-	530,976	7,947	(1)	1,788,285
Furniture and fixtures	128,559	-	-	2,843	(14,912)	(2,253)	114,237
Construction in progress	339,919	-	-	495,563	44,057	-	879,539
Special costs	1,070	-	-	2,916	-	(1,276)	2,710
Other tangible assets	4,057	-	-	23	-	-	4,080
	18,953,205	7,139,764	752	1,032,480	4,621	(4,057)	27,126,765
Accumulated depreciation:							
Land improvements	(1,456,256)	-	-	(115,400)	(2,230)	176	(1,573,710)
Buildings	(210,688)	-	-	(12,845)	(8)	14	(223,527)
Machinery and equipment	(4,611,075)	-	(3)	(299,631)	(13,462)	323	(4,923,848)
Motor vehicles	(252,335)	-	-	(42,131)	-	-	(294,466)
Furniture and fixtures	(81,852)	-	-	(10,769)	15,700	2,084	(74,837)
Special costs	(44)	-	-	(598)	-	-	(642)
Other tangible assets	(1,788)	-	-	(299)	-	150	(1,937)
	(6,614,038)	-	(3)	(481,673)	-	2,747	(7,092,967)
Net book value	12,339,167						20,033,798
	1 January 2018			Additions	Transfers	Disposals	30 September 2018
Cost:							
Land	48,814	-	-	-	17,700	-	66,514
Land improvements	3,645,079	-	-	-	13,055	(13)	3,658,121
Buildings	771,147	-	-	-	365	-	771,512
Machinery and equipment	12,001,323	77	-	77	60,601	(13,957)	12,048,044
Motor vehicles	1,221,669	7,294	-	7,294	14,564	(371)	1,243,156
Furniture and fixtures	134,130	1,783	-	1,783	(14,867)	(1,250)	119,796
Construction in progress	500,802	427,380	-	427,380	(101,010)	-	827,172
Special costs	-	-	-	-	400	-	400
Other tangible assets	2,614	112	-	112	-	-	2,726
	18,325,578	436,646		436,646	(9,192)	(15,591)	18,737,441
Accumulated depreciation:							
Land improvements	(1,304,166)	(113,997)	-	(113,997)	-	14	(1,418,149)
Buildings	(193,944)	(12,580)	-	(12,580)	-	-	(206,524)
Machinery and equipments	(4,235,088)	(287,016)	-	(287,016)	-	6,643	(4,515,461)
Motor vehicles	(206,631)	(37,369)	-	(37,369)	-	192	(243,808)
Furniture and fixtures	(80,869)	1,225	-	1,225	-	1,174	(78,470)
Special costs	-	(13)	-	(13)	-	-	(13)
Other tangible assets	(1,443)	(212)	-	(212)	-	-	(1,655)
	(6,022,141)	(449,962)		(449,962)	-	8,023	(6,464,080)
Net book value	12,303,437						12,273,361

Total depreciation expense amounting to TRY481,673 thousand (30 September 2018 – TRY449,962 thousand) in the consolidated statement of comprehensive income for the period ended 30 September 2019 has been allocated to cost of goods sold amounting to TRY460,689 thousand (30 September 2018 - TRY 426,162 thousand), to marketing, sales and distribution expenses amounting to TRY6 thousand (30 September 2018 – TRY3 thousand), to general administration expenses amounting to TRY20,978 thousand (30 September 2018 - TRY23,797 thousand).

The depreciation expense related to right-of-use assets in the consolidated statement of comprehensive income for the period ended as of 30 September 2019 is TRY24,252 thousand and has been classified to general administration expenses (30 September 2018 - None).

As of 30 September 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

12. Intangible assets

Other intangible assets:

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

	1 January 2019	Additions	Transfers	Disposals	30 September 2019
Cost:					
Rights and software	91,242	3,042	-	-	94,284
Development expenses	85,407	1,380	-	-	86,787
	176,649	4,422	-	-	181,071
Accumulated amortisation:					
Rights and software	(54,295)	(9,929)	-	-	(64,224)
Development expenses	(64,169)	(6,936)	-	-	(71,105)
	(118,464)	(16,865)	-	-	(135,329)
Net book value	58,185				45,742
	1 January 2018	Additions	Transfers	Disposals	30 September 2018
Cost:					
Rights and software	81,464	118	4,491	-	86,073
Development expenses	80,039	-	4,701	-	84,740
	161,503	118	9,192	-	170,813
Accumulated amortisation:					
Rights and software	(43,060)	(8,005)	-	-	(51,065)
Development expenses	(53,256)	(8,217)	-	-	(61,473)
	(96,316)	(16,222)	-	-	(112,538)
Net book value	65,187				58,275

Total amortisation expenses amounting to TRY16,865 thousand (30 September 2018 – TRY16,222 thousand) in the consolidated statement of comprehensive income for the period ended 30 September 2019 have been allocated to the general administration expenses.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

13. Prepaid expenses

Short term prepaid expenses:

	30 September 2019	31 December 2018
Insurance and other expenses	128,545	81,320
Advances given	102,491	27,369
Total	231,036	108,689

Long term prepaid expenses:

	30 September 2019	31 December 2018
Advances given to related parties for property, plant and equipment (Note 28)	201,041	252,101
Advances given to third parties for property, plant and equipment	146,403	124,885
Other prepaid expenses	1,680	1,014
Total	349,124	378,000

14. Other assets and liabilities

Other current assets:

	30 September 2019	31 December 2018
Deferred Value Added Tax (“VAT”)	1,681,937	843,703
VAT Receivable	603,391	622,111
Deferred Special Consumption Tax (“SCT”)	137,750	67,912
Spare parts and material stocks	87,100	67,081
Income accruals	67,933	57,120
Deferred VAT	35,121	2,579
Taxes and funds to be offsetted	21,436	16,141
Income accruals from commodity hedge	-	761,184
Other current assets	7,070	34,794
Total	2,641,738	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 in 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

14. Other assets and liabilities (Continued)

Other long-term liabilities:

	30 September 2019	31 December 2018
Spare parts and materials	1,481,818	1,284,892
Other	10,284	7,925
Total	1,492,102	1,292,817

Other non-current assets:

	30 September 2019	31 December 2018
Revenue share	1,328,962	1,430,111
SCT payable	1,776,126	1,254,611
Deferred VAT	1,682,031	843,703
Deferred SCT	137,750	67,912
Other taxes and liabilities	33,368	66,127
VAT payable	2,488	11,873
Other	91,360	78,840
Total	5,052,085	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.

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 TRY1,776,126 thousand accumulated as at 30 September 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”, TRY1,770,092 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).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

15. Provisions

Provision for employee benefits:

Short-term provision for employee benefits:

	30 September 2019	31 December 2018
Personnel bonus accruals	72,648	5,342
Seniority incentive bonus provision	5,544	3,521
Total	78,192	8,863

Long-term employee benefits:

	30 September 2019	31 December 2018
Provision for employment termination benefits	196,571	186,525
Provision for unused vacation	67,019	59,787
Seniority incentive bonus provision	14,575	11,080
Total	278,165	257,392

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	8,825	9,311
Payments during the period	(3,307)	(9,051)
30 September	20,119	13,456

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

15. Provisions (Continued)

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 September 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	23,392	14,822
Increase during the period	13,982	15,004
Payments during the period	(27,328)	(23,671)
30 September	196,571	174,062

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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	13,522	12,700
Payments during the period	(6,290)	(5,822)
30 September	67,019	57,533

Other short term provisions :

	30 September 2019	31 December 2018
EMRA participation share	43,256	33,473
Provision for demurrage	23,243	18,108
Provisions for pending claims and law suits	20,363	19,038
Other	35,514	863
Total	122,376	71,482

Movement of the short-term provisions for the period ended 30 September 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	1,483	26,519	5,135	34,651	67,788
Payments during the period, net	(158)	(16,736)	-	-	(16,894)
30 September 2019	20,363	43,256	23,243	35,514	122,376
1 January 2018	16,209	23,823	11,484	25,779	77,295
Changes for the period, net	3,462	32,255	13,330	12,156	61,203
Payments during the period, net	(667)	(19,604)	(2,479)	-	(22,750)
30 September 2018	19,004	36,474	22,335	37,935	115,748

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 September 2019	31 December 2018
Social security withholdings payment	36,550	26,646
Due to the personnel	42,503	100,854
Total	79,053	127,500

17. Other payables

	30 September 2019	31 December 2018
Deposits and guarantees received	29,907	15,021
Other payables to related parties (Note 28)	3,960	24,279
Total	33,867	39,300

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

18. Derivative instruments

	30 September 2019				31 December 2018			
	Fair values		Assets	Liabilities	Fair values		Assets	Liabilities
	Purchase contract amount	Sales contract amount			Purchase contract amount	Sales contract amount		
<i>Cash flow hedge</i>								
Interest rate swap	555,661	555,661	-	38,827	519,039	519,039	12,607	2,694
Cross currency swap	1,141,181	1,095,099	93,119	81,709	463,224	438,266	95,282	42,123
Commodity derivative	1,045,213	1,045,213	23,330	29,278	2,146,042	2,146,042	66,580	184,388
<i>Derivatives held for trading</i>								
Currency forwards	7,247,043	7,493,234	4,348	134,773	2,156,969	2,177,520	1,063	6,845
Commodity derivative	4,327,285	4,327,285	228,980	3,589	-	-	-	-
Short term derivative financial instruments			349,777	288,176			175,532	236,050
<i>Cash flow hedge</i>								
Interest rate swap	2,592,023	2,592,023	-	34,758	2,096,063	2,096,063	21,942	5,648
Cross currency swap	819,859	679,496	121,937	11,707	884,668	759,476	146,324	36,589
Long term derivative financial instruments			121,937	46,465			168,266	42,237
Total			471,714	334,641			343,798	278,287

As of 30 September 2019, forward foreign exchange transactions consist of forward and currency swap transactions which generate a sales obligation of TRY7,493,234 thousand in exchange of USD1,280,600 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 September 2019, interest rate swap consists of exchange of floating rate instalment payments of long term borrowings and bonds amounting to USD419,582 thousand (31 December 2018: USD466,637 thousand), EUR19,928 thousand (31 December 2018: EUR26,571) and TRY650,000 thousand with fixed rate instalment payments for cash flow hedging.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2018

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

18. Derivative instruments (Continued)

As of 30 September 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 USD147,506 thousand (31 December 2018: USD216,395 thousand) with foreign currency indexed floating interest long-term borrowing of TRY638,097 thousand, EUR156,900 thousand (31 December 2018 - None) of foreign currency indexed floating interest long-term borrowing of TRY979.448 thousand TRY indexed fixed interest rate transaction, EUR8,857 thousand long-term borrowing (31 December 2018: EUR13,286 thousand) foreign currency indexed interest rate of long-term borrowing of TRY32,859 thousand (31 December 2018: TRY49,288 thousand) foreign currency indexed interest rate swap transactions with TRY currency indexed fixed interest payments amounting to TRY32,859 thousand (31 December 2018: TRY49,288 thousand) and TRY currency indexed of swap transactions with total of USD9,337 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 September 2019. Future sales product crack margin fixing transactions have been made for gasoline of 2,160 thousand barrels, jet fuel stocks of 1,525 thousand barrels, diesel stock stocks of 4,305 thousand barrels and fuel oil stocks of 994 thousand barrels for fourth quarter of 2019, and gasoline stocks of 624 thousand barrels, jet fuel stocks of 442 thousand barrels, diesel stocks of 1,248 thousand barrels and fuel oil stocks of 286 thousand barrels for first quarter of 2020. The weighted average of the fixed margin of these transactions are USD5,50 for gasoline, USD15,13 for jet fuel, USD18,23 for diesel and USD-14,97 for fuel oil per barrel. The total of swap transactions for crude oil stocks is 4,850 thousand barrels with weighted average fixed price of USD62,59. The zero cost collar option transactions were made for total of 3,600 thousand barrels and the the weighted average purchase price of the option transactions giving the right to sell was USD61,48/barrel, and the weighted average selling price of the option transactions that resulted in sales obligation was USD66,61/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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

19. Commitments and contingent assets and liabilities

	30 September 2019		31 December 2018	
	Original currency:	TRY amount:	Original currency:	TRY amount:
Guarantees received:				
Letter of guarantees received		1,171,080		1,369,463
- Letter of guarantees in TRY	734,672	734,672	726,627	726,627
- Letter of guarantees in USD	45,098	255,209	99,623	524,106
- Letter of guarantees in EUR	28,176	174,229	18,830	113,509
- Letter of guarantees in other currencies	-	6,970	-	5,221
Guarantee notes received		1,237		1,137
- Guarantee notes in TRY	1,237	1,237	1,137	1,137
Guarantee letters received		333,573		313,045
- Guarantee letters received in TRY	50,000	50,000	50,000	50,000
- Guarantee letters received in USD	50,000	282,955	50,000	263,045
- Guarantee letters received in EUR	100	618	-	-
Guarantee letters of credit		295,563		784,400
- Letters of credit in USD	52,228	295,563	149,100	784,400
Direct debiting limits		521,738		405,337
- TRY direct debiting limits	521,738	521,738	405,337	405,337
Total guarantees received		2,323,191		2,873,382
Guarantees given:				
Letter of credits given		1,887,381		310,392
- Letter of credits in USD	329,705	1,865,834	40,260	211,804
- Letter of credits in EUR	3,011	18,619	1,309	7,888
- Letter of credits in other currencies	-	2,928	-	90,700
Letter of guarantees given		1,661,010		1,067,670
- Letter of guarantees in TRY	1,312,601	1,312,601	941,808	941,808
- Letter of guarantees in USD	60,200	340,679	20,200	106,271
- Letter of guarantees in EUR	1,250	7,730	3,250	19,591
Letters of guarantee given to customs offices		809,663		1,399,598
- Letter of guarantees in TRY	797,296	797,296	1,399,598	1,399,598
- Letter of guarantees in EUR	2,000	12,367	-	-
Letters of guarantee given to banks		974,225		970,480
- Letter of guarantees in USD	140,324	794,108	139,129	731,946
- Letter of guarantees in EUR	29,128	180,117	39,571	238,534
Total guarantees given		5,332,279		3,748,140

As at 30 September 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 September 2019, letters of guarantee given to banks are given for loans which were used by Companies within scope of consolidation amounting to TRY862,443 thousand (31 December 2018: TRY863,992 thousand) and for derivative financial instruments amounting to TRY111,782 thousand (31 December 2018: TRY106,488 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

19. Commitments and contingent assets and liabilities (Continued)

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

	30 September 2019	31, December 2018
A. CPMs given for companies in the name of its own legal personality	4,358,054	2,777,660
- TRY	2,109,897	2,341,406
- USD	2,206,513	318,075
- EUR	38,716	27,479
- Other	2,928	90,700
B. CPMs given on behalf of the fully consolidated companies	974,225	970,480
- USD	794,108	731,946
- EUR	180,117	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	5,332,279	3,748,140

20. Equity

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

	30 September 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 September 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 TRY1,618,086 thousand as at 30 September 2019. This amount includes inflation adjustment differences of the equity accounts amounting to TRY1,698,998 thousand and other reserves amounting to TRY15,073 thousand which are subject to corporate taxation when distributed as dividends.

In the period ended as of 30 September 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 TRY12.8775 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

21. Revenue and cost of sales

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Domestic revenue	54,059,061	19,550,780	56,541,529	26,685,425
Export revenue	14,714,318	4,051,722	8,295,888	4,057,815
Gross sales	68,773,379	23,602,502	64,837,417	30,743,240
Less: Sales discounts	(699,312)	(261,061)	(990,194)	(433,705)
Less: Sales returns	(103,847)	(32,060)	(97,977)	(62,469)
Sales (net)	67,970,220	23,309,381	63,749,246	30,247,066
Cost of goods sold	(64,150,485)	(22,152,015)	(56,549,450)	(26,337,227)
Gross profit	3,819,735	1,157,366	7,199,796	3,909,839

Cost of sales:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Raw material, manufactured and consumable material	60,357,871	21,037,401	53,830,326	25,303,963
Energy expenses	1,944,613	658,093	1,072,099	446,751
Personnel expenses	638,965	242,288	559,628	201,179
Depreciation and amortization (Note 11)	460,689	156,974	426,162	142,365
Other production expenses	748,347	57,259	661,235	242,969
Cost of sales	64,150,485	22,152,015	56,549,450	26,337,227

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

General administrative expenses:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Personnel expenses	387,408	143,726	269,638	98,969
Insurance expenses	112,781	42,007	79,446	29,591
Taxes and duties	91,831	32,525	74,788	26,305
Depreciation and amortization (Note 11-12)	65,282	24,722	49,195	16,564
Outsourced services	62,095	20,952	40,019	13,571
Office expenses	47,459	14,408	25,217	8,749
Subscription fees	30,776	9,815	26,088	10,611
Lawsuit and consultancy expenses	24,359	10,340	15,289	4,554
Donations	16,576	6,086	15,240	7,423
Rent expenses	5,177	1,042	14,741	7,162
Transportation and travel expenses	4,036	1,311	3,219	1,027
Other	44,474	15,050	35,355	12,826
Total general administrative expenses	892,254	321,984	648,235	237,352

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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

Marketing expenses:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Personnel expenses	117,409	55,370	54,924	23,863
Transportation, storage and insurance expenses	110,549	31,715	87,363	30,249
Advertising expenses	19,577	6,253	9,833	4,193
Energy expenses	15,953	2,116	4,205	2,611
Outsourced services	10,747	3,084	6,867	2,414
Depreciation and amortization (Note 11)	6	3	3	1
Other	58,530	24,723	42,488	17,582
Total marketing expenses	332,771	123,264	205,683	80,913

Research and development expenses:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Personnel expenses	11,983	3,511	9,486	2,740
Licence expenses	2,817	1,012	1,834	618
Outsourced services	710	178	384	98
Other	3,244	764	3,959	2,621
Total research and development expenses	18,754	5,465	15,663	6,077

23. Other operating income/(expenses)

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Other operating income:				
Credit finance gains	531,340	180,604	386,033	194,752
Foreign exchange gain from trade receivables	16,915	9,681	50,570	34,012
Rent income	3,548	1,271	2,647	1,328
Provisions no longer required	13	1	16,383	(1,927)
Other	50,024	3,558	52,519	10,025
Total other operating income	601,840	195,115	508,152	238,190

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Other operating expense:				
Foreign exchange loss from trade payables	(510,960)	(368,495)	(88,832)	(47,633)
Credit finance charges	(474,754)	71,017	(4,152,643)	(2,954,402)
Other	(23,168)	3,991	(38,175)	(19,413)
Total other operating expense	(1,008,882)	(293,487)	(4,279,650)	(3,021,448)

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

24. Income/(expense) from investment activities

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Gain/(loss) on sales of property plant and equipment and intangible assets	385	266	(6,598)	112
Total income/(expense) from investment activities	385	266	(6,598)	112

25. Financial income/(expenses)

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Financial income:				
Interest income on deposits	415,396	258,904	274,758	114,086
Foreign exchange gains on deposits	548,364	(214,247)	4,766,116	3,217,293
Financial income on derivative instruments	-	(107,854)	121,612	(270,919)
Total financial income	963,760	(63,197)	5,162,486	3,060,460
Financial expense:				
Foreign exchange losses on borrowings	(1,141,543)	53,411	(4,971,880)	(2,850,489)
Interest expenses	(1,623,344)	(467,119)	(848,716)	(382,497)
Financial losses on derivative instruments	(401,776)	(331,806)	(5,903)	3,588
Other	(11,253)	(8,575)	(4,113)	(1,780)
Total financial expense	(3,177,916)	(754,089)	(5,830,612)	(3,231,178)

26. Tax assets and liabilities

i) Corporate tax:

	30 September 2019	31 December 2018
Current period corporate tax provision	6,392	218,388
Current year tax assets	(6,169)	(119,639)
Corporation tax provision	223	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).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 September 2019 and 31 December 2018 using the enacted tax rates are as follows:

	Cumulative temporary Differences		Deferred tax (liability)/asset	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Fair value difference of derivative instruments	164,241	68,004	(36,133)	(14,961)
Gain on revaluation of property	7,139,764	-	(713,976)	-
Prepaid expenses	38,514	51,680	(8,473)	(11,370)
Deferred Tax Income (net)	7,268	-	(1,599)	-
Deferred tax liability			(760,181)	(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	1,230,750	1,210,352	270,764	266,277
Employment termination benefits and seniority incentive bonus provision	208,394	190,477	45,846	41,905
Provision for unused vacation liability	57,873	51,646	12,732	11,362
Provisions for pending claims and lawsuits	20,241	18,547	4,453	4,080
Provision for inventory impairment	-	87,855	-	19,328
Deferred financial income, (net)	-	25,044	-	5,510
Other	119,636	71,219	26,319	15,668
Deferred tax assets			3,873,832	3,592,463
Deferred tax asset – net			3,113,651	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	262,602	72,299
Charge to equity:		
- Hedging cash flow gains/(losses)	(1,107)	378,375
- Revaluation of property gains/(losses)	(713,976)	-
30 September	3,113,651	3,518,545

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

27. Earnings per share

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Profit for the year attributable to shareholders of the Company	339,782	(155,498)	1,946,730	541,602
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	1.36	(0.62)	7.77	2.16

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 September 2019	31 December 2018
Yapı ve Kredi Bankası A.Ş. (2)	937,168	2,428,620
Total	937,168	2,428,620

b) Due from related parties:

	30 September 2019	31 December 2018
Opet Petrolcülük A.Ş. (1)	898,424	642,361
THY OPET Havacılık Yakıtları A.Ş. (1)	167,605	420,121
Aygaz A.Ş. (2)	91,862	64,500
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	6,251	5,055
Other (2)	421	80
Total	1,164,442	1,132,117

As of 30 September 2019, Tüpraş has offset TRY629,000 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

28. Related party transactions (Continued)

c) Trade payables:

	30 September 2019	31 December 2018
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	112,652	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	14,768	15,021
Opet Petrolcülük A.Ş. (1)	10,159	6,368
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	8,127	5,144
RAM Sigorta Aracılık Hizmetleri A.Ş. (2)	7,590	9,348
Koç Sistem Bilgi ve İletişim A.Ş. (2)	6,121	18,343
Aygaz A.Ş. (2)	3,994	6,885
THY OPET Havacılık Yakıtları A.Ş. (1)	2,763	4,022
Ark İnşaat A.Ş. (2)	335	5,126
Setur Servis Turistik A.Ş. (2)	163	1,421
Other (2)	5,825	5,418
Total	172,497	77,096

d) Other payables:

	30 September 2019	31 December 2018
Koç Holding A.Ş. (3)	3,960	24,279
Total	1,973	24,279

e) Advances given for property, plant and equipment:

	30 September 2019	31 December 2018
RMK Marine Gemi Yapım Sanayii ve Deniz Taşınacılığı İşl. A.Ş. (2)	183,474	243,379
Ark İnşaat A.Ş. (2)	17,480	8,722
Other (2)	87	-
Total	201,041	252,101

f) Bank loan:

	30 September 2019	31 December 2018
Yapı ve Kredi Bankası A.Ş. (2)	113,820	7,948
Total	113,820	7,948

g) Lease liabilities:

	30 September 2019	31 December 2018
Koç Ailesi (1)	57,015	-
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	26,037	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	416	-
Total	83,469	-

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

28. Related party transactions (Continued)

h) Product and service sales:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Opet Petrolcülük A.Ş. (1)	10,742,546	3,883,313	10,611,099	4,848,419
THY OPET Havacılık Yakıtları A.Ş. (1)	4,216,089	971,239	7,646,035	3,479,287
Aygaz A.Ş. (2)	536,630	150,941	540,429	275,845
Opet Fuchs Madeni Yağ San. ve Tic. A.Ş. (1)	32,568	11,858	30,363	9,058
Other (2)	14,047	8,863	414	192
Toplam	15,541,880	5,026,214	18,828,340	8,612,801

i) Product and service purchases:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Aygaz Doğalgaz Toptan Satış A.Ş. (2)	884,583	312,712	-	-
Ram Sigorta Aracılık Hizmetleri A.Ş. (2)(**)	157,434	8,013	111,394	386
Aygaz A.Ş. (2)	129,670	37,489	202,385	87,858
Opet Petrolcülük A.Ş. (1)	100,964	33,000	87,394	37,265
Opet International Limited (1)	91,319	50,693	324,743	193,442
Zer Merkezi Hizmetler ve Ticaret A.Ş. (2)	65,039	22,624	60,228	21,443
THY OPET Havacılık Yakıtları A.Ş. (1)	31,367	9,560	36,435	19,986
Koç Sistem Bilgi ve İletişim A.Ş. (2)	25,450	12,009	17,053	7,648
Koç Holding A.Ş. (3) (*)	21,641	8,981	14,163	708
Otokoç Otomotiv Tic. ve San. A.Ş. (2)	15,564	5,476	9,990	4,290
Other (2)	44,760	14,361	57,073	32,148
Total	1,567,791	514,918	920,858	405,174

(*) 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 September 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 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
RMK Marine Gemi Yapım Sanayii ve Deniz Taşımacılığı İşletmesi A.Ş. (2)	64,355	16,500	-	-
Entek Elektrik Üretimi A.Ş. (2)	46,100	-	-	-
Ark İnşaat A.Ş. (2)	38,541	14,932	13,976	8,399
Aygaz A.Ş. (2)	-	-	17,800	-
Algoritma Sağlık Hizmetleri A.Ş. (2)	-	-	4,856	1,463
Koç Sistem Bilgi ve İletişim A.Ş. (2)	-	-	3,254	1,169
Other(2)	9,155	4,112	1,162	158
Total	158,151	35,544	41,048	11,189

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 TRY22,598 thousand as of period ending on 30 September 2019 (30 September 2018 – TRY9,769 thousand), TRY6,700 (30 September 2018 - None) of this amount is related to payments due to termination of employment and the remaining portion consists of short-term benefit.

l) Financial expenses paid to related parties:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Yapı Kredi Faktoring A.Ş. (2)	8,555	388	3,123	1,908
Yapı ve Kredi Bankası A.Ş. (2)	17,168	5,545	579	312
Yapı Kredi Bank Nederland N.V.(2)	179	-	102	102
Total	25,902	5,933	3,804	2,322

m) Time deposit interest income:

	1 January - 30 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Yapı ve Kredi Bankası A.Ş. (2)	74,767	23,353	137,033	47,109
Total	74,767	23,353	137,033	47,109

n) Donations:

As of 30 September 2019, total donation is amounting to TRY144 thousand (30 September 2018 – TRY5,698 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

29. Financial instruments and financial risk management (Continued)

Credit risk (Continued):

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

30 September 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	1,164,442	4,898,935	-	64,775	10,106,005	471,714	-
- Secured portion of the maximum credit risk by guarantees, etc.	-	715,892	-	-	-	-	-
A. Net book value of financial asset either are not due or not impaired	1,164,442	4,831,592	-	64,775	10,106,005	471,714	-
B. Net book value of overdue but not impaired financial assets	-	67,343	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Overdue (gross book value)	-	5,374	-	324	-	-	-
- Impairment (-)	-	(5,374)	-	(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 September 2019	Receivables		Bank deposits	Derivative instruments	Other Trade receivables
	Trade receivables	Other Receivables			
Overdue (1-30 days)	37,471	-	-	-	-
Overdue (1-3 months)	9,038	-	-	-	-
Overdue (3-12 months)	18,808	-	-	-	-
Overdue (1-5 years)	2,026	-	-	-	-
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 TRY65,200 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Group 1	14	4,842
Group 2	2,528,464	2,102,638
Group 3	3,162,853	3,137,892
Group 4	304,703	112,165
Totaş	5,996,034	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).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 September 2019 and 31 December 2018:

	30 September 2019		31 December 2018	
	TRY	USD(*)	TRY	USD(*)
Monetary assets	2,434,186	430,137	5,288,783	1,005,300
Monetary liabilities	(25,886,392)	(4,574,295)	(20,841,883)	(3,961,657)
Monetary assets / (liabilities) foreign currency position	(23,452,206)	(4,144,158)	(15,553,100)	(2,956,357)
Non-monetary assets	55,069	9,731	807,947	153,576
Net foreign currency position of derivative financial instruments	9,051,035	1,599,377	3,302,295	627,705
Net foreign currency asset / (liability) position	(14,346,102)	(2,535,050)	(11,442,858)	(2,175,076)
Cash flow hedging (**)	4,889,767	864,054	5,166,635	982,082
Net foreign currency position after cash flow hedging	(9,456,335)	(1,670,996)	(6,276,223)	(1,192,994)
Inventory in natural hedge scope (***)	9,515,868	1,681,516	6,333,567	1,203,894
Net foreign currency position after cash flow hedging and natural hedge	59,533	10,520	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 USD864,054 thousand, which is equivalent to TRY4,889,767 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 September 2019, TRY2,490,168 (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 September 2019, the foreign exchange loss amounting to TRY469,743 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 September 2019, foreign exchange loss of these loans in 2019 amounting to TRY383,945 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 September 2019, the Group has crude oil and petroleum products inventories amounting to TRY9,515,868 thousand (31 December 2018: TRY6,333,567 thousand).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

29. Financial instruments and financial risk management (Continued)

	Foreign exchange position table									
	30 September 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	178,622	31,479	61	-	99	744,813	141,461	57	-	257
Monetary financial assets (including cash, banks)	2,246,911	379,697	15,650	201	-	4,505,691	537,016	278,764	-	114
Other	55,069	9,581	109	10	105	807,947	153,492	73	-	-
Current assets	2,480,602	420,757	15,820	211	204	6,058,451	831,969	278,894	-	371
Monetary financial assets	6,697	-	1,082	-	-	38,279	4,171	2,710	-	-
Other	1,956	-	-	282	-	-	-	-	-	-
Non-current assets	8,653	-	1,082	282	-	38,279	4,171	2,710	-	-
Total assets	2,489,255	420,757	16,902	493	204	6,096,730	836,140	281,604	-	371
Trade payables	12,746,772	2,245,308	5,227	12	7,931	6,266,612	1,173,998	12,276	-	16,326
Financial liabilities	2,857,114	379,345	114,621	230	-	3,278,691	486,945	118,932	-	-
Other monetary liabilities	130,873	21,937	157	829	-	260,178	49,313	124	-	-
Current liabilities	15,734,759	2,646,590	120,005	1,071	7,931	9,805,481	1,710,256	131,332	-	16,326
Financial liabilities	10,121,603	1,709,818	70,909	1,022	-	11,016,934	1,894,245	174,436	-	-
Other monetary liabilities	30,030	5,215	84	-	-	19,468	3,578	107	-	-
Non-current liabilities	10,151,633	1,715,033	70,993	1,022	-	11,036,402	1,897,823	174,543	-	-
Total liabilities	25,886,392	4,361,623	190,998	2,093	7,931	20,841,883	3,608,079	305,875	-	16,326
Net asset/(liability) position of off-balance sheet foreign currency derivatives	9,051,035	1,406,160	176,828	-	-	3,302,295	597,260	26,571	-	-
Total amount of off-balance sheet derivative financial assets	9,175,224	1,428,105	176,828	-	-	3,455,571	626,395	26,571	-	-
Total amount of off-balance sheet derivative financial liabilities	(124,189)	(21,945)	-	-	-	(153,276)	(29,135)	-	-	-
Net foreign currency asset/(liability) position	(14,346,102)	(2,534,706)	2,732	(1,600)	(7,727)	(11,442,858)	(2,174,679)	2,300	-	(15,955)
Cash flow hedging	4,889,767	864,054	-	-	-	5,166,635	982,082	-	-	-
Net foreign currency position after cash flow hedging	(9,456,335)	(1,670,652)	2,732	(1,600)	(7,727)	(6,276,223)	(1,192,597)	2,300	-	(15,955)
Net monetary foreign currency asset/(liability) position	(23,454,162)	(3,950,447)	(174,205)	(1,892)	(7,832)	(15,553,100)	(2,925,431)	(24,344)	-	(15,955)
Fair value of derivative instruments										
Used for hedging	(8,785)	(4,769)	3,720	-	-	157,112	23,154	5,856	-	-

As at 30 September 2019, the Group has TRY59,533 thousand as net foreign currency surplus after natural hedging (31 December 2018: TRY57,344 thousand net foreign currency surplus.)
(Page 45).

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

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

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 September 2019 and 31 December 2018

Statement of foreign currency risk sensitivity				
30 September 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	(2,235,597)	2,235,597	(467,595)	467,595
Amount hedged for USD risk (-)	1,270,490	(1,270,490)	-	-
USD net effect	(965,107)	965,107	(467,595)	467,595
10% change in EUR rate:				
Euro net assets/ liabilities	(107,721)	107,721	-	-
Amount hedged for Euro risk (-)	109,343	(109,343)	-	-
EUR net effect	1,622	(1,622)	-	-
Total	(963,485)	963,485	(467,595)	467,595
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 September 2019	1 July - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2018
Export				
USD (equivalent of thousand TRY)	14,708,998	9,277,987	8,295,888	4,057,815
Total	14,708,998	9,277,987	8,295,888	4,057,815
Import				
USD (equivalent of thousand TRY)	54,805,135	37,507,646	50,690,545	23,664,069
Total	54,805,135	37,507,646	50,690,545	23,664,069

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

(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 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Total financial liabilities (Note 5)	18,850,183	17,949,540
Less: Cash and cash equivalents (Note 4)	(8,335,913)	(4,557,686)
Net financial liabilities	10,514,270	13,391,854
Total shareholders’ equity	12,999,844	9,945,829
Total capital invested	23,514,114	23,337,683
Gearing ratio	% 44,71	% 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.

TÜRKİYE PETROL RAFİNERİLERİ A.Ş.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2019

(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 in puts

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

Financial assets at fair value in statement of financial position	Level 1	Level 2	Level 3
Derivative financial assets	-	471,714	-
Financial investment	-	-	-
Financial liabilities at fair value in statement of financial position			
Derivative financial liabilities	-	334,641	-

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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